IMAX CHINA HOLDING, INC.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1970)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

INTERIM DIVIDEND ANNOUNCEMENT

CLOSURE OF REGISTER OF MEMBERS

AND

INSIDE INFORMATION

OUR CONTROLLING SHAREHOLDER IMAX CORPORATION RELEASED ITS UNAUDITED RESULTS AND QUARTERLY REPORT FOR THE SECOND QUARTER AND THE FIRST HALF OF FISCAL 2020

INTERIM RESULTS ANNOUNCEMENT

The Board of Directors of IMAX China Holding, Inc. (the "**Company**" or "**IMAX China**") announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2020. The interim results have been reviewed by the Group's external auditor and the Audit Committee.

INTERIM DIVIDEND ANNOUNCEMENT

The Board of Directors of the Company is pleased to announce it has declared an interim dividend of US$0.02 per share (equivalent to HK$0.155 per share) for the six months ended 30 June 2020 to the Shareholders.

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

CLOSURE OF REGISTER OF MEMBERS

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

INSIDE INFORMATION

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

Our controlling shareholder, IMAX Corporation has, on 28 July 2020 (New York time), released its unaudited results for the second quarter of 2020 and its quarterly report for the second quarter of 2020.

FINANCIAL HIGHLIGHTS

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

2020 OUTLOOK

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

FINANCIAL INFORMATION

The financial information set out below in this announcement represents an extract from the condensed consolidated interim financial information, which is unaudited but has been reviewed by the Group's external auditor, PricewaterhouseCoopers ("**PwC**"), in accordance with International Standard on Review Engagements 2410 and by the audit committee of the Company. PwC's unmodified review report is included in the Interim Report to be sent to shareholders.

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

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

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

	Notes	**As at 30 June 2020 *(Unaudited)***	As at 31 December 2019 *(Audited)*
ASSETS			
Non-current assets			
Property, plant and equipment	10	**98,252**	105,348
Other assets	11	**12,423**	14,934
Variable consideration receivable from contracts		**3,065**	3,299
Deferred income tax asset	13	**8,072**	3,143
Financing receivables		**42,821**	48,056
Interests in a joint venture	14	**—**	—
		164,633	174,780
Current assets			
Other assets	11	**1,622**	2,472
Film assets		**281**	116
Inventories		**7,554**	5,237
Prepayments		**1,989**	1,815
Variable consideration receivable from contracts		**451**	374
Financing receivables		**15,287**	10,938
Trade and other receivables	12	**31,461**	43,227
Cash and cash equivalents		**74,056**	89,308
		132,701	153,487
Total assets		**297,334**	328,267

	Notes	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
LIABILITIES			
Non-current liabilities			
Deferred income tax liability	13	**18,475**	—
Accruals and other liabilities		**826**	829
Deferred revenue	17	**26,229**	24,920
		45,530	25,749
Current liabilities			
Trade and other payables	16	**13,892**	15,170
Accruals and other liabilities		**9,537**	11,394
Income tax liabilities		**2,594**	4,045
Borrowings		**244**	—
Deferred revenue	17	**14,260**	12,878
		40,527	43,487
Total liabilities		**86,057**	69,236
EQUITY			
Equity attributable to owners of the Company			
Share capital		**35**	35
Share premium and reserves		**257,821**	270,327
Accumulated deficit		**(46,579)**	(11,331)
Total equity		**211,277**	259,031
Total equity and liabilities		**297,334**	328,267

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

1. General information

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

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

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

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

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

2. Summary of significant accounting policies

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

(a) Basis of preparation

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

The preparation of condensed consolidated interim financial information in conformity with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

(b) Summary of significant accounting policies

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

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

3. New accounting standards and accounting changes

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

4. Impact of COVID-19 Pandemic

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

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

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

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

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

5. Financial instruments

(a) Financial instruments

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

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

	Liabilities at amortised cost	Total
Liabilities as per statement of financial position		
Trade and other payables	**13,892**	**13,892**
Lease liabilities	**1,912**	**1,912**
	15,804	**15,804**

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

	Liabilities at amortised cost	Total
Liabilities as per statement of financial position		
Trade and other payables	15,170	15,170
Lease liabilities	1,950	1,950
	17,120	17,120

(b) Fair value measurements

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

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

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

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

The investment in an equity security is classified as financial asset with fair value change through other comprehensive income under IFRS 9. As of 30 June 2020, the fair value of investment in an equity security was $12.1 million. Please refer to note 11 for details.

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

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

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

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

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

There were no significant transfers within Level 1, Level 2 and Level 3 during the six months ended 30 June 2020 (30 June 2019: none). When a determination is made to classify an asset or liability within Level 3, the determination is based upon the significance of the unobservable inputs to the overall fair value measurement.

6. Segment information

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

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

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

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

Transactions between the other segments are not significant.

(a) Operating Segments

	Six months ended 30 June	
	2020	2019
	(Unaudited)	*(Unaudited)*
Revenue		
IMAX Technology Network		
IMAX DMR films	**701**	17,921
Revenue sharing arrangements — contingent rent	**419**	15,809
	1,120	33,730
IMAX Technology Sales and Maintenance		
IMAX Systems	**2,796**	10,379
Revenue sharing arrangements — upfront fees	**369**	3,537
IMAX Maintenance	**2,099**	10,859
Other Theatre Business	**145**	606
	5,409	25,381
New Business Initiatives and Other	**133**	145
Total	**6,662**	59,256

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

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

(b) Significant customers

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

Customer A

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

Customer B

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

Customer C

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

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

7. Expenses by nature

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

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

8. Income tax expense

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

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

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

9. Profit per share

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

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

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

10. Property, plant and equipment

	Theatre System Components	Office and Production Equipment	Right-of-use Assets	Leasehold Improvements	Construction in Process	Total
As at 1 January 2020 (audited)						
Cost	**142,028**	**2,545**	**3,136**	**1,735**	**2,423**	**151,867**
Accumulated depreciation and impairment	**(42,291)**	**(1,638)**	**(885)**	**(1,705)**	**—**	**(46,519)**
Net book amount	**99,737**	**907**	**2,251**	**30**	**2,423**	**105,348**
Six months ended 30 June 2020 (unaudited)						
Opening net book amount	**99,737**	**907**	**2,251**	**30**	**2,423**	**105,348**
Exchange differences	**(965)**	**(15)**	**(8)**	**—**	**(35)**	**(1,023)**
Additions	**—**	**124**	**284**	**—**	**853**	**1,261**
Transfers	**172**	**—**	**—**	**—**	**(172)**	**—**
Disposals	**(13)**	**—**	**—**	**—**	**—**	**(13)**
Depreciation charge	**(6,495)**	**(176)**	**(590)**	**(8)**	**—**	**(7,269)**
Impairment loss	**(52)**	**—**	**—**	**—**	**—**	**(52)**
Closing net book amount	**92,384**	**840**	**1,937**	**22**	**3,069**	**98,252**
As at 30 June 2020 (unaudited)						
Cost	**139,982**	**2,625**	**3,376**	**1,707**	**3,069**	**150,759**
Accumulated depreciation and impairment	**(47,598)**	**(1,785)**	**(1,439)**	**(1,685)**	**—**	**(52,507)**
Net book amount	**92,384**	**840**	**1,937**	**22**	**3,069**	**98,252**
As at 1 January 2019 (audited)						
Cost	126,997	2,392	—	1,753	3,959	135,101
Accumulated depreciation and impairment	(33,738)	(1,228)	—	(1,664)	—	(36,630)
Net book amount (as previously presented)	93,259	1,164	—	89	3,959	98,471
Change in accounting policy						
Cost	—	—	3,056	—	—	3,056
Restated as at 1 January 2019						
Cost	126,997	2,392	3,056	1,753	3,959	138,157
Accumulated depreciation and impairment	(33,738)	(1,228)	—	(1,664)	—	(36,630)
Net book amount	93,259	1,164	3,056	89	3,959	101,527

	Theatre System Components	Office and Production Equipment	Right-of-use Assets	Leasehold Improvements	Construction in Process	Total
Six months ended 30 June 2019 (unaudited)						
Opening net book amount	93,259	1,164	3,056	89	3,959	101,527
Exchange differences	88	4	(53)	2	(45)	(4)
Additions	—	20	—	15	10,017	10,052
Transfers	7,171	—	—	—	(7,171)	—
Disposals	(173)	—	—	—	—	(173)
Depreciation charge	(5,774)	(253)	(474)	(68)	—	(6,569)
Closing net book amount	94,571	935	2,529	38	6,760	104,833

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

11. Other assets

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

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

Notes:

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

12. Trade and other receivables

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

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

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

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

13. Deferred income tax

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

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

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

14. Interests in a joint venture

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

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

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

15. Share capital and reserves

(a) Share capital

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

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

(b) Treasury shares

For the six months ended 30 June:

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

Notes:

(i) These shares are shares in IMAX China Holding, Inc. that are held by Computershare Hong Kong Trustees Limited (the "**Trust**") for the purpose of issuing shares under China long-term incentive plan. Shares issued to employees are recognised on a first-in-first-out basis.

(ii) During the six months ended 30 June 2020, the Company conducted shares buy-back pursuant to a general mandate granted by the shareholders to the Directors during the Annual General Meeting held on 6 June 2019 and resolutions of the Board adopted on 6 June 2019, and a general mandate granted by the shareholders to the Directors during the Annual General Meeting held on 11 June 2020 and resolutions of the Board adopted on 15 June 2020.

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

(c) Share-based payments

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

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

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

A separate China Long-Term Incentive Plan (the "**China LTIP**") was adopted by the Group in October 2012. Each stock option issued prior to the IPO ("**China IPO Option**"), stock options issued after the IPO ("**China Option**"), RSU ("**China RSUs**"), performance stock units ("**China PSUs**") or cash settled share-based payment ("**CSSBP**") issued under the China LTIP represents an opportunity to participate economically in the future growth and value creation of the Company.

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

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

China IPO Options Summary

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

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

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

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

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

For the six months ended 30 June:

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

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

China Options Summary

In the six months ended 30 June 2019, 417,764 China Options were granted to certain employees in accordance with the China LTIP. The China Options vest between a three and four year period beginning on the date of grant. The China Options have a maximum contractual life of 7 years. No China Options were granted after 2019.

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

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

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

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

For the six months ended 30 June:

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

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

(ii) Restricted Share Units

RSUs under IMAX LTIP

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

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

China RSUs under China LTIP

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

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

China RSUs under China LTIP Summary

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

For the six months ended 30 June:

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

(iii) Performance Stock Units

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

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

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

For the six months ended 30 June:

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

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

(d) Reserves

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

Share premium

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

Capital reserve

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

Statutory reserves

The PRC laws and regulations require companies registered in the PRC to provide certain statutory reserves, which are to be appropriated from the net profit (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holders. All statutory reserves are created for specific purposes. PRC companies are required to appropriate 10% of statutory net profits to statutory surplus reserves, upon distribution of their post-tax profits. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the companies, to expand the companies' production operations, or to increase the capital of the companies. In addition, a company may make further contribution to the discretional surplus reserve using its post-tax profits in accordance with resolutions of the Board of Directors. The PRC companies of the Group had not distributed any of their post-tax profits up to 30 June 2020, accordingly, no statutory reserves were appropriated (31 December 2019: $nil).

FVOCI reserve

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

16. Trade and other payables

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

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

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

As at 30 June 2020 and 31 December 2019, the carrying amounts of trade and other payables approximated their fair values due to short maturity. Trade and other payables over 90 days primarily consist of amounts due to IMAX Corporation.

17. Deferred revenue

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

18. Related party transactions

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

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

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

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

The following continuing transactions were carried out with related parties:

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

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

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

Note:

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

(b) Period/Year-end balances

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

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

(c) Key management compensation

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

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

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

19. Events after the reporting period

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

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

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

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

Revenue

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

IMAX Technology Network

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

- IMAX DMR films, pursuant to which the Company generates revenue from a certain percentage of IMAX box office received by our studio partners for the conversion and release of Hollywood and Chinese language films to the IMAX theatre network. IMAX DMR films revenue is recognized when reported by our exhibitor partners;

- Revenue sharing arrangements, of which the Company has two types — full revenue sharing arrangements and hybrid revenue sharing arrangements. Under its full revenue sharing arrangements, the Company leases IMAX theater systems to its exhibitor partners, and provides related services, in return for ongoing fees of contingent rent based on a percentage of the IMAX box office from the relevant IMAX theatre. Under full revenue sharing arrangements, the customer pays no upfront fee. Under hybrid revenue sharing arrangements, the Company receives ongoing fees of contingent rent based on a percentage of IMAX box office from the relevant IMAX theatre. The Company also receives a fixed upfront fee, which is less than the sales price, and which is recorded in the IMAX Technology Sales and Maintenance segment. Contingent rent revenue from revenue sharing arrangements is recognized when reported by our exhibitor partners; and,

- Sales-type lease arrangements, consist of contingent rent in excess of certain fixed minimum ongoing payments. The contingent rent on sales-type lease arrangements is recognized after the fixed minimum amount per annum is exceeded as driven by box office performance. Contingent rent on sales arrangements is estimated and the amount is recognized with the revenue under IMAX Technology Sales and Maintenance.

IMAX Technology Sales and Maintenance

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

- IMAX System, consists of the design, manufacture and installation of IMAX theater projection system equipment under sales or sales-type lease arrangements for upfront and ongoing fees, which can include a fixed minimum amount per annum and contingent rent in excess of the minimum payments. The upfront fees vary depending on the system configuration and location of the theatre. Any upfront fees are paid to the Company in installments between the time of system signing and the time of system installation, which is when the total of these fees, in addition to the present value of future annual minimum payments and contingent rent on sales arrangement as discussed under IMAX Technology Network above, are recognized as revenue at the time of installation and exhibitor acceptance of the respective IMAX theatre system;

- Revenue sharing arrangements, pursuant to which the Company receives a reduced, fixed upfront fee under its hybrid revenue sharing arrangement. In addition, the Company receives ongoing fees of contingent rent based on a percentage of IMAX box office from the relevant IMAX theater which is recorded in IMAX Technology Network revenue group described above. Revenue sharing arrangements upfront fees revenue is recognized at the time of installation and exhibitor acceptance of the IMAX theater system;

- IMAX Maintenance, pursuant to which the Company generates revenue from the provision of ongoing maintenance services. The revenue recognized is primarily comprised of an annual maintenance fee payable by exhibitor partners under all sales and revenue sharing arrangements; and,

- Other theatre, pursuant to which the Company generates revenue from the aftermarket sales of 3D glasses, screen sheets, sound, parts and other items.

New Business Initiatives and Other

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

Impact of COVID-19 Pandemic

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

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

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

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

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

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

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

Cost of Sales

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

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

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

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

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

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

Selling, General and Administrative Expenses

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

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

Other Operating Expenses

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

Interest Income

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

Income Tax Expenses

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

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

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

Condensed Consolidated Interim Statements of Comprehensive (Loss) Income

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

	1HFY2020		1HFY2019	
	US$'000	*%*	*US$'000*	*%*
Revenues	**6,662**	**100.0%**	59,256	100.0%
Cost of sales	**(10,704)**	**(160.7%)**	(18,209)	(30.7%)
Gross (loss) profit	**(4,042)**	**(60.7%)**	41,047	69.3%
Selling, general and administrative expenses	**(7,564)**	**(113.5%)**	(7,838)	(13.2%)
Other operating expenses	**(10,793)**	**(162.0%)**	(3,404)	(5.7%)
Operating (loss) profit	**(22,399)**	**(336.2%)**	29,805	50.3%
Interest income	**709**	**10.6%**	984	1.7%
Interest expense	**(50)**	**(0.7%)**	(44)	(0.1%)
(Loss) profit before income tax	**(21,740)**	**(326.3%)**	30,745	51.9%
Income tax expense	**(13,508)**	**(202.8%)**	(6,780)	(11.4%)
(Loss) profit for the period, attributable to owners of the Company	**(35,248)**	**(529.1%)**	23,965	40.4%
Other comprehensive loss:				
Items that may be subsequently reclassified to profit or loss:				
Change in foreign currency translation adjustments	**(2,698)**	**(40.5%)**	(550)	(0.9%)
Items that may not be subsequently reclassified to profit or loss:				
Change in fair value of financial assets at fair value through other comprehensive income ("**FVOCI**")	**(2,514)**	**(37.7%)**	(4,436)	(7.5%)
Other comprehensive loss:	**(5,212)**	**(78.2%)**	(4,986)	(8.4%)
Total comprehensive (loss) income for the period, attributable to owners of the Company	**(40,460)**	**(607.3%)**	18,979	32.0%

Adjusted (Loss) Profit

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

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

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

1HFY2020 COMPARED WITH 1HFY2019

Revenue

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

IMAX Technology Network

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

IMAX DMR Films

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

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

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

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

Revenue Sharing Arrangements — Contingent Rent

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

IMAX Technology Sales and Maintenance

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

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

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

Note:

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

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

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

IMAX Systems

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

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

Revenue Sharing Arrangements — Upfront Fees

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

IMAX Maintenance

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

New Business Initiatives and Other

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

Cost of Sales

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

IMAX Technology Network

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

IMAX DMR Films

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

Revenue Sharing Arrangements — Contingent Rent

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

IMAX Technology Sales and Maintenance

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

IMAX Systems

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

Revenue Sharing Arrangements — Upfront Fees

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

IMAX Maintenance

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

New Business Initiatives and Other

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

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

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

IMAX Technology Network

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

IMAX DMR Films

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

Revenue Sharing Arrangements — Contingent Rent

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

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

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

IMAX Technology Sales and Maintenance

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

IMAX Systems

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

Revenue Sharing Arrangements — Upfront Fees

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

IMAX Maintenance

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

New Business Initiatives and Other

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

Selling, General and Administrative Expenses

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

Other Operating Expenses

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

Income Tax Expense

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

(Loss) Profit for the Period

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

Adjusted (Loss) Profit

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

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

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

CAPITAL MANAGEMENT

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

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

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

CASH FLOW ANALYSIS

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

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

Cash (Used in) From Operating Activities

1HFY2020

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

1HFY2019

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

Cash Used in Investing Activities

1HFY2020

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

1HFY2019

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

Cash Used in Financing Activities

1HFY2020

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

1HFY2019

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

CONTRACTUAL OBLIGATIONS AND CAPITAL COMMITMENTS

Lease Commitments

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

Capital Commitments

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

CAPITAL EXPENDITURES AND CONTINGENT LIABILITIES

Capital Expenditures

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

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

Contingent Liabilities

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

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

WORKING CAPITAL

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

STATEMENT OF INDEBTEDNESS

As at 30 June 2020:

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

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

RECENT DEVELOPMENTS

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

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

OFF BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

KEY FINANCIAL RATIOS

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

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

Notes:

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

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

Gearing Ratio

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

Adjusted (Loss) Profit Margin

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

DIVIDEND POLICY AND DISTRIBUTABLE RESERVES

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

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

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

Dividend

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

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

MATERIAL ACQUISITIONS OR DISPOSALS

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

SIGNIFICANT INVESTMENTS

We are entitled to IMAX Hong Kong Holding's share of any distributions and dividends paid by TCL-IMAX Entertainment in respect of profit from Greater China as a result of a preferred share we hold in IMAX Hong Kong Holding, which holds 50% of TCL-IMAX Entertainment, a 50:50 joint venture between IMAX Hong Kong Holding (which is indirectly wholly owned by IMAX Corporation) and Sino Leader (Hong Kong) Limited (which is wholly owned by TCL Multimedia Technology Holdings Limited). TCL-IMAX Entertainment engages in the design, development, manufacturing and global sale of premium home theatre systems incorporating components of IMAX's projection and sound technology adapted for a broader home environment. TCL-IMAX Entertainment commenced offering home theatre systems in Greater China in the second half of 2016. We did not receive any distributions or dividends from TCL-IMAX Entertainment during the period ended 30 June 2020.

The purpose of the investment was to enable the Group to share in any profit earned in Greater China by TCL-IMAX Entertainment. We do not have any management or operational role, responsibilities or rights in TCL-IMAX Entertainment, nor are we subject to any funding obligations (either in respect of capital funding or bearing of losses) in relation to TCL-IMAX Entertainment.

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

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

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

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

OTHER INFORMATION

CORPORATE GOVERNANCE

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 Corporate Governance Code set out in Appendix 14 of the Listing Rules (the "**CG Code**").

The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

During the six months ended 30 June 2020, the Company has complied with all the code provisions of the CG Code.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

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

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

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

Save for the above, there have been no convertible securities issued or granted by the Group, no exercise of any conversion or subscription rights, nor any purchase, sale or redemption by the Group of its listed Shares during the six months ended 30 June 2020.

SECURITIES TRANSACTIONS BY DIRECTORS

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

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 announcement, the Company has maintained the prescribed public float under the Listing Rules throughout the six months ended 30 June 2020.

BOARD COMMITTEES

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

Audit Committee

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

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

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

Remuneration Committee

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

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

Nomination Committee

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

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

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

INTERIM REPORT

The Company's interim report for the six months ended 30 June 2020 containing all the relevant information required by Appendix 16 of the Listing Rules has been published on the websites of the Company and the Stock Exchange and will be dispatched to Shareholders in due course.

LITIGATION

The Group did not have any material litigation outstanding as at 30 June 2020.

INTERIM DIVIDEND ANNOUNCEMENT

The Board of Directors of the Company is pleased to announce it has declared an interim dividend of US$0.02 per share (equivalent to HK$0.155 per share) for the six months ended 30 June 2020 to the Shareholders.

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

CLOSURE OF REGISTER OF MEMBERS

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

INSIDE INFORMATION

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

Results of IMAX Corporation

Our controlling shareholder, IMAX Corporation, is a company listed on the New York Stock Exchange in the United States. As of the date of this announcement, IMAX Corporation beneficially owns 69.89% of the issued share capital of the Company.

On 28 July 2020 (New York time), IMAX Corporation made an announcement regarding its unaudited results for the second quarter of 2020 (the "**Earnings Release**"). If you wish to review the Earnings Release, please visit: https://www.sec.gov/Archives/edgar/data/921582/000156459020033898/imax-ex991_6.htm. Unless otherwise provided therein, all dollar amounts in the Earnings Release are denominated in United States dollars.

On 28 July 2020 (New York time), IMAX Corporation filed its unaudited quarterly report on the Form 10-Q for the second quarter of 2020 (the "**Quarterly Report**") with the United States Securities and Exchange Commission (the "**SEC**"), in accordance with the ongoing disclosure obligations applicable to the companies listed on the New York Stock Exchange. If you wish to review the Quarterly Report as filed with the SEC, please visit: https://www.sec.gov/ix?doc=/Archives/edgar/data/921582/000156459020033940/imax-10q_20200630.htm. Unless otherwise provided therein, all dollar amounts in the Quarterly Report are denominated in United States dollars.

