



IMAX CHINA HOLDING, INC.

Incorporated in the Cayman Islands with limited liability

Stock code : 1970



Interim Report 2021

IMAX[®]

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Edwin Tan, *Chief Executive Officer*

(appointed as an Executive Director with effect from 29 January 2021)

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

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

Non-executive Directors

Richard Gelfond, *Chairman*

Megan Colligan

Jiande Chen, *Vice Chairman (re-designated from Executive Director to Non-executive Director with effect from 29 January 2021)*

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

Yifan (Yvonne) He

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

AUTHORISED REPRESENTATIVES

Jim Athanasopoulos

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

AUDITOR

PricewaterhouseCoopers

Certified Public Accountants

Registered Public Interest Entity Auditor

CORPORATE HEADQUARTERS

7/F, Verdant Place

No, 128 West Nanjing Road

Huangpu District, Shanghai

People's Republic of China

REGISTERED OFFICE

c/o Maples Corporate Services Limited

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Ugland House

Grand Cayman

KY1-1104 Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor

Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong

STOCK CODE

1970

COMPANY WEBSITE

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Financial Highlights

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Total revenue (US\$'000)	53,431	6,662
Gross profit (loss) (US\$'000)	33,123	(4,042)
Gross profit (loss) %	62.0%	(60.7%)
Profit (loss) for the period (US\$'000)	19,198	(35,248)
Profit (loss) for the period %	35.9%	(529.1%)
Profit (loss) per share (US\$)	0.06	(0.10)
Adjusted profit (loss) (US\$'000)	21,312	(15,512)
Adjusted profit (loss) %	39.9%	(232.8%)
Selling, general and administrative expenses (US\$'000)	(7,723)	(7,564)
Adjusted EBITDA (US\$'000)	33,797	(13,424)
Adjusted EBITDA %	63.3%	(201.5%)
Total theatre system signings	12	22
Sales arrangements	5	12
Revenue sharing arrangements	3	—
IMAX with Laser upgrades	—	10
Sales renewals	4	—
Total theatre system installations	23	3
Sales arrangements	10	1
Revenue sharing arrangements	12	2
IMAX with Laser upgrades	1	—
Gross box office (US\$'000)	132,828	7,393
Box office per screen (US\$'000)	185	11

2021 OUTLOOK

The Company expects total technology sales and maintenance revenue to come in largely in-line with 2019 level for the full year.

Management Discussion and Analysis

OVERVIEW

The management discussion and analysis is based on the Company's condensed consolidated interim financial information for 1HFY2021 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 theatre 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 joint 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 theatre 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 theatre 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 theatre 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, 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

The impact of the COVID-19 pandemic is complex and continuously evolving, resulting in significant disruption to the Company's business and the global economy. As a result of the theatre closures, movie studios postponed the theatrical release of most films originally scheduled for release in 2020 and early 2021, including many scheduled to be shown in IMAX theatres, while several other films were released directly or concurrently to streaming platforms. During the third quarter of 2020, substantially all of the theatres in Greater China in the IMAX commercial multiplex network reopened with capacity restrictions in place. As of 30 June 2021, over 90% of IMAX theatres in Greater China had resumed operations. Audiences have returned to theatres, particularly IMAX theatres, in numbers approximating pre-pandemic attendance levels for Chinese language films and Hollywood films that were available. The delay of certain Hollywood films release dates impacted IMAX Hollywood films box office during the six months ended June 30, 2021. Pre-COVID-19, Hollywood films normally accounted for about 70% of IMAX box office ticket sales. The Group believes release dates for Hollywood films will return to normal in the second half of 2021 given the reopening of the U.S. film, cinema and entertainment market.

The repercussions of the COVID-19 global pandemic resulted in a significant decrease in the Group's revenues, profits and operating cash flows during the six months ended June 30, 2020 as gross box office ("**GBO**") results declined significantly, the installation of theatre systems were delayed, and maintenance services were generally suspended for theatres that were closed. Installation and maintenance activity during the six months ended June 30, 2021 approximated pre pandemic activity in Mainland China but may continue to be impacted in the event of any future COVID-19 outbreaks and theatre closures.

The Group experienced, and is likely to continue to experience, delays in collecting payments due under existing theatre sale or lease arrangements and digital remastering services agreements from certain of its local studio and exhibitor partners who are facing financial difficulties as a result of the past theatre closures and reduced box office levels. In response, the Group provided temporary relief to exhibitor partners by waiving maintenance fees during periods when theatres were closed and, in certain situations, by providing extended payment terms on annual minimum payment obligations in exchange for a corresponding or longer extension of the term of the underlying sale or lease arrangement.

The Group may continue to be significantly impacted by the COVID-19 global pandemic in 2021 and beyond. Hollywood films production and release date delays may continue, impacting the supply of Hollywood films in China and significantly impacting GBO-based revenue. Any future outbreaks of COVID-19 in Greater China may also result in theatre closures and impact consumer behaviour towards indoor gatherings once again. The reduced box office and revenue as a result of any of the above factors may also place continued financial pressure on our exhibitor and local studio partners.

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:

	1HFY2021		1HFY2020	
	US\$'000	%	US\$'000	%
IMAX Technology Network				
IMAX DMR films	11,493	21.5%	701	10.5%
Revenue sharing arrangements — contingent rent	10,210	19.1%	419	6.3%
Sub-total	21,703	40.6%	1,120	16.8%
IMAX Technology Sales and Maintenance				
IMAX Systems	16,003	30.0%	2,796	42.0%
Revenue sharing arrangements — upfront fees	2,484	4.6%	369	5.5%
IMAX Maintenance	12,630	23.6%	2,099	31.5%
Other Theatre Business	569	1.1%	145	2.2%
Sub-total	31,686	59.3%	5,409	81.2%
New Business Initiatives and Other	42	0.1%	133	2.0%
Total	53,431	100.0%	6,662	100.0%

Cost of Sales

Our cost of sales are primarily comprised of costs for the rights of all digital re-mastered films purchased under our intercompany agreement with IMAX Corporation (excluding Hollywood films which are recorded as a reduction of film revenue received from IMAX Corporation according IFRS 15), the costs of IMAX theatre systems and related services under sales and hybrid revenue sharing arrangements, depreciation of IMAX theatre 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 theatre system such as marketing costs for IMAX theatre 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:

	1HFY2021		1HFY2020	
	US\$'000	%	US\$'000	%
IMAX Technology Network				
IMAX DMR films	2,209	19.2%	23	3.3%
Revenue sharing arrangements — contingent rent	6,416	62.8%	6,586	1,571.8%
Sub-total	8,625	39.7%	6,609	590.1%
IMAX Technology Sales and Maintenance				
IMAX Systems	5,274	33.0%	678	24.2%
Revenue sharing arrangements — upfront fees	1,915	77.1%	495	134.1%
IMAX Maintenance	4,166	33.0%	2,554	121.7%
Other Theatre Business	348	61.2%	97	66.9%
Sub-total	11,703	36.9%	3,824	70.7%
New Business Initiatives and Other	(20)	(47.6%)	271	203.8%
Total	20,308	38.0%	10,704	160.7%

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

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

	1HFY2021		1HFY2020	
	US\$'000	%	US\$'000	%
IMAX Technology Network				
IMAX DMR films	9,284	80.8%	678	96.7%
Revenue sharing arrangements — contingent rent	3,794	37.2%	(6,167)	(1,471.8%)
Sub-total	13,078	60.3%	(5,489)	(490.1%)
IMAX Technology Sales and Maintenance				
IMAX Systems	10,729	67.0%	2,118	75.8%
Revenue sharing arrangements — upfront fees	569	22.9%	(126)	(34.1%)
IMAX Maintenance	8,464	67.0%	(455)	(21.7%)
Other Theatre Business	221	38.8%	48	33.1%
Sub-total	19,983	63.1%	1,585	29.3%
New Business Initiatives and Other	62	147.6%	(138)	(103.8%)
Total	33,123	62.0%	(4,042)	(60.7%)

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:

	1HFY2021		1HFY2020	
	US\$'000	%	US\$'000	%
Employee salaries and benefits	3,970	7.4%	3,762	56.5%
Share-based compensation expenses	2,027	3.8%	1,634	24.5%
Travel and transportation	240	0.4%	141	2.1%
Advertising and marketing	675	1.3%	263	3.9%
Professional fees	778	1.5%	654	9.8%
Other employee expense	160	0.3%	113	1.7%
Facilities	562	1.1%	610	9.2%
Depreciation	190	0.4%	175	2.6%
Foreign exchange and other expenses	(879)	(1.6%)	212	3.2%
Total	7,723	14.5%	7,564	113.5%

Reversals (Provision) of Impairment Losses on Financial Assets

Net impairment reversal on financial assets in 1HFY2021 is due to better than expected collection experience on trade receivables, financing receivables and variable consideration. Net impairment impact on financial assets for 1HFY2021 and 1HFY2020 were a reversal of US\$2.6 million and a loss of US\$9.3 million, respectively.

Other Operating Expenses

Other operating expenses primarily include the annual license fees payable to IMAX Corporation in respect of the trademark and technology licensed under the Technology License Agreements and the Trademark License Agreements, charged at an aggregate of 5% of our revenue. Our other operating expenses for 1HFY2021 and 1HFY2020 were US\$3.0 million and US\$1.5 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 1HFY2021 and 1HFY2020 was US\$0.8 million and US\$0.7 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 is 25%. The entity incorporated in Hong Kong is subject to Hong Kong profits tax at a rate of 8.25% on assessable profits up to HKD2 million and 16.5% on any part of assessable profits over HKD2 million for the years presented. 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, and the provision for income taxes at different rates in different jurisdictions, the application of Hong Kong's territorial tax system and changes due to our recoverability assessments of deferred tax assets.

Management Discussion and Analysis (Continued)

Our income tax expense for 1HFY2021 and 1HFY2020 was US\$6.3 million and US\$13.5 million, respectively.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

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

	1HFY2021		1HFY2020	
	US\$'000	%	US\$'000	%
Revenues	53,431	100.0%	6,662	100.0%
Cost of sales	(20,308)	(38.0)%	(10,704)	(160.7)%
Gross profit (loss)	33,123	62.0%	(4,042)	(60.7)%
Selling, general and administrative expenses	(7,723)	(14.5)%	(7,564)	(113.5)%
Reversals (provision) of impairment losses on financial assets	2,612	4.9%	(9,299)	(139.6)%
Other operating expenses	(3,049)	(5.7)%	(1,494)	(22.4)%
Operating profit (loss)	24,963	46.7%	(22,399)	(336.2)%
Interest income	785	1.5%	709	10.6%
Interest expense	(203)	(0.4)%	(50)	(0.8)%
Profit (loss) before income tax	25,545	47.8%	(21,740)	(326.3)%
Income tax expense	(6,347)	(11.9)%	(13,508)	(202.8)%
Profit (loss) for the period, attributable to owners of the Company	19,198	35.9%	(35,248)	(529.1)%
Other comprehensive income				
Items that may be subsequently reclassified to profit or loss:				
Change in foreign currency translation adjustments	1,019	1.9%	(2,698)	(40.5)%
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")	5,219	9.8%	(2,514)	(37.7)%
Other comprehensive income (loss):	6,238	11.7%	(5,212)	(78.2)%
Total comprehensive income (loss) for the period, attributable to owners of the Company	25,436	47.6%	(40,460)	(607.3)%

Management Discussion and Analysis (Continued)

Adjusted Profit (Loss)

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

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

	1HFY2021 US\$'000	1HFY2020 US'000
Profit (loss) for the period	19,198	(35,248)
Adjustments:		
Share-based compensation	2,027	1,634
Tax impact on items listed above	(460)	(373)
Provisional tax	547	18,475
Adjusted profit (loss)	21,312	(15,512)

1HFY2021 COMPARED WITH 1HFY2020

Revenue

Our revenue increased from US\$6.7 million in 1HFY2020 to US\$53.4 million in 1HFY2021 driven by an increase of US\$20.6 million in our IMAX Technology Network revenue and an increase of US\$26.3 million in the IMAX Technology Sales and Maintenance revenue, as explained further below.

