



IMAX CHINA HOLDING, INC.

Incorporated in the Cayman Islands with limited liability

Stock code : 1970



Interim Report 2020

IMAX[®]

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Jiande Chen, *Vice Chairman*

Jim Athanasopoulos, *Chief Financial Officer and
Chief Operating Officer*

Mei-Hui (Jessie) Chou, *Chief Marketing Officer*

Non-executive Directors

Richard Gelfond, *Chairman*

Megan Colligan

Independent Non-executive Directors

John Davison

Yue-Sai Kan

Dawn Taubin

Peter Loehr

AUDIT COMMITTEE

John Davison (Chair)

Dawn Taubin

Richard Gelfond

REMUNERATION COMMITTEE

Yue-Sai Kan (Chair)

John Davison

Megan Colligan

NOMINATION COMMITTEE

Richard Gelfond (Chair)

Yue-Sai Kan

Peter Loehr

JOINT COMPANY SECRETARIES

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

Zi Maggie Chen

AUTHORISED REPRESENTATIVES

Jim Athanasopoulos

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

AUDITOR

PricewaterhouseCoopers

Certified Public Accountants

CORPORATE HEADQUARTERS

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Huangpu District, Shanghai

People's Republic of China

REGISTERED OFFICE

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Grand Cayman

KY1-1104 Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

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Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong

STOCK CODE

1970

COMPANY WEBSITE

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Financial Highlights

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Total revenue (US\$'000)	6,662	59,256
Gross (loss) profit (US\$'000)	(4,042)	41,047
Gross (loss) profit %	(60.7%)	69.3%
(Loss) profit for the period (US\$'000)	(35,248)	23,965
(Loss) profit for the period %	(529.1%)	40.4%
(Loss) profit per share (US\$)	(0.10)	0.07
Adjusted (loss) profit (US\$'000)	(15,512)	24,894
Adjusted (loss) profit %	(232.8%)	42.0%
Selling, general and administrative expenses (US\$'000)	(7,564)	(7,838)
Adjusted EBITDA (US\$'000)	(13,424)	38,039
Adjusted EBITDA %	(201.5%)	64.2%
Total theater system signings	22	51
Sales arrangements	12	8
Revenue sharing arrangements	—	43
IMAX with Laser upgrades	10	—
Total theater system installations	3	30
Sales arrangements	1	5
Revenue sharing arrangements	2	19
IMAX with Laser upgrades	—	6
Gross box office (US\$'000)	7,393	235,959
Box office per screen (US\$'000)	11	379

2020 OUTLOOK

We continue to work closely with our partners in preparation for when the coronavirus outbreak subsides and as theaters fully re-open. Although partial theatres have been allowed to begin the reopening process since July with execution of prevention and control measures regarding the COVID-19 pandemic, given the situation is still evolving, we cannot provide guidance at this time for 2020. We intend to provide more information related to installation guidance when the situation has further stabilized.

Management Discussion and Analysis

OVERVIEW

The management discussion and analysis is based on the Company's condensed consolidated interim financial information for 1HFY2020 prepared in accordance with International Accounting Standard 34 and must be read together with the condensed consolidated interim financial information and the notes which form an integral part of the condensed consolidated interim financial information.

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

Revenue

We derive a majority of our revenue from our three primary groups — IMAX Technology Network, IMAX Technology Sales and Maintenance and New Business Initiatives and Other.

IMAX Technology Network

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

- IMAX DMR films, pursuant to which the Company generates revenue from a certain percentage of IMAX box office received by our studio partners for the conversion and release of Hollywood and Chinese language films to the IMAX theatre network. IMAX DMR films revenue is recognized when reported by our exhibitor partners;
- Revenue sharing arrangements, of which the Company has two types — full revenue sharing arrangements and hybrid revenue sharing arrangements. Under its full revenue sharing arrangements, the Company leases IMAX theater systems to its exhibitor partners, and provides related services, in return for ongoing fees of contingent rent based on a percentage of the IMAX box office from the relevant IMAX theatre. Under full revenue sharing arrangements, the customer pays no upfront fee. Under hybrid revenue sharing arrangements, the Company receives ongoing fees of contingent rent based on a percentage of IMAX box office from the relevant IMAX theatre. The Company also receives a fixed upfront fee, which is less than the sales price, and which is recorded in the IMAX Technology Sales and Maintenance segment. Contingent rent revenue from revenue sharing arrangements is recognized when reported by our exhibitor partners; and,
- Sales-type lease arrangements, consist of contingent rent in excess of certain fixed minimum ongoing payments. The contingent rent on sales-type lease arrangements is recognized after the fixed minimum amount per annum is exceeded as driven by box office performance. Contingent rent on sales arrangements is estimated and that amount is recognized with the revenue under IMAX Technology Sales and Maintenance.

Management Discussion and Analysis (Continued)

IMAX Technology Sales and Maintenance

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

- IMAX System, consists of the design, manufacture and installation of IMAX theater projection system equipment under sales or sales-type lease arrangements for upfront and ongoing fees, which can include a fixed minimum amount per annum and contingent rent in excess of the minimum payments. The upfront fees vary depending on the system configuration and location of the theatre. Any upfront fees are paid to the Company in installments between the time of system signing and the time of system installation, which is when the total of these fees, in addition to the present value of future annual minimum payments and contingent rent on sales arrangement as discussed under IMAX Technology Network above, are recognized as revenue at the time of installation and exhibitor acceptance of the respective IMAX theatre system;
- Revenue sharing arrangements, pursuant to which the Company receives a reduced, fixed upfront fee under its hybrid revenue sharing arrangement. In addition, the Company receives ongoing fees of contingent rent based on a percentage of IMAX box office from the relevant IMAX theater which is recorded in IMAX Technology Network revenue group described above. Revenue sharing arrangements upfront fees revenue is recognized at the time of installation and exhibitor acceptance of the IMAX theater system;
- IMAX Maintenance, pursuant to which the Company generates revenue from the provision of ongoing maintenance services. The revenue recognized is primarily comprised of an annual maintenance fee payable by exhibitor partners under all sales and revenue sharing arrangements; and,
- Other theatre, pursuant to which the Company generates revenue from the aftermarket sales of 3D glasses, screen sheets, sound, parts and other items.

Management Discussion and Analysis (Continued)

New Business Initiatives and Other

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

Impact of COVID-19 Pandemic

In late-January 2020, in response to the public health risks associated with the novel coronavirus and the disease that it causes (“**COVID-19**”), the Chinese government directed exhibitors in China to temporarily close more than 70,000 movie theaters, including all of the approximately 700 IMAX theaters in Mainland China. On March 11, 2020, due to the worsening public health crisis associated with the novel coronavirus, COVID-19 was characterized as a pandemic by the World Health Organization. As a result of the theater closures, Hollywood and Chinese movie studios have postponed the theatrical release of multiple films, including many scheduled to be shown in IMAX theaters, while other films have been released directly to streaming platforms.

The repercussions of the COVID-19 global pandemic have resulted in a significant decrease in the Group’s revenues, profits and operating cash flows during the six months ended 30 June 2020 as gross box office (“**GBO**”) results declined significantly, the installation of certain theater systems was delayed, and maintenance services were generally suspended. During the time period when a significant number of theaters in the IMAX network are closed, the Group has and will continue to experience a significant decline in profits and operating cash flows as it is generating significantly lower than normal levels of GBO-based revenue from its joint revenue sharing arrangements and IMAX DMR films, it is generally unable to provide normal maintenance services to any of the theaters that remain closed, and while some installation activity is continuing, certain theater system installations have, and may continue to be delayed. In addition, the Group has experienced and may continue to experience delays in collecting payments due under existing theater sale or lease arrangements from its exhibitor partners who are now facing financial difficulties as a result of the theater closures.

The Group may continue to be significantly impacted by the COVID-19 global pandemic even after some or all theaters are reopened. The timing and extent of a recovery of consumer behavior and willingness to spend discretionary income on movie-going may delay the Group’s ability to generate significant GBO-based revenue until such time as consumer behavior normalizes and consumer spending recovers.

In response to uncertainties associated with the COVID-19 pandemic, the Group has taken and is continuing to take significant steps to preserve cash by eliminating non-essential costs, reducing employee hours and deferring all non-essential capital expenditures to minimum levels. The Group has also implemented an active cash management process to control outgoing payments.

The Group assessed the recoverability of receivables and recorded an allowance for expected credit losses of US\$9.3 million for the six months ended 30 June 2020. The Group also updated its recoverability tests of the carrying values of the theater system equipment supporting its joint revenue sharing arrangements, which are recorded within Property, Plant and Equipment. In performing its reviews of recoverability, the Group estimated the discounted future cash flows expected to result from the use of the assets and determined that there was no impairment as of the date of each test. The cash flow estimates used in these reviews are consistent with management’s estimated long-term projections, against which various sensitivity analyses were performed. These estimates are highly uncertain due to the COVID-19 pandemic, therefore management’s estimated cash flows factor in a number of underlying variables and ranges of possible cash flow scenarios. Actual results may materially differ from management’s estimates, especially due to the uncertainties associated with the COVID-19 pandemic.

Management Discussion and Analysis (Continued)

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

	1HFY2020		1HFY2019	
	US\$'000	%	US\$'000	%
IMAX Technology Network				
IMAX DMR films	701	10.5%	17,921	30.2%
Revenue sharing arrangements — contingent rent	419	6.3%	15,809	26.7%
Sub-total	1,120	16.8%	33,730	56.9%
IMAX Technology Sales and Maintenance				
IMAX Systems	2,796	42.0%	10,379	17.5%
Revenue sharing arrangements — upfront fees	369	5.5%	3,537	6.0%
IMAX Maintenance	2,099	31.5%	10,859	18.3%
Other Theatre Business	145	2.2%	606	1.0%
Sub-total	5,409	81.2%	25,381	42.8%
New Business Initiatives and Other	133	2.0%	145	0.3%
Total	6,662	100.0%	59,256	100.0%

Cost of Sales

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

Management Discussion and Analysis (Continued)

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

	1HFY2020		1HFY2019	
	US\$'000	%	US\$'000	%
IMAX Technology Network				
IMAX DMR films	23	3.3%	2,653	14.8%
Revenue sharing arrangements — contingent rent	6,586	1,571.8%	5,745	36.3%
Sub-total	6,609	590.1%	8,398	24.9%
IMAX Technology Sales and Maintenance				
IMAX Systems	678	24.2%	2,533	24.4%
Revenue sharing arrangements — upfront fees	495	134.1%	2,503	70.8%
IMAX Maintenance	2,554	121.7%	4,385	40.4%
Other Theatre Business	97	66.9%	356	58.7%
Sub-total	3,824	70.7%	9,777	38.5%
New Business Initiatives and Other	271	203.8%	34	23.4%
Total	10,704	160.7%	18,209	30.7%

Gross (Loss) Profit and Gross (Loss) Profit Margin

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

	1HFY2020		1HFY2019	
	US\$'000	%	US\$'000	%
IMAX Technology Network				
IMAX DMR films	678	96.7%	15,268	85.2%
Revenue sharing arrangements — contingent rent	(6,167)	(1,471.8%)	10,064	63.7%
Sub-total	(5,489)	(490.1%)	25,332	75.1%
IMAX Technology Sales and Maintenance				
IMAX Systems	2,118	75.8%	7,846	75.6%
Revenue sharing arrangements — upfront fees	(126)	(34.1%)	1,034	29.2%
IMAX Maintenance	(455)	(21.7%)	6,474	59.6%
Other Theatre Business	48	33.1%	250	41.3%
Sub-total	1,585	29.3%	15,604	61.5%
New Business Initiatives and Other	(138)	(103.8%)	111	76.6%
Total	(4,042)	(60.7%)	41,047	69.3%

Management Discussion and Analysis (Continued)

Selling, General and Administrative Expenses

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

	1HFY2020		1HFY2019	
	US\$'000	%	US\$'000	%
Employee salaries and benefits	3,762	56.5%	3,080	5.2%
Share-based compensation expenses	1,634	24.5%	1,175	2.0%
Travel and transportation	141	2.1%	490	0.8%
Advertising and marketing	263	3.9%	842	1.4%
Professional fees	654	9.8%	905	1.5%
Other employee expense	113	1.7%	250	0.4%
Facilities	610	9.2%	639	1.1%
Depreciation	175	2.6%	299	0.5%
Foreign exchange and other expenses	212	3.2%	158	0.3%
Total	7,564	113.5%	7,838	13.2%

Other Operating Expenses

Other operating expenses primarily include the provisions for impairment of trade and financing receivables and other assets, and the annual license fees payable to IMAX Corporation in respect of the trademark and technology licensed under the Technology License Agreements and the Trademark License Agreements, charged at an aggregate of 5% of our revenue. Our other operating expenses for 1HFY2020 and 1HFY2019 were US\$10.8 million and US\$3.4 million, respectively.

Interest Income

Interest income mainly represents interest earned on various term deposits. None of the term deposits had a term of more than 90 days. Our interest income for 1HFY2020 and 1HFY2019 was US\$0.7 million and US\$1.0 million, respectively.

Income Tax Expenses

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

Management Discussion and Analysis (Continued)

Our income tax expense for 1HFY2020 and 1HFY2019 was US\$13.5 million and US\$6.8 million, respectively. For 1HFY2020, our income tax expense includes a US\$18.5 million non-recurring, non-cash deferred income tax charge for withholding tax due to a change in management's permanent reinvestment assertions on historical earnings to allow for more flexibility in allocation of capital, including enabling the Company to pay dividends. Our effective tax rate was at 22.8% and 22.1% during 1HFY2020 and 1HFY2019.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

Condensed Consolidated Interim Statements of Comprehensive (Loss) Income

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

	1HFY2020		1HFY2019	
	US\$'000	%	US\$'000	%
Revenues	6,662	100.0%	59,256	100.0%
Cost of sales	(10,704)	(160.7%)	(18,209)	(30.7%)
Gross (loss) profit	(4,042)	(60.7%)	41,047	69.3%
Selling, general and administrative expenses	(7,564)	(113.5%)	(7,838)	(13.2%)
Other operating expenses	(10,793)	(162.0%)	(3,404)	(5.7%)
Operating (loss) profit	(22,399)	(336.2%)	29,805	50.3%
Interest income	709	10.6%	984	1.7%
Interest expense	(50)	(0.7%)	(44)	(0.1%)
(Loss) profit before income tax	(21,740)	(320.3%)	30,745	51.9%
Income tax expense	(13,508)	(202.8%)	(6,780)	(11.4%)
(Loss) profit for the period, attributable to owners of the Company	(35,248)	(529.1%)	23,965	40.4%
Other comprehensive loss:				
Items that may be subsequently reclassified to profit or loss:				
Change in foreign currency translation adjustments	(2,698)	(40.5%)	(550)	(0.9%)
Items that may not be subsequently reclassified to profit or loss:				
Change in fair value of financial assets at fair value through other comprehensive income ("FVOCI")	(2,514)	(37.7%)	(4,436)	(7.5%)
Other comprehensive loss:	(5,212)	(78.2%)	(4,986)	(8.4%)
Total comprehensive (loss) income for the period, attributable to owners of the Company	(40,460)	(607.3%)	18,979	32.0%

Management Discussion and Analysis (Continued)

Adjusted (Loss) Profit

Adjusted (loss) profit is not a measure of performance under IFRS. This measure does not represent and should not be used as a substitute for, gross (loss) profit or (loss) 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 (loss) profit may not be comparable to other similarly titled measures used by other companies.

The following table sets out our adjusted (loss) profit for the periods indicated:

	1HFY2020 US\$'000	1HFY2019 US'000
(Loss) profit for the period	(35,248)	23,965
Adjustments:		
Share-based compensation	1,634	1,175
Tax impact on items listed above	(373)	(260)
Provisional tax	18,475	—
Adjusted (loss) profit	(15,512)	24,880

1HFY2020 COMPARED WITH 1HFY2019

Revenue

Our revenue decreased 88.8% from US\$59.3 million in 1HFY2019 to US\$6.7 million in 1HFY2020 driven by a decrease of US\$32.6 million in our IMAX Technology Network revenue and a decrease of US\$20.0 million in the IMAX Technology Sales and Maintenance revenue, as explained further below.

IMAX Technology Network

Revenue from our IMAX Technology Network decreased 96.7% from US\$33.7 million in 1HFY2019 to US\$1.1 million in 1HFY2020 primarily due to a US\$228.6 million, or 96.9% decrease in box office revenue in 1HFY2020 compared to the prior year period.

IMAX DMR Films

Due to the COVID-19 global pandemic, substantially all of the theaters in the IMAX network in China were closed since late January 2020. IMAX DMR films revenue decreased 96.1% from US\$17.9 million in 1HFY2019 to US\$0.7 million in 1HFY2020 as a result of a decrease in box office revenue. The box office revenue generated by IMAX formatted films decreased 96.9% from US\$236.0 million in 1HFY2019 to US\$7.4 million in 1HFY2020 as a result of the COVID-19 theatre closures.

Box office revenue per screen decreased 97.1% from US\$0.38 million in 1HFY2019 to US\$0.01 million in 1HFY2020 as a result of COVID-19 theatre closures.

Management Discussion and Analysis (Continued)

The following table sets out the number of films we released in the IMAX format in 1HFY2020 and 1HFY2019 in Greater China:

	1HFY2020	1HFY2019
Hollywood films	—	18
Hollywood films (Hong Kong and Taiwan only)	8	4
Chinese language films	—	4
Total IMAX films released	8	26

Revenue Sharing Arrangements – Contingent Rent

Due to the COVID-19 global pandemic, substantially all of the theaters in the IMAX network in China were closed since late January 2020. As a result, contingent rent from revenue sharing arrangements decreased 97.3% from US\$15.8 million in 1HFY2019 to US\$0.4 million in 1HFY2020. This included (i) contingent rent from full revenue sharing arrangements decreased 96.9% from US\$13.0 million in 1HFY2019 to US\$0.4 million in 1HFY2020; (ii) contingent rent from hybrid revenue sharing arrangements decreased 100.0% from US\$2.8 million in 1HFY2019 to nearly US\$0 million in 1HFY2020.

IMAX Technology Sales and Maintenance

Revenue from our IMAX Technology Sales and Maintenance decreased 78.7% from US\$25.4 million in 1HFY2019 to US\$5.4 million in 1HFY2020.

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

Commercial	As at 30 June		
	2020	2019	Growth (%)
The PRC ⁽¹⁾	684	632	8.2%
Hong Kong ⁽²⁾	5	5	—
Taiwan	10	10	—
	699	647	8.0%
Institutional⁽³⁾	15	15	—
Total	714	662	7.9%

Note:

- (1) Five theatres in PRC were closed in 1HFY2020, one of which was relocated to another site in July and the takeover of others were under negotiation.
- (2) One theatre in Hong Kong was closed in 1HFY2020 and its IMAX system is expected to be installed in a new site.
- (3) Institutional IMAX theatres include museums, zoos, aquaria and other destination entertainment sites that do not exhibit commercial films.

Management Discussion and Analysis (Continued)

The following table sets out the number of IMAX theatre systems installed by business arrangements in 1HFY2020 and 1HFY2019:

	1HFY2020	1HFY2019
Sales and sales-type lease arrangements	1	5
Revenue sharing arrangements	2	19
IMAX with Laser upgrades	—	6
Total theatre systems installed	3	30

IMAX Systems

Revenue from sales and sales-type lease arrangements decreased 73.1% from US\$10.4 million in 1HFY2019 to US\$2.8 million in 1HFY2020, primarily due to 5 fewer sales and sales-type lease arrangements, including 1 IMAX with Laser upgrade, in 1HFY2020 over 1HFY2019 due to a construction slowdown as a result of the COVID-19 global pandemic. We recognised sales revenue on 6 new theatre systems, including 1 IMAX with Laser upgrade, in 1HFY2019 with a total value of US\$8.5 million, compared to 1 new theatre system in 1HFY2020 with a total value of US\$1.2 million.

