IMAGING DYNAMICS COMPANY LTD.

FINANCIAL RESULTS

FOR THE THREE MONTHS ENDED MARCH 31, 2018

Your Global Medical Imaging Technology Provider

Management Report

To the Shareholders of Imaging Dynamics Company Ltd.:

The accompanying condensed consolidated interim financial statements for the three months ended March 31, 2018 of Imaging Dynamics Company Ltd. (the "Company") are the responsibility of Management. The condensed consolidated interim financial statements have been prepared by Management in accordance with International Financial Reporting Standards ("IFRS") and include certain estimates that reflect Management's best judgment. The Corporation's auditors have not reviewed or audited these condensed consolidated interim financial statements.

Management is also responsible for a system of internal controls which is designed to provide reasonable assurance that the Company's assets are safeguarded and accounting systems provide timely and accurate financial reports.

Signed: *"Yucheng Zhou"*

Yucheng Zhou

President and Chief Executive Officer
May 29, 2018

Signed: "*Rong Xue*"

Rong Xue

Chief Financial Officer

Imaging Dynamics Company Ltd.

Condensed Consolidated Interim Statements of Financial Position

(unaudited, expressed in Canadian dollars)

As at	Note *	March 31, 2018	December 31, 2017
Assets			
Current			
Cash and cash equivalents		$ **71,891**	$ 53,177
Trade and other receivables	5	**138,408**	143,713
Inventory	6	**702,092**	1,090,170
Prepaid expenses and other		**21,741**	26,398
Assets held for sale - current	23	**17,433,716**	18,280,181
		18,367,848	19,593,639
Non-current assets			
Property, plant and equipment	7	**492,599**	456,870
Intangible assets	8	**485,031**	474,659
Assets held for sale - long term	23	**2,028,278**	1,817,230
Total Assets		$ **21,373,756**	$ 22,342,398
Liabilities			
Current			
Trade and other payables	9	$ **2,117,645**	$ 1,846,060
Customer deposits		**338**	-
Lease inducement		**11,548**	11,548
Warranty provision		**125,647**	120,304
Convertible debentures-current	12	**17,605,514**	12,034,707
Loan payable	11	**-**	-
Liabilities related to assets held for sale	23	**24,400,254**	23,286,366
		44,260,946	37,298,985
Long-term liabilities			
Convertible debentures - long term	12	**-**	5,471,545
Lease inducement		**37,529**	40,416
Total Liabilities		**44,298,475**	42,810,946
Shareholders' deficiency			
Share capital	13	**78,147,450**	78,147,450
Share-based payments reserve	14	**7,186,107**	7,186,107
Contributed surplus	15	**5,507,196**	5,507,196
Other comprehensive income		**(687,080)**	(467,371)
Deficit		**(113,076,950)**	(110,849,956)
Shareholders' deficiency attributable to owners of the Company		**(22,923,277)**	(20,476,574)
Non-controlling interests		**(1,442)**	8,026
		(22,924,719)	(20,468,548)
Total Liabilities and Shareholders' deficiency		$ **21,373,756**	$ 22,342,398
Going concern	2		
Commitment and contingencies	22		

* the accompanying notes are an integral part of these consolidated financial statements

On behalf of the Board:

"Signed" Yucheng Zhou
Yucheng Zhou, Chief Executive Officer

"*Signed*" *Paul Lin*
Paul Lin, Director

Imaging Dynamics Company Ltd.

Condensed Consolidated Interim Statements of Operations and Comprehensive Loss

(unaudited, expressed in Canadian dollars)

For the three months ended March 31,	Note*	2018	2017
Revenues		**$ 152,158**	$ 286,493
Cost of sales		**124,811**	248,743
Gross profit		**$ 27,347**	$ 37,750
Expenses			
Sales and marketing		**68,922**	108,801
General and administrative	17	**217,385**	447,591
Research and development		**135,818**	59,178
Foreign exchange loss (gain)		**7,403**	3,483
Warranty provision		**5,343**	6,696
Bad debt expense (recovery)		**-**	-
Depreciation of property, plant and equipment	7	**41,542**	26,572
Amortization of intangible assets	8	**21,649**	16,883
		$ 498,062	$ 669,204
Loss before finance costs		**(470,715)**	(631,454)
Finance costs			
Interest expense		**363,344**	365,339
Interest and other income		**-**	(4,638)
Income before taxes		**(834,059)**	**(992,155)**
Deferred tax recovery		**-**	-
Net loss from continuing operations		**(834,059)**	**(992,155)**
Net loss on discontinued operations, net of income taxes	**23**	**(1,400,840)**	**(1,515,424)**
Net loss		**(2,234,899)**	**(2,507,579)**
Other comprehensive income			
Foreign currency translation loss (gain) from discontinued operations		**(221,272)**	(24,903)
Net loss and comprehensive loss		**$ (2,456,171)**	$ (2,482,676)
Net loss attributable to discontinued operations:			
Owners of the Company		**(1,392,935)**	(1,515,424)
Non-controlling interests		**(7,905)**	-
Net loss and comprehensive loss		**$ (1,400,840)**	$ (1,515,424)

Imaging Dynamics Company Ltd.

Condensed Consolidated Interim Statements of Operations and Comprehensive Loss

(unaudited, expressed in Canadian dollars)

For the three months ended March 31,		**2018**		2017
Net loss attributable to:				
Owners of the Company		**(2,226,994)**		(2,507,579)
Non-controlling interests		**(7,905)**		
Net loss	**$**	**(2,234,899)**	$	(2,507,579)
Net loss and comprehensive loss attributable to:				
Owners of the Company		**(2,446,705)**		(2,482,676)
Non-controlling interests		**(9,465)**		
Net loss and comprehensive loss	**$**	**(2,456,170)**	$	(2,482,676)
Net Loss per share, basic and diluted:				
Continuing operations		(0.01)		(0.04)
Discontinued operations		(0.02)		
Net loss	**$**	**(0.038)**	$	(0.04)

* the accompanying notes are an integral part of these consolidated financial statements

Imaging Dynamics Company Ltd.

Condensed Consolidated Interim Statements of Changes in Shareholders' Deficiency

(unaudited, expressed in Canadian dollars)

	Note*	Share Capital	Share-based payments reserve	Contributed surplus	Accumulated Other Comprehensive Income	Deficit	Non Controlling Interest	Total Shareholders' Deficiency
Balance December 31, 2016		78,147,450	7,186,107	5,507,196	(437,282)	(99,346,025)	-	(8,942,554)
Foeign exchange gain (loss)								
on translation					(30,089)		362	(29,727)
Loss for the year		-	-	-	-	(11,503,931)	(87,103)	(11,591,034)
Non-controlling interest arising from								
the acquisition of IDC (Guangzhou)		-	-	-	-	-	94,767	94,767
Balance December 31, 2017		**$78,147,450**	**$7,186,107**	**$5,507,196**	**($467,371)**	**($110,849,956)**	**$8,026**	**(20,468,548)**
Foeign exchange gain (loss)								
on translation		-	-		(219,709)	-	(1,563)	(221,272)
Loss for the year		-	-			(2,226,994)	(7,905)	(2,234,899)
Balance, March 31, 2018		**$78,147,450**	**$7,186,107**	**$5,507,196**	**($687,080)**	**($113,076,950)**	**($1,442)**	**($22,924,719)**

* the accompanying notes are an integral part of these consolidated financial statements

Imaging Dynamics Company Ltd.