IMAX Technology Network

Revenue from our IMAX Technology Network increased from US\$1.1 million in 1HFY2020 to US\$21.7 million in 1HFY2021 primarily due to a US\$125.4 million increase in box office revenue in 1HFY2021 compared to the prior year period.

IMAX DMR Films

IMAX DMR films revenue increased from US\$0.7 million in 1HFY2020 to US\$11.5 million in 1HFY2021 as a result of an increase in box office revenue. The box office revenue generated by IMAX formatted films increased from US\$7.4 million in 1HFY2020 to US\$132.8 million in 1HFY2021 due to the reopening of theatres. Beginning 2HFY2020, a majority of IMAX theatres that were closed for most of 1HFY2020 due to the COVID-19 pandemic reopened ("**Theatre Reopenings**").

Box office revenue per screen increased from US\$0.01 million in 1HFY2020 to US\$0.19 million in 1HFY2021 due to Theatre Reopenings, and continued growth of the IMAX theatre network, which increased 6.3% from 714 IMAX theatres in 1HFY2020 to 759 IMAX theatres in 1HFY2021.

Management Discussion and Analysis (Continued)

The following table sets out the number of films we released in the IMAX format in 1HFY2021 and 1HFY2020 in Greater China:

	1HFY2021	1HFY2020
Hollywood films	8	—
Hollywood films (Hong Kong and Taiwan only)	3	8
Chinese language films	7	—
Total IMAX films released	18	8

Revenue Sharing Arrangements – Contingent Rent

Contingent rent from revenue sharing arrangements increased from US\$0.4 million in 1HFY2020 to US\$10.2 million in 1HFY2021 primarily due to Theatre Reopenings with higher box office revenue per screen, and also a greater number of IMAX theatres operating under revenue sharing arrangements in 1HFY2021 compared to 1HFY2020. This included (i) contingent rent from full revenue sharing arrangements that increased from US\$0.4 million in 1HFY2020 to US\$8.7 million in 1HFY2021; (ii) contingent rent from hybrid revenue sharing arrangements that increased from US\$nil million in 1HFY2020 to nearly US\$1.5 million in 1HFY2021. 462 theatres were operating under revenue sharing arrangements at the end of 1HFY2020 as compared to 492 at the end of 1HFY2021, which represented an increase of 6.5%.

IMAX Technology Sales and Maintenance

Revenue from our IMAX Technology Sales and Maintenance increased from US\$5.4 million in 1HFY2020 to US\$31.7 million in 1HFY2021.

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		
	2021	2020	Growth (%)
The PRC ⁽¹⁾	728	684	6.4%
Hong Kong	5	5	—
Taiwan ⁽²⁾	9	10	(10.0)%
Macau	1	—	100.0%
	743	699	6.3%
Institutional ⁽³⁾	16	15	6.7%
Total	759	714	6.3%

Note:

- (1) Seven theatres in the PRC were closed in 1HFY2021, one of which was relocated to another site in 1HFY2021.
- (2) One theatre in Taiwan was closed in 2HFY2020 due to a redevelopment of the complex.
- (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 1HFY2021 and 1HFY2020:

	1HFY2021	1HFY2020
Sales and sales-type lease arrangements	10	1
Revenue sharing arrangements	12	2
IMAX with Laser upgrades	1	—
Total theatre systems installed	23⁽¹⁾	3

Note:

(1) Includes 20 new theatre systems, 2 relocations (sales and sales-type lease), and 1 upgrade (sales and sales-type lease)

IMAX Systems

Revenue from sales and sales-type lease arrangements increased from US\$2.8 million in 1HFY2020 to US\$16.0 million in 1HFY2021, primarily due to 8 more sales and sales-type lease arrangements (including 1 IMAX with Laser upgrade) in 1HFY2021 over 1HFY2020 due to the construction recovery from the previous slowdown as a result of the COVID-19 global pandemic in 1HFY2020. We recognised sales revenue on 1 new theatre system with a value of US\$1.2 million in 1HFY2020, compared to 9 new theatre systems, (including 1 IMAX with Laser upgrade) in 1HFY2021 with a total value of US\$13.2 million.

Average revenue per new system under sales and sales-type lease arrangements increased from US\$1.2 million in 1HFY2020 to US\$1.5 million in 1HF2021 as a result of one installation coming from a larger scale client in 1HFY2020.

Revenue Sharing Arrangements — Upfront Fees

Upfront revenue from hybrid revenue sharing arrangement increased from US\$0.4 million in 1HFY2020 to US\$2.5 million in 1HFY2021, primarily due to 3 more hybrid revenue sharing installations in 1HFY2021.

IMAX Maintenance

IMAX maintenance revenue increased from US\$2.1 million in 1HFY2020 to US\$12.6 million in 1HFY2021. Maintenance revenue increased in 1HFY2021 as a result of: (i) a 6.3% increase in the size of the IMAX network, which increased to 759 theatres as at 30 June 2021 from 714 theatres as at 30 June 2020; (ii) regular maintenance services resumed in 1HFY2021 as a result of Theatre Reopenings

New Business Initiatives and Other

Revenue from New Business Initiatives and other decreased from US\$0.1 million in 1HFY2020 to less than US\$0.1 million in 1HFY2021.

Cost of Sales

Our cost of sales increased from US\$10.7 million in 1HFY2020 to US\$20.3 million in 1HFY2021. This increase was primarily due to an increase of US\$2.0 million in our IMAX Technology Network and an increase of US\$7.9 million in our IMAX Technology Sales and Maintenance, explained below.

Management Discussion and Analysis (Continued)

IMAX Technology Network

The cost of sales for our IMAX Technology Network increased from US\$6.6 million to US\$8.6 million due to increased costs associated with the more films exhibited in 1HFY2021, increased one-time upfront costs related to the installation of 7 more full revenue sharing arrangements in 1HFY2021 versus 1HFY2020. This was partly offset by the decreased depreciation costs mainly associated with additional relief period extension on depreciation starting in 2HFY2020.

IMAX DMR Films

The cost of sales for IMAX DMR films increased from US\$nil in 1HFY2020 to US\$2.2 million in 1HFY2021 driven by the increased DMR and film marketing costs resulting from 15 films exhibited in PRC during 1HFY2021 as compared to no new films exhibited in PRC during 1HFY2020 due to the COVID-19 theatre closures.

Revenue Sharing Arrangements – Contingent Rent

The cost of sales for contingent rent from revenue sharing arrangements decreased 3.0% from US\$6.6 million in 1HFY2020 to US\$6.4 million in 1HFY2021, primarily due to decreased depreciation costs associated with additional relief period extension on depreciation starting in 2HFY2020, partially offset by a larger full revenue sharing network, currently 384 theatres at 1HFY2021 versus 358 theatres as at 1HFY2020, and one-time upfront costs related to the installation of 7 more full revenue sharing arrangements in 1HFY2021 versus 1HFY2020.

IMAX Technology Sales and Maintenance

The cost of sales for our IMAX Technology Sales and Maintenance increased from US\$3.8 million in 1HFY2020 to US\$11.7 million in 1HFY2021, primarily due to 8 more IMAX theatre systems installations under sales and sales-type lease arrangements (including 1 IMAX with Laser upgrade) and 3 more hybrid revenue sharing arrangements in 1HFY2021 as compared to 1HFY2020, and increased theatre maintenance costs.

IMAX Systems

Cost of sales under sales and sales-type lease arrangements increased from US\$0.7 million in 1HFY2020 to US\$5.3 million in 1HFY2021, primarily due to the costs recognised on 9 new theatre systems (including 1 IMAX with Laser upgrade) in 1HFY2021 as compared to 1 theatre system installation under sales and sales-type lease arrangement in 1HFY2020.

Revenue Sharing Arrangements – Upfront Fees

Cost of sales from installation of hybrid revenue sharing arrangements increased from US\$0.5 million in 1HFY2020 to US\$1.9 million in 1HFY2021, primarily due to the costs recognised on 4 theatre system installations under hybrid revenue sharing arrangements in 1HFY2021 as compared to 1 in 1HFY2020.

Management Discussion and Analysis (Continued)

IMAX Maintenance

Cost of sales with respect to theatre system maintenance increased from US\$2.6 million in 1HFY2020 to US\$4.2 million in 1HFY2021 as a result of: (i) a 6.3% increase in the size of the IMAX network, which increased to 759 theatres as at 30 June 2021 from 714 theatres as at 30 June 2020; (ii) the resumption of regular maintenance services that were generally suspended due to the COVID-19 global pandemic in 1HFY2020.

New Business Initiatives and Other

Cost from new business initiatives and other decreased from US\$0.3 million in 1HFY2020 to a recovery of less than US\$0.1 million in 1HFY2021, respectively.

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

Our gross profit in 1HFY2021 was US\$33.1 million, compared to a loss of US\$4.0 million 1HFY2020, and our gross margin increased from negative 60.7% in 1HFY2020 to a profit of 62.0% in 1HFY2021. The increase in gross profit was largely attributable to US\$18.6 million increase in our IMAX Technology Network, and a US\$18.4 million increase in our IMAX Technology Sales and Maintenance further explained below.

IMAX Technology Network

The gross profit from our IMAX Technology Network increased 338.2% from a loss of US\$5.5 million in 1HFY2020 to a profit of US\$13.1 million in 1HFY2021, and the gross margin for our IMAX Technology Network increased from negative 490.1% in 1HFY2020 to a profit of 60.3% in 1HFY2021. The increase was primarily related to an increase in our overall box office revenue in 1HFY2021 due to Theatre Reopenings.

IMAX DMR Films

The gross profit for IMAX DMR films increased from US\$0.7 million in 1HFY2020 to US\$9.3 million in 1HFY2021, and the gross profit margin decreased from 96.7% in 1HFY2020 to 80.8% in 1HFY2021. The increase of gross profit was primarily due to an increase in our overall box office revenue from US\$7.4 million in 1HFY2020 to US\$132.8 million in 1HFY2021. The higher margin in 1HFY2020 was due to reduced costs related to no new film releases in Mainland China.

Revenue Sharing Arrangements – Contingent Rent

The gross profit for contingent rent from revenue sharing arrangements increased from a loss of US\$6.2 million in 1HFY2020 to a profit of US\$3.8 million in 1HFY2021. The gross profit for contingent rent from full revenue sharing arrangements increased from a loss of US\$6.2 million in 1HFY2020 to a profit of US\$2.3 million in 1HFY2021. Gross profit increased primarily due to much higher overall box office revenue as a result of Theatre Reopenings, a decreased depreciation cost mainly associated with additional relief period extension on depreciation starting in 2HFY2020, partially offset by one-time upfront costs related to the installation of 7 more full revenue sharing arrangements in 1HFY2021 versus 1HFY2020.

Management Discussion and Analysis (Continued)

The gross profit for contingent rent from hybrid revenue sharing arrangements increased from US\$nil in 1HFY2020 to US\$1.5 million in 1HFY2021, mainly driven by higher box office revenue per screen as a result of Theatre Reopenings.

IMAX Technology Sales and Maintenance

The gross profit for our IMAX Technology Sales and Maintenance increased from US\$1.6 million in 1HFY2020 to US\$20.0 million in 1HFY2021. During the same period, our gross profit margin increased from 29.3% to 63.1%. The increase in gross profit and gross profit margin were primarily driven by the installation of 8 more system under sales and sales-type lease arrangements (including 1 IMAX with Laser upgrade), 3 more theatres under hybrid revenue sharing arrangements, and higher maintenance service revenue.

IMAX Systems

The gross profit from sales of new IMAX theatre systems increased from US\$2.1 million in 1HFY2020 to US\$10.7 million in 1HFY2021 primarily due to the installation of 8 more systems in 1HFY2021. Our gross profit margin decreased from 75.8% in 1HFY2020 to 67.0% in 1HFY2021 due to higher costs of sales for specific IMAX with Laser installations in the current year.

Revenue Sharing Arrangements — Upfront Fees

The gross profit from upfront fees derived from hybrid revenue sharing arrangements increased from a loss of US\$0.1 million in 1HFY2020 to a profit of US\$0.6 million in 1HFY2021, primarily due to 3 more installations under hybrid revenue sharing arrangements and higher gross profit margin of 22.9% in 1HFY2021 compared to a negative gross margin of 34.1% in 1HFY2020 due to the one installation in 1HFY2020 coming from a larger scale client with a higher, ongoing percentage rent.

