ANNUAL REPORT 2009

Empower Technologies

www.empowertechnologies.com

OUR VISION

Empower's core technologies inside every embedded system and device

COMPANY MISSION

Empower Technologies enables the embedded hardware and software developments and solutions in the world

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EMPOWER TECHNOLOGIES

Founded in 2000, Empower Technologies is an innovative developer and provider of embedded operating software, development platforms, system technologies and solutions for industries. Their focus is embedded operating software, development platforms and systems.

With a history of excellence in research and development and expertise in building complete solutions in the embedded computing industry, Empower continues to establish itself as one of the industry leaders in embedded operating software, system technologies and solutions for manufacturers, developers, value-added resellers (VARs) and system integrators.

Empower's "Rapid Productization" methodology and embedded solutions allow its customers to shorten their product development cycles while decreasing their financial and product development risks. By offering its customers embedded development solutions, engineering services as well as licensing and intellectual property (IP) expertise, Empower provides the tools product developers and manufacturers need to launch their products faster and more cost efficiently in their competitive market space. Empower also sells finished products and OEM/ODM solutions to its industrial customers. The industries showing the most significant interest are consumer electronics, digital signage and interactive kiosk, industrial control, security and surveillance, medical, and military applications.

Empower's embedded Linux operating system product brands include "LEOs®" and "LinuxDA™", and "PowerPlay™" for smart consumer electronics. LEOs are complete Linux operating systems scaled down for the embedded computing platform. A dynamic platform based on the needs of developers and business professionals, LEOs are extremely versatile, with expansive compatibility and unlimited upgradeability, providing customizable software with the widely available development kit. LEOs combines the power of Empower's platforms to deliver complete solutions for embedded product development needs.

Empower continues to stay in the forefront of the embedded technologies market by working closely with leading industry influencers including silicon chip manufacturers and product developers of various intelligent appliances. Through these strategic relationships, Empower stays ahead of the technology curve to develop and offer emerging solutions as the market demands them.

The Company operates through its wholly-owned Washington State subsidiary, Empower Technologies, Inc. "Empower US", and indirectly as Empower Technologies (Canada) Inc. "Empower Canada" and Empower Technologies (Shanghai) Inc. "Empower Shanghai". The Company trades on the TSX Venture Exchange under the symbol EPT.

MESSAGE FROM MANAGEMENT

DEAR SHAREHOLDERS,

The fiscal year ended December 2009 was a challenging and stressful year and the Company still managed to accomplish significant successful changes. The severity of the global financial meltdown followed with a very severe recession did cause a very difficult time. It greatly impacted our sales and marketing effort to commercialize our technology. This downturn also caused major hurdles for Empower to access capital in the financial market when we needed the most to complete the Pixon Imaging purchase. At the end, both parties decided not to complete the transaction. Instead, we turn it into an investment and sales opportunity for Empower.

Despite the challenges the Company underwent a structural change which set the stage for a return to growth in 2010. The Company was able to improve its gross margin by reducing selling, general and administration costs, eliminating non-essential spending and re-engineer the sales and marketing process in order to focus its efforts on video technology and customer service through timely delivery, more efficient production and purchasing, and working closely with customers to address their unique requirements.

Our firm commitment to innovation and research and development helps to ensure market and technology leadership. We strengthened our presence in the market by signing business agreements with industry players in Aviation and Imaging industries.

The future looks promising for the Company in 2010 but patience will still be required as the market is slowly climbing out of a very severe recession. With the improved gross margin and reduced cost structure of the business, management is optimistic about the future profitability and growth of the Company. We continue to pursue sales and growth opportunity with the goal to generate significant cash flow.

I would like to thank all of our employees, customers and shareholders for their support and perseverance. We look forward to a new beginning for Empower to unleash its untapped potential.

KENNETH HO
VP of Research & Development

PAUL LEUNG
Chairman, President & CEO (Founder)

AMY CHAN
Chief Financial Officer, VP of Operations & General Manager (Co-founder)

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2009

The following discussion and analysis, prepared as of April 29, 2010 should be read together with the audited consolidated financial statements for the year ended December 31, 2009 and related notes attached thereto, which are prepared in accordance with Canadian generally accepted accounting principles. All amounts are stated in Canadian dollars unless otherwise indicated.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements.

References in this document to “we”, “the Company” and “Empower” refer to Empower Technologies Corporation and its wholly owned subsidiaries. Empower operates through our wholly-owned Washington State subsidiary Empower Technologies, Inc. (“Empower US”), and indirectly through Empower Technologies (Canada) Inc. (“Empower Canada”) and Empower Technologies (Shanghai) Inc. (“Empower Shanghai”). The Company trades on the TSX Venture Exchange under the symbol EPT.

Additional information related to the Company is available for viewing on SEDAR at www.sedar.com.

DESCRIPTION OF BUSINESS

The Company’s core technology is the LEOs embedded hardware platform. LEOs, which stands for “Linux Embedded Operating System” is the Company’s branded operating software which allows product developers and manufacturers to create their own software and embedded hardware, or integrate the Company’s software or hardware, for their own products. Examples of products that developers and manufacturers may produce include surveillance cameras, and digital signage systems.

The Company’s target customers are product developers and manufacturers in the digital signage and interactive kiosk, security and military, automotive and transportation, radio frequency identification (“RFID”), healthcare, industrial control and consumer electronics sectors. In order for the Company to get market penetration of its core technology, it has developed several models of a LEOs development kit (“Development Kit”) and LEOs embedded computer system boards (“Computer Boards”) that provide all the software development tools and hardware platform for developers to create the software and the embedded hardware for their own products. The Company markets and sells the Development Kits and Computer Boards (also known as “single board computers”) to prospective interested product developers and manufacturers. It is the Company’s goal to sell as many Development Kits and Computer Boards as possible to achieve product adoption. However, there are limitations to the number of Development Kits that can be sold.

Once product developers decide to use the Development Kit to create the software and hardware for their new product, the Company has achieved a “design win” and the product developer must obtain a LEOs license or buy Computer Boards (with LEOs embedded) to go into production. Significant revenue for the Company can occur if the licensee’s product has the potential to have high volume production.