The financial information disclosed in the Earnings Release, and the unaudited condensed consolidated financial results contained in the Quarterly Report and the financial information included in this announcement have been prepared in accordance with the Generally Accepted Accounting Principles of the United States. These principles are different from the IFRS, the standard employed by the Company, as a company listed on the Main Board of the Stock Exchange, to prepare and present financial information. As such financial information of the Company in the Earnings Release and in the Quarterly Report is not directly comparable to the financial results published directly by the Company.

Our shareholders and potential investors are advised to exercise caution in dealing in securities in the Company

The Earnings Release and Quarterly Report may contain forward-looking statements. Forward-looking statements involve a number of risks, uncertainties or other factors beyond our control, which may cause material differences in actual results, performance or other expectations. These factors include, but are not limited to, general economic conditions, competition, changes of government policies and regulations and other factors detailed in the Company's prospectus dated 24 September 2015. We are under no obligation to (and expressly disclaim any such obligation to) update the forward-looking statements as a result of new information, future events or otherwise.

The Earnings Release and Quarterly Report include certain quarterly financial information and operating statistics regarding the Company. To ensure that all shareholders of and potential investors in our Company have equal and timely access to the information pertaining to our Company, we have provided links to the Earnings Release and Quarterly Report above. We have also set forth below key highlights of the Quarterly Report that relate to our Company, some of which may constitute material inside information about our Company:

(1) QUARTERLY REPORT EXTRACTS

IMAX CORPORATION

PART I. FINANCIAL INFORMATION

Item 1. ***Financial Statements***
IMAX CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands of U.S. dollars except per share amounts)
(Unaudited)

	June 30, 2020	December 31, 2019
Assets		
Cash and cash equivalents	**$ 318,986**	$ 109,484
Accounts receivable, net of allowance for credit losses	**54,839**	99,513
Financing receivables, net of allowance for credit losses	**123,865**	128,038
Variable consideration receivable, net of allowance for credit losses	**39,397**	40,040
Inventories	**60,179**	42,989
Prepaid expenses	**12,008**	10,237
Film assets	**13,147**	17,921
Property, plant and equipment	**287,220**	306,849
Investment in equity securities	**13,192**	15,685
Other assets	**24,575**	25,034
Deferred income tax assets	**46,826**	23,905
Other intangible assets	**28,204**	30,347
Goodwill	**39,027**	39,027
Total assets	**$ 1,061,465**	$ 889,069
Liabilities		
Bank indebtedness	**$ 297,765**	$ 18,229
Accounts payable	**13,668**	20,414
Accrued and other liabilities	**108,917**	112,779
Deferred revenue	**104,311**	94,552
Deferred income tax liabilities	**18,475**	—
Total liabilities	**543,136**	245,974

	June 30, 2020	December 31, 2019
Commitments and contingencies		
Non-controlling interests	**4,237**	5,908
Shareholders' equity		
Capital stock common shares — no par value. Authorized — unlimited number. 58,878,749 issued and 58,857,436 outstanding (December 31, 2019 — 61,362,872 issued and 61,175,852 outstanding)	**405,583**	423,386
Less: Treasury stock, 21,313 shares at cost (December 31, 2019 — 187,020)	**(329)**	(4,038)
Other equity	**172,690**	171,789
Accumulated deficit	**(134,395)**	(40,253)
Accumulated other comprehensive loss	**(4,180)**	(3,190)
Total shareholders' equity attributable to common shareholders	**439,369**	547,694
Non-controlling interests	**74,723**	89,493
Total shareholders' equity	**514,092**	637,187
Total liabilities and shareholders' equity	**$ 1,061,465**	$ 889,069

(See the accompanying notes, which are an integral part of these Condensed Consolidated Financial Statements)

IMAX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands of U.S. dollars, except per share amounts)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	**2020**	2019
Revenues				
Technology sales	**$ 2,687**	$ 19,694	**$ 8,349**	$ 34,894
Image enhancement and maintenance services	**3,799**	56,662	**24,520**	100,809
Technology rentals	**(137)**	25,863	**5,834**	44,033
Finance income	**2,506**	2,578	**5,054**	5,259
	8,855	104,797	**43,757**	184,995
Costs and expenses applicable to revenues				
Technology sales	**2,546**	11,939	**6,415**	21,374
Image enhancement and maintenance services	**7,244**	26,781	**25,060**	46,024
Technology rentals	**6,753**	6,524	**14,884**	12,904
	16,543	45,244	**46,359**	80,302
(Margin loss) gross margin	**(7,688)**	59,553	**(2,602)**	104,693
Selling, general and administrative expenses	**29,796**	32,136	**58,432**	59,785
Research and development	**1,232**	1,222	**3,432**	2,358
Amortization of intangibles	**1,344**	1,218	**2,665**	2,293
Credit loss expense	**1,440**	927	**11,657**	1,358
Asset impairments	**—**	—	**1,151**	—
Exit costs, restructuring charges and associated impairments	**—**	—	**—**	850
(Loss) income from operations	**(41,500)**	24,050	**(79,939)**	38,049
Gain (loss) in fair value of equity securities	**2,025**	(4,544)	**(2,514)**	(2,053)
Retirement benefits non-service expense	**(130)**	(160)	**(246)**	(320)
Interest income	**891**	572	**1,256**	1,142
Interest expense	**(1,581)**	(636)	**(2,229)**	(1,317)
(Loss) income before taxes	**(40,295)**	19,282	**(83,672)**	35,501
Income tax benefit (expense)	**10,248**	(5,308)	**(5,257)**	(8,956)
Equity in losses of investees, net of tax	**—**	(138)	**(529)**	(222)
Net (loss) income	**(30,047)**	13,836	**(89,458)**	26,323
Less: Net loss (income) attributable to non-controlling interests	**4,080**	(2,439)	**14,137**	(6,661)
Net (loss) income attributable to common shareholders	**$ (25,967)**	$ 11,397	**$ (75,321)**	$ 19,662
Net (loss) income per share attributable to common shareholders — basic and diluted:				
Net (loss) income per share — basic and diluted	**$ (0.44)**	$ 0.19	**$ (1.26)**	$ 0.32

(See the accompanying notes, which are an integral part of these Condensed Consolidated Financial Statements.)

IMAX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(In thousands of U.S. dollars)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	**2020**	2019
Net (loss) income	**$ (30,047)**	$ 13,836	**$ (89,458)**	$ 26,323
Unrealized net gain (loss) from cash flow hedging instruments	**1,334**	297	**(1,526)**	365
Realized net loss from cash flow hedging instruments	**337**	374	**695**	693
Foreign currency translation adjustments	**496**	(1,257)	**(615)**	(172)
Defined benefit and postretirement benefit plans	**4**	—	**17**	—
Other comprehensive income (loss), before tax	**2,171**	(586)	**(1,429)**	886
Income tax (expense) benefit related to other comprehensive (loss) income	**(442)**	(177)	**253**	(278)
Other comprehensive income (loss), net of tax	**1,729**	(763)	**(1,176)**	608
Comprehensive (loss) income	**(28,318)**	13,073	**(90,634)**	26,931
Less: Comprehensive (loss) income attributable to non-controlling interests	**3,930**	(2,040)	**14,323**	(6,607)
Comprehensive (loss) income attributable to common shareholders	**$ (24,388)**	$ 11,033	**$ (76,311)**	$ 20,324

(See the accompanying notes, which are an integral part of these Condensed Consolidated Financial Statements.)

IMAX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of U.S. dollars)

(Unaudited)

	Six Months Ended June 30, 2020	2019
Cash (used in) provided by:		
Operating Activities		
Net (loss) income	$ **(89,458)**	$ 26,323
Adjustments to reconcile net (loss) income to cash from operating activities:		
Depreciation and amortization	**27,182**	29,804
Credit loss expense	**11,657**	1,358
Write-downs	**6,806**	508
Deferred income tax (benefit) expense	**(4,878)**	1,296
Share-based and other non-cash compensation	**10,850**	11,710
Unrealized foreign currency exchange loss (gain)	**312**	(14)
Loss in fair value of equity securities	**2,514**	2,053
Equity in losses of investees	**529**	222
Changes in assets and liabilities:		
Accounts receivable	**36,971**	489
Inventories	**(16,887)**	(3,226)
Film assets	**(4,057)**	(8,214)
Deferred revenue	**9,799**	(1,355)
Changes in other operating assets and liabilities	**(12,220)**	(12,437)
Net cash (used in) provided by operating activities	**(20,880)**	48,517
Investing Activities		
Purchase of property, plant and equipment	**(594)**	(4,175)
Purchase of equipment for joint revenue sharing arrangements	**(3,908)**	(22,235)
Acquisition of other intangible assets	**(1,221)**	(1,121)
Investment in equity securities	**—**	(15,153)
Net cash used in investing activities	**(5,723)**	(42,684)

	Six Months Ended June 30, 2020	2019
Financing Activities		
Increase in credit facility borrowings	**280,244**	35,000
Repayment of credit facility borrowings	**—**	(50,000)
Credit facility amendment fees paid	**(959)**	—
Settlement of restricted share units and options	**(2,757)**	(7,619)
Treasury stock repurchased for future settlement of restricted share units	**(329)**	(1,575)
Repurchase of common shares, IMAX China	**(1,532)**	(16,813)
Taxes withheld and paid on employee stock awards vested	**(251)**	(219)
Common shares issued — stock options exercised	**—**	2,379
Repurchase of common shares	**(36,624)**	(1,258)
Issuance of subsidiary shares to non-controlling interests (net of return on capital)	**—**	1,106
Dividends paid to non-controlling interests	**(2,118)**	(2,266)
Net cash provided by (used in) financing activities	**235,674**	(41,265)
Effects of exchange rate changes on cash	**431**	293
Increase (decrease) in cash and cash equivalents during period	**209,502**	(35,139)
Cash and cash equivalents, beginning of period	**109,484**	141,590
Cash and cash equivalents, end of period	**$ 318,986**	$ 106,451

(See the accompanying notes, which are an integral part of these Condensed Consolidated Financial Statements.)

IMAX CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

(Unaudited)

1. Basis of Presentation

Accounting Principles

IMAX Corporation, together with its consolidated subsidiaries (the "**Company**"), prepares its financial statements in accordance with United States Generally Accepted Accounting Principles ("**U.S. GAAP**") and pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted from this report, as is permitted by such rules and regulations. In the Company's opinion, the unaudited Condensed Consolidated Financial Statements reflect all adjustments of a normal recurring nature that are necessary for a fair statement of the results for the interim periods presented. The interim results presented in the Company's Condensed Consolidated Statements of Operations are not necessarily indicative of results for a full year, particularly in this interim period due to the impacts of the COVID-19 global pandemic. (See Note 2.)

The Company's Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements included in the its 2019 Annual Report on Form 10-K (the "**2019 Form 10-K**"), which should be consulted for a summary of the significant accounting policies utilized by the Company. The Condensed Consolidated Financial Statements are prepared following the same accounting policies disclosed in the Company's 2019 Form 10-K, except as described in Note 4 below. In the first quarter of 2020, the Company updated certain account names within Revenues and Costs and Expenses Applicable to Revenues in its Condensed Consolidated Statements of Operations to better describe the nature of its revenue-generating activities and related costs.

Principles of Consolidation

These Condensed Consolidated Financial Statements include the accounts of the Company, except for subsidiaries which have been identified as variable interest entities ("**VIEs**") where the Company is not the primary beneficiary. All intercompany accounts and transactions, including all unrealized intercompany profits on transactions with equity method investees, have been eliminated.

Estimates and Assumptions

In preparing the Company's Condensed Consolidated Financial Statements, management makes judgments in applying various accounting policies. The areas of policy judgment are consistent with those reported in the Company's 2019 Form 10-K, with the exception of the adoption of the estimate of current expected credit losses that became effective January 1, 2020, which also involves significant judgment and estimation, and is described in Note 4 below. In addition, management makes assumptions about the Company's future operating results and cash flows in deriving critical accounting estimates used in preparing the Condensed Consolidated Financial Statements. As disclosed in the Company's 2019 Form 10-K, such sources of estimation include estimates used to determine the recoverable amounts of receivables, inventory, film assets, long-lived assets (including assets used to support joint revenue sharing arrangements), goodwill and deferred tax assets, as well as estimates of variable consideration related to future box office performance.

To date, the Company's operations have been significantly impacted by the COVID-19 pandemic, as described in Note 2. There continues to be significant ongoing uncertainty surrounding the extent and duration of the impacts that the pandemic will have on box office results and the installation of IMAX Theater Systems, as well as the Company's customers, suppliers, and employees. There is heightened potential for future credit losses on receivables, inventory write downs, impairments of film assets, impairments of long-lived assets (including the theater system equipment supporting the Company's joint revenue sharing arrangements), impairments of goodwill, valuation allowances against deferred tax assets, and the reversal of variable consideration receivables that are based on future box office performance. In the current environment, assumptions about box office results, IMAX Theater System installations, and customer creditworthiness have greater variability than normal, which could in the future significantly affect the valuation of the Company's assets, both financial and non-financial. The Company's cash flow estimates for testing the recoverability of certain long-lived assets are based on a longer time horizon due to the long-term nature of its underlying contracts, allowing time for a recovery of the cash flows associated with the underlying assets groups, which management has factored into its estimates. The accuracy of management's estimates is dependent, in part, on the timing of the reopening of theaters in the IMAX network, and on the release of new films by production studios. These theater reopening and film release scenarios are highly uncertain and have been factored into management's cash flow estimates. As an understanding of the longer-term impacts of COVID-19 on the Company's customers and business develops, there is a heightened potential for changes in management's estimates over the remainder of 2020.

2. Impact of COVID-19 Pandemic

In late-January 2020, in response to the public health risks associated with the novel coronavirus and the disease that it causes ("**COVID-19**"), the Chinese government directed exhibitors in China to temporarily close more than 70,000 movie theaters, including all of the approximately 700 IMAX theaters in mainland China. On March 11, 2020, due to the worsening public health crisis associated with the novel coronavirus, COVID-19 was characterized as a pandemic by the World Health Organization, and in the following weeks, local, state and national governments instituted stay-at-home orders and restrictions on large public gatherings which caused movie theaters in countries around the world to temporarily close, including substantially all of the IMAX theaters in those countries. As a result of the theater closures, Hollywood and Chinese movie studios have postponed the theatrical release of multiple films, including many scheduled to be shown in IMAX theaters, while other films have been released directly to streaming platforms. As of the date of this report, stay-at-home orders have been lifted in many countries and movie theaters are gradually reopening with reduced capacities, physical distancing requirements, and other safety measures. Subsequent to June 30, 2020, approximately 40% of the theaters in the IMAX commercial multiplex network have begun to report gross box office ("**GBO**") results in July. These theaters span across 40 countries and include the Domestic, Greater China and Rest of World markets.

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

The Company may continue to be significantly impacted by the COVID-19 global pandemic even after some or all theaters are reopened. The global economic impact of COVID-19 has led to record levels of unemployment in certain countries, which has led to, and may continue to result in, lower consumer spending. The timing and extent of a recovery of consumer behavior and willingness to spend discretionary income on movie-going may delay the Company's ability to generate significant GBO-based revenue until such time as consumer behavior normalizes and consumer spending recovers.

In response to uncertainties associated with the COVID-19 pandemic, the Company has taken and is continuing to take significant steps to preserve cash by eliminating non-essential costs, reducing employee hours and deferring all non-essential capital expenditures to minimum levels. The Company has also implemented an active cash management process, which, among other things, requires senior management approval of all outgoing payments. In addition, in the first quarter of 2020, the Company drew down the $280.0 million in available borrowing capacity under its credit facility, which was then amended in June 2020 to, among other things, suspend the senior secured net leverage ratio financial covenant in the underlying credit agreement through the first quarter of 2021 (see Note 7). Furthermore, the Company has applied for wage subsidies, tax credits and other financial support under the newly enacted COVID-19 relief legislation in the countries in which it operates. The Company received approximately $2.2 million in July 2020 under the Canada Emergency Wage Subsidy program and expects to receive approximately $1.0 million under the U.S. CARES Act, both of which were recognized in the second quarter of 2020 as reductions to Selling, General and Administrative Expenses ($2.9 million) and Costs and Expenses Applicable to Revenues ($0.3 million) in the Condensed Consolidated Statements of Operations. The Company will continue to review and apply for additional subsidies and credits for the remaining terms of these programs, where applicable.

Consistent with the first quarter of 2020, the Company performed a quantitative goodwill impairment test taking into account the latest available information and determined that its goodwill was not impaired as of June 30, 2020. As of that date, the Company's total Goodwill was $39.0 million, of which $19.0 million relates to the IMAX Systems reporting unit, $13.6 million relates to the Joint Revenue Sharing Arrangement reporting unit, and $6.4 million relates to the IMAX Maintenance reporting unit. The impairment test was performed on a reporting unit level by comparing each unit's carrying value, including goodwill, to its fair value. The fair value of each reporting unit was assessed using a discounted cash flow model based on management's estimated long-term projections, against which various sensitivity analyses were performed. These estimates and the likelihood of future changes in these estimates depend on a number of underlying variables and a range of possible outcomes. Actual results may materially differ from management's estimates, especially due to the uncertainties associated with the COVID-19 pandemic. (See Note 1.)

In the second quarter of 2020, the Company also updated its recoverability tests of the carrying values of the theater system equipment supporting its joint revenue sharing arrangements, which are recorded within Property, Plant and Equipment. In performing its reviews of recoverability, the Company estimated the undiscounted future cash flows expected to result from the use of the assets and determined that there was no impairment as of the date of each test. The cash flow estimates used in these reviews are consistent with management's estimated long-term projections, against which various sensitivity analyses were performed. These estimates are highly uncertain due to the COVID-19 pandemic, therefore management's estimated cash flows factor in a number of underlying variables and ranges of possible cash flow scenarios. Actual results may materially differ from management's estimates, especially due to the uncertainties associated with the COVID-19 pandemic. (See Note 1.)

If business conditions deteriorate further, or should they remain depressed for a prolonged period of time, management's estimates of operating results and future cash flows for the IMAX Systems and Joint Revenue Sharing Arrangements reporting units may be insufficient to support the goodwill assigned to them, thus requiring impairment charges. The Company will continue to evaluate the recoverability of goodwill at the reporting unit level on an annual basis as of the beginning of its fourth fiscal quarter and whenever events or changes in circumstances indicate there may be a potential impairment. Estimates related to future expected credit losses (Note 4) and deferred tax assets (Note 11) could also be materially impacted by changes in estimates in the future. (See Note 1.)

4. Current Expected Credit Losses

In 2016, the FASB issued ASU No. 2016-13, "Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" ("**ASC Topic 326**"), which amends previously issued guidance regarding the impairment of financial instruments by creating an impairment model that is based on expected losses rather than incurred losses. The standard requires financial assets measured on the amortized cost basis to be presented at the net amount expected to be collected. The Company's accounts receivable, financing receivables and variable consideration receivables are within the scope of ASU No. 2016-13. The Company adopted ASU No. 2016-13 and several associated ASUs on January 1, 2020 with no required cumulative-effect adjustment to accumulated deficit.

Accounts Receivable

Accounts receivable principally includes amounts currently due to the Company under theater sale and sales-type lease arrangements, contingent fees earned from theaters operators as a result of box office performance, and fees for theater maintenance services. To a lesser extent, accounts receivable also includes amounts due from movie studios and other content creators for digitally remastering films into IMAX formats, as well as for film distribution and post-production services.

In order to mitigate the credit risk associated with accounts receivable, 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. This monitoring process includes meetings on at least a monthly basis to identify credit concerns and potential changes in credit quality classification. A customer may improve their credit quality classification once a substantial payment is made on an overdue balance or when the customer has agreed to a payment plan and payments have commenced in accordance with that plan. Changes in credit quality classification are dependent upon management approval. The Company's internal credit quality classifications for theater operators are as follows:

- Good Standing — The theater operator continues to be in good standing as payments and reporting are up to date.

- Credit Watch — The theater operator has demonstrated a delay in payments, but continues to be in active communication with the Company. Theater operators placed on Credit Watch are subject to enhanced monitoring. In addition, depending on the size of the outstanding balance, length of time in arrears and other factors, future transactions may need to be approved by management. These receivables are in better condition than those in the Pre-Approved Transactions Only category, but are not in as good condition as the receivables in the Good Standing category.

- Pre-Approved Transactions Only — The theater operator has demonstrated a delay in payments with little or no communication with the Company. All services and shipments to the theater operator must be reviewed and approved by management. These receivables are in better condition than those in the All Transactions Suspended category, but are not in as good condition as the receivables in the Credit Watch category. In certain situation, depending on the individual facts and circumstances related to each customer, finance income recognition may be suspended for the net investment in lease and financed sale receivable balances for customers in the Pre-Approved Transactions Only category. See below for a discussion of the Company's net investment in leases and financed sale receivables.

- All Transactions Suspended — The theater operator is severely delinquent, non-responsive or not negotiating in good faith with the Company. Once a theater operator is classified within the All Transactions Suspended category, the theater is placed on nonaccrual status and all revenue recognitions related to the theater are stopped.

The ability of the Company to collect its accounts receivable balances is heavily dependent on the viability and solvency of individual theater operators which is significantly influenced by consumer behavior and general economic conditions. Theater operators, or other customers, may experience financial difficulties that could cause them to be unable to fulfill their payment obligations to the Company.

The Company develops its estimate of credit losses by class of receivable and customer type through a calculation that utilizes historical loss rates which are then adjusted for specific receivables that are judged to have a higher than normal risk profile after taking into account management's internal credit quality classifications, as well as macro-economic and industry risk factors.

The following table summarizes the activity in the allowance for credit losses related to accounts receivable for the three and six months ended June 30, 2020:

	Three Months Ended June 30, 2020				Six Months Ended June 30, 2020			
	Theater Operators	Studios	Other	Total	Theater Operators	Studios	Other	Total
Beginning balance	$ 6,504	$ 3,983	$ 1,041	$ 11,528	$ 3,302	$ 893	$ 942	$ 5,137
Current period provision	(107)	1,596	(203)	1,286	3,095	4,686	(104)	7,677
Write-offs	—	—	—	—	—	—	—	—
Recoveries	—	—	—	—	—	—	—	—
Foreign exchange	(80)	(124)	—	(204)	(80)	(124)	—	(204)
Ending balance	$ 6,317	$ 5,455	$ 838	$ 12,610	$ 6,317	$ 5,455	$ 838	$ 12,610

For the three and six months ended June 30, 2020, the Company recorded provisions for current expected credit losses of $1.3 million and $7.7 million, respectively, reflecting a reduction in the credit quality of its theater and studio related accounts receivable, which management believes is primarily related to the COVID-19 global pandemic. For the three months ended June 30, 2020, the reductions to the provisions for the Theater Operators and Other categories are principally due to decreases in the underlying receivable balances. Management's judgments regarding expected credit losses are based on the facts available to management and involve estimates about the future. Due to the unprecedented nature of the COVID-19 pandemic, its effect on the Company's customers and their ability to meet their financial obligations to the Company is difficult to predict. As a result, the Company's judgments and associated estimates of credit losses may ultimately prove, with the benefit of hindsight, to be incorrect. (See Notes 1 and 2.)