IMAX Maintenance

The gross profit for our theatre system maintenance increased from a loss of US\$0.5 million in 1HFY2020 to a profit of US\$8.5 million in 1HFY2021 and our gross margin increased from a negative gross margin of 21.7% in 1HFY2020 to gross profit margin of 67.0% in 1HFY2021 as a result of: (i) a 6.3% increase in the size of the IMAX network, which increased to 759 theatres as at 30 June 2021 from 714 theatres as at 30 June 2020; (ii) a resumption of regular maintenance services that were generally suspended due to the COVID-19 global pandemic in 1HFY2020.

New Business Initiatives and Other

The gross profit for new business initiatives and other increased from a loss of US\$0.1 million in 1HFY2020 to a profit of less than US\$0.1 million in 1HFY2021.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were flat in 1HFY2020 and 1HFY2021 at US\$7.6 million and at US\$7.7 million, respectively. We incurred: (i) a US\$0.4 million increase in advertising and marketing expenses due to the resumption of more normalized marketing operations in 1HFY2021; (ii) a US\$0.1 million slight increase in professional fees, offset by a higher foreign exchange gain related to cash payments collected in 1HFY2021 for old aged receivables from clients.

Management Discussion and Analysis (Continued)

Reversals (Provision) of Impairment Losses on Financial Assets

Net impairment impact on financial assets for 1HFY2021 and 1HFY2020 were a reversal of US\$2.6 million and a loss of US\$9.3 million, respectively. The reversal of US\$2.6 million in 1HFY2021 was primarily related to better than expected collection experience on trade receivables, financing receivables and variable consideration.

Other Operating Expenses

Other operating expenses increased from US\$1.5 million in 1HFY2020 to US\$3.0 million in 1HFY2021, primarily due to an increase 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 due to higher revenues in 1HFY2021 versus 1HFY2020.

Income Tax Expense

Our income tax expense decreased 53.3% from US\$13.5 million in 1HFY2020 to US\$6.3 million in 1HFY2021. The decrease in income tax expense was primarily due to a decrease in provisional tax from US\$18.5 million in 1HFY2020 to US\$0.5 million in 1HFY2021 for applicable withholding taxes associated with the historical earnings of one subsidiary in the PRC. It was partially offset by the increase of our operating income before income tax of US\$47.2 million from a loss of US\$21.7 million in 1HFY2020 to a profit of US\$25.5 million in 1HFY2021.

Profit (Loss) for the Period

We reported a profit for the period of US\$19.2 million in 1HFY2021 as compared to a loss of US\$35.2 million in 1HFY2020 due to Theatre Reopenings and the resulting increase in box office, installation and maintenance related revenue discussed above.

Other Comprehensive Income (Loss) for the Period

We reported other comprehensive income for the period of US\$6.2 million in 1HFY2021 as compared to a loss of US\$5.2 million in 1HFY20. The increase was primarily due to a profit of US\$1.0 million due to foreign currency translation adjustments and a profit of US\$5.2 million related to change in fair value, net of tax, of financial assets at FVOCI in 1HFY2021. This was as compared to a loss of US\$2.7 million related to foreign currency translation adjustment and a loss of US\$2.5 million related to change in fair value net of tax of financial assets at FVOCI in 1HFY2020.

Adjusted Profit (Loss)

Adjusted 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 a loss of US\$15.5 million in 1HFY2020 as compared to an income of US\$21.3 million in 1HFY2021, an increase of 237.4%.

Management Discussion and Analysis (Continued)

LIQUIDITY AND CAPITAL RESOURCES

	As at 30 June 2021 US\$'000	As at 31 December 2020 US\$'000
Current assets		
Other assets	122	150
Contract acquisition costs	1,293	1,374
Film assets	—	180
Inventories	5,438	5,968
Prepayments	3,169	2,902
Variable consideration receivable from contracts	489	434
Financing receivables	15,141	16,755
Trade and other receivables	49,574	42,223
Cash and cash equivalents	115,250	88,472
Total Current Assets	190,476	158,458
Current liabilities		
Trade and other payables	21,850	21,296
Accruals and other liabilities	11,246	10,735
Income tax liabilities	5,021	4,293
Borrowings	11,017	7,643
Deferred revenue	12,968	15,514
Total Current Liabilities	62,102	59,481
Net Current Assets	128,374	98,977

As at 30 June 2021, we had net current assets of US\$128.4 million compared to net current assets of US\$99.0 million as at 31 December 2020. The increase in net current assets in 1HFY2021 was mainly attributable to a US\$26.8 million increase in cash and cash equivalents, a US\$7.4 million increase in trade and other receivables, and a US\$2.5 million decrease in deferred revenue. This was offset by a US\$3.4 million increase in borrowings, a US\$1.6 million decrease in financing receivables, a US\$0.7 million increase in income tax liabilities, a US\$0.6 million increase in trade and other payables, a US\$0.5 million decrease in inventory, and a US\$0.5 million increase in accruals and other 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 2021	As at 31 December 2020
Cash and cash equivalents denominated in US\$ (in thousands)	\$19,232	\$9,803
Cash and cash equivalents denominated in RMB (in thousands)	¥612,258	¥507,999
Cash denominated in Hong Kong dollars HK\$ (in thousands)	\$9,460	\$5,838

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:

	1HFY2021	1HFY2020
	US\$'000	US\$'000
Net cash provided by (used in) operating activities	16,094	(3,819)
Net cash provided by (used in) investing activities	15,014	(1,284)
Net cash used in financing activities	(5,412)	(8,983)
Effects of exchange rate changes on cash	1,082	(1,166)
Increase (decrease) in cash and cash equivalents during period	26,778	(15,252)
Cash and cash equivalents, beginning of period	88,472	89,308
Cash and cash equivalents, end of period	115,250	74,056

Cash Provided by (Used in) Operating Activities

1HFY2021

Our net cash provided by operations was approximately US\$16.1 million in 1HFY2021. We had profit before income tax for the period of US\$25.6 million in 1HFY2021, and positive adjustments for depreciation of property, plant and equipment of US\$6.8 million, amortisation of film assets of US\$2.3 million, settlement of equity and other non-cash compensation of US\$2.0 million, reduced by changes in working capital of US\$12.2 million, taxes paid of US\$5.9 million, and reversal of the expected credit loss of US\$2.6 million. Changes in working capital primarily consisted of: (i) an increase in trade and other receivables of US\$5.5 million; (ii) a decrease in deferred revenue of US\$4.6 million; (iii) an increase of financing receivables of US\$2.4 million; and (iv) an increase in film assets of US\$2.1 million; partially offset by: (i) an increase in trade and other payables of US\$1.4 million; (ii) a decrease in inventories of US\$0.6 million; and (iii) an increase in accruals and other liabilities of US\$0.5 million.

Management Discussion and Analysis (Continued)

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; and (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.

Cash Provided by (Used in) Investing Activities

1HFY2021

Our net cash provided by investing activities was approximately US\$15.0 million for 1HFY2021, primarily related to the proceeds on disposal of investment in Maoyan of US\$17.8 million, partially offset by investments in IMAX theatre equipment amounting to US\$2.7 million installed in our exhibitor partners' theatres under full revenue sharing arrangements.

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.

Cash Used in Financing Activities

1HFY2021

Our net cash used in financing activities was approximately US\$5.4 million for 1HFY2021 primarily due to: (i) dividends paid to owners of the Company amounting to US\$7.0 million; (ii) settlement of restricted share units and options of US\$1.3 million; (iii) principal elements of lease payments of US\$0.5 million; and (iv) repayment of borrowings US\$0.2 million; partially offset by proceeds from borrowings of US\$3.6 million.

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.

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 office and apartment space in Shanghai.

Capital Commitments

As at 30 June 2021, we had capital expenditures contracted but not provided for of US\$25.0 million (31 December 2020: US\$25.1 million) primarily related to a film fund.

CAPITAL EXPENDITURES AND CONTINGENT LIABILITIES

Capital Expenditures

Our capital expenditures primarily relate to the acquisition of IMAX theatre systems. During 1HFY2021 and 1HFY2020, our capital expenditures were US\$2.8 million and US\$1.3 million, respectively.

Going forward, we plan to allocate a significant portion of our capital expenditures to the continued expansion of the IMAX technology 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 2021, we had drawn down RMB71 million (approximately US\$11.2 million) on our bank borrowing facility with interest rate of 4.15%–4.35% per annum, and RMB2.4 million (approximately US\$0.4 million) on our letter of guarantee facility. Except as disclosed above or as otherwise disclosed herein, as at 30 June 2021, 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 2021.

WORKING CAPITAL

We finance our working capital needs primarily through cash flow from operating activities. Cash flow generated from operating activities was US\$16.1 million in 1HFY2021 and cash flow used in operating activities was US\$3.8 million in 1HFY2020 significantly impacted from the COVID-19 theatre closure. As the IMAX theatre network recovered 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)

In July 2021, we renewed an unsecured revolving facility for up to RMB200 million (approximately US\$31.2 million) to fund ongoing working capital requirements. The total amounts drawn and available under the working capital loan at 30 June 2021 were RMB71 million and RMB119 million for bank borrowing facility, and RMB2.4 million and RMB7.6 million for letter of guarantee facility, respectively.

STATEMENT OF INDEBTEDNESS

As at 30 June 2021:

- Except for the drawdown of RMB71 million on the bank borrowing facility for up to RMB190 million, and the drawdown of RMB2.4 million on the letter of guarantee facility for up to RMB10 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 2021, being the latest date of our condensed interim statements, there has been no material adverse change to our indebtedness.

OFF BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

We had no off-balance sheet arrangements as at 30 June 2021.

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 2021	As at 31 December 2020
Gearing ratio ⁽¹⁾	41.6%	44.6%
	1HFY2021	1HFY2020
Adjusted (loss) profit margin ⁽²⁾	39.9%	(232.8%)

Notes:

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

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

Management Discussion and Analysis (Continued)

Gearing Ratio

Our gearing ratio decreased from 44.6% as at 31 December 2020 to 41.6% as at 30 June 2021, primarily due to the increase in equity of US\$19.2 million and a decrease in deferred revenue of US\$4.0 million, partially offset by an increase in borrowings of US\$3.4 million, current income tax liability of US\$0.7 million, trade and other payable of US\$0.6 million, and deferred income tax liability of US\$0.5 million.

Adjusted Profit (Loss) Margin

Our adjusted profit margin increased from negative 232.8% as at 30 June 2020 to a profit of 39.9% as at 30 June 2021, primarily due to Theatre Reopenings.

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 1HFY2021, of US\$0.028 per share (equivalent to approximately HK\$0.217 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 2021, the Company had a total equity of US\$23.3 million. Under the Companies Law of the Cayman Islands, subject to the provisions of memorandum of association of the Company or the articles of association (the “**Articles of Association**”), the Company’s share premium account may be applied to pay distributions or dividends to shareholders provided that immediately following the date of distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

DIVIDEND

During the Company’s board meeting held on 27 July 2021, the Board of Directors approved an interim dividend of US\$0.028 per share (equivalent to HK\$0.217 per share) for the six months ended 30 June 2021 to the Shareholders.

The interim dividend will be paid on Friday, 27 August 2021 to the shareholders whose names appear on the register of members of the Company as at the close of business on Tuesday, 17 August 2021. There will be no scrip dividend option for the 2021 interim dividend.

MATERIAL ACQUISITIONS OR DISPOSALS

We have not undertaken any material acquisition or disposal for the period ended 30 June 2021.

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 2021.

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. As at 30 June 2021, the fair value of TCL-IMAX Entertainment was nil (31 December 2020: nil).

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\$15.1 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 2021.

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.

In February 2021, IMAX China (Hong Kong), Limited sold out all of its 7,949,000 shares of Maoyan for gross proceeds of US\$17.8 million. No shares of Maoyan are currently held by IMAX China (Hong Kong), Limited as of the date of these financial statements.