Condensed Consolidated Interim Statements of Cash Flows

(unaudited, expressed in Canadian dollars)

For the three months ended March 31,	Note*	2018	2017
Cash provided by (used in):			
Operating activities			
Net loss		**($2,456,171)**	($2,507,580)
Items not affecting cash:			
Depreciation of property, plant & equipment		**75,356**	51,507
Amortization of intangible assets		**23,505**	28,870
Foreign exchange loss (gain)		**11,553**	(715)
Loan accretion and accrued interest		**395,667**	18,953
Warranty expense (recovery)		**5,343**	6,696
		(1,944,747)	(2,402,269)
Change in non-cash working capital	17	**1,300,770**	(1,608,845)
Cash (provided by) used in operating activities - Discountinued opertions.		**677,097**	2,357,679
Cash provided by (used in) operating activities - Continued operations.		**33,119**	(1,653,435)
Investing activities			
Additions to property, plant and equipment	7	**(38,362)**	(75,404)
Additions to intangible assets	8	**(327,343)**	(527,344)
Proceeds on disposition of property, plant and equipment		**-**	-
Cash (provided by) used in investing activities - Discountinued operations		**254,925**	613,874
Cash provided by (used in) investing activities - Continued operations.		**(110,779)**	11,126
Financing activities			
Convertible debentures, net of issue costs		**99,262**	-
Loan payable		**119,401**	-
Deferred Financing		**1,010,701**	
Cash (provided by) used in financing activities - Discountinued operations		**(1,132,989)**	-
Cash provided by (used in) financing activities - Continued operations.		**96,375**	**-**
Efffect of foreign exchange on cash		**-**	95,386
Net (decrease) increase in cash and cash equivalents - Continued operations		**18,715**	(1,546,923)
Cash and cash equivalents beginning of period		**53,177**	3,010,057
Cash and cash equivalents end of period		**$71,892**	$1,463,134
Cash and cash equivalents from Continued operations		**$71,891**	$1,463,134
Cash and cash equivalents from Discountinued operations		**$2,310,642**	1,095,109
Cash and cash equivalents end of period		**$2,382,533**	$2,558,243

* the accompanying notes are an integral part of these consolidated financial statements

1. Nature of the organization

Imaging Dynamics Company Ltd. (the "Company" or "IDC") is a public company incorporated under the laws of the Province of Alberta. The Corporation is listed on the TSX Venture Stock Exchange ("TSXV"), trading under the symbol "IDL". The address of its registered office is #130, 3510 29th Street NE, Calgary, Alberta, Canada, T1Y 7E5.

The Company's technology produces digital diagnostic images. Its purpose is to replace the need for film and chemical film processing, as well as reduce the storage and retrieval costs normally associated with traditional X-ray technology. The Company provides an environmentally friendly solution for producing diagnostic images compared to traditional analog imaging.

2. Going concern

These consolidated financial statements of the Company have been prepared by Management on a going concern basis which assumes that the Company will realize the carrying value of its assets and satisfy its obligations as they become due in the normal course of operations. As of March 31, 2018, the Company had a negative working capital of $25,893,098 (working capital at December 31, 2017 – $17,705,346), negative cash flows from operating activities for the first three months of $643,977 (year ended December 31, 2017 – $13,978,218) and a net loss for the first three months in year 2018 of $2,456,171 (year ended December 31, 2017 – $11,591,034) and deficit at March 31, 2018 of $113,076,950 (December 31, 2017– $110,849,956). The ability of the Company to continue as a going concern will depend on attaining a satisfactory revenue level, the generation of cash from operating activities, and the ability to secure additional new financing arrangements and new capital, the outcome of which is uncertain.

The Company will seek to raise additional capital through equity markets, debt markets or other innovative financing arrangements, including partnership or licensing arrangements that may be available for continued operations. However, the disclosed uncertainties may cast significant doubt on the Company's ability to continue as a going concern. Although, in the opinion of management, the use of the going concern assumption is appropriate, there can be no assurance that any steps management is taking will be successful. These consolidated financial statements do not reflect adjustments in the carrying values of the assets and liabilities, revenues, expenses and the balance sheet classifications that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

3. Basis of preparation

a) Statement of compliance

These consolidated financial statements were authorized for issuance by the Board of Directors on May 29, 2018. The Company prepared these consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and the interpretations of the International Financial Reporting Standards Interpretations Committee ("IFRIC") in effect at January 1, 2017.

3. Basis of preparation*(continued)*

The interim financial statements do not include all information and disclosures normally provided in annual financial statements and should be read in conjunction with the Company's year ended

December 31, 2017 audited consolidated financial statements available at www.sedar.com. The Company has prepared these interim financial statements using the same accounting policies and critical accounting estimates applied in the Company's year ended audited consolidated financial statements.

b) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except as discussed in the significant accounting policies as below.

c) Assets held for sale and discontinued operations

In 2017, IDC started a financing of a wholly-owned subsidiary ("IDC Shanghai" or the "Subsidiary") for RMB 80,000,000 (approximately CAD 16,091,108) with Beijing Sheng Zexin Technology Development Co (BSZ), Beijing Xiangyuda Technology Co, (BXT) and Shanghai Fuli Medical Technology Limited Partnership(Fuli). Management has received financing in the amount of RMB 71,071,401(approximately CAD 13,702,624) from above three investors late in fiscal 2017. The remaining amount of financing will be received in 2018. The transaction was approval by the Chinese regulatory authorities on May 2nd, 2018.

The above financing arrangement will result in the Company losing control of IDC Shanghai and the ownership structure of IDC Shanghai after financial arrangement will be: BSZ-36.5%, BXT – 30.5%, FuLi – 13% and IDC 20%. Thus, the assets and liabilities of IDC Shanghai and its subsidiaries were classified as a disposal group held for sale and results have been presented as a discontinued operation in the comparative consolidated statements of income (loss) separately from continuing operations of the Company.

d) Functional and presentation currency

The Company measures the transactions in its entities using the currency of the primary economic environment in which the entity operates (functional currency). These consolidated financial statements are presented in Canadian dollars ("CAD") which is the functional currency of the parent entity. The functional currency of the Chinese subsidiaries is the Renminbi ("CNY"). The functional currency of the inactive subsidiaries includes CAD, US dollars and Hong Kong dollars.

d) Use of estimates, assumptions and judgments

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of these consolidated financial statements and the reported amounts of revenues and expenses for the period reported. Although these estimates are based on management's best knowledge of amounts, events or actions, actual results ultimately may differ from these estimates.

3. Basis of preparation*(continued)*

Estimates, assumptions and judgments are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised as future confirming events occur.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in these consolidated financial statements are included in the following notes:

(i) Estimates

Allowance for doubtful accounts – Management continuously monitors and reviews its trade and other receivables and makes its best assumption on collectability of these trade and other receivables (Note 5). Any uncertainty in these assumptions could impact the value of the trade and other receivables reported in these consolidated financial statements.

Inventory obsolescence - Management reviews and estimates the carrying value of inventory periodically and records a provision for inventory obsolescence for specific inventory items. These estimates by their nature are subject to uncertainty and the impact of the provision for inventory obsolescence expense could be material in these consolidated financial statements.