Financing Receivables

Financing receivables are due from theater operators and consist of the Company's net investment in sales-type leases and receivables associated with financed sales of IMAX Theater Systems. Similar to accounts receivable, 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. This monitoring process includes meetings on at least a monthly basis to identify credit concerns and potential changes in credit quality classification. A customer may improve their credit quality classification once a substantial payment is made on an overdue balance or when the customer has agreed to a payment plan and payments have commenced in accordance with that plan. Changes in credit quality classification are dependent upon management approval. The internal credit quality classifications utilized by the Company for accounts receivable, as described above, are also used for financing receivables.

The ability of the Company to collect its financing receivable balances is heavily dependent on the viability and solvency of individual theater operators which is significantly influenced by consumer behavior and general economic conditions. Theater operators may experience financial difficulties that could cause them to be unable to fulfill their payment obligations to the Company.

The Company develops its estimate of credit losses by class of receivable and customer type through a calculation that utilizes historical loss rates which are then adjusted for specific receivables that are judged to have a higher than normal risk profile after taking into account management's internal credit quality classifications, as well as macro-economic and industry risk factors.

As at June 30, 2020 and December 31, 2019, financing receivables consist of the following:

	June 30, 2020	December 31, 2019
Net investment in leases		
Gross minimum payments due under sales-type leases	**$ 17,142**	$ 16,766
Unearned finance income	**(899)**	(1,005)
Present value of minimum payments due under sales-type leases	**16,243**	15,761
Allowance for credit losses	**(459)**	(155)
Net investment in leases	**15,784**	15,606
Financed sales receivables		
Gross minimum payments due under financed sales	**142,380**	146,660
Unearned finance income	**(30,590)**	(33,313)
Present value of minimum payments due under financed sales	**111,790**	113,347
Allowance for credit losses	**(3,709)**	(915)
Net financed sales receivables	**108,081**	112,432
Total financing receivables	**$ 123,865**	$ 128,038
Net financed sales receivables due within one year	**$ 31,061**	$ 27,595
Net financed sales receivables due after one year	**$ 77,020**	$ 84,837
Total financed sales receivables	**$ 108,081**	$ 112,432

As at June 30, 2020 and December 31, 2019, the weighted-average remaining lease term and weighted-average interest rate associated with the Company's sales-type lease arrangements and financed sale receivables, as applicable, are as follows:

	June 30, 2020	December 31, 2019
Weighted-average remaining lease term (in years)		
Sales-type lease arrangements	**7.9**	8.1
Weighted-average interest rate		
Sales-type lease arrangements	**6.85%**	6.68%
Financed sales receivables	**9.02%**	9.00%

The following tables provide information on the Company's net investment in leases by credit quality indicator as at June 30, 2020 and December 31, 2019:

			By Origination Year				
As at June 30, 2020	**2020**	**2019**	**2018**	**2017**	**2016**	**Prior**	**Total**
Net investment in leases:							
Credit quality classification:							
In good standing	**$ 924**	**$ 7,804**	**$ 2,991**	**$ 942**	**$ —**	**$ 2,786**	**$ 15,447**
Credit Watch	**—**	**—**	**—**	**—**	**—**	**88**	**88**
Pre-approved transactions	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Transactions suspended	**—**	**—**	**—**	**—**	**—**	**708**	**708**
Total net investment in leases	**$ 924**	**$ 7,804**	**$ 2,991**	**$ 942**	**$ —**	**$ 3,582**	**$ 16,243**
Current-period gross write-offs	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Current-period recoveries	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Current-period net write-offs	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**

			By Origination Year				
As at December 31, 2019	2019	2018	2017	2016	2015	Prior	Total
Net investment in leases:							
Credit quality classification:							
In good standing	$ 7,874	$ 3,045	$ 989	$ —	$ —	$ 3,186	$ 15,094
Credit Watch	—	—	—	—	—	667	667
Pre-approved transactions	—	—	—	—	—	—	—
Transactions suspended	—	—	—	—	—	—	—
Total net investment in leases	$ 7,874	$ 3,045	$ 989	$ —	$ —	$ 3,853	$ 15,761

The following tables provide information on the Company's financed sale receivables by credit quality indicator as at June 30, 2020 and December 31, 2019:

	By Origination Year						
As at June 30, 2020	**2020**	**2019**	**2018**	**2017**	**2016**	**Prior**	**Total**
Financed sales receivables:							
Credit quality classification:							
In good standing	**$ 1,606**	**$ 11,474**	**$ 14,382**	**$ 15,381**	**$ 15,495**	**$ 47,551**	**$105,889**
Credit Watch	**—**	**331**	**—**	**—**	**304**	**1,171**	**1,806**
Pre-approved transactions	**—**	**—**	**—**	**—**	**585**	**671**	**1,256**
Transactions suspended	**—**	**—**	**—**	**896**	**937**	**1,006**	**2,839**
Total financed sales receivables	**$ 1,606**	**$ 11,805**	**$ 14,382**	**$ 16,277**	**$ 17,321**	**$ 50,399**	**$111,790**
Current-period gross write-offs	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Current-period recoveries	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Current-period net write-offs	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**

	By Origination Year						
As at December 31, 2019	2019	2018	2017	2016	2015	Prior	Total
Financed sales receivables:							
Credit quality classification:							
In good standing	$ 11,981	$ 14,414	$ 16,556	$ 15,208	$ —	$ 44,291	$102,450
Credit Watch	—	—	637	1,687	—	6,955	9,279
Pre-approved transactions	—	—	250	295	—	285	830
Transactions suspended	—	—	—	165	—	623	788
Total financed sales receivables	$ 11,981	$ 14,414	$ 17,443	$ 17,355	$ —	$ 52,154	$113,347

The following tables provide an aging analysis for the Company's net investment in leases and financed sale receivables as at June 30, 2020 and December 31, 2019:

	As at June 30, 2020							
	Accrued and Current	**30–89 Days**	**90+ Days**	**Billed**	**Unbilled**	**Recorded Receivable**	**Allowance for Credit Losses**	**Net**
Net investment in leases	**$ 11**	**$ 262**	**$ 735**	**$ 1,008**	**$ 15,235**	**$ 16,243**	**$ (459)**	**$ 15,784**
Financed sales receivables	**688**	**2,941**	**10,166**	**13,795**	**97,995**	**111,790**	**(3,709)**	**108,081**
Total	**$ 699**	**$ 3,203**	**$ 10,901**	**$ 14,803**	**$ 113,230**	**$ 128,033**	**$ (4,168)**	**$ 123,865**

	As at December 31, 2019							
	Accrued and Current	30–89 Days	90+ Days	Billed	Unbilled	Recorded Receivable	Allowance for Credit Losses	Net
Net investment in leases	$ 30	$ 68	$ 251	$ 349	$ 15,412	$ 15,761	$ (155)	$ 15,606
Financed sales receivables	1,678	2,772	5,446	9,896	103,451	113,347	(915)	112,432
Total	$ 1,708	$ 2,840	$ 5,697	$ 10,245	$ 118,863	$ 129,108	$ (1,070)	$ 128,038

The Company considers financing receivables with an aging between 60–89 days as indications of theaters with potential collection concerns. The Company will begin to focus its review on these financing receivables and increase its discussions internally and with the theater regarding payment status. Once a theater's aging exceeds 90 days, the Company's policy is to perform an enhanced review to assess collectibility of the theater's past due accounts. The over 90 days past due category may be an indicator of potential impairment as up to 90 days outstanding is considered to be a reasonable time to resolve any issues. Given the potential impacts of the COVID-19 global pandemic on the Company's customers, management is enhancing its monitoring procedures with respect to overdue receivables.

The following table provides information about the Company's net investment in leases and financed sale receivables with billed amounts past due for which it continues to accrue finance income as at June 30, 2020 and December 31, 2019:

	As at June 30, 2020						
	Accrued and Current	**30–89 Days**	**90+ Days**	**Billed**	**Unbilled**	**Allowance for Credit Losses**	**Net**
Net investment in leases	**$ 9**	**$ 255**	**$ 729**	**$ 993**	**$ 12,338**	**$ (264)**	**$ 13,067**
Financed sales receivables	**570**	**2,862**	**10,187**	**13,619**	**64,654**	**(2,427)**	**75,846**
Total	**$ 579**	**$ 3,117**	**$ 10,916**	**$ 14,612**	**$ 76,992**	**$ (2,691)**	**$ 88,913**

	As at December 31, 2019						
	Accrued and Current	30–89 Days	90+ Days	Billed	Unbilled	Allowance for Credit Losses	Net
Net investment in leases	$ 9	$ 19	$ 251	$ 279	$ 578	$ —	$ 857
Financed sales receivables	1,146	1,290	5,523	7,959	29,173	—	37,132
Total	$ 1,155	$ 1,309	$ 5,774	$ 8,238	$ 29,751	$ —	$ 37,989

The following table provides information about the Company's net investment in leases and financed sale receivables that are on nonaccrual status as at June 30, 2020 and December 31, 2019:

	As at June 30, 2020			As at December 31, 2019		
	Recorded Receivable	**Allowance for Credit Losses**	**Net**	Recorded Receivable	Allowance for Credit Losses	Net
Net investment in leases	**$ 708**	**$ (10)**	**$ 698**	$ —	$ —	$ —
Net financed sales receivables	**2,839**	**(1,032)**	**1,807**	788	(732)	56
Total	**$ 3,547**	**$ (1,042)**	**$ 2,505**	$ 788	$ (732)	$ 56

A theater operator that is classified within the "All Transactions Suspended" category is placed on nonaccrual status and all revenue recognitions related to the theater are stopped. While the recognition of finance income is suspended, payments received by a customer are applied against the outstanding balance owed. If payments are sufficient to cover any unreserved receivables, a recovery of provision taken on the billed amount, if applicable, is recorded to the extent of the residual cash received. Once the collectibility issues are resolved and the customer has returned to being in good standing, the Company will resume recognition of finance income.

For the three and six months ended June 30, 2020, the Company recognized $0.1 million and $0.2 million, respectively (2019 — $0.1 million and $0.2 million, respectively) in finance income related to the net investment in leases with billed amounts past due. For the three and six months ended June 30, 2020, the Company recognized $0.9 million and $3.0 million, respectively (2019 — $2.1 million and $4.6 million, respectively) in finance income related to the financed sale receivables with billed amounts past due.

The following table summarizes the activity in the allowance for credit losses related to the Company's net investment in leases and financed sale receivables for the three and six months ended June 30, 2020 and 2019:

	Three Months Ended June 30, 2020		**Six Months Ended June 30, 2020**	
	Net Investment in Leases	**Financed Sales Receivables**	**Net Investment in Leases**	**Financed Sales Receivables**
Beginning balance	**$ 464**	**$ 3,557**	**$ 155**	**$ 915**
Current period provision	**(5)**	**171**	**304**	**2,813**
Write-offs	**—**	**—**	**—**	**—**
Recoveries	**—**	**—**	**—**	**—**
Foreign exchange	**—**	**(19)**	**—**	**(19)**
Ending balance	**$ 459**	**$ 3,709**	**$ 459**	**$ 3,709**

	Three Months Ended June 30, 2019		Six Months Ended June 30, 2019	
	Net Investment in Leases	Net Financed Sales Receivables	Net Investment in Leases	Net Financed Sales Receivables
Beginning balance	$ 155	$ 839	$ 155	$ 839
Charge-offs	—	—	—	—
Recoveries	—	—	—	—
Provision	—	—	—	—
Ending balance	$ 155	$ 839	$ 155	$ 839

For the three and six months ended June 30, 2020, the Company recorded a provision for current expected credit losses of $0.2 million and $3.1 million, respectively, reflecting a reduction in the credit quality of its theater related financing receivables, which management believes is primarily related to the 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. Due to the unprecedented nature of the COVID-19 pandemic, its effect on the Company's customers and their ability to meet their financial obligations to the Company is difficult to predict. As a result, the Company's judgments and associated estimates of credit losses may ultimately prove, with the benefit of hindsight, to be incorrect. (See Notes 1 and 2.)

Variable Consideration Receivable

In sale arrangements, variable consideration may become due to the Company from theater operators if certain annual minimum box office receipt thresholds are exceeded. Such variable consideration is recorded as revenue in the period when the sale is recognized and adjusted in future periods based on actual results and changes in estimates. Variable consideration is only recognized to the extent the Company believes there is not a risk of significant revenue reversal.

The ability of the Company to collect its variable consideration receivables is heavily dependent on the viability and solvency of individual theater operators which is significantly influenced by consumer behavior and general economic conditions. Theater operators may experience financial difficulties that could cause them to be unable to fulfill their payment obligations to the Company.

The Company develops its estimate of credit losses by class of receivable and customer type through a calculation utilizing historical loss rates for financed sale receivables which are then adjusted for specific receivables that are judged to have a higher than normal risk profile after taking into account management's internal credit quality classifications, as well as macro-economic and industry risk factors.

The following table summarizes the activity in the allowance for credit losses related to variable consideration receivables for the three and six months ended June 30, 2020:

	Three Months Ended June 30, 2020 Theater Operators	Six Months Ended June 30, 2020 Theater Operators
Beginning balance	$ 875	$ —
Current period provision	(12)	863
Write-offs	—	—
Recoveries	—	—
Ending balance	$ 863	$ 863

For the six months ended June 30, 2020, the Company recorded a provision of $0.9 million for current expected credit losses, reflecting a reduction in the credit quality of its theater related variable consideration receivables, which management believes is primarily related to the 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. Due to the unprecedented nature of the COVID-19 pandemic, its effect on the Company's customers and their ability to meet their financial obligations to the Company is difficult to predict. As a result, the Company's judgments and associated estimates of credit losses may ultimately prove, with the benefit of hindsight, to be incorrect. (See Notes 1 and 2.)

5. Lease Arrangements

IMAX Corporation as a Lessee

The Company's operating lease arrangements principally involve office and warehouse space. Office equipment is generally purchased outright. Leases with an initial term of less than 12 months are not recorded on the Condensed Consolidated Balance Sheets and the related lease expense is recognized on a straight-line basis over the lease term. Most of the Company's leases include one or more options to renew, with renewal terms that can extend the lease term from one to five years or more. The Company has determined that it is reasonably certain that the renewal options on its warehouse leases will be exercised based on previous history, its current understanding of future business needs and its level of investment in leasehold improvements, among other factors. The incremental borrowing rate used in the calculation of the Company's lease liability is based on the location of each leased property. None of the Company's leases include options to purchase the leased property. The depreciable lives of right-of-use assets and related leasehold improvements are limited by the expected lease term. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. The Company rents or subleases certain office space to third parties, which have a remaining term of less than 12 months and are not expected to be renewed.

For three and six months ended June 30, 2020 and 2019, the components of lease expense recorded within Selling, General and Administrative expenses are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	**2020**	2019
Operating lease cost[(1)]	**$ 121**	$ 220	**$ 259**	$ 463
Amortization of lease assets	**701**	664	**1,449**	1,195
Interest on lease liabilities	**245**	274	**507**	542
Total lease cost	**$ 1,067**	$ 1,158	**$ 2,215**	$ 2,200

(1) Includes short-term leases and variable lease costs, which are not significant for the three and six months ended June 30, 2020 and 2019.

For three and six months ended June 30, 2020 and 2019, supplemental cash flow information related to leases is as follows:

	Six Months Ended June 30, 2020	2019
Cash paid for amounts included in the measurement of lease liabilities	**$ 1,730**	$ 1,782
Right-of-use assets obtained in exchange for lease obligations	**286**	17,515
	$ 2,016	$ 19,297

As at June 30, 2020 and December 31, 2019, supplemental balance sheet information related to leases is as follows:

		June 30, 2020	December 31, 2019
Assets			
Right-of-Use Assets	Property, plant and equipment	**$ 15,074**	$ 16,262
Liabilities			
Operating Leases	Accrued and other liabilities	**$ 17,791**	$ 18,677

As at June 30, 2020 and December 31, 2019, the weighted-average remaining lease term and weighted-average interest rate associated with the Company's operating leases are as follows:

	June 30, 2020	December 31, 2019
Weighted-average remaining lease term (years)	**7.8**	8.1
Weighted-average discount rate	**5.90%**	5.90%

As at June 30, 2020, the maturities of the Company's operating lease liabilities are as follows:

		Operating Leases
2020 (six months remaining)	$	1,803
2021		3,318
2022		2,811
2023		2,247
2024		2,198
Thereafter		10,177
Total lease payments	$	22,554
Less: interest expense		(4,763)
Present value of operating lease liabilities	$	17,791

IMAX Corporation as a Lessor

The Company provides IMAX Theater Systems to customers through long-term lease arrangements that for accounting purposes are classified as sales-type leases. Under these arrangements, in exchange for providing the IMAX Theater System, the Company earns fixed upfront and ongoing consideration. Certain arrangements that are legal sales are also classified as sales-type leases as certain clauses within the arrangements limit transfer of title or provide the Company with conditional rights to the system. The customer's rights under the Company's sales-type lease arrangements are described in Note 2(n) in the Company's 2019 Form 10-K. Under the Company's sales-type lease arrangements, the customer has the ability and the right to operate the hardware components or direct others to operate them in a manner determined by the customer. The Company's sales-type leases are typically non-cancellable for 10 to 20 years with renewal provisions from inception. Except for those sales arrangements that are classified as sales-type leases, the Company's leases generally do not contain an automatic transfer of title at the end of the lease term. The Company's sales-type lease arrangements do not contain a guarantee of residual value at the end of the lease term. The customer is required to pay for executory costs such as insurance and taxes and is required to pay the Company for maintenance and extended warranty generally after the first year of the lease until the end of the lease term. The customer is responsible for obtaining insurance coverage for the IMAX Theater System commencing on the date specified in the arrangement's shipping terms and ending on the date the IMAX Theater System is returned to the Company.

The Company also provides IMAX Theater systems to customers through joint revenue sharing arrangements. Under the traditional form of these arrangements, in exchange for providing the IMAX system under a long-term lease, the Company earns rent based on a percentage of contingent box office receipts and, in some cases, concession revenues, rather than requiring the customer to pay a fixed upfront fee or annual minimum payments. The Company has assessed the nature of its joint revenue sharing arrangements and concluded that the arrangements contain an operating lease. Under joint revenue sharing arrangements, the customer has the ability and the right to operate the hardware components or direct others to operate them in a manner determined by the customer. The Company's joint revenue sharing arrangements are typically non-cancellable for 10 years or longer with renewal provisions. Title to equipment under joint revenue sharing arrangements does not transfer to the customer. The Company's joint revenue sharing arrangements do not contain a guarantee of residual value at the end of the term. The customer is required to pay for executory costs such as insurance and taxes and is required to pay the Company for maintenance and extended warranty throughout the term. The customer is responsible for obtaining insurance coverage for the IMAX Theater System commencing on the date specified in the arrangement's shipping terms and ending on the date the IMAX Theater System is returned to the Company.

The Company classifies its lease arrangements at inception of the arrangement and, if required, after a modification of the lease arrangement, to determine whether they are sales-type leases or operating leases.

On April 10, 2020, the FASB staff issued a question-and-answer document to address stakeholder questions on the application of the lease accounting guidance for lease concessions related to the effects of the COVID-19 pandemic. The guidance allows concessions related to the timing of payments, where the total consideration has not changed, to not be accounted for as lease modifications. Instead, any such concessions can be accounted for as if no change was made to the contract or as variable lease payments. In the second quarter of 2020, the Company adopted the FASB relief guidance and elected to account for any such lease concessions as if no change was made to the underlying contracts. The adoption of this guidance did not have a material effect on the Company's Condensed Consolidated Financial Statements.

6. Inventories

As at June 30, 2020 and December 31, 2019, inventories consist of the following:

	June 30, 2020	December 31, 2019
Raw materials	$ 34,139	$ 26,538
Work-in-process	5,839	4,608
Finished goods	20,201	11,843
	$ 60,179	$ 42,989

When compared to December 31, 2019, inventories increased by $17.2 million due to delays in manufacturing, shipments and installation of IMAX Theater Systems at customer sites due to government restrictions in various countries limiting public gatherings as a result of the COVID-19 global pandemic.

At June 30, 2020, inventories include finished goods of $4.0 million (December 31, 2019 — $0.7 million) for which title had passed to the customer, but the criteria for revenue recognition were not met as of the balance sheet date.

During the three and six months ended June 30, 2020, the Company recognized write-downs of $0.1 million for excess and obsolete inventory based on current estimates of net realizable value. (2019 — $nil).

7. Credit Facility and Other Financing Arrangements

As at June 30, 2020 and December 31, 2019, bank indebtedness includes the following:

	June 30, 2020	December 31, 2019
Credit Facility	$ 300,000	$ 20,000
Working Capital Facility	244	—
Unamortized debt issuance costs	(2,479)	(1,771)
	$ 297,765	$ 18,229

Working Capital Facility

On July 24, 2019, IMAX (Shanghai) Multimedia Technology Co., Ltd. ("**IMAX Shanghai**"), one of the Company's majority-owned subsidiaries in China, renewed its unsecured revolving facility for up to 200.0 million Renminbi (approximately $30.0 million) to fund ongoing working capital requirements (the "**Working Capital Facility**"). As at June 30, 2020, there was 1.7 million Renminbi ($0.2 million) in borrowings outstanding under the Working Capital Facility and 198.3 million Renminbi ($29.8 million) was available for future borrowings. There were no amounts drawn under the Working Capital facility at December 31, 2019. The amounts available for borrowing under the Working Capital Facility are not subject to a standby fee. The effective interest rate for the three and six months ended June 30, 2020 was 4.35%, respectively. Subsequent to June 30, 2020, IMAX Shanghai renewed its Working Capital Facility.

9. Condensed Consolidated Statements of Operations Supplemental Information

(a) Selling Expenses

The Company defers direct selling costs such as sales commissions and other amounts related to its sales and sales-type lease arrangements until the related revenue is recognized. These costs and direct advertising and marketing, which are included in Costs and Expenses Applicable to Revenues — Technology Sales, totaled $0.2 million and $0.4 million for the three and six months ended June 30, 2020, respectively (2019 — $0.4 million and $0.9 million, respectively).