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

There have been no convertible securities issued or granted by the Group, no exercise of any conversion or subscription rights, nor any sale or redemption by the Group of its listed Shares for the six months ended 30 June 2021, other than the purchase of 149,481 listed Shares, 149,482 listed Shares, 182,384 listed Shares, and 206,910 listed Shares conducted through Computershare Hong Kong Trustees Limited, the professional trustee engaged by the Company for administering its restricted share unit scheme, on 11 March 2021 at an average price per Share of HK\$16.4006, on 15 March 2021 at an average price per Share of HK\$17.4695, on 14 May 2021 at an average price per Share of HK\$14.4385 and on 15 June 2021 at an average price per Share of HK\$12.2711 on the Stock Exchange, for satisfying the vesting of the relevant restricted share units.

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 2021.

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.

Mr. Richard Gelfond, the Chairman of the Company, was unable to attend the annual general meeting of the Company convened on 6 May 2021 due to other important business commitments. Mr. Gelfond appointed Mr. Jim Athanasopoulos, an Executive Director and the Chief Financial Officer and Chief Operating Officer of the Company, to be his delegate as the Chair of the Board and as the Chair of the Nomination Committee to attend, chair and answer questions at the annual general meeting. Saved as disclosed above, during the Reporting Period, the Company has complied with all the code provisions of the CG Code.

Corporate Governance Highlights and Other Information (Continued)

APPLICATION OF GLOBAL OFFERING PROCEEDS

The Company was listed on the Stock Exchange on 8 October 2015. The net proceeds from the Company's Listing were approximately HK\$443 million after deduction of related expenses. For the six months ended 30 June 2021, the Company applied proceeds from the Listing as follows:

Planned use of IPO Proceeds as disclosed in the Prospectus	IPO Proceeds (HK\$'000)		
	Available amount	Actual utilised amount as at 30 June 2021	Unused amount as at 30 June 2021
Procurement of IMAX theatre systems and the one time launch costs used for expanding revenue sharing arrangement in the Company's backlog	177,200	177,200	—
Building up inventory of IMAX theatre systems	88,600	—	88,600
Investments in complementary business (including exploring the possibility of jointly establishing film funds)	66,450	—	66,450
Establishment of the Company's DMR capabilities and investments in new areas leveraging the IMAX brand	66,450	4,758	61,692
Working Capital	44,300	44,300	—
Total	443,000	226,258	216,742

Notes:

1. The expected timeline for utilising the remaining IPO Proceeds has been and is expected to be continuously impacted by the effects of the rapid technology development, market conditions, changing regulatory climate, as well as potential or actual extraordinary factors including the COVID-19 pandemic.
2. The Company has been and will continuously be evaluating and determining the utilization of its IPO Proceeds with an aim to both maximize its cash flow efficiency and minimize any long-term exposure to technology change and other changing factors.

The Company has deployed in the first half of 2021, and intends to continue to deploy in 2021, proceeds from the Listing consistent with the manner described in the Prospectus.

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 2021.

Corporate Governance Highlights and Other Information (Continued)

CLOSURE OF REGISTER OF MEMBERS

In connection with the payment of the 2021 interim dividend, the register of members of the Company will be closed from Friday, 13 August 2021 to Tuesday, 17 August 2021 (both days inclusive) during which period no transfer of Shares will be registered. In order to qualify for entitlement to the 2021 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, 12 August 2021.

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.

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 2021. The interim report, including the unaudited condensed consolidated interim financial information of the Group, for the six months ended 30 June 2021 have also been reviewed by the Company's auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

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.

Corporate Governance Highlights and Other Information (Continued)

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.

CONNECTED TRANSACTIONS

Continuing Connected Transactions Subject to Reporting and Announcement Requirements

During the six months ended 30 June 2021, 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.

Corporate Governance Highlights and Other Information (Continued)

During the six months ended 30 June 2021, 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.

(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.

Corporate Governance Highlights and Other Information (Continued)

(b) *Annual Caps, Transaction Amount, and Listing Rules Requirements*

Given the situation of COVID-19 pandemic, the Company does not expect any personnel secondment arrangement for the year of 2021. Therefore, the Company did not set an annual cap for 2021 under the Personnel Secondment Agreement.

\$Nil was charged to the Group by IMAX Corporation under the Personnel Secondment Agreement during the six months ended 30 June 2021.

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 before any personnel secondment arrangement takes place in the future.

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.

Corporate Governance Highlights and Other Information (Continued)

(ii) *Term*

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

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

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

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

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

(iii) *Termination*

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

Corporate Governance Highlights and Other Information (Continued)

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

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

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

(iv) Fees

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

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

(b) Annual Caps and Transaction Amount

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

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

The Directors have also considered whether the absence of a monetary cap should be approved by the Shareholders after three years or a longer period, and have concluded that this would not be appropriate or in the interests of the Shareholders since it would give rise to greater uncertainty as to whether the Trademark License Agreements will be in place for the whole of their terms. The Directors do not consider that it would be in the

Corporate Governance Highlights and Other Information (Continued)

interests of the Shareholders for the Trademark License Agreements to have a term which is shorter than their terms, given the importance of the IMAX trademarks to the businesses of the Group. In addition, as noted above, it is market practice for trademark license agreements to have durations of extended periods.

Approximately US\$1,205,000 was charged to the Group by IMAX Corporation under the Trademark License Agreements during the six months ended 30 June 2021.

(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 2020 annual report dated 30 March 2021, announcement requirements under Chapter 14A of the Listing Rules.

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

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

3. **Technology License Agreements**

(a) *Description of the Technology License Agreements*

(i) *Subject matter*

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

Corporate Governance Highlights and Other Information (Continued)

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

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

The Technology License Agreements were amended on 21 September 2015.

(ii) *Term*

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

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

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

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

(iii) *Termination*

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

Corporate Governance Highlights and Other Information (Continued)

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

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

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

(iv) Fees

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

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

(b) Annual Caps and Transaction Amount

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

Approximately US\$1,808,000 was charged to the Group by IMAX Corporation under the Technology License Agreements during the six months ended 30 June 2021.

Corporate Governance Highlights and Other Information (Continued)

(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 2020 annual report dated 30 March 2021, announcement requirements under Chapter 14A of the Listing Rules.

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

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

4. **DMR Services Agreements**

(a) *Description of the DMR Services Agreements*

(i) *Subject matter*

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

- (a) if IMAX Shanghai Multimedia or IMAX Hong Kong, as applicable, intends to enter into a DMR production services agreement with a distributor in their respective territories for the conversion of Greater China DMR Films and the release of such films to IMAX theatres in their respective territories, IMAX Shanghai Multimedia or IMAX Hong Kong, as applicable, shall seek prior approval from IMAX Corporation to enter into such agreement in order for IMAX Corporation to ensure that the nature and content of such films would not potentially damage the IMAX brand, and IMAX Corporation shall perform the DMR conversion services in consideration for a conversion fee;

Corporate Governance Highlights and Other Information (Continued)

- (b) if IMAX Corporation directly enters into an arrangement to distribute the Greater China DMR Film in regions outside of Greater China, IMAX Corporation shall pay to IMAX Shanghai Multimedia or IMAX Hong Kong, as applicable, 50% of the portion of box office in respect of the Greater China DMR Films received by IMAX Corporation attributable to the exploitation of such films in regions outside of Greater China; and
- (c) at the request of IMAX Corporation, IMAX Shanghai Multimedia and IMAX Hong Kong, as applicable, shall grant the distribution rights to the Greater China Original Films in regions outside of Greater China to IMAX Corporation and also assign the right to retain any distribution fees attributable to the exploitation of such films in regions outside of Greater China to IMAX Corporation.

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

(ii) *Term and termination*

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

- (a) mutual agreement of the parties;
- (b) bankruptcy or insolvency of IMAX Corporation, or the bankruptcy or insolvency of IMAX Shanghai Multimedia or IMAX Hong Kong, as applicable, or the appropriation of the assets of either party by any government, where termination shall be automatic and immediate;
- (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

Corporate Governance Highlights and Other Information (Continued)

- (f) on release of the Escrow Documents.

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

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

(iii) *Fees*

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

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

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

Corporate Governance Highlights and Other Information (Continued)

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

(b) Annual Caps and Transaction Amount

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

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

For the six months ended 30 June 2021, the DMR conversion fees charged to the Group by IMAX Corporation were approximately US\$522,000. The number of Greater China DMR films converted was 7.

For the six months ended 30 June 2021, 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 2020 annual report dated 30 March 2021, 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\$304,000 was charged to the Group by IMAX Corporation under the Services Agreements during the six months ended 30 June 2021.

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\$49,000 was charged to IMAX Corporation by the Group under the IMAX Shanghai Services Agreement during the six months ended 30 June 2021.

(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 2020 annual report dated 30 March 2021, 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 2021 was 23, and the purchase price paid/payable to IMAX Corporation by the Group was approximately US\$6,210,000.

(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 2020 annual report dated 30 March 2021, 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 2019 and 2020, as well as for the six months ended 30 June 2021, 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 2021, 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 8. The conversion fees paid/payable by the Group to IMAX Corporation was US\$1,527,000 and the revenue received/receivable by the Group from IMAX Corporation pursuant to the Master Distribution Agreements amounted to US\$5,626,000.

For the six months ended 30 June 2021, the number of IMAX Original Films distributed by IMAX Corporation into Greater China for which distribution fees were paid/payable by the Company under the Master Distribution Agreements was nil and the distribution fee paid/payable by the Group to IMAX Corporation was US\$nil.

(c) Listing Rules Requirements

As the highest relevant percentage ratio in respect of the Master Distribution Agreements will be, on an annual basis, more than 5% and the total consideration is expected to exceed HK\$10,000,000, the Master Distribution Agreements would, in the absence of the grant of a waiver by the Stock Exchange set out in “— Waivers — Waiver from Requirements to Obtain Approval of Independent Shareholders and Make Announcements” in the Company’s 2020 annual report dated 30 March 2021, 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 2021, 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
Edwin Tan	960,592(L) ⁽¹⁾	Beneficial Owner	0.28%
Jiande Chen	2,074,876(L) ⁽²⁾	Beneficial Owner	0.60%
Jim Athanasopoulos	4,074,662(L) ⁽³⁾	Beneficial Owner	1.17%
Mei-Hui (Jessie) Chou	1,546,397(L) ⁽⁴⁾	Beneficial Owner	0.44%
John Davison	233,969(L)	Beneficial Owner	0.07%
Yue-Sai Kan	214,551(L)	Beneficial Owner	0.06%
Dawn Taubin	233,969(L)	Beneficial Owner	0.07%
Peter Loehr	108,303(L)	Beneficial Owner	0.03%

(L) Long position

Notes:

- (1) Of which 874,983 are restricted stock units and/or performance-based restricted share units.
- (2) Of which 2,003,695 are options, restricted stock units and/or performance-based restricted share units.
- (3) Of which 3,892,671 are options, restricted stock units and/or performance-based restricted share units.
- (4) Of which 1,426,621 are options, 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	3,688,995(L) ⁽¹⁾	Beneficial Owner	6.21%
Megan Colligan	392,583(L) ⁽²⁾	Beneficial Owner	0.66%
Jim Athanasopoulos	4,068(L)	Beneficial Owner	0.01%

Notes:

- (1) Of which 3,374,905 are options, restricted stock units and/or performance-based restricted share units.
- (2) Of which 364,403 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 2021, 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 2021, 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 2021, 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)	69.83
IMAX Barbados	Beneficial interest	243,262,600(L)	69.83

(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 2021.

Corporate Governance Highlights and Other Information (Continued)

REMUNERATION POLICY

As at 30 June 2021, the Group had approximately 102 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 2021, 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 2021, there were outstanding 4,893,800 shares (representing approximately 1.405% 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 2021
				Outstanding at 1 January 2021	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	–
Total				5,163,800	–	–	270,000	4,893,800

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.

During the Reporting Period, 270,000 options under the LTIP expired, and no options under the LTIP were cancelled or exercised.