The Company intends to generate or increase revenue by sales of the following:

1. Development Kits, Computer Boards, custom Computer Boards, and custom product solutions designed for the customer;
2. Engineering services – consulting services to customize products or technologies and product development and production services;
3. Solution support services - maintenance contracts to provide ongoing support to customers which purchased the Company’s embedded systems; and
4. Licenses of LEOs to product developers.

In the past, the focus of the Company’s strategy was to develop revenue through licensing of LEOs and the sales of consumer products developed by the Company. While the Company may generate some revenue from licensing and through the sale of its own products in the future, the Company is now focused on generating increased sales from Development Kits and Computer Boards and from offering engineering and support services to developers.

PRINCIPAL PRODUCTS OR SERVICES

The Company is currently selling Development Kits through its distributors and is selling Computer Boards to several customers. The Company to date has sold Development Kits, Computer Boards and engineering services. To date, there has been no revenue from licensing. Revenue has been generated largely from the following sources:

1. Development Kits
   The Company has developed two series of Developments Kits. The earlier series, referred to as the "LDK" or LEOs Development Kit series has been largely replaced by the "EDK" or the Empower Development Kit series. The EDK series contains enhancements helping designers accelerate development of digital video applications.

2. Computer Boards
   The Company has also recently sold Computer Boards to a number of customers. Like the Development Kits, the Company has developed a series of Computer Boards.

   Computer Boards are currently manufactured by third party contract manufacturers in Asia, however the Company may contract with other manufacturers, subject to the economics. The pricing for the Computer Boards also depends on the features and the volume and may range up to $750 per board.

3. Engineering and System Development Services
   The Company provides its prospective customers with engineering and system development services including maintenance and support for the LEOs and its Computer Boards, custom developments and consultation. The Company intends to increase such services in conjunction with selling the Development Kit and selling its Computer Boards to electronic manufacturers and product developers.

RECENT DEVELOPMENTS

In the last twelve months, the Company has the following developments:

1. Announced closing of a first tranche of its private placement of convertible debentures in the aggregate amount of $160,000. The convertible debentures bear interest at the rate of 10% per annum and are convertible into common shares of Empower at $0.40 per share until January 31, 2010. Interest is payable semi-annually on July 31, 2009 and January 31, 2010. The convertible debentures and any shares issued upon conversion have a hold period expiring May 16, 2009.

2. Announced that the Company has received a patent certificate from the US Patent Office for a design patent titled "Vehicle Expansion Dock".

3. Received an international patent titled "System and Method of Pen-based Data input into a computing Device" in Japan.

4. Announced closing of a second tranche of its private placement of convertible debentures in the aggregate amount of $96,500. The convertible debentures bear interest at the rate of 10% per annum are convertible into common shares of Empower at $0.40 per share until January 31, 2010. Interest is payable semi-annually on July 31, 2009 and January 31, 2010. The convertible debentures and any shares issued upon conversion have a hold period expiring July 17, 2009.

5. Announced closing of the final tranche of its private placement of convertible debentures in the aggregate amount of $140,200. The convertible debentures bear interest at the rate of 10% per annum and are convertible into common shares of Empower at $0.40 per share until January 31, 2010. Interest is payable semi-annually on July 31, 2009 and January 31, 2010. The convertible debentures and any shares issued upon conversion have a hold period expiring August 25, 2009.

6. Expanded its strategic partnership with Pixon Imaging to bring next-generation military and homeland-security imaging systems to market.

7. Introduced EMP3530-SDK media development platform and low cost-effective, high-performance EMP3503/3530 (EMP35xx) single board media computers powered by Texas Instruments processors.

8. Announced the delivery of the newly released high performance EMP3503 single board media computer to Jogtek Corp of Taiwan for testing, integration and demonstration. Jogtek is a developer and manufacturer of RFID products and technologies. Back in September 10, 2008 news release, Empower announced they had signed a Memorandum of Understanding (MOU) with Jogtek to partner and to develop Jogtek's latest mass market RFID based Interactive Marketing System (IMS) for the retail and hospitality industry. Under the MOU, Empower had customized their latest EMP3503 and EMP3530 single board media computers and the embedded software to Jogtek to integrate into their new line of RFID based IMS product.

9. Announced the completion and closing of its Short Form Offering (the "Offering"). The Offering was approved by the TSX Venture Exchange on May 12, 2009. A total of 2,950,250 units (the "Units") were issued at $0.25 to raise total gross proceeds of $737,562.50. Each Unit consists of one share and one common share purchase warrant. Each non-transferable warrant is

exercisable into one common share for a period of two years at an exercise price of $0.30 per share. The proceeds of the Offering will be used primarily to finance continued product development and marketing and sales expenses and for general working capital. Canaccord Capital Corporation as agent for the Offering (the "Agent"), received an 8% cash commission and Agent's warrants equal to 15% of the Offering sold, with each Agent's warrant exercisable for a unit for a period of two years at $0.25. The Agent also received a corporate finance fee of 250,000 units, having the same terms as the Units offered, an administration fee and a fiscal advisory services fee.