Film exploitation costs, including advertising and marketing, totaled a recovery of less than $0.1 million and expense of $2.6 million for the three and six months ended June 30, 2020, respectively (2019 — expense of $9.6 million and $14.1 million, respectively), and are recorded as incurred in Costs and Expenses Applicable to Revenues — Image Enhancement and Maintenance Services.

Commissions are recognized as Costs and Expenses Applicable to Revenues — Technology Rentals in the month they are earned. These costs totaled less than $0.1 million and $0.2 million for the three and six months ended June 30, 2020, respectively (2019 — recovery of $0.4 million and recovery of $0.6 million, respectively). Direct advertising and marketing costs for each theater are charged to Costs and Expenses Applicable to Revenues — Technology Rentals as incurred. These costs totaled less than $0.1 million and $0.4 million for the three and six months ended June 30, 2020, respectively (2019 — $0.7 million and $0.9 million, respectively).

(b) Foreign Exchange

Included in Selling, General and Administrative Expenses for the three and six months ended June 30, 2020 is a loss of $0.3 million and a loss of $1.0 million, respectively (2019 — loss of $0.2 million and loss of $0.4 million, respectively) for net foreign exchange gains/losses related to the translation of foreign currency denominated monetary assets and liabilities. See Note 16(c) for additional information.

(c) Collaborative Arrangements

Joint Revenue Sharing Arrangements

In a joint revenue sharing arrangement, the Company receives a portion of a theater's box office and in certain arrangements a portion of concession revenues and a small upfront or initial payment, in exchange for placing an IMAX Theater System at the theater operator's venue. Under joint revenue sharing arrangements, the customer has the ability and the right to operate the hardware components or direct others to operate them in a manner determined by the customer. The Company's joint revenue sharing arrangements are typically non-cancellable for 10 years or longer with renewal provisions. Title to equipment under joint revenue sharing arrangements generally does not transfer to the customer. The Company's joint revenue sharing arrangements do not contain a guarantee of residual value at the end of the term. The customer is required to pay for executory costs such as insurance and taxes and is required to pay the Company for maintenance and extended warranty throughout the term. The customer is responsible for obtaining insurance coverage for the IMAX Theater System commencing on the date specified in the arrangement's shipping terms and ending on the date the IMAX Theater System is returned to the Company.

The Company has signed traditional and hybrid joint revenue sharing agreements with 41 exhibitors for a total of 1,237 IMAX Theater Systems, of which 868 theaters were included in the IMAX network as at June 30, 2020, the terms of which are similar in nature, rights and obligations. The accounting policy for the Company's joint revenue sharing arrangements is disclosed in Note 2(n) of the Company's 2019 Form 10-K.

Amounts attributable to transactions arising between the Company and its customers under joint revenue sharing arrangements are included in Revenues — Technology Sales and Revenues — Technology Rentals and for the three and six months ended June 30, 2020 amounted to $0.1 million and $6.9 million, respectively (2019 — $27.8 million and $48.2 million, respectively).

IMAX DMR

In an IMAX DMR arrangement, the Company transforms conventional motion pictures into the Company's large screen format, allowing the release of Hollywood content to the global IMAX theater network. In a typical IMAX DMR film arrangement, the Company receives a percentage of the box office receipts from a movie studio in exchange for converting a commercial film into IMAX DMR format and distributing it through the IMAX network. In recent years, the percentage of gross box office receipts earned in IMAX DMR arrangements has averaged approximately 12.5%, except for within Greater China, where the Company receives a lower percentage of net box office receipts for certain Hollywood films.

For the six months ended June 30, 2020, the majority of IMAX DMR revenue was earned from the exhibition of 14 IMAX DMR films (2019 — 39) throughout the IMAX theater network. The accounting policy for the Company's IMAX DMR arrangements is disclosed in Note 2(n) of the Company's 2019 Form 10-K.

Amounts attributable to transactions arising between the Company and its customers under IMAX DMR arrangements are included in Revenues — Image Enhancement and Maintenance Services and for the three and six months ended June 30, 2020 amounted to \$0.6 million and \$11.2 million, respectively (2019 — \$39.3 million and \$67.2 million, respectively).

11. Income Taxes

(a) Income Tax Expense

The Company's effective tax benefit rate for the three months ended June 30, 2020, is 25.4% and differs from the Canadian statutory tax rate of 26.2%, primarily due to permanent book to tax differences, investment and other tax credits, jurisdictional tax rate differences, management's estimates of contingent liabilities related to the resolution of various tax examinations and withholding taxes associated with the reversal of the indefinite reinvestment assertion for certain foreign subsidiaries, as discussed below.

In the first quarter of 2020, management completed a reassessment of its strategy with respect to the most efficient means of deploying the Company's capital resources globally. Based on the results of this reassessment, management concluded that the historical earnings of certain foreign subsidiaries in excess of amounts required to sustain business operations would no longer be indefinitely reinvested. As a result, the Company recognized a deferred tax liability of \$19.7 million in the first quarter of 2020 for the estimated applicable foreign withholding taxes associated with these historical earnings, which will become payable upon the repatriation of any such earnings. In the second quarter of 2020, the estimate of the applicable foreign withholding taxes was reduced by \$1.2 million to \$18.5 million due to a reduction in the amount of distributable historical earnings. Cash held outside of Canada as at June 30, 2020 was \$75.0 million (December 31, 2019 — \$90.1 million), of which \$61.5 million was held in the People's Republic of China ("**PRC**") (December 31, 2019 — \$67.6 million).

For the three months ended June 30, 2020, the Company recorded income tax benefit of \$10.2 million (2019 — tax expense of \$5.3 million), which includes the \$1.2 million reduction to the foreign withholding taxes discussed above. In addition, in the second quarter of 2020, the Company recognized income tax expense of \$0.3 million (2019 — \$0.1 million) related to the provision for uncertain tax positions.

The Company's effective tax rate for the six months ended June 30, 2020 is -6.3% and differs from the Canadian statutory tax rate of 26.2%, primarily due to permanent book to tax differences, investment and other tax credits, jurisdictional tax rate differences, managements estimates of contingent liabilities related to the resolution of various tax examinations and withholding taxes associated with the reversal of the indefinite reinvestment assertion for certain foreign subsidiaries, as discussed above.

For the six months ended June 30, 2020, the Company recorded income tax expense of $5.3 million (2019 — $9.0 million), which includes the $18.5 million foreign withholding taxes discussed above. In addition, in the six months ended June 30, 2020, the Company recognized income tax expense of $5.1 million (2019 — $0.5 million) related to the provision for uncertain tax positions and an expense of $0.7 million (2019 — $0.3 million) recognized to reduce the tax benefit available on share-based compensation costs recognized in the period.

As at June 30, 2020, the Company's Condensed Consolidated Balance Sheets include net deferred income tax assets of $46.8 million, which is net of a valuation allowance of $0.2 million (December 31, 2019 — $23.9 million). As at June 30, 2020, the Company's Condensed Consolidated Balance Sheets include a deferred income tax liability of $18.5 million (December 31, 2019 — $nil). During the three months ended June 30, 2020, deferred tax assets increased by $8.9 million due to losses recognized in the period. The recoverability of these deferred tax assets is subject to certain levels of future taxable income and the uncertainties associated with accounting estimates, as discussed in Note 1. Based on a review of the projected future earnings of the Company there was no change in management's estimates of the recoverability of the Company's deferred tax assets. Should actual results differ from management's estimates of future taxable income, an increased valuation allowance may be required.

The Company's Chinese subsidiary had taken a deduction for certain share-based compensation issued by its parent company in a prior period and had recognized a related deferred tax asset of $1.4 million (December 31, 2019 — $1.4 million). Chinese regulatory authorities responsible for capital and exchange controls will need to review and approve the proposed settlement of these transactions before they can be completed. There may be a requirement for future investment of funds into China in order to secure the deduction. Should the Company proceed, any such future investment would come from existing capital invested in the IMAX China group of companies being redeployed amongst the IMAX China group of companies, including the Chinese subsidiary.

12. Capital Stock

(a) Share-Based Compensation

For the three and six months ended June 30, 2020, share-based compensation expense totaled $6.5 million and $10.7 million, respectively (2019 — $7.0 million and $11.4 million, respectively) and is reflected in the following accounts in the Condensed Consolidated Statements of Operations:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	**2020**	2019
Cost and expenses applicable to revenues	**$ —**	$ 447	**$ 400**	$ 821
Selling, general and administrative expenses	**6,467**	6,485	**10,174**	10,388
Research and development	**—**	95	**85**	180
	$ 6,467	$ 7,027	**$ 10,659**	$ 11,389

There were no share-based compensation expenses allocated to Costs and Expenses Applicable to Revenues or Research and Development in the three months ended June 30, 2020 due to the idling of the Company's productive capacity and slowdown in business activities during the COVID-19 global pandemic.

The following table summarizes the Company's share-based compensation expense by each award type:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	**2020**	2019
Stock Options	**$ 503**	$ 2,177	**$ 1,016**	$ 4,084
Restricted Share Units	**4,534**	4,132	**7,436**	6,242
Performance Stock Units	**467**	—	**746**	—
IMAX China Stock Options	**15**	77	**101**	143
IMAX China Long Term Incentive Plan Restricted Share Units	**909**	641	**1,313**	920
IMAX China Long Term Incentive Plan Performance Stock Units	**39**	—	**47**	—
	$ 6,467	$ 7,027	**$ 10,659**	$ 11,389

For the six months ended June 30, 2020, the above includes expense of $0.1 million and $0.1 million in the three and six months ended June 30, 2020, respectively (2019 — $nil and $nil, respectively) related to restricted share units granted to a certain advisor of the Company.

Stock Option Summary

The following table summarizes the activity under the Company's Stock Option Plan ("**SOP**") and IMAX Amended and Restated Long Term Incentive Plan ("**IMAX LTIP**") for the six months ended June 30:

	Number of Shares		**Weighted Average Exercise Price Per Share**	
	2020	2019	**2020**	2019
Stock options outstanding, beginning of period	**5,732,209**	5,465,046	**$ 26.82**	$ 27.63
Granted	**—**	1,016,882	**—**	20.66
Exercised	**—**	(85,746)	**—**	20.15
Forfeited	**(23,633)**	(103,902)	**22.35**	23.70
Expired	**(772,665)**	(316,325)	**27.03**	26.08
Cancelled	**(18,483)**	(5,196)	**27.97**	32.80
Stock options outstanding, end of period	**4,917,428**	5,970,759	**26.80**	26.70
Stock options exercisable, end of period	**4,313,890**	4,104,443	**27.32**	28.35

Stock options are no longer granted under the Company's previous approved SOP.

*Restricted Share Units ("**RSU**") Summary*

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

	Number of Awards		Weighted Average Grant Date Fair Value Per Share	
	2020	2019	**2020**	2019
RSUs outstanding, beginning of period	**1,065,347**	1,033,871	**$ 23.17**	$ 25.70
Granted	**1,047,369**	618,181	**15.36**	22.40
Vested and settled	**(383,126)**	(302,232)	**21.58**	26.69
Forfeited	**(39,912)**	(124,527)	**20.29**	23.66
RSUs outstanding, end of period	**1,689,678**	1,225,293	**18.76**	23.99

Performance Stock Units Summary

In the first quarter of 2020, the Company expanded its share-based compensation program to include performance stock units ("**PSUs**"). The Company grants two types of PSU awards, one which vests based on a combination of employee service and the achievement of certain EBITDA-based targets and one which vests based on a combination of employee service and the achievement of certain stock-price 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 date of grant or the average closing price of the Company's common stock for five days prior to the date of grant. The fair value of PSUs with stock-price targets is determined on the grant date using a Monte Carlo simulation, which is a valuation model that takes into account the likelihood of achieving the stock-price targets embedded in the award ("**Monte Carlo Model**"). The compensation expense attributable to each type of PSU is recognized on a straight-line basis over the requisite service period.

The fair value determined by the Monte Carlo Model is affected by the Company's stock price, as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, the Company's expected stock price volatility over the term of the awards, and actual and projected employee stock option exercise behaviors. The compensation expense is fixed on the date of grant based on the dollar value granted.

The amount and timing of compensation expense recognized 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.

Compensation expense is not adjusted for estimated, forfeitures, but is instead adjusted based upon the actual forfeiture of the award.

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

	Number of Awards		Weighted Average Grant Date Fair Value Per Share	
	2020	2019	**2020**	2019
Granted	**369,260**	—	**$ 15.67**	$ —
Forfeited	**(2,526)**	—	**14.84**	—
PSUs outstanding, end of period	**366,734**	—	**15.68**	—

Issuer Purchases of Equity Securities

In 2019, IMAX China announced that its shareholders granted its Board of Directors a general mandate authorizing the Board, subject to applicable laws, to repurchase shares of IMAX China in an amount not to exceed 10% of the total number of issued shares as at June 6, 2019 (35,605,560 shares). The share repurchase program expired on the date of the 2020 Annual General Meeting of IMAX China on June 11, 2020. During the 2020 Annual General Meeting, shareholders approved the repurchase of shares of IMAX China not to exceed 10% of the total number of issued shares as of June 11, 2020 (34,848,398 shares). This program will be valid until the 2021 Annual General Meeting of IMAX China. The repurchases may be made in the open market or through other means permitted by applicable laws. IMAX China has no obligation to repurchase its shares and the share repurchase program may be suspended or discontinued by IMAX China at any time. During the three and six months ended June 30, 2020, IMAX China repurchased 425,800 and 906,400 shares of its common stock, respectively, at an average price of HKD11.63 per share and HKD13.13 per share, respectively (U.S.$1.50 and U.S.$1.69, respectively). During the three and six months ended June 30, 2019, IMAX China repurchased 6,315,900 and 7,025,700 of its common shares, respectively, at an average price of HKD18.59 per share and HKD18.68 per share, respectively (U.S.$2.37 and U.S.$2.38, respectively).

13. Revenue from Contracts with Customers

(a) Disaggregated Information About Revenue

The following tables summarize the Company's revenues by type and reportable segment for the three and six months ended June 30, 2020:

	Three Months Ended June 30, 2020				
	Revenue from Contracts with Customers				
	Fixed Consideration	Variable Consideration	Revenue from Lease Arrangements	Finance Income	Total
Technology sales					
IMAX Systems	$ 1,278	$ 765	$ —	$ —	$ 2,043
Joint Revenue Sharing Arrangements, fixed fees	—	—	369	—	369
Other Theater Business[1]	(309)	—	—	—	(309)
Other sales[2]	505	79	—	—	584
Sub-total	1,474	844	369	—	2,687
Image enhancement and maintenance services					
IMAX DMR	—	546	—	—	546
IMAX Maintenance	—	—	—	—	—
Film Post-Production	738	—	—	—	738
Film Distribution	2,250	194	—	—	2,444
Other	—	71	—	—	71
Sub-total	2,988	811	—	—	3,799
Technology rentals					
Joint Revenue Sharing Arrangements, contingent rent[3]	—	—	(137)	—	(137)
Sub-total	—	—	(137)	—	(137)
Finance income					
IMAX Systems	—	—	—	2,506	2,506
Total	$ 4,462	$ 1,655	$ 232	$ 2,506	$ 8,855

	Six Months Ended June 30, 2020				
	Revenue from Contracts with Customers				
	Fixed consideration	Variable consideration	Revenue from Lease Arrangements	Finance Income	Total
Technology sales					
IMAX Systems	$ 3,521	$ 1,662	$ —	$ —	$ 5,183
Joint Revenue Sharing Arrangements, fixed fees	—	—	1,139	—	1,139
Other Theater Business	954	—	—	—	954
Other sales[(2)]	983	90	—	—	1,073
Sub-total	5,458	1,752	1,139	—	8,349
Image enhancement and maintenance services					
IMAX DMR	—	11,175	—	—	11,175
IMAX Maintenance	7,370	—	—	—	7,370
Film Post-Production	2,349	—	—	—	2,349
Film Distribution	2,250	1,077	—	—	3,327
Other	—	299	—	—	299
Sub-total	11,969	12,551	—	—	24,520
Technology rentals					
Joint Revenue Sharing Arrangements, contingent rent	—	—	5,834	—	5,834
Sub-total	—	—	5,834	—	5,834
Finance income					
IMAX Systems	—	—	—	5,054	5,054
Total	$ 17,427	$ 14,303	$ 6,973	$ 5,054	$ 43,757

(1) The Company is reporting negative revenue due to an adjustment to prior period revenue.

(2) Other sales include New Business Initiatives.

(3) The Company is reporting negative revenue due to the continued amortization of lessee incentives that are typically netted against lease revenues, which are abnormally low during the period due to the COVID-19 global pandemic, as discussed in Note 2.

The following tables summarize the Company's revenues by type and reportable segment for the three and six months ended June 30, 2019:

	Three Months Ended June 30, 2019				
	Revenue from Contracts with Customers				
	Fixed Consideration	Variable Consideration	Revenue from Lease Arrangements	Finance Income	Total
Technology sales					
IMAX Systems	$ 13,074	$ 849	$ —	$ —	$ 13,923
Joint Revenue Sharing Arrangements, fixed fees	—	—	2,548	—	2,548
Other Theater Business	2,580	—	—	—	2,580
Other sales[(1)]	500	143	—	—	643
Sub-total	16,154	992	2,548	—	19,694
Image enhancement and maintenance services					
IMAX DMR	—	39,293	—	—	39,293
IMAX Maintenance	13,207	—	—	—	13,207
Film Post-production	2,326	—	—	—	2,326
Film Distribution	—	1,275	—	—	1,275
Other[(1)]		561	—	—	561
Sub-total	15,533	41,129	—	—	56,662
Technology rentals					
Joint Revenue Sharing Arrangements, contingent rent	—	—	25,540	—	25,540
Other[(1)]	—	2	321	—	323
Sub-total	—	2	25,861	—	25,863
Finance income					
IMAX Systems	—	—	—	2,578	2,578
Total	$ 31,687	$ 42,123	$ 28,409	$ 2,578	$ 104,797

	Six Months Ended June 30, 2019				
	Revenue from Contracts with Customers				
	Fixed consideration	Variable consideration	Revenue from Lease Arrangements	Finance Income	Total
Technology sales					
IMAX Systems	$ 21,238	$ 3,030	$ —	$ —	$ 24,268
Joint Revenue Sharing Arrangements, fixed fees	—	—	5,087	—	5,087
Other Theater Business	4,206	—	—	—	4,206
Other sales[(1)]	1,188	145	—	—	1,333
Sub-total	26,632	3,175	5,087	—	34,894
Image enhancement and maintenance services					
IMAX DMR	—	67,243	—	—	67,243
IMAX Maintenance	26,158	—	—	—	26,158
Film Post-production	4,273	—	—	—	4,273
Film Distribution	—	1,990	—	—	1,990
Other[(1)]		1,145	—	—	1,145
Sub-total	30,431	70,378	—	—	100,809
Technology rentals					
Joint Revenue Sharing Arrangements, contingent rent	—	—	43,584	—	43,584
Other[(1)]	—	26	423	—	449
Sub-total	—	26	44,007	—	44,033
Finance income					
IMAX Systems	—	—	—	5,259	5,259
Total	$ 57,063	$ 73,579	$ 49,094	$ 5,259	$ 184,995

(1) Other sales include New Business Initiatives.

(See Note 2 for information on the current impacts and uncertainties relating to the COVID-19 pandemic, which are impacting the Company's revenues.)

(b) Deferred Revenue

The Company's IMAX Theater System sale and lease arrangements include a requirement for it to provide maintenance services over the life of the arrangement, subject to a consumer price index adjustment each year. In circumstances where customers prepay the entire term's maintenance fee, additional payments are due to the Company for the years after its extended warranty and maintenance obligations expire. Payments upon renewal each year are either prepaid or made in arrears and can vary in frequency from monthly to annually. At June 30, 2020, $17.2 million of consideration has been deferred in relation to outstanding maintenance services to be provided on existing maintenance contracts (December 31, 2019 — $17.7 million). The maintenance revenue is recognized evenly over the contract term which coincides with the maintenance services being provided. In the event of customer default, any payments made by the customer may be retained by the Company.

In instances where the Company receives consideration prior to satisfying its performance obligations, the recognition of revenue is deferred. The majority of the deferred revenue balance relates to payments received by the Company for IMAX Theater Systems where control of the system has not transferred to the customer. The deferred revenue balance related to an individual theater increases as progress payments are made and is then derecognized when control of the system is transferred to the customer. Recognition dates are variable and depend on numerous factors, including some outside of the Company's control.

(See Note 2 for information on the current impacts of and uncertainties relating to the COVID-19 pandemic which are impacting Company's revenues.)

14. Segment Reporting

The Company's Chief Executive Officer ("**CEO**") is its Chief Operating Decision Maker ("**CODM**"), as such term is defined under U.S. GAAP. The CODM, along with other members of management, assess segment performance based on segment revenues and gross margins. Selling, general and administrative expenses, research and development costs, the amortization of intangibles, provisions for (recoveries of) current expected credit losses, certain write-downs, interest income, interest expense and tax (expense) benefit are not allocated to the segments.

The Company has the following reportable segments: (i) IMAX DMR; (ii) Joint Revenue Sharing Arrangements; (iii) IMAX Systems, (iv) IMAX Maintenance; (v) Other Theater Business; (vi) New Business Initiatives; (vii) Film Distribution; and (viii) Film Post-production. The Company organizes its reportable segments into the following four categories, identified by the nature of the product sold or service provided:

(i) IMAX Technology Network, which earns revenue based on contingent box office receipts and includes the IMAX DMR segment and contingent rent from the Joint Revenue Sharing Arrangement ("**JRSA**") segment;

(ii) IMAX Technology Sales and Maintenance, which includes results from the IMAX Systems, IMAX Maintenance and Other Theater Business segments, as well as fixed revenues from the JRSA segment;

(iii) New Business Initiatives, which is a segment that includes activities related to the exploration of new lines of business and new initiatives outside of the Company's core business; and

(iv) Film Distribution and Post-production, which includes activities related to the licensing of film content, and the distribution of films primarily for the Company's institutional theater partners (through the Film Distribution segment) and the provision of film post-production and quality control services (through the Film Post-production segment).

The Company is presenting information at a disaggregated level to provide more relevant information to readers.

Transactions between the IMAX DMR segment and the Film Post-production segment are valued at exchange value. Inter-segment profits are eliminated upon consolidation, as well as for the disclosures below.