Average revenue per new system under sales and sales-type lease arrangements decreased from US\$1.4 million in 1HFY2019 to US\$1.2 million in 1HF2020 as a result of the one installation coming from a larger scale client.

Revenue Sharing Arrangements — Upfront Fees

Upfront revenue from hybrid revenue sharing arrangements decreased 89.6% from US\$3.5 million in 1HFY2019 to US\$0.4 million in 1HFY2020, primarily due to 6 fewer installations in 1HFY2020 due to the COVID-19 global pandemic.

IMAX Maintenance

IMAX maintenance revenue decreased 80.7% from US\$10.9 million in 1HFY2019 to US\$2.1 million in 1HFY2020, as regular maintenance services were generally suspended and the associated revenue was not recognised during the period due to the COVID-19 global pandemic.

New Business Initiatives and Other

Revenue from new business initiatives and other was flat in 1HFY2020 and 1HFY2019 at US\$0.1 million.

Cost of Sales

Our cost of sales decreased 41.2% from US\$18.2 million in 1HFY2019 to US\$10.7 million in 1HFY2020. This decrease was primarily due to a decrease of US\$1.8 million in our IMAX Technology Network and a decrease of US\$6.0 million in our IMAX Technology Sales and Maintenance, explained below.

Management Discussion and Analysis (Continued)

IMAX Technology Network

Due to theatre closures as a result of the COVID-19 global pandemic, the cost of sales for our IMAX Technology Network decreased 21.3% from US\$8.4 million to US\$6.6 million due to decreased costs associated with fewer films exhibited in 1HFY2020, decreased one-time upfront costs related to the installation of 11 fewer full revenue sharing arrangements in 1HFY2020 versus 1HFY2019. This was partly offset by the increased depreciation costs associated with a larger full revenue sharing network, currently 358 theaters as at 1HFY2020 versus 328 theaters as at 1HFY2019.

IMAX DMR Films

The cost of sales for IMAX DMR films decreased 99.1% from US\$2.7 million in 1HFY2019 driven by the COVID-19 theater closures. Hollywood and Chinese movie studios postponed the release of multiple films, including many scheduled to be shown in IMAX theatres. The films released in the Mainland China during 1HFY2019 and 1HFY2020 are 22 and nil, respectively.

Revenue Sharing Arrangements — Contingent Rent

The cost of sales for contingent rent from revenue sharing arrangements increased 14.6% from US\$5.7 million in 1HFY2019 to US\$6.6 million in 1HFY2020, primarily due to increased depreciation costs associated with a larger full revenue sharing network, currently 358 theaters at 1HFY2020 versus 328 theaters as at 1HFY2019. This was partially offset by decreased one-time upfront costs related to the installation of 11 fewer full revenue sharing arrangements in 1HFY2020 versus 1HFY2019.

IMAX Technology Sales and Maintenance

The cost of sales for our IMAX Technology Sales and Maintenance decreased 60.9% from US\$9.8 million in 1HFY2019 to US\$3.8 million in 1HFY2020, primarily due to 11 fewer IMAX theatre systems installations under sales and sales-type lease arrangements, including 1 IMAX with Laser upgrade and hybrid revenue sharing arrangements, in 1HFY2020, and decreased theater maintenance cost due to generally suspended maintenance services during the period due to the COVID-19 global pandemic.

IMAX Systems

Cost of sales from our IMAX Technology Sales and Maintenance under sales and sales-type lease arrangements decreased 73.2% from US\$2.5 million in 1HFY2019 to US\$0.7 million in 1HFY2020, primarily due to the costs recognised on 6 theatre systems installations under sales and sales-type lease arrangements including 1 IMAX with Laser upgrade in 1HFY2019 as compared to 1 in 1HFY2020.

Revenue Sharing Arrangements — Upfront Fees

Cost of sales from installation of hybrid revenue sharing arrangements decreased 80.2% from US\$2.5 million in 1HFY2019 to US\$0.5 million in 1HFY2020, primarily due to the costs recognised on 7 theatre system installations in 1HFY2019 as compared to 1 in 1HFY2020.

Management Discussion and Analysis (Continued)

IMAX Maintenance

Cost of sales with respect to theatre system maintenance decreased 41.8% from US\$4.4 million in 1HFY2019 to US\$2.6 million in 1HFY2020 as regular maintenance services were generally suspended and the associated cost decreased during the period due to the COVID-19 global pandemic.

New Business Initiatives and Other

Cost from new business initiatives and other increased from US\$0.1 million in 1HFY2019 to US\$0.3 million in 1HFY2020 due to our new IMAX camera rental business and an increase in camera rental cost.

Gross (Loss) Profit and Gross (Loss) Profit Margin

Our gross profit in 1HFY2019 was US\$41.0 million, compared to a loss of US\$4.0 million in 1HFY2020, and our gross margin decreased from a profit of 69.3% in 1HFY2019 to a loss of 60.7% in 1HFY2020. The decrease in gross profit was largely attributable to US\$30.8 million decrease in our IMAX Technology Network, and a US\$14.0 million decrease in our IMAX Technology Sales and Maintenance further explained below.

IMAX Technology Network

The gross profit decreased 121.7% from a profit of US\$25.3 million in 1HFY2019 to a loss of US\$5.5 million in 1HFY2020, and the gross margin decreased from a profit of 75.1% in 1HFY2019 to a loss of 490.1% in 1HFY2020. The decrease was primarily due to the decrease in our overall box office revenue due to COVID-19 pandemic, and increased depreciation costs associated with continued growth in the IMAX theatre network under revenue sharing arrangements.

IMAX DMR Films

Due to theatre closures as a result of the COVID-19 global pandemic, the gross profit for IMAX DMR films decreased 95.6% from US\$15.3 million in 1HFY2019 to US\$0.7 million in 1HFY2020, and the gross profit margin increased from 85.2% in 1HFY2019 to 96.7% in 1HFY2020. The decrease of gross profit was primarily due to a decrease of 96.9% in our overall box office revenue. The increase of gross profit margin was primarily due to reduced costs related to no new film releases in 1HFY 2020 in Mainland China.

Revenue Sharing Arrangements — Contingent Rent

Due to theatre closures as a result of the COVID-19 global pandemic, the gross profit for contingent rent from revenue sharing arrangements decreased 161.3% from a profit of US\$10.1 million in 1HFY2019 to a loss of US\$6.2 million in 1HFY2020.

The gross profit for contingent rent from full revenue sharing arrangements decreased 182.7% from a profit of US\$7.5 million in 1HFY2019 to a loss of US\$6.2 million in 1HFY2020. Gross profit decreased primarily due to lower overall box office revenue as a result of the COVID-19 theater closures, increased depreciation costs associated with a larger full revenue sharing network, and partly offset by the decreased one-time upfront costs associated with the installation of 11 fewer systems in 1HFY2020.

Management Discussion and Analysis (Continued)

The gross profit for contingent rent from hybrid revenue sharing arrangements decreased 100.0% from US\$2.6 million in 1HFY2019 to US\$0 million in 1HFY2020, driven by lower box office revenue per screen as a result of the COVID-19 theater closures.

IMAX Technology Sales and Maintenance

The gross profit decreased 89.8% from US\$15.6 million in 1HFY2019 to US\$1.6 million in 1HFY2020. During the same period, our gross profit margin decreased from 61.5% to 29.3%. The decrease in gross profit and gross profit margin were primarily driven by fewer system installations, and the suspended maintenance services due to the COVID-19 theater closures.

IMAX Systems

The gross profit for our IMAX Technology Sales and Maintenance from sales of new IMAX theatre systems decreased 73.0% from US\$7.8 million in 1HFY2019 to US\$2.1 million in 1HFY2020 primarily due to the installation of 5 fewer systems including 1 IMAX with Laser upgrade in 1HFY2020. Our gross profit margin increased slightly from 75.6% in 1HFY2019 to 75.8% in 1HFY2020.

Revenue Sharing Arrangements — Upfront Fees

The gross profit from upfront fees derived from hybrid revenue sharing arrangements decreased from a profit of US\$1.0 million in 1HFY2019 to a loss of US\$0.1 million in 1HFY2020, primarily due to 6 fewer installations under hybrid revenue sharing arrangements and lower gross profit margin of 29.2% in 1HFY2019 compared to a gross loss margin of 34.1% in 1HFY2020 due to the one installation coming from a larger scale client and increased theatre marketing expenses for certain existing theatres.

IMAX Maintenance

The gross profit for our theatre system maintenance decreased 107.0% from a profit of US\$6.5 million in 1HFY2019 to a loss of US\$0.5 million in 1HFY2020 and our gross margin decreased from gross profit margin of 59.6% in 1HFY2019 to gross loss margin of 21.7% in 1HFY2020, as regular maintenance services were generally suspended during the period due to the COVID-19 global pandemic.

New Business Initiatives and Other

The gross profit for new business initiatives and other decreased from a profit of US\$0.1 million in 1HFY2019 to a loss of US\$0.1 million in 1HFY2020 due to our new IMAX camera rental business and increased camera rental costs.

Selling, General and Administrative Expenses

Selling, general and administrative expenses, decreased 3.5% from US\$7.8 million in 1HFY2019 to US\$7.6 million in 1HFY2020, primarily due to: (i) a US\$0.3 million decrease in travel and transportation due to the public health risks associated with the COVID-19 global pandemic; (ii) a US\$0.6 million decrease in advertising and marketing expenses due to the temporarily closure of theatres in China and disruption of normal marketing operations; (iii) a US\$0.3 million decrease in professional fees due to less involvement of third party services, partially offset by a US\$1.0 million increase related to employee salaries and benefits and share-based compensation expenses due as a result of increased head count compared to the first half of 2019, in order to manage the growing IMAX theatre network during a normalized period partially offset by reduced hours.

Management Discussion and Analysis (Continued)

Other Operating Expenses

Other operating expenses increased 217.1% from US\$3.4 million in 1HFY2019 to US\$10.8 million in 1HFY2020, primarily due to an increase of US\$10.2 million in provisions for impairment of trade receivables, financing receivables and other assets, partially offset by a decrease of US\$2.8 million in annual license fees payable to IMAX Corporation in respect of the trademark and technology licensed under the Technology License Agreements and the Trademark License Agreements as a result of decreased revenue during the period.

Income Tax Expense

Our income tax expense increased 99.2% from US\$6.8 million in 1HFY2019 to US\$13.5 million in 1HFY2020 due to an increase in provision tax of US\$18.5 million due to applicable withholding taxes associated with the historical earnings of one subsidiary in the PRC. Management completed a reassessment of its strategy with respect to the most efficient means of deploying the Group's capital resources and concluded that the historical earnings in excess of amounts required to sustain business operations would no longer be indefinitely reinvested. The applicable withholding taxes associated with these historical earnings only become payable upon the repatriation of any such earnings. This was partially offset by the decrease of our operating income before income tax of US\$52.4 million, from a profit of US\$30.7 million in 1HFY2019 to a loss of US\$21.7 million in 1HFY2020. Our effective tax rate increased from 22.1% in 1HFY2019 to 22.8% in 1HFY2020.

(Loss) Profit for the Period

We reported a comprehensive loss for the period of US\$40.5 million in 1HFY2020 as compared to a profit of US\$19.0 million in 1HFY2019. The decrease was primarily due to a decrease in our profit for the period of US\$59.2, as well as increased losses from foreign currency translation adjustments of US\$2.1 million, partially offset by a reduced change in fair value net of tax of financial assets at FVOCI of US\$1.9 million. Comprehensive loss for the period in 1HFY2020 included a US\$1.6 million charge (US\$1.2 million in 1HFY2019) for share-based compensation.

Adjusted (Loss) Profit

Adjusted (loss) profit is not a measure of performance under IFRS. This measure does not represent and should not be used as a substitute for, gross (loss) profit or (loss) profit for the year as determined in accordance with IFRS. Adjusted (loss) profit, which consists of profit for the period adjusted for the impact of share-based compensation and the related tax impact, and provisional tax, was US\$24.9 million in 1HFY2019 as compared to a loss of US\$15.5 million in 1HFY2020, a decrease of 162.1%.

Management Discussion and Analysis (Continued)

LIQUIDITY AND CAPITAL RESOURCES

	As at 30 June 2020 US\$'000	As at 31 December 2019 US\$'000
Current assets		
Other assets	1,622	2,472
Film assets	281	116
Inventories	7,554	5,237
Prepayments	1,989	1,815
Variable consideration receivable from contracts	451	374
Financing receivables	15,287	10,938
Trade and other receivables	31,461	43,227
Cash and cash equivalents	74,056	89,308
Total Current Assets	132,701	153,487
Current liabilities		
Trade and other payables	13,892	15,170
Accruals and other liabilities	9,537	11,394
Income tax liabilities	2,594	4,045
Borrowings	244	—
Deferred revenue	14,260	12,878
Total Current Liabilities	40,527	43,487
Net Current Assets	92,174	110,000

As at 30 June 2020, we had net current assets of US\$92.2 million compared to net current assets of US\$110.0 million as at 31 December 2019. The decrease in net current assets in 1HFY2020 was mainly attributable to a US\$11.8 million decrease in trade and other receivables, a US\$15.3 million decrease in cash and cash equivalents, and a US\$1.4 million increase in deferred revenue. This was offset by a US\$2.3 million increase in inventory, a US\$4.3 million increase in financing receivables, a US\$1.3 million decrease in trade and other payables, a US\$1.9 million decrease in accruals and other liabilities and a US\$1.5 million decrease in income tax liabilities.

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

	As at 30 June 2020	As at 31 December 2019
US\$	11,623	20,482
RMB	61,900	68,003
Hong Kong dollars	533	463

Management Discussion and Analysis (Continued)

CAPITAL MANAGEMENT

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

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

In order to carry out current operations and pay for administrative costs, we will spend our existing working capital and raise additional amounts as needed. Management reviews our capital management approach on an 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 from operating activities, net cash used in investing activities and net cash used in financing activities for the periods indicated:

	1HFY2020 US\$'000	1HFY2019 US\$'000
Net cash (used in) provided by operating activities	(3,819)	17,125
Net cash used in investing activities	(1,284)	(20,803)
Net cash used in financing activities	(8,983)	(19,247)
Effects of exchange rate changes on cash	(1,166)	(319)
Decrease in cash and cash equivalents during period	(15,252)	(23,244)
Cash and cash equivalents, beginning of period	89,308	120,224
Cash and cash equivalents, end of period	74,056	96,980

Cash (Used in) From Operating Activities

1HFY2020

Our net cash used in operations was approximately US\$3.8 million in 1HFY2020. We had loss before income tax for the period of US\$21.7 million in 1HFY2020 and positive adjustments for depreciation of property, plant and equipment of US\$7.3 million, settlement of equity and other non-cash compensation of US\$1.6 million, allowance for expected credit loss of US\$9.3 million, write-downs of US\$1.1 million, and changes in working capital of US\$2.6 million, reduced by our taxes paid of US\$3.8 million. Changes in working capital primarily consisted of: (i) a decrease in trade and other receivables of US\$5.8 million; (ii) an increase in deferred revenue of US\$3.6 million, partially offset by: (i) an increase in inventories of US\$2.5 million; (ii) an increase of financing receivables of US\$1.7 million; (iii) a decrease in accruals and other liabilities of US\$1.6 million, and (iv) a decrease in trade and other payables of US\$0.7 million.

Management Discussion and Analysis (Continued)

1HFY2019

Our net cash provided by operations was approximately US\$17.1 million in 1HFY2019. We had profit before income tax for the period of US\$30.7 million in 1HFY2019 and positive adjustments for amortisation of film assets of US\$3.8 million, depreciation of property, plant and equipment of US\$6.6 million, and settlement of equity and other non-cash compensation of US\$1.2 million, reduced by our taxes paid of US\$10.3 million, our net investment in film assets of US\$3.8 million and changes in working capital of US\$11.5 million. Changes in working capital primarily consisted of: (i) an increase in trade and other receivables of US\$14.4 million; (ii) an increase in inventories of US\$2.6 million; (iii) an increase in other assets of US\$1.1 million, partially offset by: (i) an increase in trade and other payables of US\$4.5 million; (ii) an increase in accruals and other liabilities of US\$2.0 million; and (iii) a decrease of financing receivables of US\$0.6 million.

Cash Used in Investing Activities

1HFY2020

Our net cash used in investing activities was approximately US\$1.3 million for 1HFY2020, primarily related to investments in IMAX theatre equipment amounting to US\$1.2 million installed in our exhibitor partners' theatres under full revenue sharing arrangements.

1HFY2019

Our net cash used in investing activities was approximately US\$20.8 million for 1HFY2019, primarily related to investments in IMAX theatre equipment amounting to US\$5.7 million installed in our exhibitor partners' theatres under full revenue sharing arrangements, and investment in an equity security of US\$15.2 million.

Cash Used in Financing Activities

1HFY2020

Our net cash used in financing activities was approximately US\$9.0 million for 1HFY2020 primarily due to: (i) dividends paid to owners of the Company amounting to US\$7.0 million; (ii) payment for share buy-back of US\$1.5 million; and (iii) settlement of restricted share units and options of US\$0.4 million.

1HFY2019

Our net cash used in financing activities was approximately US\$19.2 million for 1HFY2019 primarily due to: (i) payment for share buy-back of US\$16.8 million; and (ii) dividends paid to owners of the Company amounting to US\$2.3 million.

Management Discussion and Analysis (Continued)

CONTRACTUAL OBLIGATIONS AND CAPITAL COMMITMENTS

Lease Commitments

We have lease commitments within one year amounting to US\$0.1 million related primarily to leased cars and office.

Capital Commitments

As at 30 June 2020, we had capital expenditures contracted but not provided for of US\$25.3 million (31 December 2019: US\$25.1 million).

CAPITAL EXPENDITURES AND CONTINGENT LIABILITIES

Capital Expenditures

Our capital expenditures primarily relate to the acquisition of IMAX theatre systems and acquisition of films and investment in an equity security. During 1HFY2020 and 1HFY2019, our capital expenditures were US\$1.5 million and US\$24.6 million, respectively.

Going forward, with respect to our theatre business, we plan to allocate a significant portion of our capital expenditures to the continued expansion of the IMAX theatre network under revenue sharing arrangements to execute on our existing contractual backlog and future signings.

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.

As at 30 June 2020, we had drawn down RMB1.7 million on our unsecured revolving facility with interest rate of 4.35% per annum. Except as disclosed above, as at 30 June 2020, we did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities. The Directors confirm that there has been no material change in our commitments and contingent liabilities since 30 June 2020.

WORKING CAPITAL

We finance our working capital needs primarily through cash flow from operating activities. Cash flow used in operating activities was US\$3.8 million in 1HFY2020 significantly impacted from the COVID-19 theater closures versus the cash flow generated from operating activities of US\$17.1 million in 1HFY2019. As the IMAX theatre network recovers from the COVID-19 global pandemic and continues to grow, we believe our cash flow from operating activities will continue to increase and fund existing business operations and any initial capital expenditures required under revenue sharing arrangements.

Management Discussion and Analysis (Continued)

STATEMENT OF INDEBTEDNESS

As at 30 June 2020:

- Except for the drawdown of RMB1.7 million on an unsecured revolving facility for up to RMB200 million, we did not have any bank borrowings or committed bank facilities;
- we did not have any borrowing from IMAX Corporation or any related parties; and
- we did not have any hire purchase commitments or bank overdrafts.