10. Announced signing a Letter of Intent to purchase all of the assets of a US based company specializing in image processing technologies. This company is currently selling real time image processing products based on proprietary technologies. The image processing technologies acquired through this purchase will be optimized by Empower's high performance embedded system platform. A definitive agreement was being negotiated for the proposed transaction by October 8, 2009. The purchase will require Empower board and regulatory approvals. Closing of the Purchase was proposed for December 1, 2009 or at an outside date December 31, 2009 as may be required by Empower to satisfy the Conditions precedent. Payment is proposed to be in the form of cash and shares of Empower Technologies Corporation.
11. Announced together with the BC Sports Hall of Fame the addition of a new interactive feature designed to celebrate the outstanding accomplishments of BC's athletes and teams. Visitors to the Hall of Fame will use the INSPIRATION KIOSK to relive exceptional moments in BC Sport history.
12. Announced signing a definitive agreement for Empower to purchase all of the business and assets of the San Diego based privately held Pixon Imaging in a cash and stock transaction valued at approximately US$2.4 million plus an earnout bonus subject to certain conditions.
13. Announced proceeding with a non-brokered private placement of unsecured convertible debentures of up to $3 million, subject to regulatory approval. The debentures will bear interest at the rate of 12% per annum payable semi-annually. The debentures will be convertible into common shares of Empower at a conversion price of $0.50 per share, subject to earlier automatic conversion under certain conditions.
14. Signed a 3 year Supply Agreement to supply an asset tracking company (the Customer) a next generation GPS (Global Positioning System) tracking device. This state-of-the-art GPS tracking device is built on Empower's EMP3503 Single Board Computer platform. This new GPS tracking device will be sold to industries such as golf courses, ski resorts, water resorts, tour operators and equipment rental firms to track mobile equipment and assets.
15. Announced proceeding with a brokered private placement of unsecured convertible debentures of up to $3 million (the "Offering"), subject to regulatory approval. The Debentures will bear interest at the rate of 12% per annum payable semi-annually. The Debentures are convertible into common shares of Empower at a conversion price of $0.50 per share, subject to earlier automatic conversion under certain conditions. On March 30, 2010, the Company terminated the brokered private placement of unsecured convertible debentures with Canaccord Capital Corporation, the sole agent for the Offering.
16. Announced the extension of the expiry date of its common share purchase warrants issued pursuant to a short form offering on December 19, 2007 and January 7, 2008 (the "Warrants") and scheduled to expire on December 19, 2009, and January 7, 2010, for an additional eighteen (18) months. The amended exercise expiry date of 940,650 Warrants will now be on June 19, 2011 and 280,650 warrants on July 7, 2011. The exercise price of the Warrants remains at $0.90 per common share. The total number of warrants issued pursuant to the short form offering was 1,221,300 (exclusive of agents' warrants), and no Warrants were exercised prior to the extension of the expiry date. The application for this Warrants extension has been submitted for TSX Venture approval.

PERFORMANCE SUMMARY

For the year ended December 31, 2009, the Company has incurred a loss of $2,064,529 or $0.05 per share, compared with a loss of $2,696,612 or $0.07 per share in 2008. This loss represents expenditures related to the ongoing development and marketing of the Company's products. This is consistent with the Company's business plan.

The total expenses excluding stock-based compensation decreased to $1,915,604, compared with $2,342,137 for the year ended December 31, 2008. Revenue decreased to $21,059, compared to $146,448 for the year ended December 31, 2008. The decrease is due to our new products - the EDK6446 Development Kit and SBC6446 single board computer - that are still in the early stages of the sales cycle to get adoption. Management expects sales to improve as these new products become established in the market with design wins. The typical sales cycle for these products is between 12 to 18 months.

As at December 31, 2009, the Company had cash of $59,455 compared to $421,920 at December 31, 2008.

The Company expects overall operating expenses will stay at current levels until significant product shipments begin.

RESULTS OF OPERATIONS

	Year Ended December 31, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
SALES			
United States of America	$ 404	$ 104,611	$ 148,825
Asia	14,819	27,499	43,579
Europe	-	7,560	1,534
Canada	5,836	6,778	848
	21,059	146,448	194,786
COST OF SALES			
Cost of material sold	5,026	41,980	208,503
Write-off of inventory	10,793	127,691	385,277
	15,819	169,671	593,780
	5,240	(23,223)	(398,994)
TOTAL EXPENSES	2,068,697	2,629,509	3,482,917
OTHER ITEMS	(1,072)	(43,880)	8,951
LOSS FOR THE PERIOD			
Canada	(2,044,591)	(2,609,403)	(3,744,902)
People's Republic of China	(98,080)	115,587	(84,162)
United States of America	78,142	(202,796)	(43,896)
	$(2,064,529)	$(2,696,612)	$(3,872,960)
LOSS PER SHARE	$ (0.05)	$ (0.07)	$ (0.11)
TOTAL ASSETS	$ 277,071	$ 606,942	$ 1,129,338

REVENUE

Revenues generated for the year ended December 31, 2009 were $21,059 compared with $146,448 for fiscal 2008 this decrease is attributed to the early stages of the sales cycle. Management expects sales to improve as these new products become established in the market with design wins. The typical sales cycle for these products is between 12 to 18 months.

COST OF SALES

Cost of sales for the year ended December 31, 2009 decreased to $15,819 (2008 - $169,671). Recognizing that a large portion of its materials inventory has been on hand for two years, the Company made a provision against the carrying value of this inventory of $10,793 for the year ended 2009 (2008 - $127,691). This inventory remains in the Company's possession and much of it can be utilized in sales of Empower products, should those sales be realized. As certain of these items are still in use in the marketplace, the option exists for the Company to sell them to distributors for resale. Management is investigating how best to realize the value of this inventory. Excluding the write off of inventory, cost of sales represented 24% of revenue for the year ended 2009 (2008– 29%). The change is attributable to the efforts to improve our margins and lower our costs and the write off of certain inventory in previous years. This is significant improvement in gross profit over same period last year 2008 and the Company expects this trend to continue into the future.

GENERAL AND ADMINISTRATIVE

General and administrative expenses without R&D for the year ended December 31, 2009 decreased to $1,409,777 (2008 - $1,515,434). Wages and benefits decreased to $372,269 (2008 - $485,248). Advertising and promotion decreased to $23,337 (2008 - $60,648). Travelling expenses decreased to $35,114 (2008 - $73,620). Office expenses decreased to $42,216 (2008 - $47,237). Rent decreased to $32,134 (2008 - $45,068). Legal fees increased to $172,187 (2008 - $105,484). A concerted effort to contain expenses was successful in reducing administrative costs during 2009.

RESEARCH AND DEVELOPMENT

Research and Development costs ("R&D costs") relating to the development of LEOs, adding new operating software, the EDK644x development kits, EMP3530-SDK, EMP3530/3503 Single Board Computer and new products are expensed as incurred. R&D costs for the year ended December 31, 2009 were $658,920 compared to $1,114,075 for 2008. The R&D cost decrease is due to the Company's successful completion of developing its core technology - LEOs operating software, the development platform products – EDK644x and EMP3530-SDK.