The following table sets forth the breakdown of revenue and (margin loss) gross margin by category for the three months ended June 30, 2020:

	Revenue		(Margin Loss) Gross Margin[3]	
	2020	2019	**2020**	2019
IMAX Technology Network				
IMAX DMR	**$ 546**	$ 39,293	**$ (30)**	$ 23,961
Joint revenue sharing arrangements, contingent rent[4]	**(137)**	25,540	**(6,501)**	19,318
	409	64,833	**(6,531)**	43,279
IMAX Technology Sales and Maintenance				
IMAX Systems[1]	**4,549**	16,501	**2,650**	8,019
Joint revenue sharing arrangements, fixed fees	**369**	2,548	**48**	870
IMAX Maintenance	**—**	13,207	**(1,908)**	5,640
Other Theater Business[2][5]	**(309)**	2,580	**(564)**	841
	4,609	34,836	**226**	15,370
New Business Initiatives	**632**	478	**512**	281
Film Distribution and Post-production				
Film Distribution	**2,444**	1,275	**(1,541)**	377
Post-production	**738**	2,326	**145**	81
	3,182	3,601	**(1,396)**	458
	8,832	103,748	**(7,189)**	59,388
Other	**23**	1,049	**(499)**	165
Total	**$ 8,855**	$ 104,797	**$ (7,688)**	$ 59,553

The following table sets forth the breakdown of revenue and (margin loss) gross margin by category for six months ended June 30, 2020:

	Revenue		(Margin Loss) Gross Margin[3]	
	2020	2019	**2020**	2019
IMAX Technology Network				
IMAX DMR	**$ 11,175**	$ 67,243	**$ 4,413**	$ 43,736
Joint revenue sharing arrangements, contingent rent	**5,834**	43,584	**(8,119)**	31,253
	17,009	110,827	**(3,706)**	74,989
IMAX Technology Sales and Maintenance				
IMAX Systems[1]	**10,237**	29,527	**5,826**	15,071
Joint revenue sharing arrangements, fixed fees	**1,139**	5,087	**227**	1,165
IMAX Maintenance	**7,370**	26,158	**(1,149)**	10,921
Other Theater Business[2]	**954**	4,206	**46**	1,316
	19,700	64,978	**4,950**	28,473
New Business Initiatives	**1,110**	1,312	**873**	900
Film Distribution and Post-production				
Film Distribution	**3,327**	1,990	**(3,699)**	(333)
Post-production	**2,349**	4,273	**368**	766
	5,676	6,263	**(3,331)**	433
Sub-total	**43,495**	183,380	**(1,214)**	104,795
Other	**262**	1,615	**(1,388)**	(102)
Total	**$ 43,757**	$ 184,995	**$ (2,602)**	$ 104,693

(1) Includes initial upfront payments and the present value of fixed minimum payments from sales and sales-type lease arrangements of IMAX Theater Systems, and the present value of estimated variable consideration from sales of IMAX Theater Systems. To a lesser extent, also includes finance income associated with these revenue streams.

(2) Principally includes after-market sales of IMAX projection system parts and 3D glasses

(3) IMAX DMR gross margin includes marketing cost of $nil and $2.4 million for the three and six months ended June 30, 2020, respectively (2019 — $9.5 million and $13.4 million, respectively). JRSA gross margin includes advertising, marketing and commission expense of less than $0.1 million and $0.6 million for the three and six months ended June 30, 2020, respectively (2019 —$0.2 million and $0.3 million, respectively). IMAX Systems gross margin includes marketing and commission costs of $0.2 million and $0.4 million for the three and six months ended June 30, 2020, respectively, (2019 — $0.4 million and $0.9 million, respectively). Film Distribution segment gross margin includes marketing expense of less than $0.1 million and $0.2 million for the three and six months ended June 30, 2020, respectively (2019 — less than $0.1 million and $0.6 million, respectively).

(4) The Company is reporting negative revenue due to the continued amortization of lessee incentives that are typically netted against lease revenues, which are abnormally low during the period due to the COVID-19 global pandemic, as discussed in Note 2.

(5) The Company is reporting negative revenue due to an adjustment to prior period revenue.

Geographic Information

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

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2020	2019	**2020**	2019
Revenue				
United States	**$ 3,812**	$ 35,944	**$ 16,777**	$ 60,237
Asia (excluding Greater China)	**1,868**	9,963	**7,728**	18,753
Greater China	**1,393**	32,575	**6,662**	59,256
Russia & the CIS	**658**	5,619	**2,224**	7,307
Western Europe	**631**	11,933	**5,188**	20,376
Latin America	**108**	2,160	**1,635**	4,813
Canada	**12**	2,620	**943**	4,492
Rest of the World	**373**	3,983	**2,600**	9,761
Total	**$ 8,855**	$ 104,797	**$ 43,757**	$ 184,995

No single country in the Rest of the World, Western Europe, Latin America and Asia (excluding Greater China) comprises more than 10% of the Company's total revenue, except for Japan in the three months ended June 30, 2020.

16. Financial Instruments

(c) Foreign Exchange Risk Management

The Company is exposed to market risk from changes in foreign currency rates. A majority of the Company's revenues is denominated in U.S. dollars while a substantial portion of its costs and expenses is denominated in Canadian dollars. A portion of the net U.S. dollar cash flows of the Company is periodically converted to Canadian dollars to fund Canadian dollar expenses through the spot market. In China and Japan, the Company has ongoing operating expenses related to its operations in Chinese Renminbi and Japanese yen, respectively. Net cash flows are converted to and from U.S. dollars through the spot market. The Company also has cash receipts under leases denominated in Chinese Renminbi, Japanese yen, Canadian dollars and Euros which are converted to U.S. dollars through the spot market. In addition, because IMAX films generate box office in 81 different countries, unfavourable exchange rates between applicable local currencies and the U.S. dollar affect the Company's reported gross box-office and revenues, further impacting the Company's results of operations. The Company's policy is to not use any financial instruments for trading or other speculative purposes.

The Company entered into a series of foreign currency forward contracts to manage the Company's risks associated with the volatility of foreign currencies. Certain of these foreign currency forward contracts met the criteria required for hedge accounting under the Derivatives and Hedging Topic of the FASB ASC at inception, and continue to meet hedge effectiveness tests at June 30, 2020 (the "**Foreign Currency Hedges**"), with settlement dates throughout 2020 and 2021. Foreign currency derivatives are recognized and measured in the Condensed Consolidated Balance Sheets at fair value. Changes in the fair value (gains or losses) are recognized in the Condensed Consolidated Statements of Operations except for derivatives designated and qualifying as foreign currency cash flow hedging instruments. The Company currently has cash flow hedging instruments associated with selling, general and administrative expenses and inventories. For foreign currency cash flow hedging instruments related to selling, general and administrative expenses, the effective portion of the gain or loss in a hedge of a forecasted transaction is reported in Other Comprehensive Income and reclassified to the Condensed Consolidated Statements of Operations when the forecasted transaction occurs. For foreign currency cash flow hedging instruments related to inventories, the effective portion of the gain or loss in a hedge of a forecasted transaction is reported in Other Comprehensive Income and reclassified to Inventories in the Condensed Consolidated Balance Sheets when the forecasted transaction occurs. Any ineffective portion is recognized immediately in the Condensed Consolidated Statement of Operations.

On April 28, 2020, the FASB staff issued a question-and-answer document (Q&A) to respond to frequently asked questions about the disruptive effects of COVID-19 on cash flow hedge accounting. FASB Accounting Standards Codification Topic 815, Derivative and Hedging, provides guidance on when to discontinue cash flow hedge accounting and when and how to reclassify amounts deferred in accumulated other comprehensive income (AOCI) to earnings. The Q&A document addresses how the postponement or cancellation of forecasted transactions related to the effects of the COVID-19 pandemic should be considered when applying cash flow hedge accounting under Topic 815. The Company has considered the Q&A document when applying cash hedge flow accounting under Topic 815. The guidance did not have a material impact to the Company's Condensed Consolidated Financial Statements.

The following tabular disclosures reflect the impact that derivative instruments and hedging activities have on the Company's Condensed Consolidated Financial Statements:

Notional value of foreign exchange contracts:

	June 30, 2020	December 31, 2019
Derivatives designated as hedging instruments:		
Foreign exchange contracts — Forwards	**$ 32,437**	36,052
Derivatives not designated as hedging instruments:		
Foreign exchange contracts — Forwards	**3,584**	—
	$ 36,021	$ 36,052

Fair value of derivatives in foreign exchange contracts:

	Balance Sheet Location	**June 30, 2020**	December 31, 2019
Derivatives designated as hedging instruments:			
Foreign exchange contracts — Forwards	Other assets	**$ 245**	$ 602
	Accrued and other liabilities	**(563)**	(72)
Derivatives not designated as hedging instruments:			
Foreign exchange contracts — Forwards	Other assets	**57**	—
	Accrued and other liabilities	**(30)**	—
		$ (291)	$ 530

Derivatives in Foreign Currency Hedging relationships are as follows:

		Three Months Ended June 30, 2020	2019	**Six Months Ended June 30, 2020**	2019
Foreign exchange contracts — Forwards	Derivative Gain (Loss) Recognized in OCI (Effective Portion)	**$ 1,334**	$ 297	**$ (1,526)**	$ 365

	Location of Derivative Loss Reclassified from AOCI (Effective Portion)	Three Months Ended June 30, **2020**	2019	Six months ended June 30, **2020**	2019
Foreign exchange contracts — Forwards	Selling, general and administrative expenses	**$ (328)**	$ (355)	**$ (669)**	(661)
	Property, plant and equipment	**—**	(19)	**—**	(32)
	Inventory	**(9)**	—	**$ (26)**	—
		$ (337)	$ (374)	**$ (695)**	$ (693)

		Three Months Ended June 30, **2020**	2019	Six months ended June 30, **2020**	2019
Foreign exchange contracts — Forwards	Derivative Gain (Loss) Recognized In and Out of OCI	**$ —**	$ 2	**$ (88)**	$ 2

Non Designated Derivatives in Foreign Currency relationships are as follows:

	Location of Derivative Gain	Three Months Ended June 30, **2020**	2019	Six months ended June 30, **2020**	2019
Foreign exchange contracts — Forwards	Selling, general and administrative expenses	**$ 27**	$ —	**$ 27**	—
		$ 27	$ —	**$ 27**	$ —

The Company's estimated net amount of the existing losses as at June 30, 2020 is $0.4 million, which is expected to be reclassified to earnings within the next twelve months.

(d) Investments in Equity Securities

As at June 30, 2020, the Condensed Consolidated Balance Sheets includes $13.2 million (December 31, 2019 — $15.7 million) of investments in equity securities.

On January 17, 2019, IMAX China (Hong Kong), Limited, a wholly-owned subsidiary of IMAX China, as an investor entered into a cornerstone investment agreement with Maoyan Entertainment ("**Maoyan**") (as the issuer) and Morgan Stanley Asia Limited (as a sponsor, underwriter and the underwriters' representative). Pursuant to this agreement, IMAX China (Hong Kong), Limited agreed to invest $15.2 million to subscribe for a certain number of shares of Maoyan at the final offer price pursuant to the global offering of the share capital of Maoyan, and this investment would be subject to a lock-up period of six months following the date of the global offering. On February 4, 2019, Maoyan completed its global offering, upon which, IMAX China (Hong Kong), Limited became a less than 1% shareholder in Maoyan. This investment is classified as an equity security, with a readily determinable market value through the Hong Kong Stock Exchange. The changes in fair value are recorded in gain (loss) in fair value of equity investment line item in the Company's Condensed Consolidated Statement of Operations. As at June 30, 2020, the value of the Company's investment in Maoyan was $12.1 million (December 31, 2019 — $14.6 million). For the three and six months ended June 30, 2020, the Company has recorded a net unrealized gain of $2.0 million and loss of $2.5 million, respectively (2019 — loss of $4.5 million and $2.1 million, respectively).

The Company has an investment of $1.1 million (December 31, 2019 — $1.0 million) in the shares of an exchange traded fund. This investment is classified as an equity investment.

As at June 30, 2020, the Company held investments in the preferred shares of enterprises which meet the criteria for classification as an equity security under FASB ASC 325, carried at historical cost, net of impairment charges. The carrying value of these equity security investments was $1.0 million at June 30, 2020 (December 31, 2019 — $1.0 million) and is recorded in Other Assets.

17. Non-Controlling Interests

(a) IMAX China Non-Controlling Interest

The Company indirectly owns approximately 69.81% of IMAX China Holding, Inc. ("**IMAX China**"), whose shares trade on the Hong Kong Stock Exchange. IMAX China is a consolidated subsidiary of the Company. The balance of the non-controlling interest in IMAX China as at June 30, 2020 is $74.7 million. The net loss attributable to the non-controlling interest in IMAX China for the three and six months ended June 30, 2020 is $2.8 million and $12.5 million, respectively (2019 — net income of $2.7 million and $7.0 million, respectively).

Item 2. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

Presented below is Management's Discussion and Analysis of Financial Condition and Results of Operations (or "**MD&A**") for IMAX Corporation and its consolidated subsidiaries ("**IMAX**" or the "**Company**") for the three and six months ended June 30, 2020 and 2019. MD&A should be read in conjunction with Note 14, "Segment Reporting" in the accompanying Condensed Consolidated Financial Statements in Item 1.

The Company indirectly owns approximately 69.81% of IMAX China Holding, Inc. ("**IMAX China**"), whose shares trade on the Hong Kong Stock Exchange. IMAX China is a consolidated subsidiary of the Company.

SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION

Certain statements included in this quarterly report may constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, references to business and technology strategies and measures to implement strategies, competitive strengths, goals, expansion and growth of business, operations and technology, future capital expenditures (including the amount and nature thereof), plans and references to the future success of the Company and expectations regarding its future operating, financial and technological results. These forward-looking statements are based on certain assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. However, whether actual results and developments will conform with the expectations and predictions of the Company is subject to a number of risks and uncertainties, including, but not limited to, risks associated with investments and operations in foreign jurisdictions and any future international expansion, including those related to economic, political and regulatory policies of local governments and laws and policies of the United States and Canada; risks related to the Company's growth and operations in China; the performance of IMAX DMR® films; the signing of IMAX Theater System agreements; conditions, changes and developments in the commercial exhibition industry; risks related to currency fluctuations; the potential impact of increased competition in the markets within which the Company operates; competitive actions by other companies; the failure to respond to change and advancements in digital technology; risks relating to recent consolidation among commercial exhibitors and movie studios; risks related to new business initiatives; conditions in the in-home and out-of-home entertainment industries; the opportunities (or lack thereof) that may be presented to and pursued by the Company; risks related to cyber-security and data privacy; risks related to the Company's inability to protect its intellectual property; general economic, market or business conditions; the failure to convert IMAX Theater System backlog into revenue; changes in laws or regulations; the failure to fully realize the projected cost savings and benefits from any of the Company's restructuring initiatives; the impact of COVID-19 on our business, financial condition, and results of operations and on the businesses of our customers and exhibitor partners; and other factors, many of which are beyond the control of the Company. Consequently, all of the forward-looking statements made in this quarterly report are qualified by these cautionary statements, and actual results or anticipated developments by the Company may not be realized, and even if substantially realized, may not have the expected consequences to, or effects on, the Company. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information, whether as a result of new information, future events or otherwise.

OVERVIEW

IMAX is one of the world's leading entertainment technology companies, specializing in technological innovations powering the presentation of some of today's most immersive entertainment experiences. Through its proprietary software, theater architecture, patented intellectual property and specialized equipment, IMAX offers a unique end-to-end cinematic solution to create the highest-quality, most immersive motion picture and other entertainment event experiences for which the IMAX® brand has become known globally. Top filmmakers and movie studios utilize the cutting-edge visual and sound technology of IMAX to connect with audiences in innovative ways, and, as a result, IMAX's network is among the most important and successful distribution platforms for major films and other events around the world.

IMPACT OF COVID-19 PANDEMIC

In late-January 2020, in response to the public health risks associated with the novel coronavirus and the disease that it causes ("**COVID-19**") the Chinese government directed exhibitors in China to temporarily close more than 70,000 movie theaters, including all of the approximately 700 IMAX theaters in mainland China. On March 11, 2020, due to the worsening public health crisis associated with the novel coronavirus, COVID-19 was characterized as a pandemic by the World Health Organization, and in the following weeks, local, state and national governments instituted stay-at-home orders and restrictions on large public gatherings which caused movie theaters in countries around the world to temporarily close, including substantially all of the IMAX theaters in those countries. As a result of the theater closures, Hollywood and Chinese movie studios have postponed the theatrical release of multiple films, including many scheduled to be shown in IMAX theaters, while other films have been released directly to streaming platforms. As of the date of this report, stay-at-home orders have been lifted in many countries and movie theaters are gradually reopening with reduced capacities, physical distancing requirements, and other safety measures. Subsequent to June 30, 2020, approximately 40% of the theaters in the IMAX commercial multiplex network have begun to report gross box office ("**GBO**") results in July. These theaters span across 40 countries and include the Domestic, Greater China and Rest of World markets.

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

The Company may continue to be significantly impacted by the COVID-19 global pandemic even after some or all theaters are reopened. The global economic impact of COVID-19 has led to record levels of unemployment in certain countries, which has led to, and may continue to result in, lower consumer spending in the near term. The timing and extent of a recovery of consumer behavior and willingness to spend discretionary income on movie-going may delay the Company's ability to generate significant GBO-based revenue until such time as consumer behavior normalizes and consumer spending recovers.

In response to uncertainties associated with the COVID-19 pandemic, the Company has taken and is continuing to take significant steps to preserve cash by eliminating non-essential costs, reducing employee hours and deferring all non-essential capital expenditures to minimum levels. The Company has also implemented an active cash management process, which, among other things, requires senior management approval of all outgoing payments. In addition, in the first quarter of 2020, the Company drew down the $280.0 million in available borrowing capacity under its credit facility, which was then amended in June 2020 to, among other things, suspend the senior secured net leverage ratio financial covenant in the underlying credit agreement through the first quarter of 2021. (See Note 7 of Notes to Condensed Consolidated Financial Statements.) Furthermore, the

Company has applied for wage subsidies, tax credits and other financial support under the newly enacted COVID-19 relief legislation in the countries in which it operates. The Company received approximately $2.2 million in July 2020 under the Canada Emergency Wage Subsidy program and expects to receive $1.0 million under the U.S. CARES Act, both of which were recognized in the second quarter of 2020 as reductions to selling, general and administrative expenses ($2.9 million) and costs and expenses applicable to revenues ($0.3 million) in the Condensed Consolidated Statements of Operations. The Company will continue to review and apply for additional subsidies and credits for the remaining terms of these programs, where applicable.

Consistent with the first quarter of 2020, the Company performed a quantitative goodwill impairment test taking into account the latest available information and determined that its goodwill was not impaired as of June 30, 2020. As of that date, the Company's total Goodwill was $39.0 million, of which $19.0 million relates to the IMAX Systems reporting unit, $13.6 million relates to the Joint Revenue Sharing Arrangement reporting unit, and $6.4 million relates to the IMAX Maintenance reporting unit. The impairment test was performed on a reporting unit level by comparing each unit's carrying value, including goodwill, to its fair value. The fair value of each reporting unit was assessed using a discounted cash flow model based on management's estimated long-term projections, against which various sensitivity analyses were performed. These estimates and the likelihood of future changes in these estimates depend on a number of underlying variables and a range of possible outcomes. Actual results may materially differ from management's estimates, especially due to the uncertainties associated with the COVID-19 pandemic. (See Note 1 of Notes to Condensed Consolidated Financial Statements.)

If business conditions deteriorate further, or should they remain depressed for a prolonged period of time, management's estimates of operating results and future cash flows for the IMAX Systems and Joint Revenue Sharing Arrangements reporting units may be insufficient to support the goodwill assigned to them, thus requiring impairment charges. The Company will continue to evaluate the recoverability of goodwill at the reporting unit level on an annual basis as of the beginning of its fourth fiscal quarter and whenever events or changes in circumstances indicate there may be a potential impairment. Estimates related to future expected credit losses and deferred tax assets could also be materially impacted by changes in estimates in the future. (See Notes 1, 4 and 11 of Notes to Condensed Consolidated Financial Statements.)

See "Risk Factors — The Company has experienced a significant decrease in its revenues, earnings and cash flows due to the COVID-19 global pandemic and its business, financial condition and results of operations may continue to be significantly harmed in future reporting periods" in Part II, Item 1A of this Form 10-Q.

SOURCES OF REVENUE

For the purposes of MD&A the Company has organized its reportable segments into the following four categories: (i) IMAX Technology Network; (ii) IMAX Technology Sales and Maintenance; (iii) New Business Initiatives; and (iv) Film Distribution and Post-production. Within these categories are the Company's following reportable segments: (i) IMAX DMR; (ii) Joint Revenue Sharing Arrangements; (iii) IMAX Systems; (iv) IMAX Maintenance; (v) Other Theater Business; (vi) New Business Initiatives; (vii) Film Distribution; and (viii) Film Post-production. In the first quarter of 2020, the Company updated certain account names within Revenues and Costs and Expenses Applicable to Revenues in its Condensed Consolidated Statements of Operations to better describe the nature of its revenue-generating activities and related costs. For additional details regarding the Company's sources of revenue, refer to its 2019 Form 10-K for the year ended December 31, 2019 (the "**2019 Form 10-K**").

IMAX Technology Network

The IMAX Technology Network earns revenue based on contingent box office receipts and includes the IMAX DMR segment and contingent rent from the Joint Revenue Sharing Arrangement ("**JRSA**") segment, as described in more detail below.

IMAX DMR

The Company has developed IMAX DMR, a proprietary technology that digitally remasters Hollywood films into IMAX formats. In a typical IMAX DMR film arrangement, the Company receives a percentage of the box office receipts from a movie studio in exchange for converting a commercial film into IMAX DMR format and distributing it through the IMAX network. In recent years, the percentage of gross box office receipts earned in IMAX DMR arrangements has averaged approximately 12.5%, except for within Greater China, where the Company receives a lower percentage of net box office receipts for certain Hollywood films.

IMAX DMR digitally enhances the image resolution of motion picture films for projection on IMAX screens while maintaining or enhancing the visual clarity and sound quality to levels for which *The* IMAX *Experience* is known. In addition, the original soundtrack of a film to be exhibited in IMAX theaters is remastered for IMAX digital sound systems in connection with the IMAX DMR release of the film. Unlike the soundtracks played in conventional theaters, IMAX remastered soundtracks are uncompressed and full fidelity. IMAX sound systems use proprietary loudspeaker systems and proprietary surround sound configurations that ensure every theater seat is in an optimal listening position.

IMAX films also benefit from enhancements made by individual filmmakers exclusively for the IMAX release of the film: collectively, the Company refers to those enhancements as "IMAX DNA". Filmmakers and movie studios have sought IMAX-specific enhancements in recent years to generate interest in and excitement for their films. Such enhancements include shooting films with IMAX cameras to increase the audience's immersion in the film and taking advantage of the unique dimensions of the IMAX screen by projecting the film in a larger aspect ratio that delivers up to 26% more image onto a movie screen. *Avengers: Endgame*, the highest-grossing film in history, released in April 2019, was shot entirely using IMAX cameras. In addition, in 2020, Universal Pictures' *1917* was released with select scenes specifically formatted for IMAX screens.