Property, plant and equipment and intangible assets – Depreciation and amortization expense and impairment of assets are recorded based on management's estimate of the useful life of the assets, market conditions, and fair value of assets or projected cash flows derived from the use of the assets, which in turn determines the depreciation/amortization rates and asset impairment calculations (Notes 7 and 8). By their nature, these estimates are subject to uncertainty and the impact on the consolidated financial statements of future periods could be material.

Share-based payments reserve – Management uses the Black-Scholes option pricing model to determine the fair value of the share-based payments (Note 14). Management is required to make several assumptions working through the Black-Scholes model. By its nature, Black-Scholes option pricing model assumptions are subject to uncertainty and could impact the share-based payments expense and reserve on these consolidated financial statements.

Warranty provision – Management estimates and recognizes a warranty expense at the time of sale and a provision is recognized. Management reviews historical information of warranty related issues, warranty period provided at time of sale, and warranty received from its vendors in determining the amount of provision that is required to be recognized. These assumptions by their nature are subject to uncertainty and the impact of warranty expense and warranty provision could be material in these consolidated financial statements.

Deferred taxes – Tax interpretations, regulations and legislation are subject to change, and as such, deferred taxes are subject to measurement uncertainty. Deferred taxes are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings and which tax rate is expected to apply when the temporary differences reverse.

Convertible debentures – The initial value of the convertible debentures was determined based on an estimated market interest rate of 8.28%. Management determined the interest rate considering the

3. Basis of preparation*(continued)*

previous interest rate of the long-term debt, the credit risk of the Company and the interest rate on similar loans of other public companies.

(ii) Judgments

Cash generating units ("CGUs") - The Company uses judgment in determining the grouping of assets to identify its CGUs for purposes of testing for impairment of property, plant and equipment and intangible assets. The determination of what constitutes a CGU is subject to management's judgment. The asset composition of a CGU can directly impact the recoverability of assets included within the

CGU. In assessing the recoverability of the assets, each CGU is compared to the greater of its fair value less costs of disposal and its value in use.

Contingent liability – Management reviews all contingent liabilities and uses its best estimates and judgment based on the facts and information available at its disposal to determine if a provision is necessary to be recorded in these consolidated financial statements. Should those assumptions and judgments not materialize, there could be an impact on these consolidated financial statements.

Internally generated intangible assets – Management monitors the progress of each internal research and development project. Significant judgment is required to distinguish between the research and development phases. The accounting for research and development costs is described in Note 4 m. Management also monitors whether the recognition requirements for development assets continue to be met and whether there are any indicators that capitalized costs may be impaired. Upon satisfying the recognition requirements for development activities, management assesses the useful life of the long-lived assets in addition to assessing for impairment.

4. Summary of significant accounting policies

The accounting policies set out below have been applied consistently by the Company and its subsidiaries to all periods presented in these consolidated financial statements.

a) Basis of consolidation

These financial statements consolidate the accounts of the Company and its wholly-owned subsidiaries: IDC USA, Inc., 1370509 Alberta Inc., Shanghai IDC Healthcare Co. ("IDC Shanghai"), Ltd., IDC Healthcare (Beijing) Co., Ltd. ("IDC Beijing"). and Imaging Dynamics Company (Hong Kong) Ltd. All accounting information related to IDC Shanghai are recorded separately in Assets held for sale and discontinued operations.

On April 10, 2017, IDC Beijing closed on the acquisition of 51% of the common shares of Guangzhou Service Medical Tech. Co. Ltd ("Guangzhou Service"), a Chinese company. The name of this subsidiary has been changed from Guangzhou Service to IDC (Guangzhou) Ltd.

(i) Subsidiaries:

Subsidiaries are entities controlled by the Company. Control exists when the Company is exposed or has rights to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in these

4. Summary of significant accounting policies*(continued)*

consolidated financial statements from the date that control commences until the date that control ceases or is determined to be held for sale.

(ii) Transactions eliminated on consolidation:

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing these consolidated financial statements.

b) Cash and cash equivalents

Cash and cash equivalents consist of amounts on deposit with banks, term deposits and other similar short-term highly liquid investments with maturities of 90 days or less at the date of issuance.

c) Inventory

Inventory consists of purchased components and finished goods and is stated at the lower of cost and net realizable value. Cost is determined on a weighted average cost basis. Cost of sales represents movement in inventory for the year.

d) Property, plant and equipment

All property, plant and equipment have been recorded at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Costs associated with equipment upgrades that result in increased capabilities or performance enhancements of property and equipment are capitalized if it is probable that the future economic benefits embodied within the expenditure or asset will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of day-to-day servicing incurred to repair or maintain property, plant and equipment are expensed as incurred.

When parts of an asset classified within property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Depreciation is recognized in the consolidated statement of operations and comprehensive loss and is calculated over the depreciable amount, which is the cost of an asset less its estimated residual value. Residual values and useful lives, where applicable, are reviewed annually against prevailing market values for equivalently aged assets and amortization rates are adjusted accordingly on a prospective basis.

Depreciation is charged so as to write-off the cost of these assets less residual value over their estimated useful economic lives, for the following classes of assets:

Technical, lab and computer equipment	30% declining balance straight line
Office equipment	20% declining balance straight line
Tradeshow equipment	3 to 4 years straight-line
Leasehold improvements	Straight-line over lease term

4. Summary of significant accounting policies*(continued)*

e) Intangible assets

Intangible assets with definite useful lives are recorded at cost less accumulated amortization and impairment losses and are comprised of digital X-ray technology patents, licenses and software. Digital X-ray technology patents and licenses are amortized over a 10-year period on a straight-line basis, software is amortized on a 30% declining balance basis since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the assets.

Subsequent expenditures are capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditures on internally generated goodwill and brands, are recognized in the consolidated statement of operations and comprehensive loss as incurred. Amortization methods, useful lives, and residual values are reviewed at each financial year-end and adjusted prospectively if appropriate.

f) Impairment

(i) Financial assets:

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in the consolidated statement of operations and comprehensive loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in the consolidated statement of operations and comprehensive loss.

(ii) Non-financial assets:

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, an estimate of the asset's recoverable amount is determined. For goodwill and other intangible assets that have indefinite lives or that are not yet available for use, an impairment test is completed each year.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets or Cash Generating Units ("CGU"). The recoverable amount of an asset or a Cash Generating Units ("CGU") is the greater of its value in use and its fair value less costs of disposal.

In calculating the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

4. Summary of significant accounting policies*(continued)*

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the consolidated statement of operations and comprehensive loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the impairment has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

g) Financial instruments

Financial instruments are any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party. Financial instruments are identified by the Company through a review of typical financial transactions and risk management activities. Once identified, the financial instruments are classified and measured as disclosed below.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

(i) Financial assets and liabilities at fair value through profit or loss ("FVTPL")

A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges. The Company has no items classified in this category.

Financial instruments at FVTPL are recognized initially and subsequently at fair value. Transaction costs are expensed in the consolidated statement of operations and comprehensive loss. Gains and losses arising from changes in fair value are presented in the consolidated statement of operations and comprehensive loss with other gains or losses in the period in which they arise. Financial assets and liabilities at FVTPL are classified as current except for the portion expected to be realized or paid beyond twelve months of the statement of financial position date, which is classified as non-current.