	Year Ended December 31, 2009	Year Ended December 31, 2008
Equipment and supplies	$ 21,549	$ 62,806
Rent	74,980	104,624
Salaries and benefits	562,391	946,645
	$ 658,920	$ 1,114,075

2009 EQUITY FINANCINGS

SHORT FORM OFFERING

We completed a Short Form Offering on July 9, 2009. The offering was approved by the TSX Venture Exchange on May 12, 2009. The offering was for up to 8,000,000 units (the "Units") at $0.25 per Unit, with each Unit consisting of one share and one warrant. Each whole warrant is exercisable into one common share for a period of two years at an exercise price of $0.30 per share. The warrants are non-transferable. The first tranche of the Offering resulted in the sale of 2,950,250 Units for gross proceeds of $737,562

Canaccord Capital Corporation, as agent for the offering, received an 8% cash commission and agent's warrants equal to 15% of the SFO Units sold 442,537 agent's warrants valued at $81,140, with each agent's warrant exercisable for a period of two years at $0.25. The agent also received a corporate finance fee of 250,000 Units (valued at $62,500), having the same terms as the Units offered, and corporate finance and administration fees of $73,000.

SUMMARY OF QUARTERLY RESULTS

	Three Months Ended December 31, 2009	Three Months Ended September 30, 2009	Three Months Ended June 30, 2009	Three Months Ended March 31, 2009
Total assets	$ 277,071	$ 220,955	$ 197,014	$ 221,115
Stock-based compensation	17,264	34,683	46,708	54,438
Working capital	(930,424)	(581,508)	(806,164)	(410,505)
Shareholders' equity	(3,014,925)	(2,521,693)	(2,654,851)	(2,153,856)
Revenues	4,497	3,695	8,329	4,538
Net loss	(510,496)	(507,084)	(565,938)	(481,011)
Loss per share	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)

	Three Months Ended December 31, 2008	Three Months Ended September 30, 2008	Three Months Ended June 30, 2008	Three Months Ended March 31, 2008
Total assets	$ 606,942	$ 532,979	$ 355,743	$ 532,640
Stock-based compensation	41,577	78,748	80,065	86,982
Working capital	182,778	55,718	10,030	216,943
Shareholders' equity	(1,750,238)	(1,404,105)	(833,336)	(154,966)
Revenues	25,931	89,818	13,067	17,632
Net loss	(387,710)	(650,725)	(785,435)	(872,742)
Loss per share	$ (0.01)	$ (0.02)	$ (0.02)	$ (0.02)

FOURTH QUARTER RESULTS

Revenue for the fourth quarter ended December 31, 2009 was $4,497 compared to $25,931 for the fourth quarter ended December 31, 2008. This decrease is attributed to the early stages of the sales cycle to get adoption. Management expects sales to improve as these new products become established in the market with design wins. The typical sales cycle for these products is between 12 to 18 months. Revenue increased for the fourth quarter ended December 31, 2009 compared to that of the third quarter ended September 30, 2009 which is $3,695.

The general and administrative cost for the fourth quarter ended December 31, 2009 was $508,067 compared to $353,694 for the fourth quarter ended December 31, 2008. This amount is increased mainly attributable to the Company's efforts to purchase Pixon Imaging. This figure is also attributable to legal fees which reflect the Company's efforts to conduct financing, to purchase Pixon Imaging, and to apply for patents and trademarks to create Intellectual Property Rights ("IPR") and IPR value.

R&D costs for the fourth quarter ended December 31, 2009 were $165,915 compared to $210,565 for the fourth quarter of 2008 and $177,873 for the third quarter ended September 30, 2009.

LIQUIDITY

The Company has financed its operations to date primarily through the issuance of common shares. The Company continues to seek capital through various means including the issuance of equity and/or debt. At December 31, 2009, there were 4,948,282 share purchase warrants outstanding. These warrants represent a source of equity capital for Empower, should they be exercised.

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

	2009	2008
Deficit	$ (25,095,258)	$ (23,030,729)
Working capital	$ (930,424)	$ 182,778

Net cash used in operating activities for the year ended December 31, 2009 was $1,597,559 compared to net cash used of $2,274,505 for the year ended December 31, 2008. The cash used in operating activities for the year consisted primarily of the operating expenses, office, marketing and sales activities, R&D and engineering activities.

Net cash used for investing activities for the year ended December 31, 2009 and 2008 was $Nil.

Net cash provided by financing activities for the year ended December 31, 2009 was $1,235,094 compared to net cash provided by financing activities of $1,921,595 for the year ended December 31, 2008. The cash provided during the year was due to the proceeds from loans, and a short form offering.

As of December 31, 2009, the Company's cash was $59,455 compared to $421,920 as at December 31, 2008. The Company has been incurring cash operating losses at the average rate of $136,798 per month over the last twelve months.

CAPITAL RESOURCES

The authorized capital of the Company consists of unlimited common shares without par value. As at December 31, 2009, there are 42,968,504 common shares issued and outstanding.

Empower has 4,948,282 share purchase warrants outstanding as of December 31, 2009. Should these warrants be exercised by the warrant holders, then the equity contributed to the Company would be $2,233,025.

As at December 31, 2009	Shares	Exercise Price	Expiry Date	Amount
Agent's warrants outstanding	84,195	0.75	January 7, 2010	$ 63,146
Warrants outstanding*	940,650	0.90	June 19, 2011	846,585
Warrants outstanding*	280,650	0.90	July 7, 2011	252,585
Warrants outstanding	2,950,250	0.30	July 9, 2011	885,075
Agent's warrants outstanding	250,000	0.30	July 9, 2011	75,000
Agent's warrants outstanding	442,537	0.25	July 9, 2011	110,634
	4,948,282			$ 2,233,025

*The extention of the expiry date of the Warrants is subject to the approval of the TSX Venture Exchange.

Empower has not committed to any material future capital expenditure.

OUTSTANDING SHARES

As at December 31, 2009 and April 27, 2010, the Company has 42,968,504 common shares outstanding. Changes since December 31, 2007 are as follows:

	Shares
BALANCE, DECEMBER 31, 2007	39,176,954
Short form offering	561,300
Exercise of options	30,000
BALANCE, DECEMBER 31, 2008	39,768,254
Short form offering	2,950,250
Agent shares issued pursuant to the Short Form Offering	250,000
BALANCE, DECEMBER 31, 2009	42,968,504

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

The Company has entered into the following transactions with related parties:

a) Recorded stock-based compensation of $84,599 (2008 - $213,611) for services provided by directors and officers.

c) Paid or accrued consulting fees of $65,000 (2008 - $80,733) for services provided by directors and officers of the Company.

d) Paid or accrued salaries and benefits of $83,000 (2008 - $118,000) to an officer that have been included in research and development costs.

e) Paid or accrued salaries and benefits of $127,000 (2008 - $170,000) two directors and officers of the Company.