Since 30 June 2020, being the latest date of our condensed interim statements, there has been no material adverse change to our indebtedness.

RECENT DEVELOPMENTS

Subsequent to 30 June 2020, we renewed an unsecured revolving facility for up to RMB200 million to fund ongoing working capital requirements.

In accordance with the announcement made by China Film Administration in July, theatres are allowed to begin the reopening process in low-risk areas starting on 20 July 2020 with execution of prevention and control measures regarding the COVID-19 pandemic. Theaters in medium-and high-risk areas remain closed. Subsequent to 30 June 2020, approximately 60% of the theaters in the IMAX Mainland China commercial multiplex network have begun to report gross box office results in July. The Group will continue to monitor the impact of COVID-19 pandemic.

OFF BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

We had no off-balance sheet arrangements as at 30 June 2020.

KEY FINANCIAL RATIOS

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

	As at 30 June 2020	As at 31 December 2019
Gearing ratio ⁽¹⁾	40.7%	26.7%
	1HFY2020	1HFY2019
Adjusted (loss) profit margin ⁽²⁾	(232.8%)	42.0%

Notes:

- (1) Gearing ratio is calculated by dividing total liabilities by total equity and multiplying the result by 100.
- (2) Adjusted (loss) profit margin is calculated by dividing adjusted (loss) profit for the period by revenue and multiplying the result by 100.

Management Discussion and Analysis (Continued)

Gearing Ratio

Our gearing ratio increased from 26.7% as at 31 December 2019 to 40.7% as at 30 June 2020, primarily due to an increase in deferred income tax liabilities of US\$18.5 million and comprehensive loss of US\$40.5 million for the period.

Adjusted (Loss) Profit Margin

Our adjusted profit margin decreased from a profit of 42.0% as at 30 June 2019 to a loss of 232.8% as at 30 June 2020, primarily due to the theatre closure as a result of the COVID-19 global pandemic.

DIVIDEND POLICY AND DISTRIBUTABLE RESERVES

The proposal of payment and the amount of our dividends will be made at the discretion of our Board and will depend on our general business condition and strategies, cash flows, financial results and capital requirements, the interests of our Shareholders, taxation conditions, statutory and regulatory restrictions and other factors that our Board deems relevant. Our Board recommended the payment of an interim dividend, for 1HFY2020, of US\$0.02 per share (equivalent to approximately HK\$0.155 per share).

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

As at 30 June 2020, the Company had a total equity of US\$38.6 million. Under the Companies Law of the Cayman Islands, subject to the provisions of memorandum of association of the Company or the articles of association (the “**Articles of Association**”), the Company’s share premium account may be applied to pay distributions or dividends to shareholders provided that immediately following the date of distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

DIVIDEND

During the Company’s board meeting held on 28 July 2020, the Board of Directors approved an interim dividend of US\$0.02 per share (equivalent to HK\$0.155 per share) for the six months ended 30 June 2020 to the Shareholders.

The interim dividend will be paid on Friday, 28 August 2020 to the shareholders whose names appear on the register of members of the Company as at the close of business on Tuesday, 18 August 2020. There will be no scrip dividend option for the 2020 interim dividend.

MATERIAL ACQUISITIONS OR DISPOSALS

We have not undertaken any material acquisition or disposal for the period ended 30 June 2020.

Management Discussion and Analysis (Continued)

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 commenced offering home theatre systems in Greater China in the second half of 2016. We did not receive any distributions or dividends from TCL-IMAX Entertainment during the period ended 30 June 2020.

The purpose of the investment was to enable the Group to share in any profit earned in Greater China by TCL-IMAX Entertainment. 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.

In February 2019, IMAX China (Hong Kong), Limited, a wholly-owned subsidiary of the Company, purchased 7,949,000 shares (representing approximately 0.706% equity at the time) in Maoyan Entertainment ("Maoyan") with the amount of US\$15.2 million at the final offer price pursuant to the global offering of the share capital of Maoyan. We did not receive any distributions or dividends from Maoyan during the period ended 30 June 2020.

The purpose of the investment was to develop strategic collaborations with Maoyan and enable the Group to leverage Maoyan's technical advantages to, among others, more effectively market future content to consumers. We do not have any management or operational role, responsibilities or rights in Maoyan, nor are we subject to any further funding obligations (either in respect of capital funding or bearing of losses) in relation to Maoyan.

As at 30 June 2020, the fair value of TCL-IMAX Entertainment and Maoyan was nil and US\$12.1 million, representing approximately 4% of the Company's total assets, respectively. In 1HFY2020, a fair value loss of nil and US\$2.5 million was recognized for TCL-IMAX Entertainment and Maoyan, respectively.

There was no plan authorised by the Board for any material investments or divestments at the date of this report.

Corporate Governance Highlights and Other Information

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2020, the Company conducted share repurchases of 906,400 listed Shares on the Stock Exchange pursuant to a general mandate granted by the shareholders to the Directors during the Annual General Meeting held on 6 June 2019 and resolutions of the Board adopted on 6 June 2019, and a general mandate granted by the shareholders to the Directors during the Annual General Meeting held on 11 June 2020 and resolutions of the Board adopted on 15 June 2020. The following table outlines details of the shares repurchased on a monthly basis.

Month	Number of shares repurchased	Highest price per share HK\$	Lowest price paid per share HK\$	Average price paid per share HK\$	Aggregate price paid HK\$
February 2020	229,200	14.70	14.36	14.58	3,340,935.28
March 2020	251,400	14.78	13.40	14.28	3,591,031.58
June 2020	425,800	12.50	10.98	11.63	4,953,266.73
	906,400				11,885,233.59

In addition, 250,828 listed Shares were purchased through Computershare Hong Kong Trustees Limited, the trustee engaged by the Company for administering its share option schemes, on 11 June 2020 at an average price per share of HK\$12.7307 on the Stock Exchange, for satisfying the vesting of the relevant options and/or restricted share units.

Save for the above, 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 six months ended 30 June 2020.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Directors' dealing policy on 21 September 2015 in order to ensure compliance with the Model Code. The terms of the Directors' dealing policy are no less exacting than those set out in the Model Code. Having made specific enquiry of the Directors, all Directors have confirmed that they have complied with the required standard of dealings and code of conduct regarding securities dealings by directors as set out in the Model Code and the Company's own Directors' dealing policy for the six months ended 30 June 2020.

Corporate Governance Highlights and Other Information (Continued)

CORPORATE GOVERNANCE PRACTICES

The Company is dedicated to maintaining and ensuring high standards of corporate governance practices and the corporate governance principles of the Company are adopted in the best interest of the Company and its Shareholders. The Company's corporate governance practices are based on the principles, code provisions and certain recommended best practices as set out in the CG Code. The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability. During the six months ended 30 June 2020, the Company has complied with all the provisions of the CG Code.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information available to the Company and within the knowledge of the Directors, as at the date of this Interim Report, the Company has maintained the prescribed public float under the Listing Rules throughout the six months ended 30 June 2020.

CLOSURE OF REGISTER OF MEMBERS

In connection with the payment of the 2020 interim dividend, the register of members of the Company will be closed from Friday, 14 August 2020 to Tuesday, 18 August 2020 (both days inclusive) during which period no transfer of Shares will be registered. In order to qualify for entitlement to the 2020 interim dividend, all share transfers documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration, no later than 4:30 p.m. on Thursday, 13 August 2020.

BOARD COMMITTEES

The Board has received appropriate delegation of its functions and powers and has established appropriate Board committees, with specific written terms of reference in order to manage and monitor specific aspects of the Group's affairs. The terms of reference of the Board committees are posted on the websites of the Company and the Stock Exchange and are available to the Shareholders upon request. The Board and the Board committees are provided with all necessary resources including the advice of external auditors, external legal advisers and other independent professional advisors as needed.

Audit Committee

The Company set up the audit committee on 27 May 2015 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and of the CG Code. The terms of reference were updated on 30 November 2018. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control and risk management systems of the Group, maintain an appropriate relationship with the Company's auditors and provide advice and comments to the Board.

The audit committee consists of three members: Mr. John Davison, an Independent Non-executive Director; Ms. Dawn Taubin, an Independent Non-Executive Director; and Mr. Richard Gelfond, a Non-executive Director. Mr. John Davison is the chair of the audit committee.

Corporate Governance Highlights and Other Information (Continued)

The audit committee members have reviewed this interim report, including the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2020.

Remuneration Committee

The Company set up the remuneration committee on 27 May 2015 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and of the CG Code. The primary duties of the remuneration committee are to assist the Board in determining the policy and structure for the remuneration of Directors and senior management, evaluating the performance of Directors and senior management, reviewing and approving incentive schemes and Directors' service contracts and fixing the remuneration packages for all Directors and senior management. The remuneration packages of all Directors and senior management were determined by the remuneration committee in accordance with the committee's written terms of reference, and with the delegated authority of the Board. Determination of such matters is based on the Group's performance and the Directors' and senior management members' respective contributions to the Group.

The remuneration committee consists of three members: Ms. Yue-Sai Kan, an Independent Non-executive Director; Mr. John Davison, an Independent Non-executive Director; and Ms. Megan Colligan, a Non-executive Director. Ms. Yue-Sai Kan is the chair of the remuneration committee.

Nomination Committee

The Company set up the nomination committee on 27 May 2015 with written terms of reference in compliance with the CG Code. The primary duties of the nomination committee are to identify, screen and recommend to the Board appropriate candidates to serve as Directors of the Company and to review the time and contribution required from Directors. In reviewing the composition of the Board, the nomination committee considers the skills, knowledge and experience and also the desirability of maintaining a balanced composition of executive and non-executive Directors (including independent non-executive Directors).

The nomination committee consists of three members: Mr. Richard Gelfond, a Non-executive Director; Mr. Peter Loehr, an Independent Non-executive Director; and Ms. Yue-Sai Kan, an Independent Non-executive Director. Mr. Richard Gelfond is the chair of the nomination committee.

Pursuant to the Director Nomination Policy and the Board Diversity Policy adopted by the Company in November 2018, in selecting candidates, the Board and the nomination committee should consider a large number of factors including but not limited to character and integrity, independence, diversity, gender, age, cultural and educational background, competencies, skills, experience, availability of service to the Company, tenure and the Board's anticipated needs in order to achieve a diverse Board with Directors from different backgrounds with varying perspectives, professional experience, education and skills. In addition, the nomination committee reports on the composition of the Board from the perspective of diversity, and sets and reviews measurable objectives for the implementation of the Board Diversity Policy. The nomination committee is satisfied that the composition of the Board is sufficiently diverse.

Corporate Governance Highlights and Other Information (Continued)

CONNECTED TRANSACTIONS

Continuing Connected Transactions Subject to Reporting and Announcement Requirements

During the six months ended 30 June 2020, the Group has continued to engage in certain transactions with IMAX Corporation (its controlling shareholder) which constitute connected transactions under the Listing Rules.

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

During the six months ended 30 June 2020, the following non-exempt connected transactions continued to occur between the Group and IMAX Corporation. Such transactions are subject to the reporting and announcement requirements, but exempt from the independent shareholders’ approval requirements, under Chapter 14A of the Listing Rules:

1. **Personnel Secondment Agreement**

(a) *Description of the Personnel Secondment Agreement*

(i) *Subject matter*

On 11 August 2011, IMAX Shanghai Multimedia entered into the Personnel Secondment Agreement with IMAX Corporation (the “**Personnel Secondment Agreement**”) commencing on 11 August 2011 and expiring on 28 October 2036. Under the Personnel Secondment Agreement, IMAX Corporation agreed to successively make several employees available to IMAX Shanghai Multimedia.

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

(ii) *Term and Termination*

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

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

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

Corporate Governance Highlights and Other Information (Continued)

(iii) Fees

IMAX Shanghai Multimedia shall reimburse IMAX Corporation for the cost of all wages and benefits with respect to the seconded employees in proportion to the time actually spent by such employees on matters related to IMAX Shanghai Multimedia. The fees payable under the Personnel Secondment Agreement also include the share-based compensation awarded to the seconded employees.

(b) Annual Caps and Transaction Amount

In accordance with Rule 14A.53 of the Listing Rules, we have set annual caps for the maximum aggregate fees payable under the Personnel Secondment Agreement to be US\$5,800,000 for each of FY2018, FY2019 and FY2020. This annual cap has been calculated on the basis of: (i) the historic wages and share-based compensation paid to the seconded employees pursuant to the Personnel Secondment Agreement during the three years ended 31 December 2016 and the six months ended 30 June 2017; (ii) the estimated number of seconded employees in the coming years; and (iii) the estimated amount of wages and share-based compensation to be given to such seconded employees in the coming years.

US\$nil was charged to the Group by IMAX Corporation under the Personnel Secondment Agreement during the six months ended 30 June 2020.

(c) Listing Rules Requirements

As the highest relevant percentage ratio in respect of the Personnel Secondment Agreement, as expected for FY2018, FY2019 and FY2020, will be, on an annual basis, more than 0.1% but less than 5% and it is on normal commercial terms, the Personnel Secondment Agreement will be exempt pursuant to Rule 14A.76(2)(a) of the Listing Rules from the independent shareholders' approval requirement but will be subject to the reporting and, save for the waiver set out in “— Waivers — Waiver from Requirements to Obtain Approval of Independent Shareholders and Make Announcements” in the Company's 2019 annual report dated 23 March 2020, announcement requirements under Chapter 14A of the Listing Rules.

At the end of FY2020, the Company will re-comply with the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, where and if applicable, including the requirements for the setting of new monetary annual caps for the maximum aggregate fees payable under the Personnel Secondment Agreement for an additional three-year period.

Corporate Governance Highlights and Other Information (Continued)

2. Trademark License Agreements

(a) Description of the Trademark License Agreements

(i) Subject matter

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

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

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

The Trademark License Agreements were amended on 21 September 2015.

(ii) Term

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

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

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

Corporate Governance Highlights and Other Information (Continued)

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

- (a) the 25-year term of the Trademark License Agreements is inherently beneficial to the Company as it is only under the trademark licenses that we can use the “IMAX” brand to carry on the IMAX theatre business in Greater China;
- (b) the 25-year term of the Trademark License Agreements provides comfort and protection to us, enabling us to plan and invest over the longer term;
- (c) the 25-year term of the Trademark License Agreements also provides comfort and protection to our exhibitor partners as it is sufficiently long to cover existing arrangements with our exhibitor partners that span upwards of 12 years from installation plus a potential renewal; and
- (d) it is in accordance with normal business practice for trademark license agreements to be of such duration.

(iii) *Termination*

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

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

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

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

Corporate Governance Highlights and Other Information (Continued)

(iv) *Fees*

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

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

(b) *Annual Caps and Transaction Amount*

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

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

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

Approximately US\$210,000 was charged to the Group by IMAX Corporation under the Trademark License Agreements during the six months ended 30 June 2020.

(c) *Listing Rules Requirements*

As the highest relevant percentage ratio in respect of the Trademark License Agreements will be, on an annual basis, more than 0.1% but less than 5%, and as the Trademark License Agreements are on normal commercial terms, they will be exempt pursuant to Rule 14A.76(2)(a) of the Listing Rules from the independent shareholders' approval requirements but will be subject to the reporting and, save for the waiver set out in "— Waivers — Waiver from Requirements to Obtain Approval of Independent Shareholders and Make Announcements" in the Company's 2019 annual report dated 23 March 2020, announcement requirements under Chapter 14A of the Listing Rules.

Corporate Governance Highlights and Other Information (Continued)

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

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

3. **Technology License Agreements**

(a) *Description of the Technology License Agreements*

(i) *Subject matter*

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

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

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

The Technology License Agreements were amended on 21 September 2015.

Corporate Governance Highlights and Other Information (Continued)

(ii) *Term*

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

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

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

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

(iii) *Termination*

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

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

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

Corporate Governance Highlights and Other Information (Continued)

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

(iv) Fees

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

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

(b) Annual Caps and Transaction Amount

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

Approximately US\$316,000 was charged to the Group by IMAX Corporation under the Technology License Agreements during the six months ended 30 June 2020.

(c) Listing Rules Requirements

As the highest relevant percentage ratio in respect of the Technology License Agreements will be, on an annual basis, more than 0.1% but less than 5% and as the Technology License Agreements are on normal commercial terms, they will be exempt pursuant to Rule 14A.76(2)(a) of the Listing Rules from the independent shareholders' approval requirements but will be subject to the reporting and, save for the waiver set out in "— Waivers — Waiver from Requirements to Obtain Approval of Independent Shareholders and Make Announcements" in the Company's 2019 annual report dated 23 March 2020, announcement requirements under Chapter 14A of the Listing Rules.

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

Corporate Governance Highlights and Other Information (Continued)

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

4. **DMR Services Agreements**

(a) *Description of the DMR Services Agreements*

(i) *Subject matter*

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

- (a) if IMAX Shanghai Multimedia or IMAX Hong Kong, as applicable, intends to enter into a DMR production services agreement with a distributor in their respective territories for the conversion of Greater China DMR Films and the release of such films to IMAX theatres in their respective territories, IMAX Shanghai Multimedia or IMAX Hong Kong, as applicable, shall seek prior approval from IMAX Corporation to enter into such agreement in order for IMAX Corporation to ensure that the nature and content of such films would not potentially damage the IMAX brand, and IMAX Corporation shall perform the DMR conversion services in consideration for a conversion fee;
- (b) if IMAX Corporation directly enters into an arrangement to distribute the Greater China DMR Film in regions outside of Greater China, IMAX Corporation shall pay to IMAX Shanghai Multimedia or IMAX Hong Kong, as applicable, 50% of the portion of box office in respect of the Greater China DMR Films received by IMAX Corporation attributable to the exploitation of such films in regions outside of Greater China; and
- (c) at the request of IMAX Corporation, IMAX Shanghai Multimedia and IMAX Hong Kong, as applicable, shall grant the distribution rights to the Greater China Original Films in regions outside of Greater China to IMAX Corporation and also assign the right to retain any distribution fees attributable to the exploitation of such films in regions outside of Greater China to IMAX Corporation.

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

Corporate Governance Highlights and Other Information (Continued)

(ii) Term and termination

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

- (a) mutual agreement of the parties;
- (b) bankruptcy or insolvency of IMAX Corporation, or the bankruptcy or insolvency of IMAX Shanghai Multimedia or IMAX Hong Kong, as applicable, or the appropriation of the assets of either party by any government, where termination shall be automatic and immediate;
- (c) at the election of IMAX Hong Kong or IMAX Shanghai Multimedia, as applicable, if there is a material breach of the DMR Services Agreement by IMAX Corporation;
- (d) at the election of IMAX Corporation if there is a material breach of the DMR Services Agreement by IMAX Shanghai Multimedia or IMAX Hong Kong, as applicable, or any other inter-company agreements entered into between IMAX Corporation and IMAX Shanghai Multimedia or IMAX Hong Kong, as applicable;
- (e) expiration or termination of either Trademark License Agreement (which, for the avoidance of doubt, shall bring about the termination of both DMR Services Agreements); or
- (f) on release of the Escrow Documents.

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

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

Corporate Governance Highlights and Other Information (Continued)

(iii) *Fees*

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

- (a) IMAX Shanghai Multimedia or IMAX Hong Kong, as applicable, shall pay to IMAX Corporation a conversion fee in respect of the conversion of the Greater China DMR Films which equals the actual costs of the DMR conversion services plus 10% of all such actual costs;
- (b) IMAX Corporation shall pay to IMAX Shanghai Multimedia or IMAX Hong Kong, as applicable, 50% of the portion of box office in respect of the Greater China DMR Films received by IMAX Corporation attributable to the exploitation of such films in regions outside of Greater China; and
- (c) IMAX Corporation shall pay to IMAX Shanghai Multimedia or IMAX Hong Kong, as applicable, 50% of the distribution fees attributable to the exploitation of the Greater China Original Films in regions outside of Greater China, if IMAX Corporation elects to obtain the distribution rights to such films in regions outside of Greater China.