(ii) Available-for-sale ("AFS") financial assets

AFS financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. The Company has no items classified in this category.

AFS financial assets are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income ("OCI"). AFS financial assets are classified as non-current, unless the assets mature within twelve months of the statement of financial position date, or management expects to dispose of it within twelve months of the statement of financial position date.

4. Summary of significant accounting policies *(continued)*

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables are comprised of trade and other receivables and cash and cash equivalents and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method.

(iv) Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost include trade and other payables, deferred financing, current portion of long-term debt, convertible debentures and loan payable balances. Trade and other payables are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade and other payables are measured at amortized cost using the effective interest method.

All other financial liabilities measured at amortized cost are recognized initially at fair value, net of any transaction costs incurred, and subsequently measured at amortized cost using the effective interest method. Financial liabilities are classified as current liabilities if payment is due within twelve months of the statement of financial position date. Otherwise, they are presented as non-current liabilities.

Compound Financial Instruments:
Compound financial instruments, namely the convertible debentures, are split into separate liability and equity components in accordance with the substance of the contractual arrangement. The liability component of the compound financial instrument is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component (the residual value). Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

h) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic resources will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions for estimated expenses related to product warranties are made at the time products are sold. These estimates are established using historical information relating to the nature, frequency and average cost of warranty claims. Claims are assessed at each reporting date and adjustments to estimates are made based on updated historical information.

i) Revenue recognition

Substantially all the revenue earned is the result of equipment sales. Revenue related to equipment sales is recognized when all the following conditions have been satisfied:

4. Summary of significant accounting policies*(continued)*

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and,
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue has been recorded on a gross basis as the Company acts as principal by:

- bearing the primary responsibility to provide the goods and fulfill the order;
- incurring inventory risk;
- establishing prices; and,
- bearing credit risk.

Revenue has been recognized for “bill & hold” transactions when all of the following conditions have been satisfied:

- The buyer must have taken title to the goods and accepted billing;
- It must be probable that delivery will take place;
- The goods must be on hand, identified and be ready for delivery to the buyer at the time the sale is recognized; and
- The buyer must specifically acknowledge the deferred delivery instructions. The usual payment terms must apply.

The Company uses an indirect distribution strategy whereby substantially all of the Company’s revenues are earned through independent dealers and distributors and original equipment manufacturer (“OEM”) partners. For the majority of the sales, the dealers and OEM’s are responsible for installation and after sales service to the end user. Once the equipment is shipped and title has transferred to the dealer or OEM, the Company does not have any contractual obligation to ensure the equipment’s proper installation and functioning.

j) Deferred revenue

Deposits that have been paid for by customers but will qualify for recognition within the next twelve months of the statement of financial position date under the Company’s policies is reflected in current liabilities as deferred revenue. Included in deferred revenue are payments received in advance associated with the sale of the Company’s products.

Deposits that has been paid for by customers but will not qualify for recognition within the next twelve months of the statement of financial position date under the Company’s policies is reflected in non-current liabilities as long-term deferred revenue. The Company has no long-term deferred revenue at March 31, 2018 or December 31, 2017.

4. Summary of significant accounting policies *(continued)*

k) Segment reporting

The Company is organized into two sales geographic areas within two operating segment consisting of China and the Americas. These regions are organized to manage sales and distribution channels and are currently maintained or managed as operating regions.

l) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in the consolidated statement of operations and comprehensive loss except to the extent that it relates to items recognized directly in equity or in OCI.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

The Company follows the liability method of accounting for deferred taxes. Under this method deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

m) Research and development

Research costs are expensed as incurred. Development costs are deferred if the Company can demonstrate (i) the technical feasibility of completing the product or process, (ii) the intention to complete the project, (iii) the ability to use or sell the product in commercial production, (iv) future economic benefits that the product or process can generate, including the existence of a market for the output of the project, (v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the product, and (vi) the ability to measure reliably the expenditure attributable to the project during development. If these criteria are not met, development costs are expensed as incurred. If the costs are deferred, they are amortized over their useful lives on a straight-line basis commencing with commercial production.

4. Summary of significant accounting policies*(continued)*

n) Foreign currency translation

(i) Foreign transactions

Transactions completed in currencies other than the functional currency are reflected in Canadian dollars at the exchange rates prevailing at the time of the transactions. Foreign currency assets and liabilities are translated to Canadian dollars at the period-end exchange rate. Revenue and expenses are translated into Canadian dollars using the average exchange rate for the period. Both realized and unrealized foreign exchange gain or losses resulting from the settlement or translation of foreign currency transactions are included in in the consolidated statement of operations and comprehensive loss.

(ii) Foreign operations

Assets and liabilities of foreign operations are translated into Canadian dollars at the period-end exchange rate. Revenues and expenses of foreign operations are translated to Canadian dollars using the average exchange rate for the period. Foreign exchange differences resulting from converting the subsidiaries' accounts from their functional currencies to the Canadian dollar, are recorded in other comprehensive income ("OCI") and are reclassified to the consolidated statement of operations and comprehensive loss when there has been a disposal or partial disposal of the foreign operation.

o) Share-based payments

The fair value of any stock options granted to directors, officers and employees is recorded as an expense over the vesting period with a corresponding increase recorded to the share-based payments reserve. The fair value of the share-based payments is determined using the Black-Scholes option pricing model and management's assumptions as disclosed in Note 14. Upon exercise of the stock options, consideration paid by the option holder together with the amount previously recognized in the share-based payments reserve is recorded as an increase to share capital.

p) Per share amounts

Basic earnings or loss per share is calculated by dividing the earnings or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding for the period. Diluted earnings or loss per share is determined by adjusting the earnings attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments such as stock options, warrants, convertible debentures and other dilutive instruments granted to employees. In the calculation of diluted per share amounts, outstanding dilutive instruments are assumed to have been converted or exercised on the later of the beginning of the year and the date granted. The number of additional shares related to convertible debentures is calculated assuming the debentures are converted into common shares by dividing the face value of convertible debentures by the conversion price. Earnings is adjusted for interest or accretion, net of tax, related to the convertible debentures. In loss per share situations, the diluted per share amount is the same as that for basic, as all factors are anti-dilutive.

4. Summary of significant accounting policies*(continued)*

q) Assets held for sales and discontinued operations:

(i) Assets held for sales

The Company classifies assets, or disposal groups, as held for sale when it expects to recover their carrying amount primarily through sale rather than through continuing use. To meet criteria to be held for sale, the sale must be highly probable, and the assets or disposal groups must be available for immediate sales in their present condition. The Company must be committed to a plan to sell the assets or disposal group, and the sales should be expected to be qualified for recognition as a completed sale within one year from the date of classification.

The Company measures assets or disposal groups at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill if any, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories or financial assets. Impairment losses on initial classification as held for sale are recognized before reclassing to assets held for sale in the statement of comprehensive income (loss) and subsequent gain and losses on re-measurement; however, gains are not recognized in excess of any cumulative impairment loss. Upon classifying assets or disposal groups as held for sale, the Company presents the assets separately as a single amount and the associated liabilities separately as a single amount on the statement of financial position. Comparative period consolidation of financial position are not restated. Assets held for sale are not depreciated, depleted, or amortized.