Included in accounts payable is $211,484 (2008 - $35,393) due to directors and officers of the Company.

At December 31, 2009, the loans payable are due to a director of the Company. The loans bear interest at 8.5%, and are unsecured. The total interest paid or accrued was $175,151 (2008 - $72,159) for the year ended December 31, 2009.

The amounts charged to Empower for the services provided have been determined by negotiation among the parties and, in certain cases, are covered by signed agreements. These transactions were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. Significant inter-company balances and transactions have been eliminated upon consolidation.

USE OF ESTIMATES

The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from these estimates.

IMPAIRMENT OF LONG-LIVED ASSETS

A long-lived asset is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of a long-lived asset exceeds its fair value. For purposes of recognition and measurement of an impairment loss, a long-lived asset is grouped with other assets and liabilities to form an asset group, at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Estimates of future cash flows used to test recoverability of a long-lived asset include only the future cash flows that are directly associated with, and that are expected to arise as a direct result of, its use and eventual disposition.

ALLOWANCE FOR RECEIVABLES

The Company establishes an allowance for receivables on a specific account basis. The Company had no allowance for doubtful accounts as at December 31, 2009 and had the same $Nil as at December 31, 2008.

INVENTORIES

Inventories are carried at the lower of cost, using the weighted average method, and net realizable value. Inventories consist of material inventories, work in process and finished goods. The material inventory balances include electronic parts for research and development use. The work in process and finished goods balances include electronic consumer products.

RESEARCH AND DEVELOPMENT EXPENSES

Costs related to research, design and development of software products are charged to research and development expense as incurred. Software development costs are capitalized beginning when a product's technological feasibility has been established, which generally occurs upon completion of a working model, and ending when a product is available for general release to customers. All subsequent costs are expensed as incurred. The Company reassesses whether it has met the relevant criteria for deferral and amortization and whether there is any impairment in value at each reporting date.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost less accumulated amortization. Amortization is calculated using the declining balance method at the following annual rates:

Computer equipment	30%
Furniture and equipment	20%
Leasehold improvements	25%
Tools	20%

REVENUE RECOGNITION

i) Software

The Company recognizes revenue from packaged software and license fees when the software is delivered, title has passed and customer acceptance has occurred, there is persuasive evidence that an arrangement exists, the fee is fixed and determinable, and collection is probable.

ii) Products

The Company generates revenue through the sale of electronic products. Revenue is recognized only when persuasive evidence for a sales arrangement exists (i.e., delivery of the product has occurred), the product fee is fixed or determinable and collection of the sale is reasonably assured

INCOME TAXES

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the year that substantive enactment or enactment occurs. To the extent that the Company does not consider it to be more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

FOREIGN CURRENCY TRANSLATION

The Company's subsidiaries whose functional currencies other than the Canadian dollar are translated as integrated operations using the temporal method. Under this method, monetary items are translated into Canadian dollar equivalents at the exchange rate in effect at the balance sheet date, non-monetary items are translated at historical rates and revenue and expense items are translated at exchange rates prevailing when such items are recognized in the statement of operations. Exchange gains or losses arising on translation of foreign currency items are included in operating results.

STOCK-BASED COMPENSATION

The Company uses the fair-value method of accounting for all stock-based compensation.

LOSS PER SHARE

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. For the years presented, this calculation proved to be anti-dilutive. Basic loss per share is calculated using the weighted-average number of common shares outstanding during the year.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, obligations under capital leases and loans payable. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying value, unless otherwise noted.

The Company is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. Certain operations of the Company are conducted in the People's Republic of China ("PRC"). As a result, the Company's business, financial condition and results of operations may be influenced by the political, economic and legal environments in the PRC, and by the general state of the PRC economy. The operations in the PRC are subject to different considerations and other risks not typically associated with companies in North America. These include risks associated with, among others, the political, economic and legal environments and foreign currency exchange. The Company's results may be adversely affected by changes in the political and social conditions in the PRC, and by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion and remittances abroad and rates and methods of taxation, among other things.

NEW ACCOUNTING POLICIES ADOPTED DURING THE YEAR

AMENDMENT TO FINANCIAL INSTRUMENTS – DISCLOSURES

CICA Handbook Section 3862, Financial Instruments – Disclosures was amended to require disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly
Level 3 – Inputs that are not based on observable market data.

GOODWILL AND INTANGIBLE ASSETS

The AcSB issued CICA Handbook Section 3064 which replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. Standards concerning goodwill remain unchanged from the standards included in the previous Section 3062. The Company adopted the section effective January 1, 2009 and management does not expect the adoption to have a material impact on the Company's financial results.

RECENT ACCOUNTING PRONOUNCEMENTS

International financial reporting standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2010 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

Business Combinations, Non-controlling Interest and Consolidated Financial Statements

In January 2009, the CICA issued Handbook Sections 1582 "Business Combinations", 1601 "Consolidated Financial Statements" and 1602 "Non-controlling Interests" which replace CICA Handbook Sections 1581 "Business Combinations" and 1600 "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning January 1, 2011. Early adoption of these Sections is permitted and all three Sections must be adopted concurrently.

CHANGEOVER PLAN TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

In February 2008, the AcSB confirmed that Canadian GAAP for publicly accountable enterprises will be converged with IFRS effective in calendar year 2011, with early adoption allowed starting in calendar year 2009. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement and disclosures. In the period leading up to the changeover, the AcSB will continue to issue accounting standards that are converged with IFRS, thus mitigating the impact of adopting IFRS at the changeover date. The International Accounting Standard Board (IASB) will also continue to issue new accounting standards during the conversion period, and as a result, the final impact of IFRS on the Company's consolidated financial statements will only be measured once all the IFRS applicable at the conversion date are known.

For the Company, the changeover to IFRS will be required for interim and annual financial statements beginning on January 1, 2011. As a result, the Company will begin to develop a plan to convert its Consolidated Financial Statements to IFRS. The Company will provide training to key employees and will be monitoring the impact of the transition on its business practices, systems and internal controls over financial reporting.

FINANCIAL INSTRUMENTS AND RISK

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of potential loss to the Company if a customer or counterparty to a financial instrument fails to meets its contractual obligations. The Company's credit risk is limited to the carrying amount on the balance sheet and arises from the Company's cash, marketable securities, receivables and reclamation bonds.