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

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

Corporate Governance Highlights and Other Information (Continued)

(b) Annual Caps and Transaction Amount

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

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

For the six months ended 30 June 2020, the DMR conversion fees charged to the Group by IMAX Corporation were approximately US\$232,000. The number of Greater China DMR films converted was 6.

For the six months ended 30 June 2020, no Greater China DMR Films was released in regions outside of Greater China and the distribution fees received/receivable by the Group from IMAX Corporation were US\$nil. No Greater China Original Films were released outside Greater China, and the distribution fees received/receivable by the Group from IMAX Corporation were US\$nil.

(c) Listing Rules Requirements

As the highest relevant percentage ratio in respect of the DMR Services Agreements is expected to be, on an annual basis, more than 0.1% but less than 5% and as the DMR Services Agreements are on normal commercial terms, they will be exempt pursuant to Rule 14A.76(2)(a) of the Listing Rules from the independent shareholders' approval requirements but will be subject to the reporting and, save for the waiver set out in "— Waivers — Waiver from Requirements to Obtain Approval of Independent Shareholders and Make Announcements" in the Company's 2019 annual report dated 23 March 2020, announcement requirements under Chapter 14A of the Listing Rules.

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

Corporate Governance Highlights and Other Information (Continued)

5. **Services Agreements**

(a) *Description of the Services Agreements*

(i) *Subject matter*

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

The Services Agreements were subsequently amended on 7 April 2014, 21 September 2015 and 23 February 2017. On 19 December 2019, the Services Agreements were renewed for a further term of three years commencing from 1 January 2020 and ending on 31 December 2022.

Please also refer to the Company’s announcement dated 19 December 2019 for further details.

(ii) *Term and Termination*

Each of the Services Agreements has a three-year term commencing on 1 January 2020 unless terminated upon any of the following:

- (a) mutual agreement of the parties;
- (b) bankruptcy or insolvency of IMAX Corporation or IMAX Shanghai Multimedia (in the case of the Services Agreement entered into between IMAX Corporation and IMAX Shanghai Multimedia) or IMAX Hong Kong (in the case of the Services Agreement entered into between IMAX Corporation and IMAX Hong Kong) or the appropriation of the assets of either party to the Services Agreement by any government, where termination shall be automatic and immediate;
- (c) at the non-breaching party’s election, material breach of the Services Agreement by either party;
- (d) expiration or termination of the Trademark License Agreement entered into between the same persons as are parties to the Services Agreement; or
- (e) on release of the Escrow Documents.

Corporate Governance Highlights and Other Information (Continued)

(iii) Fees

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

- (a) **Variable service fees:** with respect to the IT services, marketing services, theatre design services, and theatre project management services and theatre support services, IMAX Shanghai Multimedia and IMAX Hong Kong shall pay to IMAX Corporation on a monthly basis an amount equal to 110% of the actual costs plus general overhead for the provision of such services; and
- (b) **Fixed service fees:** IMAX Shanghai Multimedia and IMAX Hong Kong shall pay to IMAX Corporation on a monthly basis with respect to the finance and accounting services, legal services and human resources services, a total amount of US\$17,500.

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

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

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

(b) Annual Caps and Transaction Amounts

In accordance with Rule 14A.53 of the Listing Rules, we have set annual cap for the maximum aggregate fees payable under the Services Agreements at HK\$6,000,000 for each of 2020, 2021 and 2022. The annual cap has been calculated on the basis of: (i) the historic transaction amounts under the Services Agreements; (ii) the business development plans of the Group; (iii) the expected increase in the cost of theatre system maintenance payable by IMAX Shanghai Multimedia and IMAX Hong Kong; and (iv) the flexibility of having a buffer for the Company to cater for any unexpected increase in the service fees payable under the Services Agreements.

Approximately US\$160,000 was charged to the Group by IMAX Corporation under the Services Agreements during the six months ended 30 June 2020.

Corporate Governance Highlights and Other Information (Continued)

(c) *Listing Rules Requirements*

As the highest relevant percentage ratio in respect of the Services Agreements as expected for FY2020, FY2021, and FY2022, was, on an annual basis, less than 25% and the total consideration will be less than HK\$10,000,000 and they are on normal commercial terms, the Services Agreements will be exempt pursuant to Rule 14A.76(2)(b) of the Listing Rules from the independent shareholders' approval requirement but will be subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

At the end of FY2022, the Company will re-comply with the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, where and if applicable, including the requirements for the setting of new monetary annual caps for the maximum aggregate fees payable under the Services Agreements for an additional three-year period.

6. **IMAX Shanghai Services Agreement**

(a) *Description of the IMAX Shanghai Services Agreement*

(i) *Subject matter*

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

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

(ii) *Term and termination*

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

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

(iii) *Fees*

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

Corporate Governance Highlights and Other Information (Continued)

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

(b) *Annual Caps and Transaction Amount*

In accordance with Rule 14A.53 of the Listing Rules, we have set annual cap for the maximum aggregate fees payable under the IMAX Shanghai Services Agreement at HK\$4,000,000 for each of 2020, 2021 and 2022. The annual cap has been calculated on the basis of: (i) the historic transaction amounts under the IMAX Shanghai Services Agreement; (ii) the business development plans of the Group; (iii) the expected increase in the cost of theatre system maintenance payable by IMAX Corporation; and (iv) the flexibility of having a buffer for the Company to cater for any unexpected increase in the service fees payable under the IMAX Shanghai Services Agreement.

Approximately US\$53,000 was charged to IMAX Corporation by the Group under the IMAX Shanghai Services Agreement during the six months ended 30 June 2020.

(c) *Listing Rules Requirements*

As the highest relevant percentage ratio in respect of the IMAX Shanghai Services Agreement as expected for FY2020, FY2021, and FY2022, was, on an annual basis, less than 25% and the total consideration will be less than HK\$10,000,000 and it is on normal commercial terms, the IMAX Shanghai Services Agreement will be exempt pursuant to Rule 14A.76(2)(b) of the Listing Rules from the independent shareholders' approval requirement but will be subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

At the end of FY2022, the Company will re-comply with the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, where and if applicable, including the requirements for the setting of new monetary annual caps for the maximum aggregate fees payable under the IMAX Shanghai Services Agreement for an additional three-year period.

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

The Group has entered into the following continuing connected transactions which will be subject to the reporting and, save for the waiver granted by the Stock Exchange as set out in "— Waivers — Waiver from Requirements to Obtain Approval of Independent Shareholders and Make Announcements" in the Company's 2019 annual report dated 23 March 2020, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules:

1. *Equipment Supply Agreements*

(a) *Description of the Equipment Supply Agreements*

(i) *Subject matter*

On 28 October 2011, each of IMAX Shanghai Multimedia and IMAX Hong Kong entered into separate equipment supply agreements with IMAX Corporation (the "**Equipment Supply Agreements**"), pursuant to which IMAX Corporation agreed to provide each of IMAX Shanghai Multimedia and IMAX Hong Kong with

Corporate Governance Highlights and Other Information (Continued)

certain equipment produced by IMAX Corporation in relation to the theatre systems, including projection systems, sound systems, screens, 3D polarised viewing glasses, glasses cleaning machines and other IMAX products or equipment, for sale or lease in the PRC by IMAX Shanghai Multimedia and in Hong Kong, Macau and Taiwan by IMAX Hong Kong.

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

(ii) *Term*

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

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

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

(iii) *Termination*

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

(iv) *Fees*

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

The Company and IMAX Corporation have conducted detailed comparable analysis to ensure that the fees payable under the Equipment Supply Agreements are on an arm's length and reflect normal commercial terms. See "Connected Transactions — Confirmation From The Directors" in the Prospectus for further details. The purchase price payable under the Equipment Supply Agreements of cost plus 10% was agreed

Corporate Governance Highlights and Other Information (Continued)

between the parties to the Equipment Supply Agreements in April 2014, which amended certain terms of the Equipment Supply Agreements. The purchase price originally payable under the Equipment Supply Agreements was cost plus 15%, which was agreed on an arm's length basis between the parties at the time of their entry into the Equipment Supply Agreements. Accordingly, the Directors consider that the percentage used in the formulae for determining the purchase price payable is on commercial terms or better, fair and reasonable and in the interests of the Shareholders as a whole.

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

(b) *Annual Caps and Transaction Amount*

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

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

The number of IMAX theatre systems installed pursuant to the Equipment Supply Agreements for the six months ended 30 June 2020 was 3, and the purchase price paid/payable to IMAX Corporation by the Group was approximately US\$3,675,000.

(c) *Listing Rules Requirements*

As the highest relevant percentage ratio in respect of the Equipment Supply Agreements will be, on an annual basis, more than 5% and the total consideration is expected to exceed HK\$10,000,000, the Equipment Supply Agreements would be, in the absence of the grant of a waiver by the Stock Exchange set out in “— Waivers — Waiver from Requirements to Obtain Approval of Independent Shareholders and Make Announcements” in the Company's 2019 annual report dated 23 March 2020, subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

Corporate Governance Highlights and Other Information (Continued)

2. Master Distribution Agreements

(a) Description of the Master Distribution Agreements

(i) Subject matter

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

- (a) if IMAX Corporation intends to distribute an IMAX format Hollywood film in the PRC and/or in Hong Kong, Macau and Taiwan, each of IMAX Shanghai Multimedia and IMAX Hong Kong, as applicable, shall pay to IMAX Corporation certain fees related to the conversion of such IMAX format Hollywood film in consideration for the receipt of the portion of the box office attributable to the release of such IMAX format Hollywood films in their respective territories; and
- (b) if IMAX Corporation intends to distribute an IMAX Original Film in the PRC and/or in Hong Kong, Macau and Taiwan, IMAX Corporation shall grant to each of IMAX Shanghai Multimedia and IMAX Hong Kong, as applicable, the distribution rights of such IMAX Original Films in their respective territories and shall assign to each of IMAX Shanghai Multimedia and IMAX Hong Kong the right to retain any distribution fees attributable to the exploitation of such IMAX Original Films in their respective territories, in consideration for the payment of 50% of such distribution fees by IMAX Shanghai Multimedia and IMAX Hong Kong, as applicable. IMAX Corporation also retains all other revenue attributable to the exploitation of any IMAX Original Film in Greater China.

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

(ii) Term and Termination

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

- (a) mutual agreement of the parties;
- (b) bankruptcy or insolvency of IMAX Corporation, or IMAX Shanghai Multimedia or IMAX Hong Kong, as applicable, or the appropriation of the assets of either party by any government, where termination shall be automatic and immediate;
- (c) at the election of IMAX Hong Kong or IMAX Shanghai Multimedia, as applicable, in the event of a material breach of the Master Distribution Agreement by IMAX Corporation;

Corporate Governance Highlights and Other Information (Continued)

- (d) at IMAX Corporation's election, in the event of a material breach by IMAX Shanghai Multimedia or IMAX Hong Kong, as applicable, of the Master Distribution Agreement or any of the other inter-company agreements entered into between IMAX Corporation and either of IMAX Shanghai Multimedia or IMAX Hong Kong, as applicable;
- (e) the expiration or termination of either Trademark License Agreement (which, for the avoidance of doubt, shall bring about the termination of both Master Distribution Agreements); or
- (f) upon release of the Escrow Documents.

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

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

(iii) Fees

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

- (a) for each IMAX format Hollywood film in 2D format and 2.5 hours or less in length, an amount equal to the product of US\$150,000 and the IMAX China Theatre Percentage (in the case of the Master Distribution Agreement entered into between IMAX Corporation and IMAX Shanghai Multimedia) or the IMAX Hong Kong Theatre Percentage (in the case of the Master Distribution Agreement entered into between IMAX Corporation and IMAX Hong Kong) as determined at the time such payment is incurred;
- (b) for each IMAX format Hollywood film in 3D format and 2.5 hours or less in length, an amount equal to the product of US\$200,000 and the IMAX China Theatre Percentage or the IMAX Hong Kong Theatre Percentage (as the case may be) as determined at the time such payment is incurred;
- (c) for each IMAX format Hollywood film greater than 2.5 hours in length, whether in 2D or 3D format, a sum to be specified by IMAX Corporation in its sole and reasonable discretion provided that such amount shall not exceed the amounts specified above in paragraphs (a) and (b) calculated on a pro rata basis for the excess of 2.5 hours in length of the film;

Corporate Governance Highlights and Other Information (Continued)

- (d) in addition, in connection with any 3D conversions, IMAX Shanghai Multimedia and IMAX Hong Kong shall pay to IMAX Corporation an additional amount equal to the product of the actual costs plus general overhead for 3D conversions, the IMAX China Theatre Percentage or the IMAX Hong Kong Theatre Percentage (as the case may be) and the percentage that all IMAX theatres using IMAX theatre systems in Greater China represents of all IMAX theatres worldwide, both as determined at the time such payment is incurred; and
- (e) notwithstanding (a), (b) and (c) above, if all or substantially all of the IMAX theatres to which the IMAX format Hollywood film is distributed are in the PRC, Hong Kong, Macau and/or Taiwan, then each of IMAX Shanghai Multimedia and IMAX Hong Kong, as applicable, shall pay IMAX Corporation the product of (A) 110% of the actual costs of the DMR conversion services in respect of such IMAX film, and (B) the IMAX China Theatre Percentage or the IMAX Hong Kong Theatre Percentage (as the case may be).

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

The 110% of actual costs fee basis described in paragraph (e) above is intended to address a situation where an IMAX format Hollywood film is distributed into Greater China and none, or only a handful of, IMAX theatres outside Greater China (the Master Distribution Agreements do not quantify the number of IMAX theatres that would need to release the film outside Greater China to preserve practical flexibility). In this event, the fees are calculated on the basis that IMAX Corporation does not expect to receive a significant amount of revenue in respect of that film outside Greater China to offset the cost of the DMR conversion, therefore it is appropriate for the Group to pay the full conversion fee required under the DMR Services Agreement. During the years ended 31 December 2018 and 2019, as well as for the six months ended 30 June 2020, there were no films to which this fee basis applied, and the Group does not expect this fee basis to apply to a significant number of films in the future.

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

Corporate Governance Highlights and Other Information (Continued)

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

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

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

- in relation to the fixed fees payable by the Company for the conversion of IMAX films under the Master Distribution Agreements, since these are fixed, they are expected to become increasingly less significant to the Group over time compared to the revenue generated from Hollywood films as the IMAX theatre network continues to expand and as a result of increases in ticket prices, both of which would increase the aggregate Greater China IMAX box office for those films, in turn increasing the Group's revenue; and
- in relation to the percentage of Greater China box office payable to the Group for the release of IMAX films (i.e. the 9.5% of box office fee typically paid on Hollywood films and 12.5% of box office fee typically paid on Chinese language films), this is a fee effectively negotiated with the relevant studios rather than IMAX Corporation, which does not receive any part of that fee itself and merely passes through to the Group the portion of box office it receives which is attributable to the exploitation of IMAX films in Greater China. The higher box office percentage paid by studios producing Chinese language films is generally consistent with that earned by IMAX Corporation outside of Greater China and the lower percentage for Hollywood films reflects the reduced overall amount that Hollywood studios generally earn for their films in Greater China as compared to the U.S. and other parts of the world.

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

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

Corporate Governance Highlights and Other Information (Continued)

(b) Annual Caps and Transaction Amount

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

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

For the six months ended 30 June 2020, the number of IMAX format Hollywood films distributed in Greater China for which the Company paid/payable conversion fees under the Master Distribution Agreements was nil. The conversion fees paid/payable by the Group to IMAX Corporation was US\$nil and the revenue received/receivable by the Group from IMAX Corporation pursuant to the Master Distribution Agreements amounted to US\$281,000.

For the six months ended 30 June 2020, the number of IMAX Original Films distributed by IMAX Corporation into Greater China for which distribution fees were paid/payable by the Company under the Master Distribution Agreements was 1 and the distribution fee paid/payable by the Group to IMAX Corporation was US\$21,000.

(c) Listing Rules Requirements

As the highest relevant percentage ratio in respect of the Master Distribution Agreements will be, on an annual basis, more than 5% and the total consideration is expected to exceed HK\$10,000,000, the Master Distribution Agreements would, in the absence of the grant of a waiver by the Stock Exchange set out in “— Waivers — Waiver from Requirements to Obtain Approval of Independent Shareholders and Make Announcements” in the Company’s 2019 annual report dated 23 March 2020, be subject to the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

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

Exempt Connected Transactions

In addition to the above-mentioned continuing connected transactions, our continuing connected transactions for the six months ended 30 June 2020 include the DMR Software License Agreement, and Tool and Equipment Supply Contract (each as described in “Connected Transactions — Exempt Connected Transactions” in the Prospectus), which are exempted from the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Corporate Governance Highlights and Other Information (Continued)

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

As at 30 June 2020, the interests of the Directors and the chief executive officer of the Company in the Shares and debentures of the Company and any interests in shares or debentures of any of the Company's associated corporations (within the meaning of Part XV of the SFO) which; (i) will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions (as applicable) which they are taken or deemed to have under such provisions of the SFO); (ii) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange will be as follows:

(a) Interests in the Shares of the Company

Name of Director or Chief Executive Officer	Number of Shares	Nature of Interest	Approximate Percentage
Jiande Chen	2,162,287(L) ⁽¹⁾	Beneficial Owner	0.62%
Jim Athanasopoulos	3,690,689(L) ⁽²⁾	Beneficial Owner	1.06%
Mei-Hui (Jessie) Chou	1,658,267(L) ⁽³⁾	Beneficial Owner	0.48%
John Davison	188,373(L)	Beneficial Owner	0.05%
Yue-Sai Kan	168,955(L)	Beneficial Owner	0.05%
Dawn Taubin	188,373(L)	Beneficial Owner	0.05%
Peter Loehr	62,707(L)	Beneficial Owner	0.02%
Edwin Tan	553,172 (L) ⁽⁴⁾	Beneficial Owner	0.16%

(L) Long position

Notes:

- (1) Of which 2,075,842 are options, restricted stock units and/or performance-based restricted share units.
- (2) Of which 3,579,443 are options, restricted stock units and/or performance-based restricted share units.
- (3) Of which 1,591,052 are options, restricted stock units and/or performance-based restricted share units.
- (4) All of which are restricted stock units and/or performance-based restricted share units.

(b) Long Position in Shares of Associated Corporations

Name of Director or Chief Executive Officer	Interest in common shares	Nature of Interest	Approximate Percentage
IMAX Corporation			
Richard Gelfond	3,961,652(L) ⁽¹⁾	Beneficial Owner	6.48%
	15,100(L)	Trustee	0.02%
Megan Colligan	321,802(L) ⁽²⁾	Beneficial Owner	0.53%
Jim Athanasopoulos	4,068(L)	Beneficial Owner	0.01%

Notes:

- (1) Of which 3,664,660 are options, restricted stock units and/or performance-based restricted share units.
- (2) Of which 310,886 are options, restricted stock units and/or performance-based restricted share units.

Corporate Governance Highlights and Other Information (Continued)

Save as disclosed above, as at 30 June 2020, none of the Directors or the chief executive officer of the Company have an interest in the Shares or debentures of the Company or any interests in the shares or debentures of the Company's associated corporations (within the meaning of Part XV of the SFO) which; (i) will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they are taken or deemed to have under such provisions of the SFO); (ii) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

As at 30 June 2020, neither the Directors nor chief executive officer of the Company have any short position in either the Shares or in the debentures of the Company, or in shares or debentures of any of the Company's associated corporations (within the meaning of Part XV of the SFO).