(ii) Discontinued operations

A discontinued operation is component of the Company's business that represents a separate major line of business or geographical area of operations that has been disposed of or classified as held for sale. The operations and cash flows can be clearly distinguished from the rest of the Company, both operationally and for financial reporting purpose. When the Company classifies an operation as a discontinued operation, it re-presents the comparative consolidated statements of income as if the operation had been discontinued from the start of the comparative year. In doing this, the Company excludes the results of the discontinued operations and any gain or loss from disposal from the consolidated statements of operations from continuing operations and presents them on a separate line as profit or loss (net of tax) from the discontinued operations. Per share information and changes to other consolidated comprehensive income (loss) related to discontinued operations are presented separately from continuing operations. Cash flows from discontinued operations are presented separately from cash flows from continuing operations in the consolidated statements of cash flows.

r) Accounting standards adopted

The Company adopted the following standards or amendments that were effective at January 1, 2017:

IAS 7 Statement of Cash Flows

In January 2016, the IASB issued Disclosure Initiative – Amendments to IAS 7 *Statement of Cash Flows*, which require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. This standard is effective for annual periods beginning on or after January 1, 2017.

4. Summary of significant accounting policies*(continued)*

IAS 12 Income Taxes

In January 2016, the IASB issued amendments to IAS 12 *Income Taxes*, clarifying the accounting for deferred tax assets for unrealized losses. Entities must consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Guidance is also provided on how to determine future taxable profits and explains the circumstances whereby taxable profit may include the recovery of some assets for more than their carrying amount. This standard is effective for periods beginning on or after January 1, 2017. The company is currently evaluating the impact.

r) Accounting standards not adopted

IFRS 9 – *Financial Instruments* (“IFRS 9”) was issued by the IASB on December 16, 2011 and will replace the IAS 39 – *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having two categories: amortized cost and fair value.

The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial asset. IFRS 9 also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. This standard is mandatorily effective from January 1, 2018, with earlier application permitted. The company is currently evaluating the impact.

IFRS 15 – *Revenue from Contracts and Customers* ("IFRS 15") was issued by the IASB on May 28, 2014, and will replace IAS 18 – *Revenue*, IAS 11 – *Construction Contracts*, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard, and it is effective for annual periods beginning on or after January 1, 2018.

IFRS 16 **–** *Leases* - On January 13, 2016, the IASB issued the final version of IFRS 16 *Leases*. The new standard will replace IAS 17 *Leases* and is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that also apply IFRS 15 *Revenue from Contracts with Customers*. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead all leases are treated in a similar way to finance leases applying IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases (i.e. leases of 12 months or less) and leases of low-value assets.

IFRS 2 **–** *Share-based payment* – In June 2016 the IASB issued amendments to IFRS 2 to be applied for annual periods beginning on or after January 1, 2018 with early adoption permitted. The amendments clarify how to account for certain types of share-based payment transactions.

The Company is currently assessing the impact of the new standards on these consolidated financial statements.

(unaudited, expressed in Canadian dollars)

5. Trade and other receivables

As at		March 31, 2018	December 31, 2017
	Note		
Trade receivables	19	**$10,641,773**	$9,032,012
GST and other		**-**	(5,478)
Assets held for sale		**(10,503,365)**	(8,882,821)
		$138,408	$143,713

Allowance for doubtful accounts of $2,489,718 (December 31, 2017 - $2,303,498) has been netted against trade receivables (see Note 19).

6. Inventory

As at		March 31, 2018	December 31, 2017
	Note		
Inventory net of allowance for obsolescence		**$2,834,890**	$2,587,831
Assets held for sale	23	**(2,132,798)**	(1,497,661)
		$702,092	$1,090,170

Included in inventory is $1,394,570 (2017- $1,266,382) of purchased components and $1,440,320 (2017 - $1,321,449) of finished goods. During the period ended March 31, 2018, the Company recorded a provision for inventory obsolescence of $390,117 (2017 - $390,117).

(unaudited, expressed in Canadian dollars)

7. Property, plant and equipment

Cost	Technical, lab and computer equipment	Leasehold improvements	Office equipment	Tradeshow equipment	Total
Balance, December 31, 2016	$2,090,017	$522,726	$562,814	$1,105,075	$4,280,632
Additions	8,443	97,615	34,512	100,510	241,080
Disposals		-	(7,413)	-	(7,413)
Assets held for sale	(106,625)	(189,993)	(92,513)	(77,271)	(466,402)
Balance, December 31, 2017	1,991,835	430,348	497,400	1,128,314	4,047,897
Additions	6,059	17,166	-	77,271	100,496
Disposals	-	-	-	(77,271)	(77,271)
Foreign exchange	12,222	12,023	552	-	24,797
Assets held for sale	(18,281)	(29,189)	(552)	77,271	29,249
Balance, March 31, 2018	**1,991,835**	**430,348**	**497,400**	**1,205,585**	**4,125,168**
Accumulated depreciation					
Balance, December 31, 2016	$1,958,483	$44,443	$463,368	$1,099,349	$3,565,643
Depreciation	44,857	106,214	20,326	19,639	191,036
Disposals	-	-	(7,413)	-	(7,413)
Asset held for sale	(46,399)	(93,626)	(18,214)		(158,239)
Balance, December 31, 2017	1,956,941	57,031	458,067	1,118,988	3,591,027
Depreciation	19,170	36,967	7,742	10,953	74,832
Disposals	-	-	-	-	-
	2,987	5,880	1,318	-	10,185
Asset held for sale	(14,724)	(23,046)	(5,705)	-	(43,475)
Balance, March 31, 2018	**1,964,374**	**76,832**	**461,422**	**1,129,941**	**3,632,569**
Net book value as at:					
December 31, 2017	$34,894	$373,317	$39,333	$9,326	$456,870
March 31, 2018	**$27,461**	**$353,516**	**$35,978**	**$75,644**	**$492,599**

(unaudited, expressed in Canadian dollars)

8. Intangible assets

Cost	Software	Digital X-ray technology patents, development, and licenses	Total
Balance, December 31, 2016	$796,299	$1,532,012	$2,328,311
Additions	63,732	1,669,786	1,733,518
Foreign exchange	(4,769)	(17,569)	(22,338)
Assets held for sale	(115,464)	(1,448,002)	(1,563,466)
Balance, December 31, 2017	$739,798	$1,736,227	$2,476,025
Additions	6,240	224,345	230,585
Foreign exchange	2,525	77,827	80,352
Assets held for sale	(8,765)	(270,151)	(278,916)
Balance, March 31, 2018	**$746,038**	**$1,960,572**	**$2,508,046**
Accumulated amortization			
Balance December 31, 2016	753,646	417,510	1,171,156
Amortization	36,648	42,143	78,791
Impairment		806,048	806,048
Foreign exchange	(88)	(141)	(229)
Assets held for sale	(54,400)		(54,400)
Balance, December 31, 2017	$735,806	$1,265,560	2,001,366
Amortization (Recovery)	4,515	20,010	24,525
Foreign exchange	2,795	-	2,795
Assets held for sale	(5,671)	-	(5,671)
Balance, March 31, 2018	**$737,445**	**$1,285,570**	**$2,023,015**
Net book value as at:			
December 31, 2017	$3,992	$470,667	$474,659
March 31, 2018	**$8,593**	**$675,002**	**$485,031**

(unaudited, expressed in Canadian dollars)

9. Trade and other payables

As at	**March 31, 2018**	December 31, 2017
Trade payables	**$4,801,703**	$6,398,856
Interest payable	**1,486,685**	1,238,966
Other payables and accruals	**3,121,771**	1,603,700
Assets held for sale	**(7,292,514)**	(7,395,462)
Trade and other payables	**$2,117,645**	$1,846,060

10. Deferred financing

The Company totally received $ 14,713,325$ ($3,702,624 in 2017) in advance of new investment to the date of March 31, 2018 and has recorded this amount as deferred financing in the consolidated statement of financial position as at March 31, 2018. This financing is in processing and will be closed in May 2018 for all the official approval approved. (Note 23)

11. Loan payable

On May 23, 2017, the Company established a short-term loan payable with a private corporation controlled by a director of the Company. Under this loan, the Company received an advance of 10,000,000 CNY or an equivalent of $2,050,021. This CNY denominated loan bears interest at 7% per annum. The full amount of the loan is due on May 23, 2018 and the associated interest payments are due quarterly. The amount as of $2,050,021 has been presented as Liabilities Associated with Assets held for Sale (Note 23).