The Company's cash, marketable securities, and reclamation bonds are held through a Canadian chartered bank and brokerage firm, which are high-credit quality financial institutions. The Company's receivables primarily consist of goods and services tax due from Federal Government of Canada.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2009, the Company had a cash balance of $59,455 to settle current liabilities of $1,126,014. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

(a) Interest rate risk

The Company has cash balances and no outsider interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term certificates of deposits issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

(b) Foreign currency rate risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. Management believes the foreign exchange risk derived from currency conversions is insignificant and therefore does not hedge its foreign exchange risk.

Sensitivity analysis

The carrying value of cash, marketable securities, receivables, reclamation bonds, accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturities of these financial instruments. Based on management's knowledge of and experience in the financial markets, management does not believe that the Company's current financial instruments will be materially affected by credit risk, liquidity risk or market risk.

SUBSEQUENT EVENTS

a) On January 13, 2010, the Company announced signing an amendment to the Purchase Agreement with Pixon Imaging, LLC to among other things, extend the closing date of the purchase to be on or before February 26, 2010. The amendment provides for further repayable deposits to be advanced to the vendors, which could total as much as US$210,000 depending on when the closing occurs. On March 18, 2010, the Company announced a 30 day extension of the definitive agreement to purchase Pixon Imaging, LLC which was terminated and expired earlier. Under this extension, the Company has an option to extend for another 30 days subject to certain terms and conditions. The Company is continuing discussion with Pixon Imaging on possible closing of the transaction.

b) On January 27, 2010 the Company extended its existing convertible debenture (“the “Debenture”) for one additional year. The Debenture was due for repayment on January 31, 2010 and the parties have agreed to extend the term of the Debenture to January 31, 2011. All terms and conditions of the Debenture remain the same.

c) The Company received in advance proceeds for its non-brokered private placement convertible debentures. The convertible debentures bear interest at the rate of 12% per annum and are convertible into common shares of the Company at $0.50 per share maturing two years from the date of issuance and are convertible at any time before maturity, at the option of the holder. Interest is payable semi-annually. The Company received $162,128 in proceeds before December 31, 2009 and $156,400 subsequent to December 31, 2009. No closing date has been set.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

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EXPRESSED IN CANADIAN DOLLARS
DECEMBER 31, 2009

AUDITORS' REPORT

TO THE SHAREHOLDERS OF

EMPOWER TECHNOLOGIES CORPORATION

We have audited the consolidated balance sheets of Empower Technologies Corporation as at December 31, 2009 and 2008 and the consolidated statements of operations and comprehensive loss, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

DAVIDSON & COMPANY LLP

Chartered Accountants

A Partnership of Incorporated Professionals

Vancouver, Canada

April 26, 2010

NEXIA INTERNATIONAL

1200 - 609 Granville Street,
P.O. Box 10372, Pacific Centre,
Vancouver, BC, Canada,
V7Y 1G6
Tel: 604.687.0947
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CONSOLIDATED BALANCE SHEETS

AS AT DECEMBER 31 • EXPRESSED IN CANADIAN DOLLARS

	2009	2008
ASSETS		
Current		
Cash	$ 59,455	$ 421,920
Accounts receivable	20,147	23,309
Inventory (Note 4)	56,610	29,514
Prepaid expenses	59,378	40,715
	195,590	515,458
Property and equipment (Note 5)	81,481	91,484
TOTAL ASSETS	$ 277,071	$ 606,942
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current		
Accounts payable and accrued liabilities	$ 521,200	$ 259,005
Current portion of obligations under capital lease (Note 8)	3,595	3,675
Debenture proceeds received in advance (Note 19)	162,128	70,000
Convertible debenture (Note 6)	416,811	-
Customer deposit	5,000	-
Loans payable (Note 7)	17,280	-
	1,126,014	332,680
Long Term		
Loans payable (Note 7)	2,152,500	2,024,500
Obligations under capital lease (Note 8)	13,482	-
TOTAL LIABILITIES	3,291,996	2,357,180
Shareholders' deficiency		
Capital stock (Note 9)		
Authorized: unlimited common shares without par value		
Issued and outstanding: 42,968,504 shares (2008 – 39,768,254)	19,710,858	19,186,439
Contributed surplus (Note 9)	2,328,285	2,094,052
Equity portion of convertible debenture issued (Note 6)	41,190	-
Deficit	(25,095,258)	(23,030,729)
TOTAL SHAREHOLDERS' DEFICIENCY	(3,014,925)	(1,750,238)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY	$ 277,071	$ 606,942

Nature and continuance of operations (Note 1)
Commitments (Note 18)
Subsequent events (Note 19)

On behalf of the Board:

"PAUL LEUNG" *Director* "STEVE GUPTA" *Director*

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS & COMPREHENSIVE LOSS

YEAR ENDED DECEMBER 31 • EXPRESSED IN CANADIAN DOLLARS

	2009	2008
SALES	$ 21,059	$ 146,448
COST OF SALES		
Cost of material sold	5,026	41,980
Write-off of inventory (Note 4)	10,793	127,691
	15,819	169,671
	5,240	(23,223)
EXPENSES		
Accounting and audit	77,346	36,900
Advertising and promotion	23,337	60,648
Amortization of property and equipment	18,053	26,207
Amortization of assets under capital lease	2,881	2,032
Bank charges and interest	8,324	9,465
Consulting fees	83,734	138,041
Foreign exchange loss	2,050	3,665
Insurance	43,945	41,067
Interest and accretion on convertible debentures	78,023	-
Interest on long term debt	174,253	72,159
Legal fees	172,187	105,484
Office expenses	42,216	47,237
Rent	32,134	45,068
Research and development	658,920	1,114,075
Stock-based compensation (Note 10)	153,093	287,372
Telephone and utilities	45,250	53,635
Transfer agent and filing fees	45,568	27,586
Travel	35,114	73,620
Wages and benefits	372,269	485,248
	(2,068,697)	(2,629,509)
LOSS BEFORE OTHER ITEMS	(2,063,457)	(2,652,732)
OTHER ITEMS		
Interest and other income	5,972	6,074
Write-off of software license	-	(49,954)
Loss on disposal of property and equipment	(7,044)	-
	(1,072)	(43,880)
LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	$ (2,064,529)	$ (2,696,612)
BASIC AND DILUTED LOSS PER COMMON SHARE	$ (0.05)	$ (0.07)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	41,311,388	39,746,757