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

As at 30 June 2020, the Company had been notified of the following substantial shareholders' interests and short positions in the Shares and underlying Shares of the Company, which have been recorded in the register of substantial shareholders required to be kept by the Company pursuant to section 336 of Part XV of the SFO. These interests are in addition to those disclosed above in respect of the Directors and chief executive officer of the Company.

Interests and Long Positions in Shares of the Company

Name of Shareholder	Capacity	Number of Shares held or interested	Approximate Percentage of interest (%)
IMAX Corporation	Interest in controlled corporation ⁽¹⁾	243,262,600(L)	69.81
IMAX Barbados	Beneficial interest	243,262,600(L)	69.81

(L) Long position

Note:

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

Save as disclosed above, according to the register kept by the Company under Section 336 of the SFO, there was no other person who had a substantial interest or short positions in the Shares or underlying Shares of the Company as at 30 June 2020.

Corporate Governance Highlights and Other Information (Continued)

REMUNERATION POLICY

As at 30 June 2020, the Group had approximately 108 employees. All of the employees were based in Greater China.

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

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

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

LONG TERM INCENTIVE PLAN

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

The Board has determined that the total number of Shares that may be issued, or with respect to which awards may be granted under the LTIP is 35,532,500 Shares.

Corporate Governance Highlights and Other Information (Continued)

During the six months ended 30 June 2020, the Company did not grant any options pursuant to the LTIP to certain directors, senior management and employees of the Group. As of 30 June 2020, there were outstanding 5,163,800 shares (representing approximately 1.482% of the then issued share capital of the Company) underlying options granted pursuant to the LTIP to certain directors, senior management and employees of the Group at no consideration. Details of the options outstanding are set out below:

Name of Grantee	Date of Grant	Exercise Price	Option Period	Number of share options				Outstanding at 30 June 2020
				Outstanding at 1 January 2020	Granted during the period	Exercised during the period	Expired/lapsed/cancelled during the period	
Directors								
Jiande Chen	29 October 2012	US\$1.8111	Five years from date of grant ⁽¹⁾	1,350,000	—	—	—	1,350,000
Jim Athanasopoulos	29 October 2012	US\$1.3583	Five years from date of grant ⁽¹⁾	1,215,000	—	—	—	1,215,000
	25 October 2014	US\$1.1852	Three years from date of grant ⁽¹⁾	1,518,800	—	—	—	1,518,800
Mei-Hui (Jessie) Chou	29 October 2012	US\$1.3583	Five years from date of grant ⁽¹⁾	810,000	—	—	—	810,000
	21 February 2014	US\$1.8093	3.7 years from date of grant ⁽¹⁾	270,000	—	—	—	270,000
Senior Management								
Don Savant ⁽³⁾	29 October 2012	US\$1.3583	Five years from date of grant ⁽¹⁾	—	—	—	—	—
Michelle Rosen ⁽⁴⁾	30 March 2015	US\$1.3333	Three years from date of grant ⁽²⁾	—	—	—	—	—
Total				5,163,800	—	—	—	5,163,800

Notes:

- (1) The vesting schedule is as follows: 25%, 20%, 25% and 30% on 8 October 2015, 29 October 2015, 29 October 2016 and 29 October 2017, respectively.
- (2) The vesting schedule is as follows: 33%, 33% and 34% on each of the first, second and third anniversary of the grant date, respectively.
- (3) Don Savant's secondment to the Company ended and he left IMAX Corporation on 31 January 2019.
- (4) Michelle Rosen resigned from her role as the general counsel and joint company secretary with effect from 29 December 2017.

No options were exercised, cancelled or lapsed under the LTIP during the first half of 2020.

Corporate Governance Highlights and Other Information (Continued)

SUB-PLAN: SHARE OPTION SCHEME

Pursuant to the LTIP, on 21 September 2015, the Company adopted the Post-IPO Share Option Scheme (the “**Share Option Scheme**”). The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

Purpose of the Share Option Scheme

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

Participants of the Share Option Scheme

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

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

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

$$X = A - B - C$$

where:

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

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

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

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

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

Corporate Governance Highlights and Other Information (Continued)

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

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

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

As of 1 January 2020, there were outstanding 1,602,128 Shares (representing approximately 0.459% of the then issued share capital of the Company) underlying options granted pursuant to the Share Option Scheme. During the six months ended 30 June 2020, the Company did not grant options pursuant to the Share Option Scheme to any directors, senior management and employees of the Group. As of 30 June 2020, there were outstanding 1,527,155 shares (representing approximately 0.438% of the then issued share capital of the Company) underlying options granted pursuant to the Share Option Scheme to directors, senior management and certain employees of the Group. Details of the options outstanding are set out below:

Name of Grantee	Date of Grant	Exercise Price	Vesting Period	Number of Shares under the options				Outstanding at June 30, 2020
				Outstanding at January 1, 2020	Granted during the six months ended June 30, 2020	Exercised during the six months ended June 30, 2020	Expired/lapsed/cancelled during the six months ended June 30, 2020	
Directors								
Jiande Chen	7 March 2017	HK\$36.94	Four years from date of grant ⁽¹⁾	100,992	–	–	–	100,992
	7 March 2018	HK\$24.45	Four years from date of grant ⁽²⁾	97,083	–	–	–	97,083
	7 March 2019	HK\$20.71	Four years from date of grant ⁽⁹⁾	149,966	–	–	–	149,966
Jim Athanasopoulos	7 March 2017	HK\$36.94	Three years from date of grant ⁽³⁾	84,671	–	–	–	84,671
	1 August 2017	HK\$21.43	Three years from date of grant ⁽⁴⁾	136,518	–	–	–	136,518
	1 August 2018	HK\$23.10	Three years from date of grant ⁽⁵⁾	122,460	–	–	–	122,460
Mei-Hui (Jessie) Chou	1 August 2019	HK\$18.24	Three years from date of grant ⁽¹⁰⁾	210,883	–	–	–	210,883
	25 April 2016	HK\$45.31	Four years from date of grant ⁽⁶⁾	19,382	–	–	–	19,382
	7 March 2017	HK\$36.94	Four years from date of grant ⁽¹⁾	50,496	–	–	–	50,496
Mei-Hui (Jessie) Chou	7 March 2018	HK\$24.45	Four years from date of grant ⁽²⁾	69,345	–	–	–	69,345
	7 March 2019	HK\$20.71	Four years from date of grant ⁽⁹⁾	107,119	–	–	–	107,119

Corporate Governance Highlights and Other Information (Continued)

Name of Grantee	Date of Grant	Exercise Price	Vesting Period	Number of Shares under the options				Outstanding at June 30, 2020
				Outstanding at January 1, 2020	Granted during the six months ended June 30, 2020	Exercised during the six months ended June 30, 2020	Expired/lapsed/cancelled during the six months ended June 30, 2020	
Senior Management								
Francisco (Tony) Navarro-Sertich	25 April 2016	HK\$45.31	Sixteen months from date of grant ⁽⁷⁾	74,973	–	–	74,973	–
Zi Maggie Chen	3 May 2018	HK\$28.00	Four years from date of grant ⁽⁸⁾	35,807	–	–	–	35,807
	7 March 2019	HK\$20.71	Four years from date of grant ⁽⁹⁾	64,271	–	–	–	64,271
Employees	25 April 2016	HK\$45.31	Four years from date of grant ⁽⁶⁾	45,224	–	–	–	45,224
Employees	7 March 2017	HK\$36.94	Four years from date of grant ⁽¹⁾	42,417	–	–	–	42,417
Employees	7 March 2018	HK\$24.45	Four years from date of grant ⁽²⁾	62,412	–	–	–	62,412
Employees	7 March 2019	HK\$20.71	Four years from date of grant ⁽⁹⁾	96,408	–	–	–	96,408
Employee	1 August 2019	HK\$18.24	Four years from date of grant ⁽¹¹⁾	31,701	–	–	–	31,701
Total				1,602,128	–	–	74,973	1,527,155

Notes:

- (1) The vesting schedule is as follows: 20%, 25%, 25% and 30% on each of 7 March 2018, 7 March 2019, 7 March 2020 and 7 March 2021, respectively.
- (2) The vesting schedule is as follows: 20%, 25%, 25% and 30% on each of 7 March 2019, 7 March 2020, 7 March 2021 and 7 March 2022, respectively.
- (3) The vesting schedule is as follows: 25%, 35% and 40% on each of 7 March 2018, 7 March 2019 and 7 March 2020, respectively.
- (4) The vesting schedule is as follows: 25%, 35% and 40% on each of 1 August 2018, 1 August 2019 and 1 August 2020, respectively.
- (5) The vesting schedule is as follows: 25%, 35% and 40% on each of 1 August 2019, 1 August 2020 and 1 August 2021, respectively.
- (6) The vesting schedule is as follows: 20%, 25%, 25% and 30% on each of 7 March 2017, 7 March 2018, 7 March 2019 and 7 March 2020, respectively.
- (7) The vesting schedule is as follows: 20% and 80% on each of 25 April 2017 and 18 August 2017, respectively.
- (8) The vesting schedule is as follows: 20%, 25%, 25% and 30% on each of 3 May 2019, 3 May 2020, 3 May 2021 and 3 May 2022, respectively.
- (9) The vesting schedule is as follows: 20%, 25%, 25% and 30% on each of 7 March 2020, 7 March 2021, 7 March 2022 and 7 March 2023, respectively.
- (10) The vesting schedule is as follows: 25%, 35% and 40% on each of 1 August 2020, 1 August 2021 and 1 August 2022, respectively.
- (11) The vesting schedule is as follows: 20%, 25%, 25% and 30% on each of 1 August 2020, 1 August 2021, 1 August 2022 and 1 August 2023, respectively.

Corporate Governance Highlights and Other Information (Continued)

The closing price of the shares on 22 April 2016, 6 March 2017, 31 July 2017, 6 March 2018, 2 May 2018, 31 July 2018, 6 March 2019 and 31 July 2019, being the trading date immediately before the relevant date of the grant, was HK\$45.10, HK\$36.10, HK\$20.65, HK\$24.45, HK\$27.55, HK\$22.90, HK\$20.80 and HK\$18.02, respectively.

As of 30 June 2020, the total number of Shares available for grant under the Share Option Scheme was 20,865,516, representing approximately 5.988% of the issued share capital of the Company as of 30 June 2020.

During the six months ended 30 June 2020, 74,973 options under the Share Option Scheme were expired, and no options under the Share Option Scheme were exercised.

Maximum entitlement of each participant

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

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

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

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

Acceptance of an Offer

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

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

Corporate Governance Highlights and Other Information (Continued)

Determination of the Exercise Price

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

- (a) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, which must be a business day;
- (b) the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and
- (c) the nominal value of the Shares.

Life of the Share Option Scheme

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

SUB-PLAN: THE RESTRICTED SHARE UNIT SCHEME

Pursuant to the LTIP, on 21 September 2015, the Company adopted the RSU Scheme. The terms of the RSU Scheme are not subject to the provisions of Chapter 17 of the Listing Rules.

We refer to the announcements of the Company dated 13 March 2020 and 11 June 2020 in relation to the grant of RSUs. The Company has appointed a professional trustee to make on-market purchases of shares in respect of the satisfaction of RSUs granted to the Executive Directors (243,530 RSUs), the Chief Executive Officer (304,412 RSUs) and the Independent Non-executive Directors (250,828 RSUs). With respect to the satisfaction of RSUs granted to employees (other than the Directors and Chief Executive Officer) (570,007 RSUs), the Company intends to arrange for the issuance of new Shares.

Corporate Governance Highlights and Other Information (Continued)

As of 30 June 2020, there were outstanding 2,157,754 RSUs (representing approximately 0.619% of the then issued share capital of the Company) granted pursuant to the RSU Scheme to directors, senior management and employees of the Group. Details of the RSUs outstanding are set out below:

Name of Grantee	Date of Grant	Vesting Period	Number of Shares under RSUs				
			Outstanding at 1 January 2020	Granted during the six months ended 30 June 2020	Exercised during the six months ended 30 June 2020	Expired/lapsed/cancelled during the six months ended 30 June 2020	Outstanding at 30 June 2020
Directors							
Jiande Chen	7 March 2017	Four years from date of grant ⁽¹⁾	44,056	—	20,024	—	24,032
	7 March 2018	Four years from date of grant ⁽²⁾	67,280	—	21,024	—	46,256
	7 March 2019	Four years from date of grant ⁽⁹⁾	103,233	—	20,646	—	82,587
	12 March 2020	Three years from date of grant ⁽¹⁴⁾	—	142,059	—	—	142,059
Jim Athanasopoulos	7 March 2017	Three years from date of grant ⁽³⁾	25,633	—	25,633	—	—
	1 August 2017	Three years from date of grant ⁽⁴⁾	48,945	—	—	—	48,945
	1 August 2018	Three years from date of grant ⁽⁵⁾	81,229	—	—	—	81,229
	1 August 2019	Three years from date of grant ⁽¹³⁾	160,937	—	—	—	160,937
Mei-Hui (Jessie) Chou	25 April 2016	Four years from date of grant ⁽⁶⁾	4,623	—	4,623	—	—
	7 March 2017	Four years from date of grant ⁽¹⁾	22,028	—	10,012	—	12,016
	7 March 2018	Four years from date of grant ⁽²⁾	48,057	—	15,017	—	33,040
	7 March 2019	Four years from date of grant ⁽⁹⁾	73,738	—	14,747	—	58,991
	12 March 2020	Three years from date of grant ⁽¹⁴⁾	—	101,471	—	—	101,471
Senior Management							
Edwin Tan	9 December 2019	Three years from date of grant ⁽¹¹⁾	71,186	—	—	—	71,186
	12 March 2020	Three years from date of grant ⁽¹⁴⁾	—	304,412	—	—	304,412
Karl Yuan	25 April 2016	Four years from date of grant ⁽⁶⁾	4,623	—	4,623	—	—
	7 March 2017	Four years from date of grant ⁽¹⁾	11,014	—	5,006	—	6,008
	7 March 2018	Four years from date of grant ⁽²⁾	28,834	—	9,010	—	19,824
	7 March 2019	Four years from date of grant ⁽⁹⁾	44,243	—	8,848	—	35,395
	12 March 2020	Three years from date of grant ⁽¹⁴⁾	—	60,882	—	—	60,882
Zi Maggie Chen	3 May 2018	Four years from date of grant ⁽⁷⁾	25,229	—	7,884	—	17,345
	7 March 2019	Four years from date of grant ⁽⁹⁾	44,243	—	8,848	—	35,395
	12 March 2020	Three years from date of grant ⁽¹⁴⁾	—	60,882	—	—	60,882
Employees	25 April 2016	Four years from date of grant ⁽⁶⁾	17,724	—	17,724	—	—
Employees	7 March 2017	Four years from date of grant ⁽¹⁾	37,894	—	17,220	—	20,674
Employees	7 March 2018	Four years from date of grant ⁽²⁾	99,639	—	31,131	—	68,508
Employees	7 March 2018	Two years from date of grant ⁽⁸⁾	28,528	—	28,528	—	—
Employees	7 March 2019	Four years from date of grant ⁽⁹⁾	184,345	—	36,863	—	147,482
Employees	7 March 2019	Two years from date of grant ⁽¹⁰⁾	49,552	—	—	1,573	47,979
Employee	1 August 2019	Four years from date of grant ⁽¹²⁾	24,141	—	—	—	24,141
Employees	12 March 2020	Two years from date of grant ⁽¹⁵⁾	—	89,039	—	2,165	86,874
Employees	12 March 2020	Three years from date of grant ⁽¹⁴⁾	—	359,204	—	—	359,204
Total			1,350,954	1,117,949	307,411	3,738	2,157,754

Corporate Governance Highlights and Other Information (Continued)

Notes:

- (1) The vesting schedule is as follows: 20%, 25%, 25% and 30% on each of 7 March 2018, 7 March 2019, 7 March 2020 and 7 March 2021, respectively.
- (2) The vesting schedule is as follows: 20%, 25%, 25% and 30% on each of 7 March 2019, 7 March 2020, 7 March 2021 and 7 March 2022, respectively.
- (3) The vesting schedule is as follows: 25%, 35% and 40% on each of 7 March 2018, 7 March 2019 and 7 March 2020, respectively.
- (4) The vesting schedule is as follows: 25%, 35% and 40% on each of 1 August 2018, 1 August 2019 and 1 August 2020, respectively.
- (5) The vesting schedule is as follows: 25%, 35% and 40% on each of 1 August 2019, 1 August 2020 and 1 August 2021, respectively.
- (6) The vesting schedule is as follows: 20%, 25%, 25% and 30% on each of 7 March 2017, 7 March 2018, 7 March 2019 and 7 March 2020, respectively.
- (7) The vesting schedule is as follows: 20%, 25%, 25% and 30% on each of 3 May 2019, 3 May 2020, 3 May 2021 and 3 May 2022, respectively.
- (8) The vesting schedule is as follows: 100% on 7 March 2020.
- (9) The vesting schedule is as follows: 20%, 25%, 25% and 30% on each of 7 March 2020, 7 March 2021, 7 March 2022 and 7 March 2023, respectively.
- (10) The vesting schedule is as follows: 100% on 7 March 2021.
- (11) The vesting schedule is as follows: 33%, 33% and 34% on each of 9 December 2020, 9 December 2021 and 9 December 2022, respectively.
- (12) The vesting schedule is as follows: 20%, 25%, 25% and 30% on each of 1 August 2020, 1 August 2021, 1 August 2022 and 1 August 2023, respectively.
- (13) The vesting schedule is as follows: 25%, 35% and 40% on each of 1 August 2020, 1 August 2021 and 1 August 2022, respectively.
- (14) The vesting schedule is as follows: 33%, 33% and 34% on each of 12 March 2021, 12 March 2022 and 12 March 2023, respectively.
- (15) The vesting schedule is as follows: 100% on 12 March 2022.

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

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

SUB-PLAN: THE PERFORMANCE-BASED RESTRICTED SHARE UNIT SCHEME

Pursuant to the LTIP, on 12 March 2020, the Company adopted the PSU Scheme pursuant to which it may grant PSUs. The terms of the PSU Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as the PSU Scheme does not involve the grant of options by the Company to subscribe for new Shares.

We refer to the announcement of the Company dated 13 March 2020 in relation to the grant of PSUs. The Company has appointed a professional trustee to make on-market purchases of shares in respect of the satisfaction of all PSUs granted.

Corporate Governance Highlights and Other Information (Continued)

As of 30 June 2020, there were outstanding 253,677 PSUs (representing approximately 0.073% of the then issued share capital of the Company) granted pursuant to the PSU Scheme to directors, senior management and employees of the Group. Details of the PSUs outstanding are set out below:

Name of Grantee	Date of Grant	Vesting Period	Number of Shares under PSUs				
			Outstanding at 1 January 2020	Granted during the six months ended 30 June 2020	Exercised during the six months ended 30 June 2020	Expired/lapsed/cancelled during the six months ended 30 June 2020	Outstanding at 30 June 2020
Directors							
Jiande Chen	12 March 2020	Three years from date of grant ⁽¹⁾	–	47,353	–	–	47,353
Mei-Hui (Jessie) Chou	12 March 2020	Three years from date of grant ⁽¹⁾	–	33,824	–	–	33,824
Senior Management							
Edwin Tan	12 March 2020	Three years from date of grant ⁽¹⁾	–	101,471	–	–	101,471
Zi Maggie Chen	12 March 2020	Three years from date of grant ⁽¹⁾	–	20,294	–	–	20,294
Employees							
	12 March 2020	Three years from date of grant ⁽¹⁾	–	50,735	–	–	50,735
Total			–	253,677	–	–	253,677

Notes:

- (1) The PSUs granted will vest in whole or in part promptly following the public disclosure of the Company's financial statements for the year of 2022 based on fulfillment of relevant performance conditions over a three-year performance period commencing on 1 January 2020 and ending on 31 December 2022 (the "Performance Period").
- (2) Where the average annual EBITDA growth of the Company over the Performance Period is greater than 12.5%, the grantees will be entitled to up to a maximum of 75% additional PSUs which will vest upon grant.