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 2021, there were outstanding 1,343,039 Shares (representing approximately 0.386% 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 2021, 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 2021, there were outstanding 1,343,039 shares (representing approximately 0.386% 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, 2021
				Outstanding at January 1, 2021	Granted during the six months ended June 30, 2021	Exercised during the six months ended June 30, 2021	Expired/lapsed/cancelled during the six months ended June 30, 2021	
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 ⁽⁷⁾	149,966	–	–	–	149,966
Jim Athanasopoulos	7 March 2017	HK\$36.94	Three years from date of grant ⁽⁹⁾	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 ⁽⁶⁾	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 ⁽⁷⁾	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, 2021
				Outstanding at January 1, 2021	Granted during the six months ended June 30, 2021	Exercised during the six months ended June 30, 2021	Expired/lapsed/cancelled during the six months ended June 30, 2021	
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 ⁽⁷⁾	96,408	–	–	–	96,408
Employee	1 August 2019	HK\$18.24	Four years from date of grant ⁽⁹⁾	31,701	–	–	–	31,701
Total				1,343,039	–	–	–	1,343,039

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 7 March 2020, 7 March 2021, 7 March 2022 and 7 March 2023, respectively.
- (8) The vesting schedule is as follows: 25%, 35% and 40% on each of 1 August 2020, 1 August 2021 and 1 August 2022, respectively.
- (9) 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 2021, the total number of Shares available for grant under the Share Option Scheme was 19,204,703, representing approximately 5.513% of the issued share capital of the Company as of 30 June 2021.

During the six months ended 30 June 2021, no options under the Share Option Scheme expired, or were cancelled or 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 9 March 2021 and 6 May 2021 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 Directors (713,607 RSUs). With respect to the satisfaction of RSUs granted to employees (other than the Directors) (249,185 RSUs), the Company intends to arrange for the issuance of new Shares.

Corporate Governance Highlights and Other Information (Continued)

As of 30 June 2021, there were outstanding 2,281,669 RSUs (representing approximately 0.655% 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 2021	Granted during the six months ended 30 June 2021	Exercised during the six months ended 30 June 2021	Expired/lapsed/cancelled during the six months ended 30 June 2021	Outstanding at 30 June 2021
Directors							
Edwin Tan	9 December 2019	Three years from date of grant ⁽¹⁾	47,695	—	—	—	47,695
	12 March 2020	Three years from date of grant ⁽²⁾	304,412	—	100,456	—	203,956
	9 March 2021	Three years from date of grant ⁽³⁾	—	221,499	—	—	221,499
	9 March 2021	Two years from date of grant ⁽⁴⁾	—	95,051	—	—	95,051
Jiande Chen	7 March 2017	Four years from date of grant ⁽⁵⁾	24,032	—	24,032	—	—
	7 March 2018	Four years from date of grant ⁽⁶⁾	46,256	—	21,024	—	25,232
	7 March 2019	Four years from date of grant ⁽⁷⁾	82,587	—	25,808	—	56,779
	12 March 2020	Three years from date of grant ⁽²⁾	142,059	—	46,879	—	95,180
Jim Athanasopoulos	6 May 2021	Three years from date of grant ⁽⁸⁾	—	45,596	—	—	45,596
	1 August 2018	Three years from date of grant ⁽⁹⁾	43,323	—	—	—	43,323
	1 August 2019	Three years from date of grant ⁽¹⁰⁾	120,702	—	—	—	120,702
	8 December 2020	32 months from date of grant ⁽¹¹⁾	253,845	—	—	—	253,845
Mei-Hui (Jessie) Chou	9 March 2021	Two years from date of grant ⁽⁴⁾	—	38,393	—	—	38,393
	7 March 2017	Four years from date of grant ⁽⁵⁾	12,016	—	12,016	—	—
	7 March 2018	Four years from date of grant ⁽⁶⁾	33,040	—	15,017	—	18,023
	7 March 2019	Four years from date of grant ⁽⁷⁾	58,991	—	18,434	—	40,557
	12 March 2020	Three years from date of grant ⁽²⁾	101,471	—	33,485	—	67,986
Senior Management	9 March 2021	Three years from date of grant ⁽⁹⁾	—	92,291	—	—	92,291
	9 March 2021	Two years from date of grant ⁽⁴⁾	—	38,393	—	—	38,393
Karl Yuan	7 March 2017	Four years from date of grant ⁽⁵⁾	6,008	—	6,008	—	—
	7 March 2018	Four years from date of grant ⁽⁶⁾	19,824	—	9,010	—	10,814
	7 March 2019	Four years from date of grant ⁽⁷⁾	35,395	—	11,060	—	24,335
	12 March 2020	Three years from date of grant ⁽²⁾	60,882	—	20,293	—	40,589
	9 March 2021	Three years from date of grant ⁽⁹⁾	—	55,375	—	—	55,375
Yifan (Yvonne) He	9 March 2021	Three years from date of grant ⁽⁹⁾	—	55,375	—	—	55,375
Employees	7 March 2017	Four years from date of grant ⁽⁵⁾	17,308	—	17,308	—	—
Employees	7 March 2018	Four years from date of grant ⁽⁶⁾	58,596	—	26,626	—	31,970
Employees	7 March 2019	Four years from date of grant ⁽⁷⁾	129,785	—	40,553	—	89,232
Employees	7 March 2019	Two years from date of grant ⁽¹²⁾	45,226	—	44,636	590	—
Employees	1 August 2019	Four years from date of grant ⁽¹³⁾	19,313	—	—	—	19,313
Employees	12 March 2020	Two years from date of grant ⁽¹⁴⁾	80,379	—	—	8,119	72,260
Employees	12 March 2020	Three years from date of grant ⁽²⁾	359,204	—	119,734	—	239,470
Employees	9 March 2021	Three years from date of grant ⁽⁹⁾	—	138,435	—	—	138,435
Total			2,102,349	780,408	592,379	8,709	2,281,669

Corporate Governance Highlights and Other Information (Continued)

Notes:

- (1) The vesting schedule is as follows: 33%, 33% and 34% on each of 9 December 2020, 9 December 2021 and 9 December 2022, respectively.
- (2) The vesting schedule is as follows: 33%, 33% and 34% on each of 12 March 2021, 12 March 2022 and 12 March 2023, respectively.
- (3) The vesting schedule is as follows: 33%, 33% and 34% on each of 7 March 2022, 7 March 2023 and 7 March 2024, respectively.
- (4) The vesting schedule is as follows: 50% and 50% on each of 7 March 2022 and 7 March 2023, respectively.
- (5) 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.
- (6) The vesting schedule is as follows: 20%, 25%, 25% and 30% on each of 7 March 2019, 7 March 2020, 7 March 2021 and 7 March 2022, respectively.
- (7) The vesting schedule is as follows: 20%, 25%, 25% and 30% on each of 7 March 2020, 7 March 2021, 7 March 2022 and 7 March 2023, respectively.
- (8) The vesting schedule is as follows: 33%, 33% and 34% on each of 6 May 2022, 6 May 2023, and 6 May 2024, respectively.
- (9) The vesting schedule is as follows: 25%, 35% and 40% on each of 1 August 2019, 1 August 2020 and 1 August 2021, 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: 33%, 33% and 34% on each of 1 August 2021, 1 August 2022, and 1 August 2023, respectively.
- (12) The vesting schedule is as follows: 100% on 7 March 2021.
- (13) 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.
- (14) 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 9 March 2021 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 2021, 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 2021	Granted during the six months ended 30 June 2021	Exercised during the six months ended 30 June 2021	Expired/lapsed/cancelled during the six months ended 30 June 2021	Outstanding at 30 June 2021
Directors							
Edwin Tan	12 March 2020	Three years from date of grant ⁽¹⁾	101,471	–	–	–	101,471
	9 March 2021	Three years from date of grant ⁽²⁾		73,833			73,833
Jiande Chen	12 March 2020	Three years from date of grant ⁽¹⁾	47,353	–	–	–	47,353
Jim Athanasopoulos	8 December 2020	27 months from date of grant ⁽¹⁾	84,615	–	–	–	84,615
Mei-Hui (Jessie) Chou	12 March 2020	Three years from date of grant ⁽¹⁾	33,824				33,824
	9 March 2021	Three years from date of grant ⁽²⁾	–	30,764	–	–	30,764
Senior Management							
Yifan (Yvonne) He	9 March 2021	Three years from date of grant ⁽²⁾	–	18,458	–	–	18,458
Employees	12 March 2020	Three years from date of grant ⁽¹⁾	50,735	–	–	–	50,735
Employees	9 March 2021	Three years from date of grant ⁽²⁾	–	46,145	–	–	46,145
Total			317,998	169,200	–	–	487,198

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.
- (2) 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 2023 based on fulfillment of relevant performance conditions over a three-year performance period commencing on 1 January 2021 and ending on 31 December 2023.
- (3) Where the average annual EBITDA growth of the Company over a performance period is greater than 12.5%, the grantees will be entitled to up to a maximum of 75% additional PSUs relevant to such performance period 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.

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 113, 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 2021 and the condensed consolidated interim statement of comprehensive income (loss), 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, 27 July 2021

Condensed Consolidated Interim Financial Information

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (LOSS) (In thousands of U.S. dollars)

	Notes	Six months ended 30 June	
		2021 (Unaudited)	2020 (Unaudited)
Revenues	8	53,431	6,662
Cost of sales	9	(20,308)	(10,704)
Gross profit (loss)	8	33,123	(4,042)
Selling, general and administrative expenses	9	(7,723)	(7,564)
Reversals (provision) of impairment losses on financial assets	9	2,612	(9,299)
Other operating expenses	9	(3,049)	(1,494)
Operating profit (loss)		24,963	(22,399)
Interest income		785	709
Interest expense	10	(203)	(50)
Profit (Loss) before income tax		25,545	(21,740)
Income tax expense	11	(6,347)	(13,508)
Profit (Loss) for the period attributable to owners of the Company		19,198	(35,248)
Other comprehensive income (loss):			
Items that may be subsequently reclassified to profit or loss:			
Change in foreign currency translation adjustments		1,019	(2,698)
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")		5,219	(2,514)
Other comprehensive income (loss):		6,238	(5,212)
Total comprehensive income (loss) for the period, attributable to owners of the Company		25,436	(40,460)
Profit (Loss) per share attributable to owners of the Company – basic and diluted (expressed in U.S. dollars per share):			
From profit (loss) for the period – basic	12	0.06	(0.10)
From profit (loss) for the period – diluted	12	0.05	(0.10)

(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 2021 (Unaudited)	As at 31 December 2020 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	13	100,419	104,752
Other assets	14	319	12,825
Variable consideration receivable from contracts		2,615	2,712
Deferred income tax asset	16	7,423	7,089
Financing receivables		53,933	48,958
		164,709	176,336
Current assets			
Other assets	14	122	150
Contract acquisition costs		1,293	1,374
Film assets		—	180
Inventories		5,438	5,968
Prepayments		3,169	2,902
Variable consideration receivable from contracts		489	434
Financing receivables		15,141	16,755
Trade and other receivables	15	49,574	42,223
Cash and cash equivalents		115,250	88,472
		190,476	158,458
Total assets		355,185	334,794
LIABILITIES			
Non-current liabilities			
Deferred income tax liability	16	19,681	19,134
Accruals and other liabilities	20	38	496
Deferred revenue	22	22,582	24,077
		42,301	43,707
Current liabilities			
Trade and other payables	19	21,850	21,296
Accruals and other liabilities	20	11,246	10,735
Income tax liabilities		5,021	4,293
Borrowings	21	11,017	7,643
Deferred revenue	22	12,968	15,514
		62,102	59,481
Total liabilities		104,403	103,188
EQUITY			
Equity attributable to owners of the Company			
Share capital		35	35
Share premium and reserves		267,902	269,641
Accumulated deficit		(17,155)	(38,070)
Total equity		250,782	231,606
Total equity and liabilities		355,185	334,794

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

The condensed consolidated interim financial information on pages 64 to 113 was approved by the board of directors on 27 July 2021 and was signed on its behalf.