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' DEFICIENCY

EXPRESSED IN CANADIAN DOLLARS

	Number of Shares	Price	Capital Stock	Contributed Surplus	Equity Portion of Convertible Debenture	Deficit	Total
BALANCE, DECEMBER 31, 2007	39,176,954	$ -	$ 18,781,755	$ 1,797,859	$ -	$ (20,334,117)	$ 245,497
Short form offering (net of issuance costs)	561,300	0.75	386,505	-	-	-	386,505
Agent's warrants issued pursuant to the short form offering	-	-	(13,134)	13,134	-	-	-
Exercise of options	30,000	0.90	31,313	(4,313)	-	-	27,000
Stock-based compensation	-	-	-	287,372	-	-	287,372
Loss for the year	-	-	-	-	-	(2,696,612)	(2,696,612)
BALANCE, DECEMBER 31, 2008	39,768,254	-	19,186,439	2,094,052	-	(23,030,729)	(1,750,238)
Short form offering (net of issuance costs)	2,950,250	0.25	605,559	-	-	-	605,559
Agent's shares issued pursuant to the short form offering	250,000	0.25	-	-	-	-	-
Agent's warrants issued pursuant to the short form offering	-	-	(81,140)	81,140	-	-	-
Issuance of convertible debentures	-	-	-	-	41,190	-	41,190
Stock-based compensation	-	-	-	153,093	-	-	153,093
Loss for the year	-	-	-	-	-	(2,064,529)	(2,064,529)
BALANCE, DECEMBER 31, 2009	42,968,504	-	$ 19,710,858	$ 2,328,285	$ 41,190	$ (25,095,258)	$ (3,014,925)

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEAR ENDED DECEMBER 31 • EXPRESSED IN CANADIAN DOLLARS

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (2,064,529)	$ (2,696,612)
Items not affecting cash:		
Amortization of property and equipment	18,053	26,207
Amortization of assets under capital lease	2,881	2,032
Stock-based compensation	153,093	287,372
Accrued interest on convertible debenture	61,301	-
Accrued interest on loan payable	174,253	33,861
Write-off of inventory	10,793	127,691
Loss on disposal of property and equipment	7,044	-
Changes in non-cash working capital items:		
Decrease in accounts receivable	3,162	32,764
Increase in inventory	(37,889)	(23,451)
Decrease (increase) in prepaid expenses	(18,663)	4,243
Increase (decrease) in accounts payable and accrued liabilities	87,942	(66,655)
Increase (decrease) in customer deposit	5,000	(1,957)
NET CASH USED IN OPERATING ACTIVITIES	(1,597,559)	(2,274,505)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of capital lease obligations	(4,573)	(4,410)
Proceeds of loans payable (short term)	17,280	-
Proceeds of loans payable	448,000	1,924,500
Repayments of loans payable	(320,000)	(482,000)
Proceeds from debenture payable	326,700	-
Proceeds from debenture received in advance	162,128	70,000
Proceeds from issuance of common shares, net of issuance costs	605,559	413,505
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,235,094	1,921,595
CHANGE IN CASH DURING THE YEAR	(362,465)	(352,910)
CASH, BEGINNING OF YEAR	421,920	774,830
CASH, END OF YEAR	$ 59,455	$ 421,920

Supplemental disclosure with respect to cash flows (Note 17)

The accompanying notes are an integral part of these consolidated financial statements.

DECEMBER 31, 2009 • EXPRESSED IN CANADIAN DOLLARS

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company is a provider of Linux-based embedded system technologies and solutions for the consumer electronics industry and the intelligent appliance market.

On September 19, 2003, the Company completed a share exchange with Empower Technologies, Inc. (“Empower US”). Sufficient common shares of the Company were issued so that controlling interest in the Company passed to the former shareholders of Empower US. These consolidated financial statements are a continuation of the financial statements of the accounting acquirer, Empower US, and not the Company, the legal parent.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has incurred losses of $25,095,258 since inception and further losses are anticipated in the development of its business plan. These circumstances lead to significant doubt as to the ability of the Company to meet its obligations as they come due, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

The Company’s continuing operations as intended are dependent upon its ability to develop products and technologies that can be commercialized. In order to continue as a going concern and meet its corporate objectives, the Company will require additional financing through debt or equity issuances or other available means. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

	December 31, 2009	December 31, 2008
Deficit	$ (25,095,258)	$ (23,030,729)
Working capital (deficiency)	(930,424)	182,778

2. SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. Significant inter-company balances and transactions have been eliminated upon consolidation.

USE OF ESTIMATES

The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from these estimates.

Significant areas requiring use of management estimates include determination of impairment of property and equipment, amortization rates for equipment; effective interest rate used in calculating the equity portion of convertible debenture, future income tax assets and liabilities; and determination of the assumptions used in calculating fair value of stock-based compensation. While management believes the estimations are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

IMPAIRMENT OF LONG-LIVED ASSETS

A long-lived asset is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of a long-lived asset exceeds its fair value. For purposes of recognition and measurement of an impairment loss, a long-lived asset is grouped with other assets and liabilities to form an asset group, at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Estimates of future cash flows used to test recoverability of a long-lived asset include only the future cash flows that are directly associated with, and that are expected to arise as a direct result of, its use and eventual disposition.

ALLOWANCE FOR RECEIVABLES

The Company establishes an allowance for receivables on a specific account basis. The Company had no allowance for doubtful accounts as at December 31, 2009 and 2008.

INVENTORIES

Inventories are carried at the lower of cost, using the weighted average method, and net realizable value. Inventories consist of material inventories; work in process and finished goods. The material inventory balances include electronic parts for research and development use. The work in process and finished goods balances include electronic consumer products.

RESEARCH AND DEVELOPMENT EXPENSES

Costs related to research, design and development of software products are charged to research and development expense as incurred. Software development costs are capitalized beginning when a product's technological feasibility has been established, which generally occurs upon completion of a working model, and ending when a product is available for general release to customers. All subsequent costs are expensed as incurred. The Company reassesses whether it has met the relevant criteria for deferral and amortization and whether there is any impairment in value at each reporting date.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost less accumulated amortization. Amortization is calculated using the declining balance method at the following annual rates:

Computer equipment	30%
Furniture and equipment	20%
Leasehold improvements	25%
Tools	20%

FINANCIAL INSTRUMENTS

All financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired.