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

No grantee shall enjoy any of the rights of a Shareholder by virtue of the grant of a PSU pursuant to the PSU Scheme, unless and until the Share underlying the PSU is actually transferred to the grantee upon the vesting of such PSU.

Please refer to the Company's announcement dated 12 March 2020 in relation to the adoption of the PSU Scheme for further details.

Report on Review of Interim Financial Information

Report On Review of Interim Financial Information
To the Board of Directors of IMAX China Holding, Inc.
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 64 to 109, which comprises the condensed consolidated interim statement of financial position of IMAX China Holding, Inc. (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2020 and the condensed consolidated interim statement of comprehensive (loss) income, the condensed consolidated interim statement of changes in equity and the condensed consolidated interim statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 July 2020

Condensed Consolidated Interim Financial Information

Condensed Consolidated Interim Statement of Comprehensive (Loss) Income
(In thousands of U.S. dollars)

	Notes	Six months ended 30 June	
		2020 (Unaudited)	2019 (Unaudited)
Revenues	8	6,662	59,256
Cost of sales	9	(10,704)	(18,209)
Gross (loss) profit	8	(4,042)	41,047
Selling, general and administrative expenses	9	(7,564)	(7,838)
Other operating expenses	9	(10,793)	(3,404)
Operating (loss) profit		(22,399)	29,805
Interest income		709	984
Interest expense		(50)	(44)
(Loss) Profit before income tax		(21,740)	30,745
Income tax expense	10	(13,508)	(6,780)
(Loss) Profit for the period attributable to owners of the Company		(35,248)	23,965
Other comprehensive loss:			
Items that may be subsequently reclassified to profit or loss:			
Change in foreign currency translation adjustments		(2,698)	(550)
Items that may not be subsequently reclassified to profit or loss:			
Change in fair value of financial assets at fair value through other comprehensive income ("FVOCI")		(2,514)	(4,436)
Other comprehensive loss:		(5,212)	(4,986)
Total comprehensive (loss) income for the period, attributable to owners of the Company		(40,460)	18,979
(Loss) Profit per share attributable to owners of the Company — basic and diluted (expressed in U.S. dollars per share):			
From (loss) profit for the period — basic	11	(0.10)	0.07
From (loss) profit for the period — diluted	11	(0.10)	0.07

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

Condensed Consolidated Interim Financial Information (Continued)

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

Notes	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)	
ASSETS			
Non-current assets			
Property, plant and equipment	12	98,252	105,348
Other assets	13	12,423	14,934
Variable consideration receivable from contracts		3,065	3,299
Deferred income tax asset	15	8,072	3,143
Financing receivables		42,821	48,056
Interests in a joint venture	16	—	—
		164,633	174,780
Current assets			
Other assets	13	1,622	2,472
Film assets		281	116
Inventories		7,554	5,237
Prepayments		1,989	1,815
Variable consideration receivable from contracts		451	374
Financing receivables		15,287	10,938
Trade and other receivables	14	31,461	43,227
Cash and cash equivalents		74,056	89,308
		132,701	153,487
Total assets		297,334	328,267
LIABILITIES			
Non-current liabilities			
Deferred income tax liability	15	18,475	—
Accruals and other liabilities	19	826	829
Deferred revenue	21	26,229	24,920
		45,530	25,749
Current liabilities			
Trade and other payables	18	13,892	15,170
Accruals and other liabilities	19	9,537	11,394
Income tax liabilities		2,594	4,045
Borrowings	20	244	—
Deferred revenue	21	14,260	12,878
		40,527	43,487
Total liabilities		86,057	69,236
EQUITY			
Equity attributable to owners of the Company			
Share capital		35	35
Share premium and reserves		257,821	270,327
Accumulated deficit		(46,579)	(11,331)
Total equity		211,277	259,031
Total equity and liabilities		297,334	328,267

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

The condensed consolidated interim financial information on pages 64 to 109 was approved by the board of directors on 28 July 2020 and was signed on its behalf.

Jiande Chen
Director

Jim Athanasopoulos
Director

Condensed Consolidated Interim Financial Information (Continued)

Condensed Consolidated Interim Statement of Changes in Equity (In thousands of U.S. dollars)

	Share Capital	Share Premium	Treasury Shares	Capital Reserves	FVOCI Reserve	Retained Earnings (Accumulated Deficit)	Exchange Reserve	Total Equity
Balance as at 1 January 2020	35	317,279	(294)	(28,515)	(5,418)	(11,331)	(12,725)	259,031
Comprehensive loss								
Loss for the period	—	—	—	—	—	(35,248)	—	(35,248)
Change in fair value of financial assets at FVOCI	—	—	—	—	(2,514)	—	—	(2,514)
Foreign currency translation	—	—	—	—	—	—	(2,698)	(2,698)
Total comprehensive loss	—	—	—	—	(2,514)	(35,248)	(2,698)	(40,460)
Dividends recognised as distribution (note 26)	—	(6,983)	—	—	—	—	—	(6,983)
Restricted share units vested and settled	—	817	707	(1,524)	—	—	—	—
Acquisition of shares for settlement of restricted share units	—	—	(413)	—	—	—	—	(413)
China long-term incentive plan	—	—	—	1,634	—	—	—	1,634
Shares buy-back	—	—	(1,525)	—	—	—	—	(1,525)
Shares buy-back transaction costs	—	—	(7)	—	—	—	—	(7)
Shares cancelled	—	(893)	893	—	—	—	—	—
Total transactions with owners, recognised directly in equity	—	(7,059)	(345)	110	—	—	—	(7,294)
Balance as at 30 June 2020 (unaudited)	35	310,220	(639)	(28,405)	(7,932)	(46,579)	(15,423)	211,277
Balance as at 1 January 2019	36	353,245	(4,358)	(29,177)	(2,018)	(54,224)	(9,827)	253,677
Comprehensive income								
Profit for the period	—	—	—	—	—	23,965	—	23,965
Change in fair value of financial assets at FVOCI	—	—	—	—	(4,436)	—	—	(4,436)
Foreign currency translation	—	—	—	—	—	—	(550)	(550)
Total comprehensive income	—	—	—	—	(4,436)	23,965	(550)	18,979
Dividends recognised as distribution (note 26)	—	(7,131)	—	—	—	—	—	(7,131)
Exercise of stock options during the period	—	867	—	(216)	—	—	—	651
Restricted share units vested and settled	—	521	532	(1,053)	—	—	—	—
Acquisition of shares for settlement of restricted share units	—	—	(302)	—	—	—	—	(302)
China long-term incentive plan	—	—	—	1,175	—	—	—	1,175
Shares buy-back	—	—	(16,729)	—	—	—	—	(16,729)
Shares buy-back transaction costs	—	—	(84)	—	—	—	—	(84)
Shares cancelled	(1)	(20,940)	20,941	—	—	—	—	—
Total transactions with owners, recognised directly in equity	(1)	(26,683)	4,358	(94)	—	—	—	(22,420)
Balance as at 30 June 2019 (unaudited)	35	326,562	—	(29,271)	(6,454)	(30,259)	(10,377)	250,236

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

Condensed Consolidated Interim Financial Information (Continued)

Condensed Consolidated Interim Statement of Cash Flows (In thousands of U.S. dollars)

	Notes	Six months ended 30 June	
		2020 (Unaudited)	2019 (Unaudited)
Cash flows from operating activities			
Cash provided by operations	22	37	27,441
Income taxes paid		(3,806)	(10,272)
Interest paid		(50)	(44)
Net cash (used in) provided by operating activities		(3,819)	17,125
Cash flows from investing activities			
Investment in equipment under joint revenue sharing arrangements		(1,160)	(5,693)
Investment in an equity security		—	(15,153)
Proceeds from dissolution of a virtual reality fund		—	78
Purchase of property, plant and equipment		(124)	(35)
Net cash used in investing activities		(1,284)	(20,803)
Cash flows from financing activities			
Dividends paid to owners of the Company		(6,983)	(2,266)
Payment for shares buy-back		(1,532)	(16,813)
Settlement of share-based payments		(413)	(302)
Principal elements of lease payments		(298)	(517)
Proceeds from issuance of common shares upon exercise of stock options		—	651
Repayment of borrowings		(29)	—
Proceeds from borrowings		272	—
Net cash used in financing activities		(8,983)	(19,247)
Effects of exchange rate changes on cash		(1,166)	(319)
Decrease in cash and cash equivalents during period		(15,252)	(23,244)
Cash and cash equivalents, beginning of period		89,308	120,224
Cash and cash equivalents, end of period		74,056	96,980

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

Condensed Consolidated Interim Financial Information (Continued)

Notes to the Condensed Consolidated Interim Financial Information

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

1. General information

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

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

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

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

The condensed consolidated interim financial information is presented in United States dollars (“US\$”), unless otherwise stated.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the condensed consolidated interim financial information are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(a) Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2020 has been prepared in accordance with International Accounting Standard 34 (“IAS 34”), “Interim financial reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

The preparation of condensed consolidated interim financial information in conformity with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the condensed consolidated interim financial information are disclosed in note 6.

Condensed Consolidated Interim Financial Information (Continued)

2. Summary of significant accounting policies (Continued)

(b) Summary of significant accounting policies

Except as described in note 3, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2019, as described in those annual financial statements.

Taxes on income in the six months ended 30 June 2020 and 2019 are accrued using the tax rate that would be applicable to expected total annual profits.

3. New accounting standards and accounting changes

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

4. Impact of COVID-19 Pandemic

In late-January 2020, in response to the public health risks associated with the novel coronavirus and the disease that it causes (“**COVID-19**”), the Chinese government directed exhibitors in China to temporarily close more than 70,000 movie theatres, including all of the approximately 700 IMAX theatres in Mainland China. On 11 March 2020, due to the worsening public health crisis associated with the novel coronavirus, COVID-19 was characterized as a pandemic by the World Health Organization. As a result of the theatre closures, Hollywood and Chinese movie studios have postponed the theatrical release of multiple films, including many scheduled to be shown in IMAX theatres, while other films have been released directly to streaming platforms.

The repercussions of the COVID-19 global pandemic have resulted in a significant decrease in the Group’s revenues, profits and operating cash flows during the six months ended 30 June 2020 as gross box office (“**GBO**”) results declined significantly, the installation of certain theatre systems was delayed, and maintenance services were generally suspended. During the time period when a significant number of theatre in the IMAX network are closed, the Group has and will continue to experience a significant decline in profits and operating cash flows as it is generating significantly lower than normal levels of GBO-based revenue from its joint revenue sharing arrangements and IMAX DMR films, it is generally unable to provide normal maintenance services to any of the theatres that remain closed, and while some installation activity is continuing, certain theatre system installations have, and may continue to be delayed. In addition, the Group has experienced and may continue to experience delays in collecting payments due under existing theatre sale or lease arrangements from its exhibitor partners who are now facing financial difficulties as a result of the theatre closures.

The Group may continue to be significantly impacted by the COVID-19 global pandemic even after some or all theatres are reopened. The timing and extent of a recovery of consumer behavior and willingness to spend discretionary income on movie-going may delay the Group’s ability to generate significant GBO-based revenue until such time as consumer behavior normalizes and consumer spending recovers.

In response to uncertainties associated with the COVID-19 pandemic, the Group has taken and is continuing to take significant steps to preserve cash by eliminating non-essential costs, reducing employee hours and deferring all non-essential capital expenditures to minimum levels. The Group has also implemented an active cash management process to control outgoing payments.

Condensed Consolidated Interim Financial Information (Continued)

4. Impact of COVID-19 Pandemic (Continued)

The Group assessed the recoverability of receivables and recorded an allowance for expected credit losses of US\$9.3 million for the six months ended 30 June 2020. (See Note 5(a)). The Group also updated its recoverability tests of the carrying values of the theatre system equipment supporting its joint revenue sharing arrangements, which are recorded within Property, Plant and Equipment. In performing its reviews of recoverability, the Group estimated the discounted future cash flows expected to result from the use of the assets and determined that there was no impairment as of the date of each test. The cash flow estimates used in these reviews are consistent with management's estimated long-term projections, against which various sensitivity analyses were performed. These estimates are highly uncertain due to the COVID-19 pandemic, therefore management's estimated cash flows factor in a number of underlying variables and ranges of possible cash flow scenarios. Actual results may materially differ from management's estimates, especially due to the uncertainties associated with the COVID-19 pandemic.

5. Financial risk

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

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

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 December 2019.

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

(a) Market risk

Foreign exchange risk

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

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

If the US\$ had strengthened/weakened by 10% against the RMB while all other variables had been held constant, the Group's net result for the six months ended 30 June 2020 would have been approximately \$0.3 million worse/better (30 June 2019: \$0.4 million), for various financial assets and liabilities denominated in RMB.

Condensed Consolidated Interim Financial Information (Continued)

5. Financial risk (Continued)

(a) Market risk (Continued)

Interest rate risk

The Group is exposed to interest rate risk in relation to variable interest rate borrowings.

If interest rates on variable interest rate borrowings had been 10 bases point higher/lower and all other variables were held constant, the Group's post-tax profit would have decreased/increased by less than \$1,000 for the six months ended 30 June 2020.

Credit risk

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

For the six months ended 30 June 2020, 45.9% (30 June 2019: 56.9%) of the Group's revenue was derived from its customers comprising 10% or more of total revenue. See note 8(b) for each significant customer's revenue by segment. As at 30 June 2020, the Group had concentration of credit risk as 20.1% (31 December 2019: 31.9%) of the total trade and other receivables due from the Group's largest two (31 December 2019: two) customers.

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

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtors' ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtors;
- significant increases in credit risk on other financial instruments of the same debtors;
- significant changes in the expected performance and behaviour of the debtors, including changes in the payment status of debtors and changes in the operating results of the debtors; and
- COVID-19.

Condensed Consolidated Interim Financial Information (Continued)

5. Financial risk (Continued)

(a) **Market risk (Continued)**

Credit risk (Continued)

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

For financing receivables and variable consideration receivable from contracts, the Group classifies its customers into four categories to indicate the credit quality worthiness 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 non-accrual status and all revenue recognitions related to the theatre are stopped.

Management believes that the credit risk inherent in the Group's outstanding financing receivables and variable consideration receivable from contracts is not significant.

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

Condensed Consolidated Interim Financial Information (Continued)

5. Financial risk (Continued)

(a) **Market risk (Continued)**

Credit risk (Continued)

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

For the six months ended 30 June 2020, the Group recorded an allowance for expected credit losses of \$9.3 million, reflecting a reduction in the credit quality of its theatre related trade and other receivables, financing receivables and variable consideration receivable from contracts as a result of the COVID-19 global pandemic. Management's judgements regarding expected credit losses are based on the facts available to management. Due to the unprecedented nature of the COVID-19 pandemic, its effect on the Group's customers and their ability to meet their financial obligations to the Group is difficult to predict. As a result, the Group's judgments and associated estimates of expected credit losses may ultimately prove, with the benefit of hindsight, to be incorrect.

Liquidity risk

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

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

The Group's financial liabilities, trade and other payables, borrowings and accruals and other liabilities, in relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date are disclosed in notes 18, 19 and 20.

(b) **Capital management**

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

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

Condensed Consolidated Interim Financial Information (Continued)

5. Financial risk (Continued)

(b) Capital management (Continued)

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

(c) Fair value estimation

See note 7 for disclosures of the fair value estimation of the Group's financial assets and liabilities.

6. Critical accounting estimates and judgements

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

The Group makes estimates and assumptions concerning the future. In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were similar to those that applied to the Group's Annual Report 2019. In addition, management makes assumptions about the future in deriving critical accounting estimates used in preparing the Condensed Consolidated Interim Financial Information. As disclosed in the Group's Annual Report 2019, such sources of estimation include estimates used to determine the recoverable amounts of financial assets, inventory, film assets, property, plant and equipment and deferred income tax.

There is significant ongoing uncertainty surrounding the COVID-19 global pandemic and the extent and duration of impacts that it may have on box office results and the installation of IMAX Theatre Systems, as well as the Group's customers, suppliers, and employees. There is heightened potential for future credit losses on receivables, inventory write downs, impairments of film assets, impairments of property, plant and equipment, valuation allowances against deferred tax assets and the reversal of variable consideration receivables that are based on future box office performance. In the current environment, assumptions about box office results, IMAX Theatre System installations and customer creditworthiness have greater variability than normal, which could in the future significantly affect the valuation of the Group's assets, both financial and non-financial. The Group's cash flow estimates for certain assets are based on a longer time horizon due to the long-term nature of its underlying contracts, allowing time for a recovery of such assets as theatres reopen in the future. As an understanding of the long-term impacts of COVID-19 on the Group's customers and business develops, there is heightened potential for changes in these views over the remainder of 2020.

Condensed Consolidated Interim Financial Information (Continued)

7. Financial instruments

(a) *Financial instruments*

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

	Financial assets at amortised costs	Financial assets at FVOCI	Total
30 June 2020 (unaudited)			
Assets as per statement of financial position			
Investment in an equity security	—	12,123	12,123
Net financed sales receivable	46,431	—	46,431
Net investment in finance leases	11,677	—	11,677
Trade and other receivables	31,461	—	31,461
Variable consideration receivables	3,516	—	3,516
Cash and cash equivalents	74,056	—	74,056
	167,141	12,123	179,264
Liabilities as per statement of financial position			
Trade and other payables		13,892	13,892
Lease liabilities		1,912	1,912
		15,804	15,804

Condensed Consolidated Interim Financial Information (Continued)

7. Financial instruments (Continued)

(a) Financial instruments (Continued)

	Financial assets at amortised costs	Financial assets at FVOCI	Total
31 December 2019 (audited)			
Assets as per statement of financial position			
Investment in an equity security	—	14,637	14,637
Net financed sales receivable	47,891	—	47,891
Net investment in finance leases	11,103	—	11,103
Trade and other receivables	43,227	—	43,227
Variable consideration receivables	3,673	—	3,673
Cash and cash equivalents	89,308	—	89,308
	195,202	14,637	209,839
Liabilities as per statement of financial position			
Trade and other payables		15,170	15,170
Lease liabilities		1,950	1,950
		17,120	17,120

Condensed Consolidated Interim Financial Information (Continued)

7. Financial instruments (Continued)

(b) Fair value measurements

The Group has classified its financial instruments into the three levels prescribed under the accounting standards.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

The investment in an equity security is classified as financial asset with fair value change through other comprehensive income under IFRS 9. As of 30 June 2020, the fair value of investment in an equity security was \$12.1 million. Please refer to note 13 for details.

The investment in an equity security is classified as Level 1 financial instrument for fair value assessment purpose. The fair value of the equity security is determined by using quoted market prices at the end of the reporting period.

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

Cash and cash equivalents are comprised of cash and interest-bearing investments with original maturity dates of 90 days or less. Cash and cash equivalents are recorded at cost, which approximates fair value as at 30 June 2020 and 31 December 2019, respectively.