Edwin Tan
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 2021	35	302,776	—	(27,047)	(7,502)	(38,070)	1,414	231,606
Comprehensive income								
Profit for the period	—	—	—	—	—	19,198	—	19,198
Change in fair value of financial assets at FVOCI	—	—	—	—	5,219	—	—	5,219
Transfer of FVOCI reserve upon disposal of financial assets at FVOCI	—	—	—	—	(1,717)	1,717	—	—
Foreign currency translation	—	—	—	—	—	—	1,019	1,019
Total comprehensive loss	—	—	—	—	3,502	20,915	1,019	25,436
Dividends recognised as distribution (note 27)	—	(6,964)	—	—	—	—	—	(6,964)
Restricted share units vested and settled	—	832	991	(1,823)	—	—	—	—
Acquisition of shares for settlement of restricted share units	—	—	(1,323)	—	—	—	—	(1,323)
China long-term incentive plan	—	—	—	2,027	—	—	—	2,027
Total transactions with owners, recognised directly in equity	—	(6,132)	(332)	204	—	—	—	(6,260)
Balance as at 30 June 2021 (unaudited)	35	296,644	(332)	(26,843)	(4,000)	(17,155)	2,433	250,782
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 27)	—	(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

(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	
		2021 (Unaudited)	2020 (Unaudited)
Cash flows from operating activities			
Cash provided by operations	23	22,229	37
Income taxes paid		(5,937)	(3,806)
Interest paid		(198)	(50)
Net cash provided by (used in) operating activities		16,094	(3,819)
Cash flows from investing activities			
Proceeds on disposal of investment in equity securities		17,769	—
Investment in equipment under joint revenue sharing arrangements		(2,705)	(1,160)
Purchase of property, plant and equipment		(50)	(124)
Net cash provided by (used in) investing activities		15,014	(1,284)
Cash flows from financing activities			
Dividends paid to owners of the Company		(6,964)	(6,983)
Settlement of share-based payments		(1,323)	(413)
Principal elements of lease payments		(482)	(298)
Repayment of borrowings		(243)	(29)
Payment for shares buy-back		—	(1,532)
Proceeds from borrowings		3,600	272
Net cash used in financing activities		(5,412)	(8,983)
Effects of exchange rate changes on cash		1,082	(1,166)
Increase (Decrease) in cash and cash equivalents during period		26,778	(15,252)
Cash and cash equivalents, beginning of period		88,472	89,308
Cash and cash equivalents, end of period		115,250	74,056

(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 2021 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 2020, 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 2020, as described in those annual financial statements.

Taxes on income in the six months ended 30 June 2021 and 2020 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.

		Effective for annual periods beginning on or after
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)	Interest Rate Benchmark Reform — Phase 2	1 January 2021

4. Impact of COVID-19 Pandemic

The impact of the COVID-19 pandemic is complex and continuously evolving, resulting in significant disruption to the Group's business and the global economy. As a result of the theatre closures, movie studios postponed the theatrical release of most films originally scheduled for release in 2020 and early 2021, including many scheduled to be shown in IMAX theatres, while several other films were released directly or concurrently to streaming platforms. During the third quarter of 2020, substantially all of the theatres in Greater China in the IMAX commercial multiplex network reopened with capacity restrictions in place. As of 30 June 2021, over 90% of IMAX theatres in Greater China had resumed operations. Audiences have returned to theatres, particularly IMAX theatres, in numbers approximating pre-pandemic attendance levels for Chinese language films and Hollywood films that were available. The delay of certain Hollywood films release dates impacted IMAX Hollywood films box office during the six months ended 30 June 2021. Pre-COVID-19, Hollywood films normally accounted for about 70% of IMAX box office ticket sales. The Group believes release dates for Hollywood films will return to normal in the second half of 2021 given the reopening of the U.S. film, cinema and entertainment market.

The repercussions of the COVID-19 global pandemic 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 theatre systems were delayed, and maintenance services were generally suspended for theatres that were closed. Installation and maintenance activity during the six months ended 30 June 2021 approximated pre pandemic activity in Mainland China but may continue to be impacted in the event of any future COVID-19 outbreaks and theatre closures.

Condensed Consolidated Interim Financial Information (Continued)

4. Impact of COVID-19 Pandemic (Continued)

The Group experienced, and is likely to continue to experience, delays in collecting payments due under existing theatre sale or lease arrangements and digital remastering services agreements from certain of its local studio and exhibitor partners who are facing financial difficulties as a result of the past theatre closures and reduced box office levels. In response, the Group provided temporary relief to exhibitor partners by waiving maintenance fees during periods when theatres were closed and, in certain situations, by providing extended payment terms on annual minimum payment obligations in exchange for a corresponding or longer extension of the term of the underlying sale or lease arrangement.

The Group may continue to be significantly impacted by the COVID-19 global pandemic in 2021 and beyond. Hollywood films production and release date delays may continue, impacting the supply of Hollywood films in China and significantly impacting GBO-based revenue. Any future outbreaks of COVID-19 in Greater China may also result in theatre closures and impact consumer behaviour towards indoor gatherings once again. The reduced box office and revenue as a result of any of the above factors may also place continued financial pressure on our exhibitor and local studio partners.

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 2020.

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 2021 would have been approximately \$0.3 million worse/better (30 June 2020: \$0.3 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 basis point higher/lower and all other variables were held constant, the Group's post-tax profit would have decreased/increased by approximately \$4,000 for the six months ended 30 June 2021 (2020: less than \$1,000).

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 2021, 43.7% (30 June 2020: 45.9%) 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 2021, the Group had concentration of credit risk as 50.6% (31 December 2020: 17.6%) of the total trade and other receivables due from the Group's largest two (31 December 2020: 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.

For trade receivables (including trade receivables from third parties, trade receivables from IMAX Corporation and accrued trade receivables), financing receivables and variable consideration receivable from contracts, management performs an initial credit evaluation prior to entering into an arrangement with a customer and then regularly monitors the credit quality of each customer through an analysis of collections history and aging. 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.

Condensed Consolidated Interim Financial Information (Continued)

5. Financial risk (Continued)

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

The Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of these receivables. The Group develops its estimate of credit losses by class of receivable and customer type through a calculation that utilises historical loss rates which are then adjusted by considering forward looking factors including specific receivables that are judged to have a higher than normal risk profile after taking into account credit quality classifications, as well as macro-economic and industry risk factors.

For other receivables (including loan and interest receivables from related parties), 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 considered other receivables from third parties and related parties usually to be low credit risk as they have a low risk of default and a strong capacity to meet its contractual cash flow obligations in the near term, thus the impairment provision recognised for other receivables was limited to 12 months expected losses, except for the loan receivables from related parties with delay in collection over 60 days so that management provided lifetime expected losses for it accordingly. Management believes that the remaining credit risk inherent in the Group's outstanding other receivable balance is not significant.

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

During the six months ended 30 June 2021, the Group recorded a net recovery of allowance for expected credit losses of \$2.6 million (2020: an allowance for expected credit losses of \$9.3 million), reflecting a recovery 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 recovery of 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.

Condensed Consolidated Interim Financial Information (Continued)

5. Financial risk (Continued)

(a) Market risk (Continued)

Credit risk (Continued)

The following table summarizes the movement in allowance for expected credit losses that has been recognised for the respective financial assets:

	Trade and other receivables	Variable consideration receivable from contracts	Financing receivables	Total
As at 1 January 2020	1,082	—	—	1,082
Increase in allowance for expected credit losses	7,201	159	1,939	9,299
Exchange difference	(145)	1	(19)	(163)
As at 30 June 2020 (unaudited)	8,138	160	1,920	10,218
As at 1 January 2021	7,818	378	4,396	12,592
(Decrease) Increase in allowance for expected credit losses	(2,272)	29	(369)	(2,612)
Write-off	—	(27)	—	(27)
Exchange difference	88	4	49	141
As at 30 June 2021 (unaudited)	5,634	384	4,076	10,094

Trade and other receivables:

Trade receivables from third parties and trade receivables from IMAX Corporation

The expected credit loss provision as at 30 June 2021 and 31 December 2020 was determined as follows for trade receivables:

30 June 2021 (unaudited)	Less than 30 days past due	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	1.79%	3.19%	3.58%	12.84%	
Gross carrying amount – trade receivables	10,438	1,610	2,303	36,452	50,803
Loss allowance	187	51	82	4,680	5,000
31 December 2020 (audited)	Less than 30 days past due	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	1.38%	2.23%	2.58%	20.75%	
Gross carrying amount – trade receivables	5,710	3,169	4,415	31,450	44,744
Loss allowance	79	71	114	6,527	6,791

Condensed Consolidated Interim Financial Information (Continued)

5. Financial risk (Continued)

(a) Market risk (Continued)*Trade and other receivables: (Continued)*

Trade receivables from third parties and trade receivables from IMAX Corporation (Continued)

The Group recorded a net recovery of allowance for expected credit losses of \$2.3 million for the six months ended 30 June 2021 (2020: an allowance for expected credit losses of \$6.7 million), reflecting a recovery of the credit quality of its theatre and studio related trade receivable, which management believes is primarily related to the recovery of COVID-19 global pandemic.

Accrued trade receivables

Management recorded a net recovery of allowance for expected credit losses of less than \$0.1 million for the six months ended 30 June 2021 (2020: \$0.5 million).

Other receivables (including loan and interest receivables from related parties)

Management recorded expected credit losses provision of \$nil for the six months ended 30 June 2021 (2020: less than \$0.1 million).

Management's judgments regarding expected credit losses are based on the facts available to management and involve estimates about the future.

The credit risk on amount due from related companies is limited and the Group does not expect any losses from non-performance by the counterparties of amount due from related companies and no loss allowance provision was recognised.

Condensed Consolidated Interim Financial Information (Continued)

5. Financial risk (Continued)

(a) Market risk (Continued)

Financing receivables

The following tables provide information on the Group's financing receivables by credit quality indicator as of 30 June 2021 and 31 December 2020:

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Investment in finance leases:		
Credit quality classification:		
In good standing	18,935	15,544
Total investment in finance leases	18,935	15,544
Financed sales receivables		
Credit quality classification:		
In good standing	51,175	50,071
Credit watch	2,583	3,891
Transactions suspended	457	603
Total financed sales receivables	54,215	54,565

The ability of the Group to collect its financing receivable balances is heavily dependent on the viability and solvency of individual theatre operators which is significantly influenced by consumer behavior and general economic conditions. Theatre operators may experience financial difficulties, such as those imposed by the COVID-19 global pandemic, that could cause them to be unable to fulfill their payment obligations to the Group.

The Group considers financing receivables in the credit quality classification of "Credit watch" and "Transactions suspended" with potential collection concerns. The Group recorded a recovery of allowance for expected credit losses for financing receivables of \$0.4 million for the six months ended 30 June 2021 (2020: an allowance for expected credit losses of \$1.9 million), reflecting a recovery in the credit quality of its theatre related financing receivables, which management believes is primarily related to the recovery of COVID-19 global pandemic. Management's judgments regarding expected credit losses are based on the facts available to management and involve estimates about the future.

Condensed Consolidated Interim Financial Information (Continued)

5. Financial risk (Continued)

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

Variable consideration receivable from contracts:

The ability of the Group to collect its variable consideration receivables is heavily dependent on the viability and solvency of individual theatre operators which is significantly influenced by consumer behavior and general economic conditions. Theatre operators may experience financial difficulties, such as those imposed by the COVID-19 global pandemic, that could cause them to be unable to fulfill their payment obligations to the Group. Based on management's assessment, the Group recorded expected credit loss provision for variable consideration receivables of less than \$0.1 million for the six months ended 30 June 2021 (2020: \$0.2 million).

Liquidity risk

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

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

The Group's financial liabilities, specifically trade and other payables 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 19 and 20. The borrowings are due within one year.

(b) **Capital management**

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

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

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

Condensed Consolidated Interim Financial Information (Continued)

5. Financial risk (Continued)

(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 2020.

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 2021 (unaudited)			
Assets as per statement of financial position			
Net financed sales receivable	50,457	—	50,457
Net investment in finance leases	18,617	—	18,617
Trade and other receivables	49,574	—	49,574
Cash and cash equivalents	115,250	—	115,250
	233,898	—	233,898
Liabilities as per statement of financial position			
Trade and other payables		21,850	21,850
Borrowings		11,017	11,017
Lease liabilities		877	877
		33,744	33,744

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 2020 (audited)			
Assets as per statement of financial position			
Investment in an equity security	—	12,550	12,550
Net financed sales receivable	50,483	—	50,483
Net investment in finance leases	15,230	—	15,230
Trade and other receivables	42,223	—	42,223
Cash and cash equivalents	88,472	—	88,472
	196,408	12,550	208,958
		Liabilities at amortised cost	Total
Liabilities as per statement of financial position			
Trade and other payables		21,296	21,296
Borrowings		7,643	7,643
Lease liabilities		1,405	1,405
		30,344	30,344

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 and this investment is classified as Level 1 financial instruments with the fair value determined by using quoted market prices at the end of the reporting period. As of 30 June 2021, the fair value of investment in an equity security was \$nil (31 December 2020: \$12.6 million). Please refer to note 14 for details.