The Company believes that growth in international box office remains an important driver of growth for the Company. To support continued growth in international markets, the Company has sought to bolster its international film strategy, supplementing the Company's film slate of Hollywood DMR titles with appealing local IMAX DMR releases in select markets, particularly in China. During 2019, 18 local language IMAX DMR films were released to the IMAX network, including 14 in China and one in each of Japan, South Korea, India and Russia. The blockbuster *Ne Zha: The* IMAX *Experience* was released in China in July 2019 and was the Company's first Chinese animated local language film title. During the six months ended June 30, 2020, two local language IMAX DMR films were released to the IMAX network, one in Russia and one in Japan. The Company expects to announce additional local language IMAX DMR films to be released to the IMAX network in the remainder of 2020 and beyond.

The Company remains in active negotiations with all of the major Hollywood studios for additional films to fill out its short and long-term film slate for the IMAX network. However, as a result of the theater closures associated with the COVID-19 global pandemic, Hollywood and Chinese movie studios have postponed the theatrical release of multiple films, including many scheduled to be shown in IMAX theaters, while other films have been released directly to streaming platforms. Accordingly, the anticipated release dates for any films are uncertain.

IMAX NETWORK AND BACKLOG

IMAX Network

The following table provides detailed information about the IMAX network by type and geographic location as at June 30, 2020 and 2019:

	June 30, 2020				June 30, 2019			
	Commercial Multiplex	**Commercial Destination**	**Institutional**	**Total**	Commercial Multiplex	Commercial Destination	Institutional	Total
United States	**371**	**4**	**30**	**405**	367	4	33	404
Canada	**39**	**2**	**7**	**48**	39	2	7	48
Greater China[(1)]	**699**	**—**	**15**	**714**	648	—	15	663
Western Europe	**114**	**4**	**7**	**125**	105	5	10	120
Asia (excluding Greater China)	**122**	**2**	**2**	**126**	112	2	2	116
Russia & the CIS	**68**	**—**	**—**	**68**	65	—	—	65
Latin America[(2)]	**50**	**1**	**12**	**63**	48	1	12	61
Rest of the World	**64**	**—**	**2**	**66**	61	1	2	64
Total	**1,527**	**13**	**75**	**1,615**	1,445	15	81	1,541

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

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

The Company currently believes that over time its commercial multiplex network could grow to approximately 3,318 IMAX theaters worldwide from the 1,527 operating as at June 30, 2020. The Company believes that the majority of its future growth will come from international markets. As at June 30, 2020, 72.0% of IMAX Theater Systems in operation were located within international markets (defined as all countries other than the United States and Canada), up from 70.7% as at June 30, 2019. Revenues and gross box office derived from international markets continue to exceed revenues and gross box office from the United States and Canada. Risks associated with the Company's international business are outlined in "Risk Factors — The Company conducts business internationally, which exposes it to uncertainties and risks that could negatively affect its operations, sales and future growth prospects" in Item 1A of the Company's 2019 Form 10-K.

Greater China is the Company's largest market, measured by revenues, with approximately 31% of overall revenues generated from its Greater China operations in the year ended December 31, 2019. As at June 30, 2020, the Company had 714 theaters operating in Greater China with an additional 271 theaters in backlog that are scheduled to be installed by 2023. The Company's backlog in Greater China represents 48.5% of the Company's current backlog including upgrades. The Company's largest single international partnership is in China with Wanda Film ("**Wanda**"). Wanda's total commitment to the Company is for 359 IMAX Theater Systems in Greater China (of which 354 IMAX Theater Systems are under the parties' joint revenue sharing arrangement). See "Risk Factors — The Company faces risks in connection with the continued expansion of its business in China" in Item 1A of the Company's 2019 Form 10-K.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Impact of COVID-19 Pandemic" in Item 2 of this Form 10-Q and "Risk Factors — The Company has experienced a significant decrease in its revenues, earnings and cash flows due to the COVID-19 global pandemic and its business, financial condition and results of operations may continue to be significantly harmed in future reporting periods" in Part II, Item 1A of this Form 10-Q.

The following tables provide detailed information about the Commercial Multiplex theaters in operation within the IMAX network by arrangement type and geographic location as at June 30, 2020 and 2019:

	June 30, 2020 Commercial Multiplex Theaters in IMAX Network			
	Traditional JRSA	**Hybrid JRSA**	**Sale/ Sales-type Lease**	**Total**
Domestic Total (United States & Canada)	**278**	**5**	**127**	**410**
International:				
Greater China	**358**	**104**	**237**	**699**
Asia (excluding Greater China)	**33**	**2**	**87**	**122**
Western Europe	**45**	**27**	**42**	**114**
Russia & the CIS	**—**	**—**	**68**	**68**
Latin America	**2**	**—**	**48**	**50**
Rest of the World	**14**	**—**	**50**	**64**
International Total	**452**	**133**	**532**	**1,117**
Worldwide Total[(1)]	**730**	**138**	**659**	**1,527**

	June 30, 2019 Commercial Multiplex Theaters in IMAX Network			
	Traditional JRSA	Hybrid JRSA	Sale/ Sales-type Lease	Total
Domestic Total (United States & Canada)	275	5	126	406
International:				
Greater China	328	101	219	648
Asia (excluding Greater China)	34	1	77	112
Western Europe	41	26	38	105
Russia & the CIS	—	—	65	65
Latin America	1	—	47	48
Rest of the World	14	—	47	61
International Total	418	128	493	1,039
Worldwide Total(1)	693	133	619	1,445

(1) Period-to-period changes in tables above are reported net of the effect of permanently closed theaters.

As at June 30, 2020, 278 (2019 — 275) of the 730 (2019 — 693) theaters under traditional joint revenue sharing arrangements in operation, or 38.1% (2019 — 39.7%), were located in the United States and Canada, with the remaining 452 (2019 — 418) or 61.9% (2019 — 60.3%) of theaters being located in international markets.

Sales Backlog

The following tables provide detailed information about the Company's sales backlog by arrangement type and geographic location as at June 30, 2020 and 2019:

	June 30, 2020			
	IMAX Theater System Backlog			
	Traditional JRSA	**Hybrid JRSA**	**Sale/Lease**	**Total**
Domestic Total (United States & Canada)	**124**	**3**	**11**	**138**
International:				
Greater China	**67**	**121**	**83**	**271**
Asia (excluding Greater China)	**5**	**15**	**32**	**52**
Western Europe	**12**	**13**	**7**	**32**
Russia & the CIS	**—**	**1**	**15**	**16**
Latin America	**3**	**—**	**10**	**13**
Rest of the World	**4**	**1**	**32**	**37**
International Total	**91**	**151**	**179**	**421**
Worldwide Total	**215**	**154**	**190**	**559**[(1)]

	June 30, 2019			
	IMAX Theater System Backlog			
	Traditional JRSA	Hybrid JRSA	Sale/Lease	Total
Domestic Total (United States & Canada)	156	3	8	167
International:				
Greater China	86	135	80	301
Asia (excluding Greater China)	12	—	38	50
Western Europe	16	16	9	41
Russia & the CIS	—	—	14	14
Latin America	1	—	10	11
Rest of the World	5	—	23	28
International Total	120	151	174	445
Worldwide Total	276	154	182	612[(2)]

(1) Includes 154 new IMAX with Laser projection system configurations and 94 upgrades of existing locations to IMAX with Laser projection system configurations.

(2) Includes 139 new IMAX with Laser projection system configurations and 118 upgrades of existing locations to IMAX with Laser projection system configurations.

Approximately 75.3% of IMAX Theater System arrangements in backlog as at June 30, 2020 are scheduled to be installed in international markets (2019 — 72.7%).

See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Impact of COVID-19 Pandemic" in Item 2 of this Form 10-Q and "Risk Factors — The Company has experienced a significant decrease in its revenues, earnings and cash flows due to the COVID-19 global pandemic and its business, financial condition and results of operations may continue to be significantly harmed in future reporting periods" in Part II, Item 1A of this Form 10-Q.

RESULTS OF OPERATIONS

Results of Operations for the Three Months Ended June 30, 2020 and June 30, 2019

For the three months ended June 30, 2020, the Company reported a net loss attributable to common shareholders of $(26.0) million, or $(0.44) per basic and diluted share, as compared to net income attributable to common shareholders of $11.4 million, or $0.19 per basic and diluted share, for the same period in 2019. For the three months ended June 30, 2020, the Company reported an adjusted net loss attributable to common shareholders* of $(26.1) million, or $(0.44) per basic and diluted share*, as compared to adjusted net income attributable to common shareholders* of $19.7 million, or $0.32 per diluted share*, for the same period in 2019.

* See "Non-GAAP Financial Measures" below for a description of this non-GAAP financial measure and a reconciliation to the most comparable GAAP amount.

The following table sets forth the breakdown of revenue and (margin loss) gross margin by category and reportable segment for the three months ended June 30, 2020 and 2019:

(In thousands of U.S. dollars)	Revenue		(Margin Loss) Gross Margin	
	2020	2019	**2020**	2019
IMAX Technology Network				
IMAX DMR	**$ 546**	$ 39,293	**$ (30)**	$ 23,961
Joint revenue sharing arrangements, contingent rent(3)	**(137)**	25,540	**(6,501)**	19,318
	409	64,833	**(6,531)**	43,279
IMAX Technology Sales and Maintenance				
IMAX Systems(1)	**4,549**	16,501	**2,650**	8,019
Joint revenue sharing arrangements, fixed fees	**369**	2,548	**48**	870
IMAX Maintenance	**—**	13,207	**(1,908)**	5,640
Other Theater Business(2)(4)	**(309)**	2,580	**(564)**	841
	4,609	34,836	**226**	15,370
New Business Initiatives	**632**	478	**512**	281
Film Distribution and Post-production	**3,182**	3,601	**(1,396)**	458
Sub-total	**8,832**	103,748	**(7,189)**	59,388
Other	**23**	1,049	**(499)**	165
Total	**$ 8,855**	$ 104,797	**$ (7,688)**	$ 59,553

(1) Includes initial upfront payments and the present value of fixed minimum payments from sale and sales-type lease arrangements of IMAX Theater Systems, and the present value of estimated variable consideration from sales of IMAX Theater Systems. To a lesser extent, also includes finance income associated with these revenue streams.

(2) Principally includes after-market sales of IMAX projection system parts and 3D glasses.

(3) The Company is reporting negative revenue due to the continued amortization of lessee incentives that are typically netted against lease revenues, which are abnormally low in the period due to the COVID-19 global pandemic, as discussed in Note 2 of Notes to Condensed Consolidated Financial Statements.

(4) The Company is reporting negative revenue due to an adjustment to prior period revenue.

Revenues and Gross Margin

Due to the COVID-19 global pandemic, substantially all of the theaters in the IMAX network were closed in the second quarter of 2020. As a result, the Company's results of operations for the period materially declined when compared to the prior year. For the three months ended June 30, 2020, revenues and gross margin decreased by $95.9 million (92%) and $67.2 million (113%), respectively, when compared to the same period in 2019.

IMAX Technology Network

IMAX Technology Network results are influenced by the level of commercial success and box office performance of the films released to the network, as well as other factors including the timing of the films released, the length of the theatrical distribution window, the take rates under the Company's DMR and joint revenue sharing arrangements and the level of marketing spend associated with the films released in the period. Other factors impacting IMAX Technology Network results include fluctuations in the value of foreign currencies versus the U.S. dollar and potential currency devaluations.

For the three months ended June 30, 2020, IMAX Technology Network revenues and gross margin decreased by $64.4 million (99%) and $49.8 million (115%), respectively, when compared to the same period in 2019. See below for separate discussions of IMAX DMR and JRSA contingent rent results for the period.

IMAX DMR

Due to the COVID-19 global pandemic, substantially all of the theaters in the IMAX network were closed in the second quarter of 2020. As a result, for the three months ended June 30, 2020, IMAX DMR revenues and gross margin decreased by $38.7 million (99%) and $24.0 million (100%), respectively, when compared to the same period in 2019. These decreases are due to a $362.3 million (99%) reduction in GBO receipts generated by IMAX DMR films in the second quarter of 2020 as a result of the COVID-19 theater closures. In the second quarter of 2020, GBO was generated by the exhibition of one new film as compared to 19 films (15 new and 4 carryovers) exhibited in the second quarter of 2019.

In addition to the level of revenues, IMAX DMR gross margin is also influenced by the costs associated with the films exhibited in the period, and can vary from period-to-period, particularly with respect to marketing expenses. For the three months ended June 30, 2020, marketing expenses related to IMAX DMR films were $nil, as compared to $9.5 million during the same period of 2019.

Joint Revenue Sharing Arrangements — Contingent Rent

Due to the COVID-19 global pandemic, substantially all of the theaters in the IMAX network were closed in the second quarter of 2020. As a result, for the three months ended June 30, 2020, JRSA contingent rent revenue and gross margin decreased by $25.7 million (101%) and $25.8 million (134%), respectively, when compared to the same period in 2019. These decreases are due to an $185.1 million (100%) reduction in GBO generated by theaters under joint revenue sharing arrangements in the second quarter of 2020 as a result of the COVID-19 theater closures.

In addition to the level of revenues, JRSA margin is also influenced by the level of costs associated with such arrangements, such as depreciation expense related to the underlying theater systems and costs incurred to upgrade theater systems from digital xenon to IMAX with Laser, as well as advertising, marketing and commission costs primarily for the launch of new theaters. The level of depreciation expense in a period relative to the prior year is a function of the growth of the theater network and the mix of theater system configurations in the network. For the three months ended June 30, 2020, JRSA gross margin included depreciation expense of $6.2 million, as compared to $5.7 million in the same period of the prior year as a result of the 5% increase in the number of theaters operating under joint revenue sharing arrangements. For the three months ended June 30, 2020, JRSA gross margin includes advertising, marketing and commission costs of less than $0.1 million, as compared to $0.2 million in the same period of the prior year.

IMAX Technology Sales and Maintenance

The primary drivers of IMAX Technology Sales and Maintenance results are the number of IMAX Theater Systems installed in a period, and the level of gross margin percentage earned on each installation, as well as the associated maintenance contracts that accompany each theater installation. The installation of IMAX Theater Systems in newly built theaters or multiplexes, which make up a large portion of the Company's theater system backlog, depends primarily on the timing of the construction of those projects, which is not under the Company's control.

The following table provides detailed information about the mix of IMAX Theater System installations for the three months ended June 30, 2020 and 2019:

	For the Three Months Ended June 30,			
	2020		2019	
	Number of Systems	**Revenue**	Number of Systems	Revenue
New IMAX Theater Systems — installed and recognized				
Sales and sales-types lease arrangements(1)	**2**	**$ 1,731**	9	$ 11,664
Joint revenue sharing arrangements — hybrid	**1**	**356**	5	2,525
Total new IMAX Theater Systems	**3**	**2,087**	14	14,189
IMAX theater system upgrades — installed and recognized				
Sales and sales-types lease arrangements	**—**	**—**	1	1,533
Total IMAX Theater Systems installed and recognized	**3**	**$ 2,087**	15	$ 15,722

(1) The arrangement for the sale of an IMAX Theater System includes fixed upfront and ongoing consideration, including indexed annual minimum payment increases over the term of the arrangement, as well as the provision for additional payments in excess of the minimum agreed payments in situations when the theater exceeds certain box office thresholds.

The average revenue per IMAX Theater System under sales and sales-type lease arrangements varies depending upon the number of IMAX Theater System commitments with a single respective exhibitor, an exhibitor's location and various other factors. Average revenue per IMAX Theater System under sales and sales-type lease arrangements was $0.9 million for the three months ended June 30, 2020, as compared to $1.3 million during the same period of the prior year.

For the three months ended June 30, 2020, IMAX Technology Sales and Maintenance revenue and gross margin decreased by $30.2 million (87%) and $15.1 million (99%), respectively, when compared to the same period in the prior year as the pace of theater system installations slowed significantly and regular maintenance services were suspended due to the COVID-19 global pandemic. See below for separate discussions of IMAX Systems and IMAX Maintenance results for the period.

IMAX Systems

For the three months ended June 30, 2020, IMAX Systems revenue and gross margin decreased by $12.0 million (72%) and $5.4 million (67%), respectively, when compared to the same period in the prior year. These decreases are the result of the twelve fewer IMAX Theater System installations in the current period as the pace of theater system installations slowed significantly due to the COVID-19 global pandemic.

IMAX Maintenance

For the three months ended June 30, 2020, IMAX Maintenance revenue and gross margin decreased by $13.2 million (100%) and $7.5 million (134%), respectively, as regular maintenance services were suspended and the associated revenue was not recognized during the period due to the COVID-19 global pandemic.

Maintenance margins vary depending on the mix of theater system configurations in the theater network, volume-pricing related to larger relationships and the timing and the date(s) of installation and/or service.

Selling, General and Administrative Expenses

For the three months ended June 30, 2020, Selling, General and Administrative Expenses decreased by $2.3 million (7%), when compared to the same period in 2019. For the three months ended June 30, 2020, Selling, General and Administrative Expenses excluding the impact of share-based compensation were $23.3 million, as compared to $25.6 million in the same period in 2019, representing a decrease of $2.3 million (9%).

The comparison to the prior year is significantly influenced by COVID-19 government relief that the Company became entitled to receive during the period under the Canada Emergency Wage Subsidy program and the U.S. CARES Act, of which $2.9 million was recognized in the second quarter of 2020 as a reduction to Selling, General and Administrative Expenses. Also impacting the comparison to the prior period are management's cost control efforts amidst the COVID-19 global pandemic, resulting in lower staff costs, travel, facilities and marketing related expenses, among others. These factors are partially offset by an approximate $8.0 million decrease in labor and other costs capitalized to inventory, film assets, and joint venture theater equipment or allocated to costs applicable to revenues, due to the idling of the Company's productive capacity during the COVID-19 global pandemic.

Credit Loss Expense

For the three months ended June 30, 2020, the Company recorded a provision for current expected credit losses of $1.4 million reflecting a reduction in the credit quality of its theater and studio related receivable balances, which management believes is primarily related to the COVID-19 pandemic, as discussed in Note 2 of Notes to the Condensed Consolidated Financial Statements. Management's judgments regarding expected credit losses are based on the facts available to management and involve estimates about the future. Due to the unprecedented nature of the COVID-19 pandemic, its effect on the Company's customers and their ability to meet their financial obligations to the Company is difficult to predict. As a result, the Company's judgments and associated estimates of credit losses may ultimately prove, with the benefit of hindsight, to be incorrect. For the three months ended June 30, 2019, credit loss expense was $0.9 million. (See Notes 2 and 3 of Notes to Condensed Consolidated Financial Statements.)

Gain (loss) in fair value of equity securities

In the first quarter of 2019, IMAX China (Hong Kong), Limited, a wholly-owned subsidiary of IMAX China, entered into a cornerstone investment agreement with Maoyan Entertainment ("**Maoyan**") and purchased equity securities for $15.2 million. These equity securities are traded on the Hong Kong Stock Exchange, and the Company is required to adjust the fair value of the securities each period to reflect the current market value. This adjustment will fluctuate based on the closing market price at the end of each period. For the three months ended June 30, 2020, the fair value of the Company's investment in Maoyan experienced an unrealized gain of $2.0 million, as compared to an unrealized loss of $4.5 million in the same period of the prior year, which are both recognized in the Condensed Consolidated Statements of Operations.

Income Taxes

The Company's effective tax benefit rate for the three months ended June 30, 2020, is 25.4% and differs from the Canadian statutory tax rate of 26.2%, primarily due to permanent book to tax differences, investment and other tax credits, jurisdictional tax rate differences, management's estimates of contingent liabilities related to the resolution of various tax examinations and withholding taxes associated with the reversal of the indefinite reinvestment assertion for certain foreign subsidiaries, as discussed below.

In the first quarter of 2020, management completed a reassessment of its strategy with respect to the most efficient means of deploying the Company's capital resources globally. Based on the results of this reassessment, management concluded that the historical earnings of certain foreign subsidiaries in excess of amounts required to sustain business operations would no longer be indefinitely reinvested. As a result, the Company recognized a deferred tax liability of $19.7 million in the first quarter of 2020 for the estimated applicable foreign withholding taxes associated with these historical earnings, which will become payable upon the repatriation of any such earnings. In the second quarter of 2020, the estimate of the applicable foreign withholding taxes was reduced by $1.2 million to $18.5 million due to a reduction in the amount of distributable historical earnings. Cash held outside of Canada as at June 30, 2020 was $75.0 million (December 31, 2019 — $90.1 million), of which $61.5 million was held in the People's Republic of China ("**PRC**") (December 31, 2019 — $67.6 million).

For the three months ended June 30, 2020, the Company recorded income tax benefit of $10.2 million (2019 — tax expense of $5.3 million), which includes the $1.2 million reduction to the foreign withholding taxes discussed above. In addition, in the second quarter of 2020, the Company recognized income tax expense of $0.3 million (2019 — $0.1 million) related to the provision for uncertain tax positions.

As at June 30, 2020, the Company's Condensed Consolidated Balance Sheets include net deferred income tax assets of $46.8 million, net of a valuation allowance of $0.2 million (December 31, 2019 — $23.9 million). As at June 30, 2020, the Company's Condensed Consolidated Balance Sheets include a deferred income tax liability of $18.5 million (December 31, 2019 — $nil). During the three months ended June 30, 2020, deferred tax assets increased by $8.9 million due to losses recognized in the period. The recoverability of these deferred tax assets is subject to certain levels of future taxable income and the uncertainties associated with accounting estimates, as discussed in Note 1 of Notes to Condensed Consolidated Financial Statements. Based on a review of the projected future earnings of the Company there was no change in management's estimates of the recoverability of the Company's deferred tax assets. Should actual results differ from management's estimates of future taxable income, an increased valuation allowance may be required.

The Company's Chinese subsidiary had taken a deduction for certain share-based compensation issued by its parent company in a prior period and had recognized a related deferred tax asset of $1.4 million (December 31, 2019 — $1.4 million). Chinese regulatory authorities responsible for capital and exchange controls will need to review and approve the proposed settlement of these transactions before they can be completed. There may be a requirement for future investment of funds into China in order to secure the deduction. Should the Company proceed, any such future investment would come from existing capital invested in the IMAX China group of companies being redeployed amongst the IMAX China group of companies, including the Chinese subsidiary.

Non-Controlling Interests

The Company's Condensed Consolidated Financial Statements primarily include the non-controlling interest in the net income (loss) of IMAX China, as well as the impact of non-controlling interests in the activity of its Original Film Fund subsidiary. For the three months ended June 30, 2020, the net loss attributable to non-controlling interests of the Company's subsidiaries was $4.1 million (2019 — net income of $2.4 million).