Condensed Consolidated Interim Financial Information (Continued)

7. Financial instruments (Continued)

(b) Fair value measurements (Continued)

The estimated fair values of the net financed sales receivable and net investment in finance leases are estimated based on discounting future cash flows at currently available interest rates with comparable terms as at 30 June 2020 and 31 December 2019, respectively.

	As at 30 June 2020 (Unaudited)		As at 31 December 2019 (Audited)	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Net financed sales receivable	46,431	46,866	47,891	47,991
Net investment in finance leases	11,677	11,647	11,103	11,103
Variable consideration receivable from contracts	3,516	3,516	3,673	3,673
Borrowings	244	244	—	—
Lease liabilities	1,912	1,912	1,950	1,950

There were no significant transfers within Level 1, Level 2 and Level 3 during the six months ended 30 June 2020 (30 June 2019: 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.

8. Segment information

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

The Group now has six operating and reportable segments: IMAX DMR films, revenue sharing arrangements, IMAX Systems, IMAX Maintenance, Other Theatre Business, New Business Initiatives and Other.

The Group's reportable segments are organised under three primary groups identified by nature of product sold or service provided: (1) IMAX Technology Network, which earns revenue based on contingent box office receipts and includes the IMAX DMR films segment and contingent rent from revenue sharing arrangements segment; (2) IMAX Technology Sales and Maintenance, which includes results from IMAX Systems, IMAX Maintenance and Other Theatre Business, as well as upfront fees from revenue sharing arrangements; and (3) New Business Initiatives and Other, which includes activities related to the exploration of new lines of business and new initiatives outside of the Group's core business.

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

Transactions between the other segments are not significant.

Condensed Consolidated Interim Financial Information (Continued)

8. Segment information (Continued)

(a) Operating Segments

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Revenue		
IMAX Technology Network		
IMAX DMR films	701	17,921
Revenue sharing arrangements — contingent rent	419	15,809
	1,120	33,730
IMAX Technology Sales and Maintenance		
IMAX Systems	2,796	10,379
Revenue sharing arrangements — upfront fees	369	3,537
IMAX Maintenance	2,099	10,859
Other Theatre Business	145	606
	5,409	25,381
New Business Initiatives and Other	133	145
Total	6,662	59,256
Gross (loss) profit		
IMAX Technology Network		
IMAX DMR films	678	15,268
Revenue sharing arrangements — contingent rent	(6,167)	10,064
	(5,489)	25,332
IMAX Technology Sales and Maintenance		
IMAX Systems	2,118	7,846
Revenue sharing arrangements — upfront fees	(126)	1,034
IMAX Maintenance	(455)	6,474
Other Theatre Business	48	250
	1,585	15,604
New Business Initiatives and Other	(138)	111
Total gross (loss) profit	(4,042)	41,047
Selling, general and administrative expenses	(7,564)	(7,838)
Other operating expenses	(10,793)	(3,404)
Interest income	709	984
Interest expense	(50)	(44)
(Loss) Profit before income tax	(21,740)	30,745

Condensed Consolidated Interim Financial Information (Continued)

8. Segment information (Continued)

(a) Operating Segments (Continued)

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.

(b) Significant customers

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

Customer A

Revenues of approximately \$1.8 million in the six months ended 30 June 2020 (30 June 2019: \$4.2 million) are derived from a single external customer. These revenues are attributable to Revenue sharing arrangements, IMAX Systems, and IMAX Maintenance.

Customer B

Revenues of approximately \$1.3 million in the six months ended 30 June 2020 (30 June 2019: \$17.3 million) are derived from a single external customer. These revenues are attributable to Revenue sharing arrangements, IMAX Systems, IMAX Maintenance and Other Theatre Business.

Customer C

Revenues of approximately \$0.3 million in the six months ended 30 June 2020 (30 June 2019: \$16.4 million) are derived from a related party. These revenues are attributable to IMAX DMR films, IMAX Maintenance and Other Theatre Business.

No other single customers comprises of more than 10% of total revenues in the six months ended 30 June 2020 or 2019.

Condensed Consolidated Interim Financial Information (Continued)

9. Expenses by nature

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

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Allowance for expected credit loss	9,299	230
Depreciation, including joint revenue sharing arrangements and film cost	7,269	7,059
Employee salaries and benefits	4,600	4,299
Theatre maintenance fees	1,716	2,998
Share-based compensation expenses	1,634	1,175
Write-downs	1,149	—
Cost of theatre system sales and finance leases	1,088	5,192
Technology and trademark fees	529	3,374
Professional fees	461	604
Advertising and marketing expenses	370	3,506
Cost of new business	190	11
Travel and transportation expenses	141	490
Lease expenses	104	36
Foreign exchange gains	(72)	(134)
Other film costs	28	109
Other business expenses	273	71
Auditor's remuneration		
— Non-audit services	13	118
— Audit services	179	184
Utilities and maintenance expenses	90	129
Total costs of sales, selling, general and administrative expenses and other operating expenses	29,061	29,451

Condensed Consolidated Interim Financial Information (Continued)

10. Income tax expense

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Current income tax:		
Current tax on profits for the period	—	(7,606)
Adjustments in respect of prior years	—	39
Total current income tax	—	(7,567)
Deferred income tax:		
Origination of deductible temporary differences and losses (note 15)	4,967	787
Withholding tax on historical earnings (note 15)	(18,475)	—
Total deferred income tax	(13,508)	787
Income tax expense	(13,508)	(6,780)

Income tax expense for the six months ended 30 June 2020 and 2019 is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

For the six months ended 30 June 2020, the estimated average annual tax rate used for the year ending 31 December 2020 was 23%. For the six months ended 30 June 2019, the estimated average annual tax rate used for the year ending 31 December 2019 was 22%.

Condensed Consolidated Interim Financial Information (Continued)

11. Profit per share

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

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
(Loss) Profit for the period	(35,248)	23,965
Weighted average number of common shares (in '000s):		
Issued and outstanding, beginning of period	348,789	356,255
Weighted average number of shares decreased during the period	(241)	(1,371)
Weighted average number of shares used in computing basic earnings per share	348,548	354,884
Adjustments for:		
Stock options	—	2,364
Restricted share units	—	367
Weighted average number of shares used in computing diluted earnings per share	348,548	357,615

For the six months ended 30 June 2020, the potential ordinary shares from stock options, restricted share units and performance stock units were not included in the calculation of loss per share as their inclusion would be anti-dilutive.

Condensed Consolidated Interim Financial Information (Continued)

12. Property, plant and equipment

	Theatre System Components	Office and Production Equipment	Right-of-use Assets	Leasehold Improvements	Construction in Process	Total
As at 1 January 2020 (audited)						
Cost	142,028	2,545	3,136	1,735	2,423	151,867
Accumulated depreciation and impairment	(42,291)	(1,638)	(885)	(1,705)	—	(46,519)
Net book amount	99,737	907	2,251	30	2,423	105,348
Six months ended						
30 June 2020 (unaudited)						
Opening net book amount	99,737	907	2,251	30	2,423	105,348
Exchange differences	(965)	(15)	(8)	—	(35)	(1,023)
Additions	—	124	284	—	853	1,261
Transfers	172	—	—	—	(172)	—
Disposals	(13)	—	—	—	—	(13)
Depreciation charge	(6,495)	(176)	(590)	(8)	—	(7,269)
Impairment loss	(52)	—	—	—	—	(52)
Closing net book amount	92,384	840	1,937	22	3,069	98,252
As at 30 June 2020 (unaudited)						
Cost	139,982	2,625	3,376	1,707	3,069	150,759
Accumulated depreciation and impairment	(47,598)	(1,785)	(1,439)	(1,685)	—	(52,507)
Net book amount	92,384	840	1,937	22	3,069	98,252

Condensed Consolidated Interim Financial Information (Continued)

12. Property, plant and equipment (Continued)

	Theatre System Components	Office and Production Equipment	Right-of-use Assets	Leasehold Improvements	Construction in Process	Total
As at 1 January 2019 (audited)						
Cost	126,997	2,392	—	1,753	3,959	135,101
Accumulated depreciation and impairment	(33,738)	(1,228)	—	(1,664)	—	(36,630)
Net book amount (as previously presented)	93,259	1,164	—	89	3,959	98,471
Change in accounting policy						
Cost	—	—	3,056	—	—	3,056
Restated as at 1 January 2019						
Cost	126,997	2,392	3,056	1,753	3,959	138,157
Accumulated depreciation and impairment	(33,738)	(1,228)	—	(1,664)	—	(36,630)
Net book amount	93,259	1,164	3,056	89	3,959	101,527
Six months ended 30 June 2019 (unaudited)						
Opening net book amount	93,259	1,164	3,056	89	3,959	101,527
Exchange differences	88	4	(53)	2	(45)	(4)
Additions	—	20	—	15	10,017	10,052
Transfers	7,171	—	—	—	(7,171)	—
Disposals	(173)	—	—	—	—	(173)
Depreciation charge	(5,774)	(253)	(474)	(68)	—	(6,569)
Closing net book amount	94,571	935	2,529	38	6,760	104,833

The recognised right-of-use assets all relate to the type of properties.

Condensed Consolidated Interim Financial Information (Continued)

13. Other assets

The Group's other assets balance is comprised of the following:

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Commissions and other deferred selling expenses	1,527	1,421
Deposits	45	45
Other	50	1,006
Other assets, current	1,622	2,472
Investment in an equity security (note i)	12,123	14,637
Deposits over one year	300	297
Other assets, non-current	12,423	14,934
Other assets	14,045	17,406

Notes:

- (i) On 4 February 2019, IMAX China (Hong Kong), Limited, a wholly-owned subsidiary of the Company, purchased 7,949,000 shares (representing approximately 0.706% equity at the time) in Maoyan Entertainment ("Maoyan") with the amount of \$15.2 million at the final offer price pursuant to the global offering of the share capital of Maoyan. As of 30 June 2020, the fair value of this investment was \$12.1 million, which is \$3.1 million lower than the carrying value of \$15.2 million, and the difference of \$2.5 million was recorded in other comprehensive loss for the six months ended 30 June 2020 (30 June 2019: \$2.1 million).

Condensed Consolidated Interim Financial Information (Continued)

14. Trade and other receivables

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Trade receivables	25,082	27,796
Less: allowance of expected credit loss of trade receivables	(7,753)	(691)
Trade receivables — net	17,329	27,105
Receivables from IMAX Corporation (note 25(b))	11,949	11,588
Loan and interest receivables from a joint venture (note 25(b))	506	513
Less: allowance of expected credit loss of loan and interest receivables	(385)	(391)
Loan and interest receivables from a joint venture — net	121	122
Other accrued receivables	2,062	4,412
	31,461	43,227

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

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

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
0–30 days	1,697	7,973
31–60 days	1,032	2,618
61–90 days	1,220	3,419
Over 90 days	33,082	25,374
	37,031	39,384

Condensed Consolidated Interim Financial Information (Continued)

15. Deferred income tax

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

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Deferred income tax asset		
Opening balance	3,143	2,928
Exchange differences	(38)	(44)
Credited to profit or loss (note 10)	4,967	259
Closing balance	8,072	3,143
Deferred income tax liability		
Opening balance	—	—
Charged to profit or loss (note 10)	18,475	—
Closing balance	18,475	—

During the six months ended 30 June 2020, management completed a reassessment of its strategy with respect to the most efficient means of deploying the Group's capital resources. Based on the results of this reassessment, management concluded that the historical earnings of one subsidiary in the People's Republic of China ("PRC") in excess of amounts required to sustain business operations would no longer be indefinitely reinvested. As a result, the Group recognised a deferred tax liability of \$18.5 million during the six months ended 30 June 2020 for the applicable withholding taxes associated with these historical earnings, which will become payable upon the repatriation of any such earnings.

Condensed Consolidated Interim Financial Information (Continued)

16. Interests in a joint venture

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

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

As of 30 June 2020, no capital has been injected to the joint venture yet.

17. Share capital and reserves

(a) Share capital

	Number of shares		Share capital	
	2020	2019	2020 US\$	2019 US\$
Ordinary shares of US\$0.0001 each				
Authorised				
At beginning and end of six months ended	625,625,000	625,625,000	62,562.50	62,562.50

Condensed Consolidated Interim Financial Information (Continued)

17. Share capital and reserves (Continued)

(a) Share capital (Continued)

	Number of shares		Share capital	
	2020	2019	2020 US\$	2019 US\$
Issued and fully paid				
At beginning of 1 January (audited)	348,788,902	357,944,820	34,878.89	35,794.48
Exercise of stock options	—	488,600	—	48.86
Shares issued for vested restricted share units	175,685	96,982	17.57	9.70
Share cancellation (note 17(b))	(480,600)	(8,715,700)	(48.06)	(871.57)
Number of shares as at 30 June (unaudited)	348,483,987	349,814,702	34,848.40	34,981.47

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) Treasury shares

For the six months ended 30 June:

	Notes	Number of shares		US\$'000	
		2020	2019	2020	2019
Treasury shares					
At beginning of period		131,726	1,775,148	294	4,358
Acquisition of shares by the Trust	(i)	250,828	122,901	413	302
Issued to employees for vested restricted share units		(382,554)	(208,049)	(707)	(532)
Shares bought back on-market	(ii)	906,400	7,025,700	1,525	16,729
Buy-back transaction costs	(ii)	—	—	7	84
Shares cancelled	(ii)	(480,600)	(8,715,700)	(893)	(20,941)
At end of period		425,800	—	639	—

Condensed Consolidated Interim Financial Information (Continued)

17. Share capital and reserves (Continued)

(b) Treasury shares (Continued)

Notes:

- (i) These shares are shares in IMAX China Holding, Inc. that are held by Computershare Hong Kong Trustees Limited (the "Trust") for the purpose of issuing shares under China long-term incentive plan. Shares issued to employees are recognised on a first-in-first-out basis.
- (ii) During the six months ended 30 June 2020, the Company conducted shares buy-back pursuant to a general mandate granted by the shareholders to the Directors during the Annual General Meeting held on 6 June 2019 and resolutions of the Board adopted on 6 June 2019, and a general mandate granted by the shareholders to the Directors during the Annual General Meeting held on 11 June 2020 and resolutions of the Board adopted on 15 June 2020.

During the six months ended 30 June 2020, the Company purchased 906,400 (2019: 7,025,700) shares on-market and 480,600 (2019: 8,715,700) shares were cancelled. The shares were acquired at an average price of \$1.69 (2019: \$2.38), with prices ranging from \$1.43 to \$1.89 (2019: \$2.20 to \$2.60).

(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"), performance stock units ("China PSUs") or cash settled share-based payment ("CSSBP") issued under the China LTIP represents an opportunity to participate economically in the future growth and value creation of the Company.

The compensation costs recorded in the condensed consolidated interim statement of comprehensive income for these plans were \$1.6 million in the six months ended 30 June 2020 (30 June 2019: \$1.2 million).

Condensed Consolidated Interim Financial Information (Continued)

17. Share capital and reserves (Continued)

(c) Share-based payments (Continued)

(i) China Long-Term Incentive Plan (“China LTIP”)

China IPO Options Summary

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

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

In the six months ended 30 June 2020, the Group recorded an expense of \$nil (30 June 2019: \$nil) related to equity-settled China IPO Options issued under the China LTIP.

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

Condensed Consolidated Interim Financial Information (Continued)

17. Share capital and reserves (Continued)

(c) Share-based payments (Continued)

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

China IPO Options Summary (Continued)

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

For the six months ended 30 June:

	Number of Shares		Weighted Average Exercise Price Per Share	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Options outstanding, beginning of period	5,163,800	5,652,400	1.45	1.44
Exercised	—	(488,600)	—	1.33
Options outstanding, end of period	5,163,800	5,163,800	1.45	1.45
Options exercisable, end of period	5,163,800	5,163,800	1.45	1.45

In respect of China IPO Options exercised in the six months ended 30 June 2019, the weighted average stock price at the dates of exercise is \$2.66. As at 30 June 2020, the weighted average remaining contractual life of options outstanding is 0.6 years (31 December 2019: 1.6 years).

China Options Summary

In the six months ended 30 June 2019, 417,764 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. No China Options were granted after 2019.

In the six months ended 30 June 2020, the Group recorded an expense of \$0.1 million (30 June 2019: \$0.2 million) related to China Options issued under the China LTIP.

Condensed Consolidated Interim Financial Information (Continued)

17. Share capital and reserves (Continued)

(c) Share-based payments (Continued)
(i) China Long-Term Incentive Plan (“China LTIP”) (Continued)

China Options Summary (Continued)

The weighted average fair value of China Options granted in the six months ended 30 June 2019 at the measurement date was \$0.58 per share. China Options were priced using Binomial Model. Expected volatility is based on the historical volatility of IMAX Corporation’s stock price over the past years and the industry average historical volatility. The following inputs were used to estimate the average fair value of the options:

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Grant date share price	NA	HK\$19.96
Exercise price	NA	HK\$20.71
Average risk-free interest rate	NA	1.60%
Expected option life (in years)	NA	3.70
Expected volatility	NA	29%
Dividend yield	NA	2.20%
Early exercise multiple	NA	2.35

Condensed Consolidated Interim Financial Information (Continued)

17. Share capital and reserves (Continued)

(c) Share-based payments (Continued)**(i) China Long-Term Incentive Plan (“China LTIP”) (Continued)**

China Options Summary (Continued)

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

For the six months ended 30 June:

	Number of Shares		Weighted Average Exercise Price Per Share	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Options outstanding, beginning of period	1,602,128	941,780	3.36	3.95
Granted	—	417,764	—	2.64
Expired	(74,973)	—	5.84	—
Options outstanding, end of period	1,527,155	1,359,544	3.24	3.55
Options exercisable, end of period	600,166	393,080	3.90	4.46

As at 30 June 2020, the weighted average remaining contractual life of options outstanding is 4.9 years (31 December 2019: 5.6 years).

(ii) Restricted Share Units

RSUs under IMAX LTIP

RSUs have been granted to employees of the Group under the IMAX LTIP. Each RSU represents a contingent right to receive one common share of IMAX Corporation and is the economic equivalent of one common share of IMAX Corporation. RSUs were not issued before 2013. The grant date fair value of each RSU is equal to the share price of IMAX Corporation’s stock at the grant date. The Group recorded an expense of \$nil for the six months ended 30 June 2020 (30 June 2019: \$nil) related to RSU grants issued to employees in the plan. No RSUs were granted after 2017. The outstanding RSUs as at 30 June 2020 is nil (30 June 2019: nil).

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.

Condensed Consolidated Interim Financial Information (Continued)

17. Share capital and reserves (Continued)

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

(ii) *Restricted Share Units (Continued)*

China RSUs under China LTIP

China RSUs have been granted to employees of the Group under the IMAX China LTIP. Each China RSU represents a contingent right to receive one common share of the Company and its economic equivalent of one common share of the Company. China RSUs were not issued before 2015. The grant date fair value of each China RSU is equal to the share price of the Company's stock at the grant date. The Group recorded an expense of \$1.4 million for the six months ended 30 June 2020 (30 June 2019: \$1.0 million) related to China RSU grants issued to employees in the plan. The annual termination probability assumed for the six months ended 30 June 2020 was nil (30 June 2019: nil).