12. Convertible Debentures

As at	**March 31, 2018**	December 31, 2017
Convertible debentures, face value		
September 28, 2015 offering	**6,250,000**	6,250,000
January 22, 2016 offering	**5,750,000**	5,750,000
October 7, 2016 offering	**6,000,000**	6,000,000
June 8, 2017 partial redemption	**(150,000)**	(150,000)
	17,850,000	17,850,000
Equity portion of debentures	**(944,564)**	(944,564)
Amortization of discount	**810,763**	707,621
Issue costs	**(106,805)**	(106,805)
Balance, convertible debentures-current	**17,609,394**	17,506,252
Less Current portion	**(17,609,394)**	(12,034,707)
	-	5,471,545

During 2015 and 2016, the Company completed the following non-brokered private placement financings of convertible debentures. The convertible debentures are compound financial instruments consisting of the debt instrument and an equity feature.

12. Convertible Debentures*(continued)*

a) On September 28, 2015, the Company completed a convertible debentures financing for gross proceeds of $6,250,000 in principal amount. The convertible debentures have a maturity date of September 28, 2018, bear interest at a rate of 6.0% per year payable annually, are convertible into common shares of the Company at the holder's option at a conversion price of $0.10 per common share for a period of three years on or before September 28, 2018. The debt instrument was recorded at amortized cost using the effective interest method at an annual discount rate of 8.28% over the life of the debenture of 3 years. The gross proceeds of $6,250,000 were allocated between the debt instrument for $5,884,611 and to the equity component for $365,389.

b) On October 7, 2016, the Company completed a convertible debentures financing for gross proceeds of $6,000,000 in principal amount. The convertible debentures have a maturity date of October 7, 2018, bear interest at a rate of 6.0% per year payable annually, are convertible into common shares of the Company at the holder's option at a conversion price of $0.125 per common share for a period of two years on or before October 7, 2018, and are secured by a first charge against the assets of the Company. The debt instrument was recorded at amortized cost using the effective interest method at an annual discount rate of 8.28% over the life of the debenture of 2 years. The gross proceeds of $6,000,000 were allocated between the debt instruments of $5,756,983 and to the equity component for $243,017.

c) On January 22, 2016, the Company completed a convertible debentures financing for gross proceeds of $5,750,000 in principal amount. The convertible debentures have a maturity date of January 22, 2019, bear interest at a rate of 6.0% per year payable annually, are convertible into common shares of the Company at the holder's option at a conversion price of $0.15 per common share for a period of three years on or before January 22, 2019, and are secured by a first charge against the assets of the Company. The debt instrument was recorded at amortized cost using the effective interest method at an annual discount rate of 8.28% over the life of the debenture of 3 years. The gross proceeds of $5,750,000 were allocated between the debt instrument for $5,413,842 and to the equity component for $336,158.

d) On June 8, 2017, $30,000 Convertible debentures issued on January 22, 2016 were redeemed by the holder thereof. Interest of $2,471 was also paid to the holder of the debenture.

e) On Oct 31, 2017, $120,000 Convertible debentures issued on January 22, 2016 were redeemed by the holder thereof. Interest of $5,563 was also paid to the holder of the debenture.

All per share amounts have been adjusted for a 5 to 1 consolidation that took place in June 2016 (see note 13).

(unaudited, expressed in Canadian dollars)

13. Share capital

a) Authorized:
An unlimited number of common shares
An unlimited number of non-voting redeemable preferred shares

b) Issued and outstanding:

	Three Months ended March 31, 2018		Year ended December 31, 2017	
	Number of shares	**Amount**	Number of shares	Amount
Balance, beginning of period	**58,857,656**	**$78,147,450**	58,857,656	$78,147,450
Adjust for 5:1 consolidation (i)	**-**	**-**	-	-
Balance, end of period	**58,857,656**	**$78,147,450**	58,857,656	$78,147,450

At a Special Meeting on February 29, 2016 the shareholders approved the Board of Directors to effect, a consolidation (or reverse stock split) of the outstanding Common Shares (the "Share Consolidation"), at a consolidation ratio of one (1) for five (5), (being one (1) post-consolidation common share for every five (5) pre-consolidation common shares). The Share Consolidation was completed on June 29, 2016 and as a result there were 58,857,656 common shares outstanding at June 30, 2016.

14. Share-based payments

The Company has established a share-based compensation plan for its directors, officers, employees, consultants and other key personnel (the "Stock Option Plan"). Under the Stock Option Plan, the Company may grant up to 10% of the issued and outstanding common shares of the Company. The exercise price of each option is determined by the market price of the Company's stock on the date of the grant and an option's maximum term is five years.

There were no stock options granted during 2017 and 2018.

As at March 31, 2018, 4,131,366 common shares (December 31, 2017 – 4,131,366) remains in reserve. Under the Stock Option Plan, the following options are outstanding as at the dates shown as follows:

	March 31, 2018		December 31, 2017	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Balance, beginning of period	**1,700,000**	**$0.25**	1,754,400	$0.26
Issued in the period	**-**			
Cancelled / expired in the period			(54,400)	
Balance, end of period	**1,700,000**	**$0.25**	1,700,000	$0.25
Options exercisable at the end of the period	**1,700,000**	**$0.25**	1,700,000	$0.25

(unaudited, expressed in Canadian dollars)

14. Share-based payments*(continued)*

The following table presents the reconciliation of share-based payments reserve with respect to share-based compensation:

Since December 31, 2016 the share-based payments reserve with respect to share-based compensation is $7,186,107.

Stock option plan

The following table summarizes information of the Company's Stock Option Plan as at March 31, 2018:

	Options outstanding			Options exercisable	
Range of exercise price in dollars	Number outstanding	Weighted average remaining contractual life (months)	Weighted average exercise price	Number of options	Weighted average exercise price
up to $0.25	1,700,000	25.6	$0.25	1,700,000	$0.25
	1,700,000	25.6	$0.25	1,700,000	$0.25

The following table summarizes information of the Company's Stock Option Plan as at December 31, 2017.