Results of Operations for the Six Months Ended June 30, 2020 and 2019

For the six months ended June 30, 2020, the Company reported a net loss attributable to common shareholders of $(75.3) million, or $(1.26) per basic and diluted share, as compared to net income attributable to common shareholders of $19.7 million, or $0.32 per basic and diluted share, for the same period in 2019. For the six months ended June 30, 2020, the Company reported an adjusted net loss attributable to common shareholders* of $(54.8) million, or $(0.92) per basic and diluted share*, as compared to adjusted net income attributable to common shareholders* of $30.5 million, or $0.50 per diluted share*, for the same period in 2019.

* See "Non-GAAP Financial Measures" below for a description of this non-GAAP financial measure and a reconciliation to the most comparable GAAP amount.

The following table sets forth the breakdown of revenue and (margin loss) gross margin by category and reportable segment for the six months ended June 30, 2020 and 2019:

(In thousands of U.S. dollars)	Revenue		(Margin Loss) Gross Margin	
	2020	2019	**2020**	2019
IMAX Technology Network				
IMAX DMR	**$ 11,175**	$ 67,243	**$ 4,413**	$ 43,736
Joint revenue sharing arrangements, contingent rent	**5,834**	43,584	**(8,119)**	31,253
	17,009	110,827	**(3,706)**	74,989
IMAX Technology Sales and Maintenance				
IMAX Systems[1]	**10,237**	29,527	**5,826**	15,071
Joint revenue sharing arrangements, fixed fees	**1,139**	5,087	**227**	1,165
IMAX Maintenance	**7,370**	26,158	**(1,149)**	10,921
Other Theater Business[2]	**954**	4,206	**46**	1,316
	19,700	64,978	**4,950**	28,473
New Business Initiatives	**1,110**	1,312	**873**	900
Film Distribution and Post-production	**5,676**	6,263	**(3,331)**	433
Sub-total	**43,495**	183,380	**(1,214)**	104,795
Other	**262**	1,615	**(1,388)**	(102)
Total	**$ 43,757**	$ 184,995	**$ (2,602)**	$ 104,693

(1) Includes initial upfront payments and the present value of fixed minimum payments from sale and sales-type lease arrangements of IMAX Theater Systems, and the present value of estimated variable consideration from sales of IMAX Theater Systems. To a lesser extent, also includes finance income associated with these revenue streams.

(2) Principally includes after-market sales of IMAX projection system parts and 3D glasses.

Revenues and Gross Margin

Due to the COVID-19 global pandemic, substantially all of the theaters in the IMAX network were closed for a significant portion of the six months ended June 30, 2020, with the theaters in Greater China closed since late-January and substantially all of the Company's remaining theaters closed since mid-to-late March. As a result, the Company's results of operations for the six-month period materially declined versus the prior year. For the six months ended June 30, 2020, revenues and gross margin decreased by $141.2 million (76%) and $107.3 million (102%), respectively, when compared to the same period in 2019.

IMAX Technology Network

IMAX Technology Network results are influenced by the level of commercial success and box office performance of the films released to the network, as well as other factors including the timing of the films released, the length of the theatrical distribution window, the take rates under the Company's DMR and joint revenue sharing arrangements and the level of marketing spend associated with the films released in the period. Other factors impacting IMAX Technology Network results include fluctuations in the value of foreign currencies versus the U.S. dollar and potential currency devaluations.

For the six months ended June 30, 2020, IMAX Technology Network revenues and gross margin decreased by $93.8 million (85%) and $78.7 million (105%), respectively, when compared to the same period in 2019. See below for separate discussions of IMAX DMR and JRSA contingent rent results for the period.

IMAX DMR

Due to the COVID-19 global pandemic, substantially all of the theaters in the IMAX network were closed for a significant portion of the six months ended June 30, 2020, with the theaters in Greater China closed since late-January and substantially all of the Company's remaining theaters closed since mid-to-late March. As a result, for the six months ended June 30, 2020, IMAX DMR revenues and gross margin decreased by $56.1 million (83%) and $39.3 million (90%), respectively, when compared to the same period in 2019. These decreases are due to a $523.4 million (84%) reduction in GBO generated by IMAX DMR films as a result of the theater closures. For the six months ended June 30, 2020, GBO was generated primarily by the exhibition of 14 films (10 new and 4 carryovers), as compared to 39 films (27 new and 12 carryovers) exhibited in the six months ended June 30, 2019.

In addition to the level of revenues, IMAX DMR gross margin is also influenced by the costs associated with the films exhibited in the period, and can vary from period-to-period, particularly with respect to marketing expenses. For the six months ended June 30, 2020, marketing expenses related to IMAX DMR films were $2.4 million, as compared to $13.4 million during the same period of 2019.

Joint Revenue Sharing Arrangements — Contingent Rent

Due to the COVID-19 global pandemic, substantially all of the theaters in the IMAX network were closed for a significant portion of the six months ended June 30, 2020, with the theaters in Greater China closed since late-January and substantially all of the Company's remaining theaters closed since mid-to-late March. As a result, for the six months ended June 30, 2020, JRSA contingent rent revenue and gross margin decreased by $37.8 million (87%) and $39.4 million (126%), respectively, when compared to the same period in 2019. The decreases in revenue and gross margin are due to a $274.0 million (86%) reduction in GBO generated by theaters under joint revenue sharing arrangements during the current period due to the theater closures. As at June 30, 2020, 868 theaters were operating under joint revenue sharing arrangements, as compared to 826 theaters as at June 30, 2019, an increase of 5%.

In addition to the level of revenues, JRSA margin is also influenced by the level of costs associated with such arrangements, such as depreciation expense related to the underlying theater systems and costs incurred to upgrade theater systems from digital xenon to IMAX with Laser, as well as advertising, marketing and commission costs primarily for the launch of new theaters. The level of depreciation expense in a period relative to the prior year is a function of the growth of the theater network and the mix of theater system configurations in the network. For the six months ended June 30, 2020, JRSA gross margin included depreciation expense of $13.2 million, as compared to $11.3 million in the same period of the prior year as a result of the 5% increase in the number of theaters operating under joint revenue sharing arrangements. For the six months ended June 30, 2020, JRSA gross margin includes certain advertising, marketing and commission costs of $0.6 million, as compared to $0.3 million in the same period of the prior year.

IMAX Technology Sales and Maintenance

The primary drivers of IMAX Technology Sales and Maintenance results are the number of IMAX Theater Systems installed in a period, and the level of gross margin percentage earned on each installation, as well as the associated maintenance contracts that accompany each theater installation.

The installation of IMAX Theater Systems in newly built theaters or multiplexes, which make up a large portion of the Company's theater system backlog, depends primarily on the timing of the construction of those projects, which is not under the Company's control. The following table provides detailed information about the mix of IMAX Theater System installations for the six months ended June 30, 2020 and 2019:

	For the Six Months Ended June 30,					
	2020			2019		
	Number of Systems		**Revenue**	Number of Systems		Revenue
New IMAX Theater Systems — installed and recognized						
Sales and sales-types lease arrangements[1]	**4**	**$**	**3,731**	15	$	19,942
Joint revenue sharing arrangements — hybrid	**2**		**1,126**	9		5,064
Total new IMAX Theater Systems	**6**		**4,857**	24		25,006
IMAX theater system upgrades — installed and recognized						
Sales and sales-types lease arrangements	**—**		**—**	2		2,028
Total IMAX Theater Systems installed and recognized	**6**	**$**	**4,857**	26	$	27,034

(1) The arrangement for the sale of an IMAX Theater System includes fixed upfront and ongoing consideration, including indexed annual minimum payment increases over the term of the arrangement, as well as the provision for additional payments in excess of the minimum agreed payments in situations when the theater exceeds certain box office thresholds.

The average revenue per IMAX Theater System under sales and sales-type lease arrangements varies depending upon the number of IMAX Theater System commitments with a single respective exhibitor, an exhibitor's location and various other factors. Average revenue per IMAX Theater System under sales and sales-type lease arrangements was $0.9 million during the six months ended June 30, 2020, compared to $1.3 million during the same period of the prior year.

For the six months ended June 30, 2020, IMAX Technology Sales and Maintenance revenue and gross margin decreased by $45.3 million (70%) and $23.5 million (83%), respectively, when compared to the same period in the prior year as the pace of theater system installations slowed significantly and regular maintenance services were suspended due to the temporary closure of theaters in the network due to the public health risks associated with the COVID-19 global pandemic. See below for separate discussions of IMAX Systems and IMAX Maintenance results for the period.

IMAX Systems

For the six months ended June 30, 2020, IMAX Systems revenue and gross margin decreased by $19.3 million (65%) and $9.2 million (61%), respectively, when compared to the same period in the prior year. These decreases are the result of 20 fewer IMAX Theater System installations in the current period as the pace of theater system installations slowed significantly due to the COVID-19 global pandemic.

IMAX Maintenance

For the six months ended June 30, 2020, IMAX Maintenance revenue and gross margin decreased by $18.8 million (72%) and $12.1 million (111%), respectively, as regular maintenance services were suspended and the associated revenue was not recognized during the period when substantially all of the theaters in the network were temporarily closed due to the COVID-19 global pandemic.

Maintenance margins vary depending on the mix of theater system configurations in the theater network, volume-pricing related to larger relationships and the timing and the date(s) of installation and/or service.

Selling, General and Administrative Expenses

For the six months ended June 30, 2020, Selling, General and Administrative Expenses decreased by $1.4 million (2%), when compared to the same period in 2019. For the three months ended June 30, 2020, Selling, General and Administrative Expenses excluding the impact of share-based compensation were $48.2 million, as compared to $49.4 million in the same period in 2019, representing a decrease of $1.2 million (2%).

The comparison to the prior year is significantly influenced by COVID-19 government relief that the Company became entitled to receive during the period under the Canada Emergency Wage Subsidy program and the U.S. CARES Act, of which $2.9 million was recognized in the second quarter of 2020 as a reduction to Selling, General and Administrative Expenses. Also impacting the comparison to the prior period are management's cost control efforts amidst the COVID-19 global pandemic resulting in lower staff costs, travel, facilities and marketing related expenses, among others. These factors are partially offset by an approximate $9.0 million decrease in labor and other costs capitalized to inventory, film assets, and joint venture theater equipment or allocated to costs applicable to revenues, due to the idling of the Company's productive capacity during the COVID-19 global pandemic.

Credit Loss Expense

For the six months ended June 30, 2020, the Company recorded a provision for current expected credit losses of $11.7 million reflecting a reduction in the credit quality of its theater and studio related receivable balances, which management believes is primarily related to the COVID-19 pandemic, as discussed in Note 2 of Notes to the Condensed Consolidated Financial Statements. Management's judgments regarding expected credit losses are based on the facts available to management and involve estimates about the future. Due to the unprecedented nature of the COVID-19 pandemic, its effect on the Company's customers and their ability to meet their financial obligations to the Company is difficult to predict. As a result, the Company's judgments and associated estimates of credit losses may ultimately prove, with the benefit of hindsight, to be incorrect. For the six months ended June 30, 2019, credit loss expense was $1.4 million. (See Notes 2 and 3 of Notes to Condensed Consolidated Financial Statements.)

Asset Impairments

For the six months ended June 30, 2020, the Company recorded asset impairments of $1.2 million (2019 — $nil) principally related to write-down of content-related assets which became impaired in the period. (See Notes 1 and 2 of Notes to Condensed Consolidated Financial Statements.)

Gain (loss) in fair value of equity securities

In the second quarter of 2019, IMAX China (Hong Kong), Limited, a wholly-owned subsidiary of IMAX China, entered into a cornerstone investment agreement with Maoyan Entertainment ("**Maoyan**") and purchased equity securities for $15.2 million. These equity securities are traded on the Hong Kong Stock Exchange, and the Company is required to adjust the fair value of the securities each period to reflect the current market value. This adjustment will fluctuate based on the closing market price at the end of each period. For the six months ended June 30, 2020, the fair value of the Company's investment in Maoyan experienced an unrealized loss of $2.5 million, as compared to an unrealized loss of $2.1 million in the same period in the prior year, which are both recognized in the Condensed Consolidated Statements of Operations.

Income Taxes

The Company's effective tax rate for the six months ended June 30, 2020 is -6.3% and differs from the Canadian statutory tax rate of 26.2%, primarily due to permanent book to tax differences, investment and other tax credits, jurisdictional tax rate differences, managements estimates of contingent liabilities related to the resolution of various tax examinations and withholding taxes associated with the reversal of the indefinite reinvestment assertion for certain foreign subsidiaries, as discussed below.

In the first quarter of 2020, management completed a reassessment of its strategy with respect to the most efficient means of deploying the Company's capital resources globally. Based on the results of this reassessment, management concluded that the historical earnings of certain foreign subsidiaries in excess of amounts required to sustain business operations would no longer be indefinitely reinvested. As a result, the Company recognized a deferred tax liability of $19.7 million in the first quarter of 2020 for the estimated applicable foreign withholding taxes associated with these historical earnings, which will become payable upon the repatriation of any such earnings. In the second quarter of 2020, the estimate of the applicable foreign withholding taxes was reduced by $1.2 million to $18.5 million due to a reduction in the amount of distributable historical earnings. Cash held outside of Canada as at June 30, 2020 was $75.0 million (December 31, 2019 — $90.1 million), of which $61.5 million was held in the People's Republic of China ("**PRC**") (December 31, 2019 — $67.6 million).

For the six months ended June 30, 2020, the Company recorded income tax expense of $5.3 million (2019 — $9.0 million), which includes the $18.5 million foreign withholding taxes discussed above. In addition, in the six months ended June 30, 2020, the Company recognized income tax expense of $5.1 million (2019 — $0.5 million) related to the provision for uncertain tax positions and an expense of $0.7 million (2019 — $0.3 million) recognized to reduce the tax benefit available on share-based compensation costs recognized in the period.

As at June 30, 2020, the Company's Condensed Consolidated Balance Sheets include net deferred income tax assets of $46.8 million, net of a valuation allowance of $0.2 million (December 31, 2019 — $23.9 million). As at June 30, 2020, the Company's Condensed Consolidated Balance Sheets include a deferred income tax liability of $18.5 million (December 31, 2019 — $nil). During the six months ended June 30, 2020, deferred tax assets increased by $22.9 million due to losses recognized in the period. The recoverability of these deferred tax assets is subject to certain levels of future taxable income and the uncertainties associated with accounting estimates, as discussed in Note 1 of Notes to Condensed Consolidated Financial Statements. Based on a review of the projected future earnings of the Company there was no change in management's estimates of the recoverability of the Company's deferred tax assets. Should actual results differ from management's estimates of future taxable income, an increased valuation allowance may be required.

The Company's Chinese subsidiary had taken a deduction for certain share-based compensation issued by its parent company in a prior period and had recognized a related deferred tax asset of $1.4 million (December 31, 2019 — $1.4 million). Chinese regulatory authorities responsible for capital and exchange controls will need to review and approve the proposed settlement of these transactions before they can be completed. There may be a requirement for future investment of funds into China in order to secure the deduction. Should the Company proceed, any such future investment would come from existing capital invested in the IMAX China group of companies being redeployed amongst the IMAX China group of companies, including the Chinese subsidiary.

Non-Controlling Interests

The Company's Condensed Consolidated Financial Statements include the non-controlling interest in the net income (loss) of IMAX China as well as the impact of non-controlling interests in the activity of its Original Film Fund subsidiary. For the six months ended June 30, 2020, the net loss attributable to non-controlling interests of the Company's subsidiaries was $14.1 million (2019 — net income of $6.7 million).

LIQUIDITY AND CAPITAL RESOURCES

Working Capital Facility

On July 24, 2019, IMAX (Shanghai) Multimedia Technology Co., Ltd. ("**IMAX Shanghai**"), the Company's majority-owned subsidiary in China, renewed its unsecured revolving facility for up to 200.0 million Renminbi (approximately $30.0 million) to fund ongoing working capital requirements (the "**Working Capital Facility**"). As at June 30, 2020, there was 1.7 million Renminbi ($0.2 million) in borrowings outstanding under the Working Capital Facility, and 198.3 million Renminbi ($29.8 million) was available for future borrowings. There were no amounts drawn under the Working Capital facility at December 31, 2019. The amounts available for borrowing under the Working Capital Facility are not subject to a standby fee. The effective interest rate for the three and six months ended June 30, 2020 was 4.35%, respectively. Subsequent to June 30, 2020, IMAX Shanghai renewed its Working Capital Facility.

Cash and Cash Equivalents

As of June 30, 2020, the Company's principal sources of liquidity included: (i) its balances of cash and cash equivalents ($319.0 million, which reflects the full draw of the Credit Facility in the first quarter of 2020), (ii) the anticipated collection of trade accounts receivable, which includes amounts owed under joint revenue sharing arrangements and DMR agreements with movie studios, (iii) the anticipated collection from financing receivables due in the next 12 months and (iv) payments expected in the next 12 months on its existing sales and sales type lease backlog.

The Company's $319.0 million balance of cash and cash equivalents as of June 30, 2020 includes $75.0 million in cash held outside of Canada (December 31, 2019 — $90.1 million), of which $61.5 million was held in the People's Republic of China (the "**PRC**") (December 31, 2019 — $67.6 million). In the first quarter of 2020, management completed a reassessment of its strategy with respect to the most efficient means of deploying the Company's capital resources globally. Based on the results of this reassessment, management concluded that the historical earnings of certain foreign subsidiaries in excess of amounts required to sustain business operations would no longer be indefinitely reinvested. As a result, during the six months ended June 30, 2020, the Company recognized a deferred tax liability of $18.5 million for the applicable foreign withholding taxes associated with these historical earnings, which will become payable upon the repatriation of any such earnings.

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

NON-GAAP FINANCIAL MEASURES

GAAP refers to generally accepted accounting principles in the United States of America. In this report, the Company presents financial measures in accordance with GAAP and also on a non-GAAP basis under U.S. Securities and Exchange Commission rules. Specifically, the Company presents the following non-GAAP financial measures as supplemental measures of its performance:

- Adjusted net (loss) income attributable to common shareholders;

- Adjusted net (loss) income attributable to common shareholders per basic and diluted share;

- EBITDA; and

- Adjusted EBITDA per Credit Facility.

Adjusted net (loss) income attributable to common shareholders and adjusted net (loss) income attributable to common shareholders per basic and diluted share exclude, where applicable: (i) share-based compensation; (ii) exit costs, restructuring charges and associated impairments, (iii) changes in the fair value of equity investments, (iv) COVID-19 government relief benefits, as well as the related tax impact of these adjustments, and (v) the income tax effects related to the removal of the indefinitely reinvested assertion on the historical earnings of certain subsidiaries.

The Company believes that these non-GAAP financial measures are important supplemental measures that allow management and users of the Company's financial statements to view operating trends and analyze controllable operating performance on a comparable basis between periods without the after-tax impact of share-based compensation and certain unusual items included in net (loss) income attributable to common shareholders. Although share-based compensation is an important aspect of the Company's employee and executive compensation packages, it is a non-cash expense and is excluded from certain internal business performance measures.

A reconciliation of net (loss) income attributable to common shareholders and the comparable per share amounts, the most directly comparable GAAP measures, to adjusted net (loss) income attributable to common shareholders and adjusted net (loss) income attributable to common shareholders per diluted share is presented in the table below. The Company believes that net (loss) income attributable to common shareholders is the most directly comparable GAAP measure because it reflects the earnings relevant to the Company's shareholders, rather than including the non-controlling interest. As such, beginning in the first quarter of 2020, the Company has updated the reconciliations for such non-GAAP financial measures included herein.

(In thousands of U.S. dollars, except per share amounts)	**Three Months Ended June 30, 2020** **Net Loss**	**Diluted EPS**	Three Months Ended June 30, 2019 Net Income	Diluted EPS
Reported net (loss) income attributable to common shareholders	**$ (25,967)**	**$ (0.44)**	$ 11,397	$ 0.19
Adjustments[1]:				
Share-based compensation	**6,168**	**0.10**	$ 6,799	0.11
Changes in the fair value of equity securities	**(1,413)**	**(0.02)**	3,101	0.05
COVID-19 government relief benefits	**(3,151)**	**(0.05)**	—	—
Tax impact on items listed above	**(857)**	**(0.01)**	(1,604)	(0.03)
Income tax effects related to the removal of the indefinitely reinvested assertion on the historical earnings of certain subsidiaries	**(841)**	**(0.02)**	—	—
Adjusted net (loss) income[1]	**$ (26,061)**	**$ (0.44)**	$ 19,693	$ 0.32
Weighted average basic shares outstanding		**58,808**		61,331
Weighted average diluted shares outstanding		**58,808**		61,507

(In thousands of U.S. dollars, except per share amounts)	**Six Months Ended June 30, 2020** Net Loss	Diluted EPS	Six Months Ended June 30, 2019 Net Income	Diluted EPS
Reported net (loss) income attributable to common shareholders	**$ (75,321)**	**$ (1.26)**	$ 19,662	$ 0.32
Adjustments[(1)]:				
Share-based compensation	**10,243**	**0.17**	11,076	0.18
Exit costs, restructuring charges and associated impairments	**—**	**—**	850	0.01
Change in the fair value of equity securities	**1,752**	**0.03**	1,401	0.03
COVID-19 government relief benefits	**(3,151)**	**(0.05)**	—	—
Tax impact on items listed above	**(1,195)**	**(0.02)**	(2,484)	(0.04)
Income tax effects related to the removal of the indefinitely reinvested assertion on the historical earnings of certain subsidiaries	**12,885**	**0.21**	—	—
Adjusted net (loss) income[(1)]	**$ (54,787)**	**$ (0.92)**	$ 30,505	$ 0.50
Weighted average basic shares outstanding		**59,613**		61,354
Weighted average diluted shares outstanding		**59,613**		61,525

(1) Reflects amounts attributable to common shareholders.

In addition to the non-GAAP financial measures discussed above, management also uses "**EBITDA**," as such term is defined in the Credit Agreement, and which is referred to herein as "**Adjusted EBITDA per Credit Facility**". As allowed by the Credit Agreement, Adjusted EBITDA per Credit Facility includes adjustments in addition to the exclusion of interest, taxes, depreciation and amortization. Accordingly, this non-GAAP financial measure is presented to allow a more comprehensive analysis of the Company's operating performance and to provide additional information with respect to the Company's compliance against its Credit Agreement requirements in the current period, if applicable. In addition, the Company believes that Adjusted EBITDA per Credit Facility presents relevant and useful information widely used by analysts, investors and other interested parties in the Company's industry to evaluate, assess and benchmark the Company's results.