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 2021 and 31 December 2020, 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 2021 and 31 December 2020, respectively.

	As at 30 June 2021 (Unaudited)		As at 31 December 2020 (Audited)	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Net financed sales receivable	50,457	50,545	50,483	50,573
Net investment in finance leases	18,617	18,617	15,230	15,230
Variable consideration receivable from contracts	3,104	3,104	3,146	3,146
Borrowings	11,017	11,017	7,643	7,643
Lease liabilities	877	877	1,405	1,405

There were no significant transfers within Level 1, Level 2 and Level 3 during the six months ended 30 June 2021 (30 June 2020: 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.

Condensed Consolidated Interim Financial Information (Continued)

8. Revenue and 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, reversals (provision) of impairment losses on financial asset, 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. Revenue and segment information (Continued)

(a) Operating Segments

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Revenue		
IMAX Technology Network		
IMAX DMR films	11,493	701
Revenue sharing arrangements — contingent rent	10,210	419
	21,703	1,120
IMAX Technology Sales and Maintenance		
IMAX Systems	16,003	2,796
Revenue sharing arrangements — upfront fees	2,484	369
IMAX Maintenance	12,630	2,099
Other Theatre Business	569	145
	31,686	5,409
New Business Initiatives and Other	42	133
Total	53,431	6,662
Gross profit (loss)		
IMAX Technology Network		
IMAX DMR films	9,284	678
Revenue sharing arrangements — contingent rent	3,794	(6,167)
	13,078	(5,489)
IMAX Technology Sales and Maintenance		
IMAX Systems	10,729	2,118
Revenue sharing arrangements — upfront fees	569	(126)
IMAX Maintenance	8,464	(455)
Other Theatre Business	221	48
	19,983	1,585
New Business Initiatives and Other	62	(138)
Total gross profit (loss)	33,123	(4,042)
Selling, general and administrative expenses	(7,723)	(7,564)
Reversals (provision) of impairment losses on financial assets	2,612	(9,299)
Other operating expenses	(3,049)	(1,494)
Interest income	785	709
Interest expense	(203)	(50)
Profit (Loss) before income tax	25,545	(21,740)

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

Condensed Consolidated Interim Financial Information (Continued)

8. Revenue and segment information (Continued)

(a) Operating Segments (Continued)

The following table summarizes revenue recognised under IFRS 15 and IFRS 16, respectively.

	Six months ended 30 June			
	Recognised under IFRS 15		Recognised under IFRS 16	
	2021	2020	2021	2020
Revenue				
IMAX Technology Network				
IMAX DMR films	11,493	701	—	—
Revenue sharing arrangements — contingent rent	—	—	10,210	419
	11,493	701	10,210	419
IMAX Technology Sales and Maintenance				
IMAX Systems	12,192	1,706	3,811	1,090
Revenue sharing arrangements — upfront fees	—	—	2,484	369
IMAX Maintenance	12,630	2,099	—	—
Other Theatre Business	569	145	—	—
	25,391	3,950	6,295	1,459
New Business Initiatives and Other	42	133	—	—
Total	36,926	4,784	16,505	1,878

Of the revenue from IMAX systems, finance income was approximately \$2.0 million for the six months ended 30 June 2021 (2020: \$1.6 million).

Of the revenue sharing arrangements — contingent rent, approximately \$8.7 million for the six months ended 30 June 2021 (2020: \$0.4 million) were from revenues under operating leases and approximately \$1.5 million for the six months ended 30 June 2021 (2020: less than \$0.1 million) were from revenues under finance leases.

The selling profit for the Group's finance leases was approximately \$2.7 million for the six months ended 30 June 2021 (2020: \$0.4 million).

Condensed Consolidated Interim Financial Information (Continued)

8. Revenue and segment information (Continued)

(b) Significant customers

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

Customer A

Revenues of approximately \$17.7 million in the six months ended 30 June 2021 (30 June 2020: \$1.3 million) are derived from a single external customer. These revenues are attributable to Revenue sharing arrangements, IMAX DMR films, IMAX Systems, IMAX Maintenance and Other Theatre Business.

Customer B

Revenues of approximately \$5.7 million in the six months ended 30 June 2021 (30 June 2020: \$0.3 million) are derived from a related party. These revenues are attributable to IMAX DMR films, IMAX Maintenance and Other Theatre Business.

Customer C

Revenues of approximately \$3.3 million in the six months ended 30 June 2021 (30 June 2020: \$1.8 million) are derived from a single external customer. These revenues are attributable to Revenue sharing arrangements, IMAX Systems, and IMAX Maintenance.

No other single customers comprises of more than 10% of total revenues in the six months ended 30 June 2021 or 2020.

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	
	2021 (Unaudited)	2020 (Unaudited)
Depreciation, including joint revenue sharing arrangements and film cost	7,557	7,269
Cost of theatre system sales and finance leases	7,098	1,088
Employee salaries and benefits	5,882	4,600
Technology and trademark fees	3,044	529
Theatre maintenance fees	2,881	1,716
Advertising and marketing expenses	2,372	370
Share-based compensation expenses	2,027	1,634
Professional fees	537	461
Travel and transportation expenses	240	141
(Recoveries of) Write-downs	(30)	1,149
Lease expenses	109	104
Utilities and maintenance expenses	57	90
(Decrease) Increase in allowance for expected credit losses	(2,612)	9,299
Foreign exchange gains	(1,193)	(72)
Other film (recoveries) costs	(62)	28
Cost of new business	11	190
Other expenses	310	273
Auditor's remuneration		
— Non-audit services	69	13
— Audit services	171	179
Total costs of sales, selling, general and administrative expenses and other operating expenses	28,468	29,061

Condensed Consolidated Interim Financial Information (Continued)

10. Interest expense

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Interest on bank borrowings	174	3
Interest on lease liabilities	29	47
Total	203	50

11. Income tax expense

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Current income tax:		
Current tax on profits for the period	5,195	—
Adjustments in respect of prior years	880	—
Total current income tax	6,075	—
Deferred income tax (note 16):		
Origination of deductible temporary differences and losses (note 16)	(275)	(4,967)
Withholding tax on historical earnings (note 16)	547	18,475
Total deferred income tax	272	13,508
Income tax expense	6,347	13,508

Income tax expense for the six months ended 30 June 2021 and 2020 is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

Condensed Consolidated Interim Financial Information (Continued)

12. 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	
	2021 (Unaudited)	2020 (Unaudited)
Profit (Loss) for the period	19,198	(35,248)
Weighted average number of common shares (in '000s):		
Issued and outstanding, beginning of period	348,063	348,789
Weighted average number of shares increased (decreased) during the period	162	(241)
Weighted average number of shares used in computing basic earnings per share	348,225	348,548
Adjustments for:		
Stock options	1,204	—
Restricted share units	1,103	—
Performance stock units	131	—
Weighted average number of shares used in computing diluted earnings per share	350,663	348,548

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)

13. 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 2021						
Cost	158,203	2,842	3,022	1,869	2,042	167,978
Accumulated depreciation and impairment	(57,606)	(2,125)	(1,642)	(1,853)	—	(63,226)
Net book amount	100,597	717	1,380	16	2,042	104,752
Six months ended						
30 June 2021 (unaudited)						
Opening net book amount	100,597	717	1,380	16	2,042	104,752
Exchange differences	895	(2)	(14)	—	2	881
Additions	—	50	—	—	1,732	1,782
Transfers	2,769	—	—	—	(2,769)	—
Disposals	(137)	(5)	(79)	—	—	(221)
Depreciation charge	(6,215)	(187)	(397)	(8)	—	(6,807)
Impairment loss	32	—	—	—	—	32
Closing net book amount	97,941	573	890	8	1,007	100,419
As at 30 June 2021 (unaudited)						
Cost	162,300	2,839	2,918	1,890	1,007	170,954
Accumulated depreciation and impairment	(64,359)	(2,266)	(2,028)	(1,882)	—	(70,535)
Net book amount	97,941	573	890	8	1,007	100,419

Condensed Consolidated Interim Financial Information (Continued)

13. Property, plant and equipment (Continued)

	Theatre System Components	Office and Production Equipment	Right-of-use Assets	Leasehold Improvements	Construction in Process	Total
As as at 1 January 2020						
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

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

Condensed Consolidated Interim Financial Information (Continued)

14. Other assets

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

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Deposits	71	99
Other	51	51
Other assets, current	122	150
Investment in an equity security (note i)	—	12,550
Deposits over one year	319	275
Other assets, non-current	319	12,825
Other assets	441	12,975

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 \$15.1 million at the final offer price pursuant to the global offering of the share capital of Maoyan. During the six months ended 30 June 2021, the Group sold out all of its 7,949,000 shares of Maoyan for a net proceed of \$17.8 million. During the six months ended 30 June 2021, an increase in fair value of \$5.2 million was recorded in other comprehensive income and the accumulated gain of \$2.7 million was transferred to retained profit upon the disposal of the shares (2020: decrease in fair value of \$3.1 million recorded in other comprehensive income).

Condensed Consolidated Interim Financial Information (Continued)

15. Trade and other receivables

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Trade receivables:		
Trade receivables from third parties	32,310	30,110
Less: allowance for expected credit losses of trade receivables from third parties	(5,000)	(6,791)
Trade receivables from third parties — net	27,310	23,319
Trade receivables from IMAX Corporation (note 26(b))	18,493	14,634
Accrued trade receivables	3,851	4,748
Less: allowance for expected credit losses of accrued trade receivables	(211)	(608)
Accrued trade receivables — net	3,640	4,140
Total trade receivables	49,443	42,093
Other receivables:		
Loan and interest receivables from related parties (note 26(b))	554	549
Less: allowance for expected credit losses of loan and interest receivables	(423)	(419)
Loan and interest receivables from a joint venture — net	131	130
Total other receivables	131	130
Total trade and other receivables	49,574	42,223

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

Condensed Consolidated Interim Financial Information (Continued)

15. Trade and other receivables (Continued)

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

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
0–30 days	10,438	5,710
31–60 days	1,610	3,169
61–90 days	2,303	4,415
Over 90 days	36,452	31,450
	50,803	44,744

16. Deferred income tax

The gross movements in the deferred income tax asset and deferred income tax liability are as follows:

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Deferred income tax asset		
Opening balance	7,089	3,143
Exchange differences	59	480
Credited to profit or loss (note 11)	275	3,466
Closing balance	7,423	7,089
Deferred income tax liability		
Opening balance	19,134	—
Charged to profit or loss (note 11)	547	19,134
Closing balance	19,681	19,134

Condensed Consolidated Interim Financial Information (Continued)

16. Deferred income tax (Continued)

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 (2021: \$0.5 million) for the applicable withholding taxes associated with these historical earnings, which will become payable upon the repatriation of any such earnings.

17. Interests in a joint venture

A joint venture was established in 2017. As at 30 June 2021, no capital has been injected to the joint venture yet.

Details of the Group's joint venture at 30 June 2021 are as follows:

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 and domestic enterprise 25 January 2017	Investment management, investment consulting	Registered capital of RMB 7,000,000	\$nil	—	50%

Condensed Consolidated Interim Financial Information (Continued)

18. Share capital and reserves

(a) Share capital

	Number of shares		Share capital	
	2021	2020	2021 US\$	2020 US\$
Ordinary shares of US\$0.0001 each				
Authorised				
At beginning and end of six months ended	625,625,000	625,625,000	62,562.50	62,562.50
	Number of shares		Share capital	
	2021	2020	2021 US\$	2020 US\$
Issued and fully paid				
At beginning of 1 January	348,063,015	348,788,902	34,806.30	34,878.89
Shares issued for vested restricted share units	301,263	175,685	30.13	17.57
Share cancellation (note 18(b))	—	(480,600)	—	(48.06)
Number of shares as at 30 June (unaudited)	348,364,278	348,483,987	34,836.43	34,848.40

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.