	Options outstanding			Options exercisable	
Range of exercise price in dollars	Number outstanding	Weighted average remaining contractual life (months)	Weighted average exercise price	Number of options	Weighted average exercise price
up to $0.25	1,700,000	28.6	$0.25	1,700,000	$0.25
	1,700,000	28.6	$0.25	1,700,000	$0.25

15. Contributed surplus

The following table presents the reconciliation of contributed surplus with respect to warrants and convertible debentures:

	March 31, 2018	December 31, 2017
Balance, beginning of period	**5,507,196**	**5,507,196**
Convertible debenture issued (net of tax)	**-**	-
Balance,end of period	**5,507,196**	5,507,196

(unaudited, expressed in Canadian dollars)

16. Per share amounts

The following table presents the reconciliation between basic and diluted loss per share:

For the three months ended March 31,	**2018**	2017
Net loss for the period attributable to owners of the Company - Continued operations	**($834,059)**	($1,135,390)
Net loss for the period attributable to owners of the Company - Disontinued operations	**(1,392,935)**	(1,372,189)
Weighted average number of common shares outstanding	**58,857,656**	58,857,656
Basic and diluted loss per share - Continued operations	**($0.01)**	($0.02)
Basic and diluted loss per share - Discontinued operations	**($0.02)**	($0.02)

In calculating diluted common share numbers for the three months period ended March 31, 2018, the Company excluded 1,700,000 outstanding options (2017 – 1,700,000*), and 147,833,333 (2017 - 148,833,333) shares issuable on conversion of convertible debentures because they were anti-dilutive.

17. Supplementary information

Change in non-cash working capital:

For three months ended March 31,	2018	2017
Deposit	**-**	(98,635)
Trade and other receivables	**(1,615,240)**	(244,506)
Loan receivable	**-**	(1,353,808)
Inventory	**(247,059)**	220,139
Prepaid expenses and other	**2,904,903**	(422,846)
Trade and other payables	**144,020**	190,427
Customer deposits	**107,150**	109,727
Lease inducement	**1,652**	(9,316)
Warranty provision	**5,343**	(27)
	$1,300,770	($1,608,845)

18. Related party transactions

The following transactions were entered into with related parties during the three months period ended March 31, 2018:

a) Officers and a private corporation controlled by an officer of the Company provided $10,553,754 of the total $17,850,000 principal of convertible debentures financing raised in 2015 and 2016. The Company incurred 6% coupon interest expense of $158,306 (2017 - $158,029) on the portion of these Convertible

(unaudited, expressed in Canadian dollars)

18. Related party transactions*(Continued)*

Debentures held by the related parties, of which $267,750 (2017 - $262,611) is included in trade and other payables. The terms of these transactions with those related parties were the same as those with arms-length participants.

b) Key management personnel compensation - the Company considers the key management personnel of the Company to be its officers and directors. The compensation included in the consolidated statement of operations and comprehensive loss relating to key management personnel for the three months ended March 31, 2018 and 2017 was as follows:

For the three months ended March 31,	**2018**	2017
Salaries / compensation	**$76,500**	$166,077
Share-based compensation	**-**	-
Total for the period	**$76,500**	$166,077

19. Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development and sales of its digital imaging products and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

In the management of capital, the Company includes the components of shareholders' deficiency and the long-term debt which consists of the following:

	March 31, 2018	December 31, 2017
Convertible debentures	**$17,605,514**	**$17,506,252**
Shareholders' deficiency	**(22,923,277)**	**(20,476,574)**
	($5,317,763)	($2,970,322)

The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new equity or issue new debt.

20. Financial risk management

The Company is exposed to a variety of financial risks by virtue of its activities, including fair value risk, currency risk, credit risk, interest rate risk and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance.

Risk management is supervised by the Chief Executive Officer under the direction and guidance from the Company's Board of Directors. The Company identifies and evaluates financial risks in close cooperation with other management personnel. Management is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated to acceptable levels.

(unaudited, expressed in Canadian dollars)

20. Financial risk management *(continued)*

Fair value risk:

Fair value of financial instruments:

The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables, current portion of long-term debt, deferred financing and loan payable approximate fair value due to the short-term nature of these instruments. The fair value of the convertible debenture is calculated by discounting future debt service payments using an estimated market rate of interest.

Any financial assets and financial liabilities measured at fair value (currently there are none) in the consolidated statement of financial position are grouped into three levels of fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3: unobservable inputs for the asset or liability.

Currency risk

The Company operates internationally and is exposed to foreign exchange risk from various currencies, primarily US Dollars and CNY. Foreign exchange risk arises from the purchase and sale transactions as well as financial assets and liabilities denominated in foreign currencies.

A significant change in the currency exchange rates between the Canadian dollar relative to the other currencies could have an effect on the Company's results of operations, financial position or cash flows. Foreign exchange contracts are only entered into for purposes of managing foreign exchange risk and not for speculative purposes. As at March 31, 2018 and December 31, 2017, there were no foreign exchange contracts outstanding.

At March 31, 2018, the Company is exposed to currency risk through the following assets and liabilities denominated in other currencies:

	US Dollars ($)	CNY (¥)
Cash and equivalents	11,219	11,271,312
Trade accounts and loans receivable	296,043	51,235,415
Trade accounts and loans payable	128,360	45,572,883
	435,622	108,079,611

(unaudited, expressed in Canadian dollars)

20. Financial risk management *(continued)*

At December 31, 2017, the Company is exposed to currency risk through the following assets and liabilities denominated in other currencies:

	US Dollars ($)	CNY (¥)
Cash and equivalents	13,544	11,011,986
Trade accounts and loans receivable	203,480	46,587,133
Trade accounts and loans payable	108,966	32,467,342
	325,990	90,066,461

Based on the above net exposures as at March 31, 2018 and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against other currencies would result in an increase or decrease of approximately $2,271,801 (2017 - $1,777,377) in the Company's net loss for the year.

Foreign exchange differences resulting from converting the subsidiaries' financial statements from their functional currencies to the Canadian dollar are recorded in OCI. As of March 31, 2018, assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against other currencies would result in an increase or decrease of approximately $408,744 (2017 - $248,365) in the Company's OCI for the year.

Credit risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The Company manages credit risk by maintaining bank accounts with Tier 1 banks. Any short-term investment included in cash and cash equivalents would be composed of financial instruments issued by Canadian banks. The Company's trade and other receivables consist of trade receivables from the sale of the product. Trade receivables include amounts receivable for normal terms and extended terms, which are generally made to credit worthy purchasers. The Company uses an indirect distribution strategy whereby substantially all of the Company's revenues are earned through dealers, distributors and OEM partners.

Most of the Company's distribution partners have income streams from various sources and have an established history of providing goods and services to the health care industry. The Company does not usually sell to the end user and as such has limited recourse in collecting any delinquent balances. In cases where collection is in question, the Company has the ability to withhold warranty support or warranty parts to a dealer that has not paid, remove the dealer as a qualified Company dealer, as well as any and all legal recourse measures.

In the Asian medical device industry, it is a local industry practice that companies, especially state-owned and small private companies, do not normally pay vendors based on advance payment credit terms. Vendors often do not charge interest for late payments. Many Asian companies structure and make

(unaudited, expressed in Canadian dollars)

20. Financial risk management *(continued)*

payments to vendors based on their cash flow. As a result, it is common in the Asian medical device industry for receivables to be overdue for over one year. Given these extended payment terms, there is further credit risk that could result in an increase to uncollectible accounts in the future. As of March 31, 2018, the Company has a large amount of receivables from Chinese customers that are included in the past due 31 – 180 days category and are not considered impaired. As of March 31, 2018, trade accounts receivable includes $4,311,551 owing from two customers representing individually over 10% each of the outstanding accounts receivable. Given this business practice, the Company currently believes its allowance for doubtful accounts is adequate, but continues to monitor its outstanding receivables.