EBITDA is defined as net (loss) income excluding: (i) interest expense, net of interest income; (ii) income tax (benefit) expense; and (iii) depreciation and amortization, including film asset amortization. Adjusted EBITDA per Credit Facility is defined as EBITDA excluding: (i) share-based and other non-cash compensation; (ii) gain (loss) in fair value of equity investment; (iii) write-downs, net of recoveries, including asset impairments and credit loss expense; and (iv) (gain) loss from equity accounted investments.

A reconciliation of net loss attributable to common shareholders, the most directly comparable GAAP measure, to EBITDA and Adjusted EBITDA per Credit Facility is presented in the table below. The Company believes that net loss attributable to common shareholders is the most directly comparable GAAP measure because it reflects the earnings relevant to the Company's shareholders, rather than including the non-controlling interest. As such, beginning in the first quarter of 2020, the Company has updated the reconciliations for such non-GAAP financial measures included herein.

	For the Three Months Ended June 30, 2020[1]		
(In thousands of U.S. Dollars)	**Attributable to Non-controlling Interests and Common Shareholders**	**Less: Attributable to Non-controlling Interests**	**Attributable to Common Shareholders**
Reported net loss	**$ (30,047)**	**$ (4,080)**	**$ (25,967)**
Add (subtract):			
Income tax (benefit) expense	**(10,248)**	**638**	**(10,886)**
Interest expense, net of interest income	**524**	**(96)**	**620**
Depreciation and amortization, including film asset amortization	**11,930**	**1,049**	**10,881**
EBITDA	**$ (27,841)**	**$ (2,489)**	**$ (25,352)**
Share-based and other non-cash compensation	**6,541**	**299**	**6,242**
Gain in fair value of equity investment	**(2,025)**	**(612)**	**(1,413)**
Write-downs, including asset impairments and credit loss expense	**3,843**	**1,815**	**2,028**
Adjusted EBITDA per Credit Facility	**$ (19,482)**	**$ (987)**	**$ (18,495)**

(In thousands of U.S. Dollars)	For the Twelve Months Ended June 30, 2020[(1)] Attributable to Non-controlling Interests and Common Shareholders	Less: Attributable to Non-controlling Interests	Attributable to Common Shareholders
Reported net loss	$ (57,210)	$ (9,093)	$ (48,117)
Add (subtract):			
Income tax expense	13,069	6,707	6,362
Interest expense, net of interest income	922	(424)	1,346
Depreciation and amortization, including film asset amortization	60,865	4,897	55,968
EBITDA	$ 17,646	$ 2,087	$ 15,559
Share-based and other non-cash compensation	22,710	730	21,980
Loss in fair value of equity investment	978	274	704
Write-downs, including asset impairments and credit loss expense	23,404	5,420	17,984
Loss from equity accounted investments	304	—	304
Adjusted EBITDA per Credit Facility	$ 65,042	$ 8,511	$ 56,531

(1) Senior Secured Net Leverage Ratio calculated using twelve months ended Adjusted EBITDA per Credit Facility. During the second quarter of 2020, the Company entered into the Amendment to the Credit Facility Agreement which provides for, among other things, the suspension of the Senior Secured Net Leverage Ratio financial covenant through the first quarter of 2021. For more information see Note 7 of Notes to Condensed Consolidated Financial Statements.

The Company cautions users of its financial statements that these non-GAAP financial measures may not be comparable to similarly titled measures reported by other companies. Additionally, the non-GAAP financial measures used by the Company should not be considered as a substitute for, or superior to, the comparable GAAP amounts.

OFF-BALANCE SHEET ARRANGEMENTS

There are currently no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on the Company's financial condition.

Item 3. *Quantitative and Qualitative Disclosures about Market Risk*

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

Foreign Exchange Rate Risk

A majority of the Company's revenue is denominated in U.S. dollars while a significant portion of its costs and expenses is denominated in Canadian dollars. A portion of the Company's net U.S. dollar cash flows is converted to Canadian dollars to fund Canadian dollar expenses through the spot market. In addition, IMAX films generate box office in 81 different countries, and therefore unfavorable exchange rates between applicable local currencies and the U.S. dollar could have an impact on the Company's reported gross box office and revenues. The Company has incoming cash flows from its revenue generating theaters and ongoing operating expenses in China through its majority-owned subsidiary IMAX (Shanghai) Multimedia Technology Co., Ltd. In Japan, the Company has ongoing Yen-denominated operating expenses related to its Japanese operations. Net Renminbi and Japanese Yen cash flows are converted to U.S. dollars through the spot market. The Company also has cash receipts under leases denominated in Renminbi, Japanese Yen, Euros and Canadian dollars.

The Company manages its exposure to foreign exchange rate risks through the Company's regular operating and financing activities and, when appropriate, through the use of derivative financial instruments. These derivative financial instruments are utilized to hedge economic exposures as well as reduce earnings and cash flow volatility resulting from shifts in market rates.

Certain of the Company's subsidiaries held approximately 434.9 million Renminbi ($61.5 million) in cash and cash equivalents as at June 30, 2020 (December 31, 2019 — 471.6 million Renminbi or $67.6 million) and are required to transact locally in Renminbi. Foreign currency exchange transactions, including the remittance of any funds into and out of the PRC, are subject to controls and require the approval of the China State Administration of Foreign Exchange to complete. Any developments relating to the Chinese economy and any actions taken by the China government are beyond the control of the Company; however, the Company monitors and manages its capital and liquidity requirements to ensure compliance with local regulatory and policy requirements.

For the three and six months ended June 30, 2020, the Company recorded a foreign exchange net loss of $0.3 million and net loss of $1.0 million, respectively, as compared to a foreign exchange net loss of $0.2 million and net loss of $0.4 million for the three and six months ended June 30, 2019, respectively, associated with the translation of foreign currency denominated monetary assets and liabilities.

The Company entered into a series of foreign currency forward contracts to manage the Company's risks associated with the volatility of foreign currencies. The forward contracts have settlement dates throughout 2020 and 2021. Foreign currency derivatives are recognized and measured in the balance sheet at fair value. Changes in the fair value (gains or losses) are recognized in the Condensed Consolidated Statements of Operations except for derivatives designated and qualifying as foreign currency cash flow hedging instruments. The Company currently has cash flow hedging instruments associated with selling, general and administrative expenses and inventories. For foreign currency cash flow hedging instruments related to selling, general and administrative expenses, the effective portion of the gain or loss in a hedge of a forecasted transaction is reported in Other Comprehensive Income and reclassified to the Condensed Consolidated Statements of Operations when the forecasted transaction occurs. For foreign currency cash flow hedging instruments related to inventories, the effective portion of the gain or loss in a hedge of a forecasted transaction is reported in Other Comprehensive Income and reclassified to Inventories on the Condensed Consolidated Balance Sheets when the forecasted transaction occurs. Any ineffective portion is recognized immediately in the Condensed Consolidated Statement of Operations.

The notional value of foreign currency cash flow hedging instruments that qualify for hedge accounting at June 30, 2020 was $32.4 million (December 31, 2019 — $36.1 million). A gain of $1.3 million and a loss of $1.5 million was recorded to Other Comprehensive Income with respect to the change in fair value of these contracts for the three and six months ended June 30, 2020, respectively (2019 — gain of $0.3 million and a gain of $0.4 million, respectively). A loss of $0.3 million and a loss of $0.7 million was reclassified from Accumulated Other Comprehensive Income to Selling, General and Administrative Expenses, Inventories and Property, Plant and Equipment for the three and six months ended June 30, 2020, respectively (2019 — loss of $0.4 million and a loss of $0.7 million, respectively). The Company's estimated net amount of existing losses as at June 30, 2020 is $0.4 million, which is expected to be reclassified to earnings within the next twelve months. Appreciation or depreciation on forward contracts not meeting the requirements for hedge accounting in the Derivatives and Hedging Topic of the FASB Accounting Standards Codification are recorded to Selling, General and Administrative Expenses. The notional value of forward contracts that do not qualify for hedge accounting at June 30, 2020 was $3.6 million (December 31, 2019 — $nil).

For all derivative instruments, the Company is subject to counterparty credit risk to the extent that the counterparty may not meet its obligations to the Company. To manage this risk, the Company enters into derivative transactions only with major financial institutions.

At June 30, 2020, the Company's financing receivables and working capital items denominated in Canadian dollars, Renminbi, Japanese yen and Euros translated into U.S. dollars was $119.9 million. Assuming a 10% appreciation or depreciation in foreign currency exchange rates from the quoted foreign currency exchange rates at June 30, 2020, the potential change in the fair value of foreign currency-denominated financing receivables and working capital items would have been $12.0 million. A significant portion of the Company's selling, general, and administrative expenses is denominated in Canadian dollars. Assuming a 1% appreciation or depreciation in foreign currency exchange rates at June 30, 2020, the potential change in the amount of selling, general, and administrative expenses would be $0.1 million.

Interest Rate Risk Management

The Company's earnings are also affected by changes in interest rates due to the impact those changes have on its interest income from cash, and its interest expense from variable-rate borrowings under the Credit Facility.

As at June 30, 2020, the Company had drawn down $300.0 million on its Credit Facility (December 31, 2019 — $20.0 million) and $0.2 million on IMAX China's Working Capital Facility (December 31, 2019 — $nil).

The Company's largest exposure with respect to variable rate debt comes from changes in the LIBOR. The Company had variable rate debt instruments representing 55.3% and 8.1% of its total liabilities as at June 30, 2020 and December 31, 2019, respectively. If the interest rates available to the Company increased by 10%, the Company's interest expense would increase by $0.4 million and interest income from cash would increase by $0.2 million. These amounts are determined by considering the impact of the hypothetical interest rates on the Company's variable rate debt and cash balances at June 30, 2020.

PART II. OTHER INFORMATION

Item 1A. ***Risk Factors***

This Form 10-Q and the risk factor below should be read together with, and supplement, the risk factors in Item 1A. Risk Factors in the Company's 2019 Form 10-K, which describes various risks and uncertainties to which the Company is or may become subject, and the risk factor below supersedes the risk factor disclosed in Item 1A of the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020. The risks described below and in the Company's 2019 Form 10-K are not the only risks facing the Company. Additional risks and uncertainties not currently known to the Company or that the Company currently deems to be immaterial also may materially adversely affect its business, financial condition and/or operating results.

The Company has experienced a significant decrease in its revenues, earnings and cash flows due to the COVID-19 global pandemic and its business, financial condition and results of operations may continue to be significantly harmed in future reporting periods.

In late-January 2020, in response to the public health risks associated with an outbreak of COVID-19, the Chinese government directed exhibitors in China to temporarily close more than 70,000 movie theaters, including all of the approximately 700 IMAX theaters in mainland China. On March 11, 2020, due to the worsening public health crisis associated with the novel coronavirus, COVID-19 was characterized as a pandemic by the World Health Organization, and in the following weeks, local, state and national governments instituted stay-at-home orders and restrictions on large public gatherings which caused movie theaters in countries around the world to temporarily close, including substantially all of the IMAX theaters in those countries. As a result of the theater closures, Hollywood and Chinese movie studios have postponed the theatrical release of multiple films, including many scheduled to be shown in IMAX theaters, while other films have been released directly to streaming platforms. As of the date of this report, stay-at-home orders have been lifted in many countries and movie theaters are gradually reopening with reduced capacities, physical distancing requirements, and other safety measures. Subsequent to June 30, 2020, approximately 40% of the theaters in the IMAX commercial multiplex network have begun to report GBO results in July. These theaters span across 40 countries and include the Domestic, Greater China and Rest of World markets.

The repercussions of the COVID-19 global pandemic have resulted in a significant decrease in the Company's revenues, earnings, and operating cash flow during the first and second quarters of 2020 due to a decline in the box office related revenues generated by IMAX theaters, delays in the installation of certain theater systems and suspension of maintenance services. During this period, the Company is generating significantly lower than normal levels of box-office based revenue and expects that it will continue to experience a significant decrease in overall revenues and earnings during the time period when a significant number of the theaters in the IMAX network are closed. Moreover, given the uncertainty around when movie-going will return to historical levels, there can be no guarantees that the Company will not continue to be significantly impacted by the COVID-19 global pandemic even after some or all theaters are reopened. In addition, the global economic impact of COVID-19 has led to record levels of unemployment in certain countries, which has led to, and may continue to result in, lower consumer spending. The timing and extent of a recovery of consumer behavior and willingness to spend discretionary income on movie-going may delay the Company's ability to generate significant GBO-based revenue until such time as consumer behavior normalizes and consumer spending recovers.

In addition, there can be no guarantees that the steps the Company has taken and continues to take to preserve cash and manage its expenditures will result in the cost savings the Company anticipates. There can also be no guarantees that any wage subsidies, tax credits and other financial support or any other governmental benefits and support for which the Company is eligible domestically or internationally under newly enacted COVID-19 relief legislation in the countries in which the Company operates will materialize in the amounts expected. The Company cannot predict the manner in which such benefits will be allocated or administered, and the Company cannot guarantee that it will be able to access such benefits in a timely manner or at all. Certain of the benefits the Company seeks to access or may apply for in the future have not previously been administered on the present scale or at all. Any benefits the Company expects to receive, or may apply for in the future, may not be at the same levels as currently estimated, may impose additional conditions and restrictions on the Company's operations or may otherwise provide less relief than currently contemplated. There can be no guarantees that the Company will receive any additional material financial support through these or other programs that may be created, expanded or implemented by governments in the countries in which the Company operates.

In addition, the Company has experienced and may continue to experience delays in collecting payments due under existing theater sale or lease arrangements from its exhibitor partners who are now facing financial difficulties as a result of the theater closures. The ability of such partners to make payments cannot be guaranteed and is subject to changing economic circumstances. There are no guarantees that some of the Company's exhibitor partners will not enter into bankruptcy proceedings. In such cases, the local laws governing restructurings would apply, and there can be no guarantees of the Company's success in obtaining complete or partial payments owed to it under these regulatory regimes. Further, the Company has had to delay movie theater installations from backlog and may be required to further delay or cancel such installations in the future. As a result, the Company's future revenues and cash flows may be adversely affected.

Given the dynamic nature of the circumstances, while the Company has been negatively impacted as of the date of filing of this report, it is difficult to predict the full extent of such adverse impact of the COVID-19 global pandemic on the Company's financial condition, liquidity, business and results of operations in future reporting periods. The extent and duration of such impact on the Company will depend on future developments, including, but not limited to, the timing of reopening of movie theaters worldwide, and the timing of when delayed films are released, consumer behavior and general economic conditions, the solvency of the Company's exhibitor partners, their ability to make timely payments and any potential construction or installation delays involving our exhibitor partners. Such events are highly uncertain and cannot be accurately forecast. Moreover, there can be no guarantees that the Company's liquidity needs will not increase materially over the course of this pandemic. In addition, liquidity needs as well as other changes to the Company's business and operations may impact the Company's ability to maintain compliance with certain covenants under the amended Credit Agreement. The Company may also be subject to impairment losses based on long-term estimated projections. These estimates and the likelihood of future changes in these estimates depend on a number of underlying variables and a range of possible outcomes. Actual results may materially differ from management's estimates, especially due to the uncertainties associated with the COVID-19 pandemic. If business conditions deteriorate further, or should they remain depressed for a prolonged period of time, management's estimates of operating results and future cash flows for reporting units may be insufficient to support the goodwill assigned to them, thus requiring impairment charges. Estimates related to future expected credit losses and deferred tax assets could also be materially impacted by changes in estimates in the future.

In addition, the COVID-19 pandemic and public health measures implemented to contain it may also have the effect of heightening many of the other risks described in the Company's 2019 Form 10-K, including, but not limited to, risks relating to harm to our key personnel, diverting management's resources and time to addressing the impacts of COVID-19 which may negatively affect the Company's ability to implement its business plan and pursue certain opportunities, potential impairments, the effectiveness of our internal control of financial reporting, cybersecurity and data privacy risks due to employees working from home, and risks of increased indebtedness due to the full draw down of the Credit Facility, including the Company's ability to seek waivers of covenants or to refinance such borrowings, among others. The longer the COVID-19 pandemic and associated protective measures persist, the more severe the extent of the adverse impact of the pandemic on the Company is likely to be.

Item 2. ***Unregistered Sales of Equity Securities and Use of Proceeds***

Issuer Purchases of Equity Securities

In 2019, IMAX China announced that its shareholders granted its Board of Directors a general mandate authorizing the Board, subject to applicable laws, to repurchase shares of IMAX China in an amount not to exceed 10% of the total number of issued shares of IMAX China as at June 6, 2019 (35,605,560 shares). This program expired on the date of the 2020 Annual General Meeting of IMAX China on June 11, 2020. During the 2020 Annual General Meeting, shareholders approved the repurchase of shares of IMAX China not to exceed 10% of the total number of issued shares as of June 11, 2020 (34,848,398 shares). This program will be valid until the 2021 Annual General Meeting of IMAX China. The repurchases may be made in the open market or through other means permitted by applicable laws. IMAX China has no obligation to repurchase its shares and the share repurchase program may be suspended or discontinued by IMAX China at any time. In the three and six months ended June 30, 2020, IMAX China repurchased 425,800 and 906,400 common shares, respectively at an average price of HKD11.63 per share and HKD13.13 per share, respectively ($1.50 and $1.69 per share, respectively).

The total number of shares purchased during the three and six months ended June 30, 2020, under both the Company and IMAX China's repurchase plans, does not include any shares purchased in the administration of employee share-based compensation plans.

(2) EARNINGS RELEASE EXTRACTS

"We are seeing early signs of progress, with 41% of our global network currently open. This includes 409 IMAX® theaters in China, which are scheduled to debut Hollywood and local language films over the coming weeks. Additionally, the South Korean blockbuster "Peninsula" continues to perform well across markets in Asia and Europe, drawing $21 million in global box office in its opening weekend despite capacity limitations and highlighting solid demand among moviegoers in lower-risk markets worldwide."

"We continue to look ahead to an exceptionally strong slate through 2021, as studios affirm their commitment to the theatrical release by rescheduling their key blockbuster titles. Additionally, major global exhibitors continue to underscore the value of The IMAX Experience, with new agreements including a 10-theatre deal with Wanda Film in China and a multinational 17-theatre deal with CGV."

IMAX Technology Network

- IMAX Technology Network revenues decreased 99% to $0.4 million in the second quarter of 2020, compared to $64.8 million in the prior-year period. The closure of the Company's network due to the COVID-19 pandemic impacted results.

- Margin (loss) for the IMAX Technology Network was ($6.5) million in the second quarter of 2020 and was driven by the lack of revenue and ongoing fixed costs associated with our installed IMAX network.

IMAX Technology Sales and Maintenance

- IMAX Technology Sales and Maintenance revenues decreased 87% to $4.6 million in the second quarter of 2020, compared with $34.8 million in the prior year period. Seven fewer sales type lease installations principally resulted in lower IMAX system revenue. IMAX maintenance revenue declined to nil as regular maintenance services were suspended due to the COVID-19 theater closures.

- Total gross margin for IMAX Technology Sales and Maintenance was $0.2 million compared to $15.4 million in the prior year period. Lower revenue was partially offset by the shift in certain overhead costs from cost of sales to SG&A.

Primary Reporting Groups

The Company has the following reportable segments: (i) IMAX DMR; (ii) Joint Revenue Sharing Arrangements; (iii) IMAX Systems, (iv) IMAX Maintenance; (v) Other Theater Business; (vi) New Business Initiatives; (vii) Film Distribution; and (viii) Film Post-production. The Company organizes its reportable segments into the following four categories, identified by the nature of the product sold or service provided:

(i) IMAX Technology Network, which earns revenue based on contingent box office receipts and includes the IMAX DMR segment and contingent rent from the Joint Revenue Sharing Arrangement ("**JRSA**") segment;

(ii) IMAX Technology Sales and Maintenance, which includes results from the IMAX Systems, IMAX Maintenance and Other Theater Business segments, as well as fixed revenues from the JRSA segment;

(iii) New Business Initiatives, which is a segment that includes activities related to the exploration of new lines of business and new initiatives outside of the Company's core business; and

(iv) Film Distribution and Post-production, which includes activities related to the licensing of film content, the distribution of films primarily for the Company's institutional theater partners (through the Film Distribution segment) and the provision of film post-production and quality control services (through the Film Post-production segment).

DEFINITIONS USED IN THIS ANNOUNCEMENT

"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, as amended from time to time
"Board" or "Board of Directors"	the board of directors of the Company
"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
"controlling shareholder", "subsidiary" and "substantial shareholder"	shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires
"Directors"	the directors of the Company and "Director" shall be construed accordingly as a director of the Company
"Earnings Release"	the earnings release by IMAX Corporation on 28 July 2020 New York time
"EIT"	enterprise income tax
"FY" or "financial year"	financial year ended or ending 31 December
"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 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 Holding"	IMAX (Hong Kong) Holding, Limited, a company incorporated in Hong Kong and a direct wholly-owned subsidiary of IMAX (Barbados) Holding, Inc.
"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 China (Hong Kong) Limited
"IPO"	initial public offering
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange on 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
"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
"NYSE"	New York Stock Exchange
"PRC" or "China"	the People's Republic of China, but for the purposes of this document only, except where the context requires, references in this announcement to PRC or China exclude Hong Kong, Macau and Taiwan
"Prospectus"	the prospectus of the Company dated 24 September 2015
"RSUs"	restricted share units
"Quarterly Report"	the Quarterly Report filed by IMAX Corporation on 28 July 2020 New York time
"RMB"	Renminbi, the lawful currency of the PRC
"SEC"	the United States Securities and Exchange Commission

"Share(s)"	Ordinary share(s) with a nominal value of US$0.0001 each in the share capital of the Company and a "Share" means any of them
"Shareholder(s)"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"TCL-IMAX Entertainment"	TCL-IMAX Entertainment Co., Limited, a company incorporated in Hong Kong with limited liability on 3 January 2014, being the joint venture company jointly owned by IMAX Hong Kong Holding and Sino Leader (Hong Kong) Limited, which is wholly owned by TCL Multimedia Technology Holdings Limited
"U.S." or "United States"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
"USD", "US$", "$" 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 announcement in connection with the Group and its business. The terminologies and their meanings may not correspond to standard industry meanings or usage of those terms.

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

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

"studio"	an organisation that produces films (which may include all or some of script writing, financing, production team and equipment sourcing, casting, shooting and post production), owns the copyright to the films it produces and works with distributors to release those films at theatres
"take rate"	a film studio's share of box office generated from a particular film, after making certain tax and other deductions
"theatre circuit"	an organisation that distributes newly released films to theatres within that circuit; every theatre in the PRC must be affiliated with a theatre circuit

By Order of the Board
IMAX China Holding, Inc.
Zi Maggie Chen
Company Secretary

Hong Kong, 29 July 2020

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

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

Non-Executive Directors:
Richard Gelfond
Megan Colligan

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

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