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

China RSUs under China LTIP Summary

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

For the six months ended 30 June:

	Number of Awards		Weighted Average Grant Date Fair Value Per Share	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
RSUs outstanding, beginning of period	1,350,954	849,293	2.94	3.64
Granted	1,368,777	626,581	1.80	2.52
Vested and settled	(558,239)	(298,724)	2.73	3.53
Forfeited	(3,738)	(2,535)	2.13	2.76
RSUs outstanding, end of period	2,157,754	1,174,615	2.27	3.08

Condensed Consolidated Interim Financial Information (Continued)

17. Share capital and reserves (Continued)

(c) Share-based payments (Continued)

(iii) Performance Stock Units

During the six months ended 30 June 2020, the Group expanded its share-based compensation program to include performance stock units (“PSUs”). The Group grants PSU awards which vests based on a combination of employee service and the achievement of certain EBITDA-based targets. The fair value of PSUs with EBITDA-based targets is equal to the share price of the Company’s stock at the grant date.

The amount and timing of compensation expense recognised for PSUs with EBITDA-based targets is dependent upon management’s assessment of the likelihood and timing of achieving these targets. If, as a result of management’s assessment, it is projected that a greater number of PSUs will vest than previously anticipated, a life-to-date adjustment to increase compensation expense is recorded in the period such determination is made. Conversely, if, as a result of management’s assessment, it is projected that a lower number of PSUs will vest than previously anticipated, a life-to-date adjustment to decrease compensation expense is recorded in the period such determination is made.

The following table summarized the activity in respect of PSUs issued under the IMAX LTIP for the six months ended 30 June:

For the six months ended 30 June:

	Number of Shares		Weighted Average Grant Date Fair Value Per Share	
	2020 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)
PSUs outstanding, beginning of period	—	—	—	—
Granted	253,677	—	1.83	—
PSUs outstanding, end of period	253,677	—	1.83	—

In the six months ended 30 June 2020, the Group recorded an expense of \$0.1 million related to China PSUs issued under the China LTIP.

Condensed Consolidated Interim Financial Information (Continued)

17. Share capital and reserves (Continued)

(d) Reserves

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

Share premium

The application of the share premium account is governed by Section 34(2) of the Companies Law (2013 Revision) of the Cayman Islands. Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of the business. The Company distributed a dividend of \$7.0 million out of share premium for the six months ended 30 June 2020 (30 June 2019: \$7.1 million).

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 discretionary surplus reserve using its post-tax profits in accordance with resolutions of the Board of Directors. The PRC companies of the Group had not distributed any of their post-tax profits up to 30 June 2020, accordingly, no statutory reserves were appropriated (31 December 2019: \$nil).

FVOCI reserve

The FVOCI reserve represents the changes in fair value net of tax of financial assets at FVOCI of the Group.

Condensed Consolidated Interim Financial Information (Continued)

18. Trade and other payables

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Trade payables	1,203	1,433
Other payables	653	810
Amounts due to IMAX Corporation (note 25(b))	12,036	12,927
	13,892	15,170

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

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
0–30 days	2,957	6,333
31–60 days	402	1,158
61–90 days	496	94
Over 90 days	10,037	7,585
	13,892	15,170

As at 30 June 2020 and 31 December 2019, 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.

Condensed Consolidated Interim Financial Information (Continued)

19. Accruals and other liabilities

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Value-added tax payable	3,052	2,883
Accrued marketing and advertising expenses	1,956	2,234
Lease liabilities	1,912	1,950
Other tax payable	567	666
Accrued audit fees	494	606
Accrued salaries and benefits	357	871
Accrued selling expenses	228	39
Withholding individual income tax	106	383
Accrued legal fees	75	77
Other accrued expenses	1,616	2,514
Accruals and other liabilities, total	10,363	12,223
Accruals and other liabilities, current	9,537	11,394
Accruals and other liabilities, non-current	826	829
	10,363	12,223

Maturity analysis of lease liabilities

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Not later than one year	1,086	1,121
Later than one year and not later than five years	826	829
	1,912	1,950

Condensed Consolidated Interim Financial Information (Continued)

20. Borrowings

In July 2018, IMAX (Shanghai) Multimedia Technology Co., Ltd., the Company's wholly-owned subsidiary in the PRC, entered into an unsecured revolving facility for up to RMB200 million (approximately \$30.0 million) to fund ongoing working capital requirements. This facility was subsequently renewed to July 2021. As at 30 June 2020, there was \$0.2 million in borrowings outstanding under the facility and RMB198.3 million (\$29.8 million) was available for future borrowings. The effective interest rate for the six months ended 30 June 2020 was 4.35%. The interest rate is based on Loan Prime Rate and is repriced every six month.

21. Deferred revenue

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Theatre system deposits	31,886	29,883
Maintenance prepayments	8,603	7,915
	40,489	37,798
Deferred revenue, current	14,260	12,878
Deferred revenue, non-current	26,229	24,920
	40,489	37,798

Condensed Consolidated Interim Financial Information (Continued)

22. Statement of cash flow supplemental information

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
(Loss) Profit before income tax for the period	(21,740)	30,745
Adjustment for:		
Amortization of film assets	—	3,783
Depreciation of property, plant and equipment	7,269	6,569
Equity settled and other non-cash compensation	1,634	1,175
Loss on disposal of property, plant and equipment	13	173
Allowance for expected credit loss	9,299	230
Write-downs	1,149	—
Interest expense	50	—
Foreign exchange (gains) losses	(3)	4
Investment in film assets	(245)	(3,779)
Changes in working capital		
Trade and other receivables	5,826	(14,448)
Variable consideration receivable from contracts	4	61
Inventories	(2,476)	(2,635)
Financing receivables	(1,746)	600
Trade and other payables	(660)	4,500
Accruals and other liabilities	(1,605)	1,990
Deferred revenue	3,614	(718)
Prepayments	(221)	315
Other assets	(125)	(1,124)
Cash provided by operations	37	27,441

Condensed Consolidated Interim Financial Information (Continued)

23. Commitments

(a) Capital commitments

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

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Capital expenditure contracted but not provided for in the condensed consolidated interim financial information in respect of:		
Acquisition of property, plant and equipment	326	65
Capital injection to a film fund	25,000	25,000

(b) Operating lease commitments – Group as lessee

The Group leases various offices, apartments, and warehouses under non-cancellable operating lease agreements. The operating lease commitment as at 30 June 2020 presented below represents the future aggregate minimum lease payments for the leases with lease terms less than one year. Leases with lease terms over one year have been recorded as lease liabilities as at 30 June 2020 under IFRS 16.

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Within one year	85	341

Condensed Consolidated Interim Financial Information (Continued)

24. Contingencies and guarantees

As of 30 June 2020, the Group was not involved in significant lawsuits, claims, and proceedings.

Financial guarantees

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

25. Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

IMAX Corporation (incorporated in Canada) is the Controlling Shareholder of the Company who holds 69.81% of the Company's shares as at 30 June 2020.

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

IMAX (Barbados) Holding, Inc. and IMAX Virtual Reality Content Fund, LLC are subsidiaries of IMAX Corporation.

Condensed Consolidated Interim Financial Information (Continued)

25. Related party transactions (Continued)

The following continuing transactions were carried out with related parties:

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

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Purchase of goods:		
IMAX Corporation (theatres systems)	3,675	14,828
Purchase of services:		
IMAX Corporation (film related transactions)	253	3,755
IMAX Corporation (management fees — legal and administration services)	160	244
Other transactions:		
IMAX (Barbados) Holding, Inc. (dividends paid to)	4,865	—
IMAX Corporation (reimbursement of compensation of Company employees paid by IMAX Corporation)	—	596
IMAX Corporation (trademark and technology fees)	526	3,362
IMAX Virtual Reality Content Fund, LLC (proceeds from dissolution)	—	78
Suzhou IMAX Fei Er Mu Project Investment Partnership Enterprise (Limited Partnership) (interest income)	—	9
Gross revenue earned from film services through IMAX Corporation (Note below)	281	16,349
Revenue earned from maintenance services provided to IMAX Corporation	53	74

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

Note:

The amounts shown in the table are gross amount for transactions with IMAX Corporation. For the six months ended 30 June 2020, conversion cost of \$nil (2019: \$3.3 million) paid to IMAX Corporation in relation to Hollywood films is considered as a payment to customer and is net against DMR revenue earned from IMAX Corporation as presented in the revenues of condensed consolidated interim statement of comprehensive income, with the adoption of IFRS 15.

Condensed Consolidated Interim Financial Information (Continued)

25. Related party transactions (Continued)

(b) Period/Year-end balances

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Receivables from related parties (note 14):		
IMAX Corporation	11,949	11,588
Loan and interest receivables from a joint venture (note 14):		
Suzhou IMAX Fei Er Mu Project Investment Partnership Enterprise (Limited Partnership)	302	306
IMAX Fei Er Mu (Shanghai) Investment Management Co., Ltd.	204	207
Payables to related parties (note 18):		
IMAX Corporation	12,036	12,927

The receivables and payables from related parties arise mainly from purchase, sale, service and fee transactions and do not bear interest nor have fixed repayment terms and are due on demand, except that the loan receivable from IMAX Fei Er Mu (Shanghai) Investment Management Co., Ltd. and Suzhou IMAX Fei Er Mu Project Investment Partnership Enterprise (Limited Partnership) are unsecured, with fixed interest rates and repayable within one year.

(c) Key management compensation

Key management includes members of the executive committee. The compensation paid or payable to key management for employee services is shown below:

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Salaries and other short-term employee benefits	1,152	1,695
Post-employment benefits	15	15
Other benefits ¹	438	452
Share-based payments	841	577
	2,446	2,739

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

Condensed Consolidated Interim Financial Information (Continued)

26. Dividends

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Dividends recognised as distribution during the period:		
2019 Final — HK\$0.156 per share	6,983	—
2018 Final — HK\$0.157 per share	—	7,131
	6,983	7,131

As approved by the shareholders at the Annual General Meeting held on 11 June 2020, 2019 final dividend of \$0.02 per share (equivalent to approximately HK\$0.156 per share) was distributed to shareholders on 30 June 2020. As approved by the shareholders at the Annual General Meeting held on 6 June 2019, 2018 final dividend of \$0.02 per share (equivalent to approximately HK\$0.157 per share) was distributed to shareholders on 28 June 2019.

In the Company's board meeting held on 28 July 2020, the Board of Directors approved an interim dividend of \$0.02 per share (equivalent to approximately HK\$0.155 per share) for the six months ended 30 June 2020 to the Shareholders. There will be no scrip dividend option for the 2020 interim dividend. The proposed dividend has not been provided for in the condensed consolidated financial statements for the six months ended 30 June 2020.

27. Subsidiaries

The following is a list of the principal subsidiaries as at 30 June 2020:

Name of the Company	Place of incorporation, kind of legal entity and date of incorporation	Principal activities and place of operation	Issued shares/ registered capital	Paid up capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)
IMAX China (Hong Kong), Limited	Hong Kong S.A.R Limited Liability Company 12 November 2010	Sale and lease of theatre systems and associated film performance in Greater China	2 ordinary shares for HK\$39,000,001 12 ordinary shares for US\$27,538,341	2 ordinary shares for HK\$39,000,001 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	Registered capital of US\$11,500,000	Paid in capital of US\$9,800,000	—	100%

Condensed Consolidated Interim Financial Information (Continued)

27. Subsidiaries (Continued)

Name of the Company	Place of incorporation, kind of legal entity and date of incorporation	Principal activities and place of operation	Issued shares/ registered capital	Paid up capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)
IMAX (Shanghai) Theatre Technology Services Co., Ltd.	The PRC Wholly owned foreign-enterprise 9 November 2011	Technical research and development, technical consulting, technical service, technical training and marketing in relation to movie theatre systems and multimedia technology, photographic equipment, virtual reality display equipment and relevant software and hardware, and provision of after-sales services (including installation); wholesale, import, lease, installation, maintenance and repair of movie theatre machinery, equipment, systems, photographic equipment, virtual reality display equipment and relevant software; research and development of software and hardware in the PRC	Registered capital of US\$200,000	Paid in capital of US\$200,000	—	100%
IMAX (Shanghai) Digital Media Co., Ltd.	The PRC Limited Liability Company (wholly owned by foreign-invested enterprise) 23 December 2016	Technological development, technological transfer, technological consultation and technological services in the fields of digital media technology in the PRC	Registered capital of RMB100,000	Paid up capital of \$nil	—	100%

Condensed Consolidated Interim Financial Information (Continued)

27. Subsidiaries (Continued)

Name of the Company	Place of incorporation, kind of legal entity and date of incorporation	Principal activities and place of operation	Issued shares/ registered capital	Paid up capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)
IMAX (Shanghai) Commerce and Trade Co., Ltd.	The PRC Limited Liability Company (wholly owned by foreign-invested enterprise) 24 August 2017	Ticket agent; sales of gift, handicraft, stationery commodity, clothing and apparel, electronic product. Advertising design, production, publishing agent. Technology development, technology consulting, technology service, technology transfer in the field of computer information. Handicraft design, gift design. Culture and art exchange and planning, business consultation, creative services, conference services. Electronic business (excluding telecom value-added service and financial service) in the PRC	Registered capital of RMB2,000,000	Paid up capital of \$nil	—	100%

28. Events after the reporting period

In accordance with the announcement made by China Film Administration in July 2020, the theatres are allowed to begin the reopening process in low-risk areas starting on 20 July 2020 with execution of prevention and control measures regarding the COVID-19 pandemic. Theatres in medium-and high-risk areas will remain closed. Subsequent to 30 June 2020, approximately 60% of the theatres in the IMAX Mainland China commercial multiplex network have begun to report gross box office results in July. The Group will continue to monitor the impact of COVID-19 pandemic.

Definitions

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

“1HFY”	the first half of the financial year, six months ended 30 June
“2HFY”	the second half of the financial year, six months ended 31 December
“Articles of Association”	the articles of association of the Company adopted on 21 September 2015 and effective from the Listing Date, as amended from time to time
“Board” or “Board of Directors”	the board of directors of the Company
“business day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
“CG Code”	the Corporate Governance Code set out in Appendix 14 of the Listing Rules
“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 person”, “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
“Contingency Agreements”	contingency agreements in place to guard against any failure of supply by IMAX Corporation. See “Relationship with our Controlling Shareholders” in the Prospectus for further details
“Directors”	the directors of the Company and “Director” shall be construed accordingly as a director of the Company
“EBITDA”	profit for the year with adjustments for depreciation and amortization, interest income and income tax expense
“EIT”	enterprise income tax
“Escrow Documents”	the design plans, specifications and know-how necessary to enable the Group to manufacture and assemble IMAX digital xenon projection systems, IMAX laser-based digital projection systems and nXos2 audio systems itself, or subcontract the manufacturing and assembly works to third party manufacturers and to convert conventional films into IMAX films

Definitions (Continued)

“Exercise Period”	the period during which an option may be exercised by a Grantee pursuant to the Share Option Scheme
“Exercise Price”	the price per Share at which a Grantee may subscribe for Shares upon the exercise of an option
“FY” 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 on 8 October 2015
“Grantee”	a Participant who accepts an offer of the grant of an option pursuant to the Share Option Scheme
“Greater China”	for the purposes of this document only, the PRC, Hong Kong, Macau and Taiwan
“Group”, “we”, “our” or “us”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	International Financial Reporting Standards issued by the International Accounting Standards Board
“IMAX Barbados”	IMAX (Barbados) Holding, Inc., a company incorporated in Barbados with limited liability on 18 August 2010 and a controlling shareholder of the Company
“IMAX Corporation” or the “Controlling Shareholder”	IMAX Corporation, a company incorporated in Canada with limited liability in 1967 and listed on the New York Stock Exchange (NYSE: IMAX) and our ultimate controlling shareholder, or where the context requires, any of its wholly-owned subsidiaries
“IMAX Hong Kong”	IMAX China (Hong Kong), Limited, a company incorporated in Hong Kong with limited liability on 12 November 2010, which changed its name to its present name on 16 March 2011 and a direct wholly-owned subsidiary of the Company
“IMAX Hong Kong Holding”	IMAX (Hong Kong) Holding, Limited, a company incorporated in Hong Kong and a direct wholly-owned subsidiary of IMAX Barbados
“IMAX Hong Kong Theatre Percentage”	the percentage that all IMAX theatres using IMAX theatre systems in Hong Kong, Macau and Taiwan represents of all IMAX theatres in the PRC, Hong Kong, Macau and Taiwan

Definitions (Continued)

“IMAX Shanghai Multimedia”	IMAX (Shanghai) Multimedia Technology Co., Ltd., a wholly foreign-owned enterprise established under the laws of the PRC on 31 May 2011 and a direct wholly-owned subsidiary of IMAX Hong Kong
“IPO”	initial public offering
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange on 8 October 2015
“Listing Date”	8 October 2015
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Long Term Incentive Plan” or “LTIP”	the long term incentive plan adopted by the Company in October 2012
“Macau”	Macau Special Administrative Region of the PRC
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
“PRC” or “China”	the People’s Republic of China, but for the purposes of this document only, except where the context requires, references in this Interim Report to PRC or China exclude Hong Kong, Macau and Taiwan
“PSU Scheme”	the performance-based restricted share unit scheme adopted by the Company on 12 March 2020
“PSU(s)”	performance-based restricted share unit(s)
“Prospectus”	the prospectus of the Company dated 24 September 2015
“RMB”	Renminbi, the lawful currency of the PRC
“RSU Scheme”	the restricted share unit scheme conditionally adopted pursuant to a resolution of our sole shareholder dated 21 September 2015, the principal terms of which are summarised in the section headed “Corporate Governance Highlights and Other Information — Sub-Plan: The Restricted Share Unit Scheme” in this Interim Report
“RSU(s)”	restricted share unit(s)

Definitions (Continued)

“SEC”	the United States Securities and Exchange Committee
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Share Option Scheme”	the share option scheme conditionally adopted pursuant to a resolution of our sole shareholder dated 21 September 2015, the principal terms of which are summarised in the section headed “Corporate Governance Highlights and Other Information — Sub-Plan: The Share Option Scheme” in this Interim Report
“Shareholder(s)”	holder(s) of Shares
“Share(s)”	Ordinary share(s) with a nominal value of US\$0.0001 each in the share capital of the Company and a “ Share ” means any of them
“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”, “US\$”, “\$” or “United States dollars”	U.S. dollars, the lawful currency of the United States of America

Glossary

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

“2D”	two-dimensional
“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 one or more PRC producer(s) or jointly produced by one or more PRC producer(s) and one or more foreign producer(s), 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
“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

Glossary (Continued)

“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
“Greater China DMR Film”	a conventional Chinese language film produced by a third party which is converted into IMAX format and released to IMAX theatres in Greater China pursuant to a DMR production services agreement entered into between IMAX Shanghai Multimedia or IMAX Hong Kong and a distributor in their respective territories
“Greater China Original Film”	any Chinese language film invested in, produced or coproduced by IMAX Shanghai Multimedia or IMAX Hong Kong and released to IMAX theatres in Greater China, which may or may not be in IMAX format
“Hollywood films”	an imported motion picture for theatrical release in the PRC which has been produced by one or more foreign producer(s) and the importation and release of such motion picture has been permitted in accordance with the relevant laws and regulations of the PRC
“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 digital xenon projection system”	the xenon-based digital projection system, developed, and rolled out in 2008 by IMAX Corporation
“IMAX DMR”	the proprietary digital re-mastering process or any other postproduction process and/or technology used by IMAX Corporation in connection with the conversion of a conventional film into an IMAX film
“IMAX film”	a film converted from a conventional film using DMR technology
“IMAX laser-based digital projection system”	the dual 4K laser-based digital projection system, developed, and rolled out at the end of 2014 by IMAX Corporation

Glossary (Continued)

“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

The image features the IMAX logo in a bold, white, sans-serif font, centered horizontally. The background is a deep blue with a radial light effect emanating from the center, creating a sense of depth and focus. The logo is the primary element, with a registered trademark symbol (®) at the end of the word.

IMAX[®]