At March 31, 2018, the Company has a total allowance for doubtful accounts of $232,358 (December 31, 2017 - $180,491) from continuing operations and $2,257,360 (2017 - $2,123,007) from discontinued operations. The bad debt provision as at March 31, 2018 is net of amounts collected from amounts for which provisions had previously been recorded.

The carrying amount of trade and other receivables and cash and cash equivalents represents the maximum credit exposure.

Aging of trade receivables as at March 31, 2018 and December 31, 2017 is represented as follows:

As at	**March 31, 2018**	December 31, 2017
Not past due	**$4,094,471**	$4,898,062
Past due 31 - 180 days	**$2,675,598**	508,847
Past due 181 - 365 days	**$2,475,021**	350,526
Over 365 days	**$3,886,401**	5,578,074
	13,131,491	11,335,509
Allowance for doubtful accounts	**(2,489,718)**	**(2,303,498)**
	10,641,773	9,032,011

The movement in the Company's allowance for doubtful accounts is as follows:

As at	**March 31, 2018**	December 31, 2017
Opening balance	**$2,303,498**	$199,098
Bad debt expense	**36,332**	2,123,007
Recoveries	**-**	
Foreign exchange	**149,888**	(18,607)
Closing balance	**2,489,718**	2,303,498

Economic Dependence

Three customers represented 59.12% of the total revenue during the three months ended March 31, 2018 as compared to four customers representing 56.33% during the year ended December 31, 2017.

Two vendors represented 54.61% of purchases during the three months ended March 31, 2018 compared to two vendors representing 51.76% during the year ended December 31, 2017.

(unaudited, expressed in Canadian dollars)

20. Financial risk management *(continued)*

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to cash flow interest rate risk. The risk related to the Company's long-term debt is limited due to the fixed interest rate.

The risk that the Company will realize a loss as a result of a decline in the fair value of any short-term investments included in cash and cash equivalents is limited due to the short-term nature of the assets.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company.

The Company currently settles its financial obligations with cash. In order to meet its financial liabilities, the Company relies on collecting its trade and other receivables in a timely manner, sale of inventory and by maintaining sufficient cash in excess of anticipated needs.

The following are the contractual maturities of financial liabilities and other commitments as at December 31, 2017:

	< One Year	> One Year
Financial Liabilities and commitments		
Convertible debentures	$ 17,605,514.00	$ -
Trade and other payables	2,117,645.00	
Loan payable		
	$ 19,723,159.00	$ -

The following are the contractual maturities of financial liabilities and other commitments as at December 31, 2017:

Financial liabilities and commitments	< One Year	> One Year
Convertible debentures	$ 12,034,707.00	$ 5,471,545.00
Trade and other payables	1,906,786.00	-
Loan payable	-	-
	$ 13,941,493.00	$ 5,471,545.00

It is the Company's intention to meet these obligations through the collection of trade and other receivables, sale of inventory and the receipt of future progress payments on amounts not yet invoiced, as well as looking for other external financing sources.

(unaudited, expressed in Canadian dollars)

21. Segmented information

The Company determines its operating segments based on internal information regularly reviewed by management to allocate resources and assess performance. The Company is organized into two sales geographic areas consisting of China and the Americas. These regions are organized to manage sales and distribution channels and are not currently maintained or managed as operating regions.

The Company sells primarily through dealers, distributors and OEM partners.

Segmented revenues for the three months period ended Mar 31, 2018 and 2017 are as follows:

	China	Americas	Total
Three months ended March 31,			
2018	**$ 761,185**	**$ 152,158**	**$ 913,343**
2017	$ 711,311	$ 286,493	$ 997,804

22. Commitments and contingencies

a) The Company is committed to the following operating lease payments:

	Facility Canada	Facility China	Automobile Canada	Total
2018	$ 307,872	$ 598,528	$ 3,873	$ 910,273
2019	316,498	254,994	-	571,492
2020	325,124	-	-	325,124
2021	328,000	-	-	328,000
2022	165,438	-	-	165,438
	$ 1,442,932	$ 853,521	$ 3,873	$ 2,300,326

23. Assets held for sale discontinued operations

During year 2017, IDC Shanghai, a wholly owned subsidiary, entered into a financing arrangement. The financing arrangement will result in the Company losing control of IDC Shanghai. The financing was approved by government on May 2nd, 2018. Thus, the assets and liabilities of IDC Shanghai and its subsidiaries were classified as a disposal group held for sale and results have been presented as a discontinued operation in the comparative consolidated statements of income (loss) separately from continuing operations.

(unaudited, expressed in Canadian dollars)

23. Assets held for sale discontinued operations *(continued)*

The major classes of assets and liabilities of IDC Shanghai and it subsidiaries classified as held for sales as at March 31, 2018 are as follows:

		March 31, 2018		December 31, 2017
Current assets				
Cash and cash equivalents	**$**	**2,310,642**	$	2,512,542
Trade and other receivables		**10,503,365**		8,882,821
Inventory		**2,132,798**		1,497,661
Prepaid expenses and other		**2,486,911**		5,387,157
		17,433,716		18,280,181
Long term assets				
Property, plant and equipment		**235,439**		308,163
Intangible assets		**1,780,422**		1,486,956
Other long term assets		**12,417**		22,111
Total Assets	**$**	**2,028,278**	$	1,817,230
	$	**19,461,994**	$	20,097,411
Trade and other payables	**$**	**7,292,514**	$	7,395,462
Customer deposits		**312,013**		229,819
Lease inducement		**27,755**		26,103
Deferred financing		**14,713,325**		13,702,624
Short term loan		**2,050,021**		1,928,008
Other long term debt		**4,626**		4,350
Liabilities directly associated with assets held for sale		**24,400,254**		23,286,366

(unaudited, expressed in Canadian dollars)

23. Assets held for sale discontinued operations *(continued)*

Loss on discontinued operations, net of income taxes, for IDC Shanghai and its subsidiaries are as follows:

For the three months ended March 31,		2018		2017
Revenues	**$**	**761,185**	$	711,312
Cost of sales		**602,212**		543,194
Gross profit	$	158,973	$	168,118
Expenses				
Sales and marketing		**665,391**		782,701
General and administrative		**823,767**		648,502
Foreign exchange loss (gain)		**4,149**		6,619
Bad debt expense (recovery)		**-**		143,235.00
Depreciation of property, plant and equipment		**32,328**		24,935
Amortization of intangible assets		**1,855**		11,987
	$	1,527,490	$	1,617,979
Loss before finance costs		**(1,368,517)**		(1,449,861)
Finance costs				
Interest expense		**34,822**		67,047
Interest and other income		**(2,499)**		(1,484)
Income before taxes		**(1,400,840)**		**(1,515,424)**
Deferred tax recovery		**-**		-
Net loss		**(1,400,840)**		**(1,515,424)**
Other comprehensive income				
Foreign currency translation loss (gain)		**(221,272)**		(24,903)
Net loss and comprehensive loss	**$**	**(1,622,112)**	**$**	**(1,490,521)**