Condensed Consolidated Interim Financial Information (Continued)

18. Share capital and reserves (Continued)

(b) Treasury shares

For the six months ended 30 June:

	Notes	Number of shares		US\$'000	
		2021	2020	2021	2020
Treasury shares					
At beginning of period		—	131,726	—	294
Acquisition of shares by the Trust	(i)	688,257	250,828	1,323	413
Shares issued for vested RSUs		6,035	—	—	—
Issued to employees for vested restricted share units		(479,535)	(382,554)	(991)	(707)
Shares bought back on-market	(ii)	—	906,400	—	1,525
Buy-back transaction costs	(ii)	—	—	—	7
Shares cancelled	(ii)	—	(480,600)	—	(893)
At end of period		214,757	425,800	332	639

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 shares on-market and 480,600 shares were cancelled. The shares were acquired at an average price of \$1.69, with prices ranging from \$1.43 to \$1.89.

Condensed Consolidated Interim Financial Information (Continued)

18. Share capital and reserves (Continued)

(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 \$2.0 million in the six months ended 30 June 2021 (30 June 2020: \$1.6 million).

(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 2021, the Group recorded an expense of \$nil (30 June 2020: \$nil) related to equity-settled China IPO Options issued under the China LTIP.

Condensed Consolidated Interim Financial Information (Continued)

18. Share capital and reserves (Continued)

(c) Share-based payments (Continued)

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

China IPO Options Summary (Continued)

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

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

For the six months ended 30 June:

	Number of Shares		Weighted Average Exercise Price Per Share	
	2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Unaudited)
Options outstanding, beginning of period	5,163,800	5,163,800	1.45	1.45
Expired	(270,000)	—	1.81	—
Options outstanding, end of period	4,893,800	5,163,800	1.43	1.45
Options exercisable, end of period	4,893,800	5,163,800	1.43	1.45

As at 30 June 2021, the weighted average remaining contractual life of options outstanding is 1.0 years (31 December 2020: 1.4 years).

China Options Summary

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 2021, the Group recorded an expense of \$0.1 million (30 June 2020: \$0.1 million) related to China Options issued under the China LTIP.

Condensed Consolidated Interim Financial Information (Continued)

18. 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	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Options outstanding, beginning of period	1,343,039	1,602,128	3.23	3.36
Expired	—	(74,973)	—	5.84
Options outstanding, end of period	1,343,039	1,527,155	3.23	3.24
Options exercisable, end of period	871,368	600,166	3.56	3.90

As at 30 June 2021, the weighted average remaining contractual life of options outstanding is 3.9 years (31 December 2020: 4.9 years).

(ii) *Restricted Share Units*

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 \$1.7 million for the six months ended 30 June 2021 (30 June 2020: \$1.4 million) related to China RSU grants issued to employees in the plan. The annual termination probability assumed for the six months ended 30 June 2021 was nil (30 June 2020: 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.

Condensed Consolidated Interim Financial Information (Continued)

18. Share capital and reserves (Continued)

(c) Share-based payments (Continued)

(ii) Restricted Share Units (Continued)

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	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
RSUs outstanding, beginning of period	2,102,349	1,350,954	2.18	2.94
Granted	962,792	1,368,777	2.10	1.80
Vested and settled	(774,763)	(558,239)	2.35	2.73
Forfeited	(8,709)	(3,738)	1.88	2.13
RSUs outstanding, end of period	2,281,669	2,157,754	2.09	2.27

(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. These awards vest over a three-year performance period. The fair value of PSUs with EBITDA-based targets is equal to the closing price on the date of grant.

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.

Condensed Consolidated Interim Financial Information (Continued)

18. Share capital and reserves (Continued)

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

(iii) **Performance Stock Units (Continued)**

At the conclusion of the three-year performance period, the number of PSUs that ultimately vest can range from 0% to a maximum vesting opportunity of 175% of the initial award, depending upon actual performance versus the established EBITDA.

In the six months ended 30 June 2021, the Group recorded an expense of \$0.2 million (2020: \$0.1 million) related to China PSUs issued under the China LTIP.

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	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
PSUs outstanding, beginning of period	317,998	—	1.81	—
Granted	169,200	253,677	2.11	1.83
PSUs outstanding, end of period	487,198	253,677	1.92	1.83

(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 2021 (30 June 2020: \$7.0 million).

Condensed Consolidated Interim Financial Information (Continued)

18. Share capital and reserves (Continued)

(d) Reserves (Continued)

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 2021 accordingly, no statutory reserves were appropriated (31 December 2020: \$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)

19. Trade and other payables

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Trade payables	883	2,172
Payables to IMAX Corporation (note 26(b))	20,273	17,978
Other payables	694	1,146
	21,850	21,296

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

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
0–30 days	5,780	8,120
31–60 days	2,016	2,905
61–90 days	1,671	476
Over 90 days	12,383	9,795
	21,850	21,296

As at 30 June 2021 and 31 December 2020, 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)

20. Accruals and other liabilities

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Accrued marketing and advertising expenses	2,840	2,353
Value-added tax payable	1,992	2,970
Other tax payable	1,281	778
Lease liabilities	877	1,405
Accrued audit fees	674	669
Accrued selling expenses	657	690
Accrued salaries and benefits	534	397
Withholding individual income tax	266	116
Accrued legal fees	104	100
Other accrued expenses	2,059	1,753
Accruals and other liabilities, total	11,284	11,231
Accruals and other liabilities, current	11,246	10,735
Accruals and other liabilities, non-current	38	496
	11,284	11,231

Maturity analysis of lease liabilities

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Not later than one year	839	909
Later than one year and not later than five years	38	496
	877	1,405

Condensed Consolidated Interim Financial Information (Continued)

21. Borrowings

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Unsecured short-term bank loans	11,017	7,643

The bank loans as at 30 June 2021 was repayable in one year with variable interest rate based on Loan Prime Rate issued by the People's Bank of China and is repriced every six/twelve month. The ranges of the effective interest rates on the Group's borrowings are from 4.15% to 4.35% per annum (2020: 4.35%).

The carrying amounts of the Group's borrowings are denominated in RMB.

The Group has access to following undrawn borrowing facilities as described below. The facility is subject to annual review.

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Unsecured bank borrowing facility	18,394	21,476
Unsecured letter of guarantee facility	1,180	1,533
	19,574	23,009

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 2022. As at 30 June 2021, we had drawn down RMB71 million (approximately \$11.2 million) on our bank borrowing facility with interest rate of 4.15%–4.35% per annum, and RMB2.4 million (approximately \$0.4 million) on our letter of guarantee facility.

Condensed Consolidated Interim Financial Information (Continued)

22. Deferred revenue

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Theatre system deposits	27,909	30,081
Maintenance prepayments	7,641	9,510
	35,550	39,591
Deferred revenue, current	12,968	15,514
Deferred revenue, non-current	22,582	24,077
	35,550	39,591

The following table shows the amount of revenue recognised in the consolidate statements of comprehensive income for the six months ended 30 June 2021 and 2020 relating to deferred revenue brought forward:

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Upfront revenue	5,480	95
Maintenance revenue	4,638	502
Total	10,118	597

The unsatisfied performance obligations as at 30 June 2021 was approximately \$40.8 million (31 December 2020: \$43.7 million).

Condensed Consolidated Interim Financial Information (Continued)

23. Statement of cash flow supplemental information

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Profit (Loss) before income tax for the period	25,545	(21,740)
Adjustment for:		
Depreciation of property, plant and equipment	6,807	7,269
Amortisation of film assets	2,282	—
Equity settled and other non-cash compensation	2,027	1,634
Loss on disposal of property, plant and equipment	142	13
(Reversals of) Allowance for expected credit losses	(2,612)	9,299
(Reversals of) Write-downs	(31)	1,149
Interest expense	203	50
Foreign exchange losses (gains)	2	(3)
Changes in working capital		
Trade and other receivables	(5,502)	5,826
Financing receivables	(2,438)	(1,746)
Variable consideration receivable from contracts	58	4
Film assets	(2,067)	(245)
Inventories	594	(2,476)
Trade and other payables	1,391	(660)
Accruals and other liabilities	581	(1,605)
Deferred revenue	(4,615)	3,614
Prepayments	(182)	(221)
Contract acquisition costs	57	—
Other assets	(13)	(125)
Cash provided by operations	22,229	37

Condensed Consolidated Interim Financial Information (Continued)

24. 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 2021 (Unaudited)	As at 31 December 2020 (Audited)
Capital expenditure contracted but not provided for in the condensed consolidated interim financial information in respect of:		
Acquisition of property, plant and equipment	7	55
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 2021 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 2021 under IFRS 16.

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Within one year	59	119

25. Contingencies and guarantees

As of 30 June 2021, 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.

Condensed Consolidated Interim Financial Information (Continued)

26. 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 69.83% of the Company's shares as at 30 June 2021.

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.

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	
	2021 (Unaudited)	2020 (Unaudited)
Purchase of goods:		
IMAX Corporation (theatres systems)	6,210	3,675
Purchase of services:		
IMAX Corporation (film related transactions)	2,049	253
IMAX Corporation (management fees — legal and administration services)	304	160
Other transactions:		
IMAX (Barbados) Holding, Inc. (dividends paid to)	4,865	4,865
IMAX Corporation (trademark and technology fees)	3,013	526
Gross revenue earned from film services through IMAX Corporation (Note below)	5,626	281
Revenue earned from maintenance services provided to IMAX Corporation	49	53

Condensed Consolidated Interim Financial Information (Continued)

26. Related party transactions (Continued)

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

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 2021, conversion cost of \$1.5 million (2020: \$nil) 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.

(b) Period/Year-end balances

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Receivables from related parties (note 15):		
IMAX Corporation	18,493	14,634
Loan and interest receivables from a joint venture (note 15):		
Suzhou IMAX Fei Er Mu Project Investment Partnership Enterprise (Limited Partnership)	350	328
IMAX Fei Er Mu (Shanghai) Investment Management Co., Ltd.	204	221
Payables to related parties (note 19):		
IMAX Corporation	20,273	17,978

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.

Condensed Consolidated Interim Financial Information (Continued)

26. Related party transactions (Continued)

(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	
	2021 (Unaudited)	2020 (Unaudited)
Salaries and other short-term employee benefits	1,613	1,152
Post-employment benefits	17	15
Other benefits ¹	399	438
Share-based payments	1,134	841
	3,163	2,446

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

27. Dividends

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Dividends recognised as distribution during the period:		
2020 Final — HK\$0.155 per share	6,964	—
2019 Final — HK\$0.156 per share	—	6,983
	6,964	6,983

As approved by the shareholders at the Annual General Meeting held on 6 May 2021, 2020 final dividend of \$0.02 per share (equivalent to approximately HK\$0.155 per share) was distributed to shareholders on 1 June 2021. 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.

In the Company's board meeting held on 27 July 2021, the Board of Directors approved an interim dividend of \$0.028 per share (equivalent to approximately HK\$0.217 per share) for the six months ended 30 June 2021 to the Shareholders. There will be no scrip dividend option for the 2021 interim dividend. The proposed dividend has not been provided for in the condensed consolidated financial statements for the six months ended 30 June 2021.

Condensed Consolidated Interim Financial Information (Continued)

28. Subsidiaries

The following is a list of the principal subsidiaries as at 30 June 2021:

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 HK39,000,001 12 ordinary shares for US\$27,538,341	2 ordinary shares for HK39,000,001 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%
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%

Condensed Consolidated Interim Financial Information (Continued)

28. 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) 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%
IMAX (Shanghai) Commerce and Trade Co., Ltd.	The PRC Limited Liability Company (wholly owned by foreign-invested enterprise) 24 August 2017	Sales of gift, handcraft, stationery commodity, clothing and apparel, electronic product; ticket agent; advertising design, production, agency and publishing; technology development, technology consulting, technology service, technology transfer in the field of computer information; handicraft design, gift design; culture and art exchange and planning, business consultation; creative services; conference services; electronic business (excluding telecom value-added service and financial service) in the PRC	Registered capital of RMB2,000,000	Paid up capital of \$nil	—	100%

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
“Prospectus”	the prospectus of the Company dated 24 September 2015
“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)
“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 co-produced 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 sunburst pattern of fine, light blue lines emanating from the center, creating a sense of depth and focus. The logo is the primary element, standing out against the dynamic background.

IMAX[®]