The Company has classified its cash as held-for-trading, and accounts receivable as loans and receivables. Accounts payable and accrued liabilities, loans payable, debenture payable, and customer deposit are classified as other financial liabilities, which are measured at amortized cost.

REVENUE RECOGNITION

i) Software
The Company recognizes revenue from packaged software and license fees when the software is delivered, title has passed and customer acceptance has occurred, there is persuasive evidence that an arrangement exists, the fee is fixed and determinable and collection is probable.

ii) Products
The Company generates revenue through the sale of electronic products. Revenue is recognized only when persuasive evidence for a sales arrangement exists (i.e., delivery of the product has occurred, the product fee is fixed or determinable and collection of the sale is reasonably assured).

INCOME TAXES

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the year that substantive enactment or enactment occurs. To the extent that the Company does not consider it to be more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

FOREIGN CURRENCY TRANSLATION

The Company's subsidiaries whose functional currencies are other than the Canadian dollar are translated as integrated operations using the temporal method. Under this method, monetary items are translated into Canadian dollar equivalents at the exchange rate in effect at the balance sheet date, non-monetary items are translated at historical rates, and revenue and expense items are translated at exchange rates prevailing when such items are recognized in the statement of operations. Exchange gains or losses arising on translation of foreign currency items are included in operating results.

STOCK-BASED COMPENSATION

The Company uses the fair-value method of accounting for all stock-based compensation.

LOSS PER SHARE

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. For the years presented, this calculation proved to be anti-dilutive. Basic loss per share is calculated using the weighted-average number of common shares outstanding during the year.

3. CHANGES IN ACCOUNTING POLICIES

NEWLY ADOPTED DURING THE YEAR

AMENDMENT TO FINANCIAL INSTRUMENTS – DISCLOSURES

CICA Handbook Section 3862, Financial Instruments – Disclosures was amended to require disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly
Level 3 – Inputs that are not based on observable market data.

See note 15 for relevant disclosures.

GOODWILL AND INTANGIBLE ASSETS

The AcSB issued CICA Handbook Section 3064 which replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. Standards concerning goodwill remain unchanged from the standards included in the previous Section 3062. The Company adopted the section effective January 1, 2009 and management does not expect the adoption to have a material impact on the Company's financial results.

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Business Combinations, Non-controlling Interest and Consolidated Financial Statements

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4. INVENTORY

	2009	2008
Material inventories	$ 12,872	$ 27,913
Work in progress	43,204	-
Finished goods	534	1,601
	$ 56,610	$ 29,514

During the year, the inventory was written down to its estimated net realizable value and a corresponding charge of $10,793 (2008 - $127,691) is included in cost of sales for the year. The inventory written down remains in stock.

5. PROPERTY AND EQUIPMENT

	2009			2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	$ 144,343	$ 127,069	$ 17,274	$ 144,343	$ 119,666	$ 24,677
Furniture and equipment	109,889	65,870	44,019	113,964	73,113	40,851
Leasehold improvements	28,724	20,070	8,654	28,724	17,186	11,538
Tools	37,000	25,466	11,534	37,000	22,582	14,418
	$ 319,956	$ 238,475	$ 81,481	$ 324,031	$ 232,547	$ 91,484

Included in property and equipment is $17,976 (2008 - $22,051) of computer equipment and furniture and equipment under capital lease with related accumulated amortization of $1,798 (2008 - $13,921).

6. CONVERTIBLE DEBENTURES

a) On January 20, 2009, the Company closed the first tranche of its private placement of convertible debentures in the aggregate amount of $160,000 of which $70,000 was received before December 31, 2008. The convertible debentures bearing interest at the rate of 10% per annum are convertible into common shares of Empower at $0.40 per share until January 31, 2010. Interest is payable semi-annually on July 31, 2009 and January 31, 2010. The convertible debentures and any shares issued upon conversion have a hold period expiring May 16, 2009.

b) On March 20, 2009, the Company closed the second tranche of its private placement of convertible debentures in the aggregate amount of $96,500. The convertible debentures bearing interest at the rate of 10% per annum are convertible into common shares of Empower at $0.40 per share until January 31, 2010. Interest is payable semi-annually on July 31, 2009 and January 31, 2010. The convertible debentures and any shares issued upon conversion have a hold period expiring July 17, 2009.

c) On April 28, 2009, the Company closed the third and final tranche of its private placement of convertible debentures in the aggregate amount of $140,200. The convertible debentures bear interest at the rate of 10% per annum and are convertible into common shares of Empower at $0.40 per share until January 31, 2010. The convertible debentures and any shares issued upon conversion have a hold period expiring August 25, 2009.

An Equity portion of $41,190 relating to the above debentures was calculated which reflects the convertible feature attached to the debentures.

7. LOANS PAYABLE

The loans payable are due to a director of the Company, are unsecured, bear interest at the rate of 8.5% per annum, of which $2,152,500 of loans are due on January 31, 2011 and $17,280 are due on demand. The total interest accrued on the loans for the year ended December 31, 2009 was $174,253 (2008 - $72,159).

8. OBLIGATIONS UNDER CAPITAL LEASE

	2009	2008
Payments of $300 per month, non-interest bearing, due over lease terms expiring through September 2014	$ 17,077	$ 3,675
Less: current portion	(3,595)	(3,675)
	$ 13,482	$ -
Estimated remaining lease payments are as follows:		
2010	$ 3,595	$ -
2011	3,595	-
2012	3,595	-
2013	3,595	-
2014	2,697	-
BALANCE OF OBLIGATION	$ 17,077	$ -

9. CAPITAL STOCK AND CONTRIBUTED SURPLUS

During the year ended December 31, 2009:

The Company completed a Short Form Offering ("SFO") on July 9, 2009. The SFO was closed by the sale of 2,950,250 units (the "Units") at $0.25 per Unit for total proceeds of $737,563, with each Unit consisting of one share and one warrant. Each whole warrant is exercisable into one common share for a period of two years at an exercise price of $0.30 per share. The warrants are non-transferable. The Company issued 442,537 agent's warrants (valued at $81,140), exercisable at $0.25 per share until July 9, 2011. The Company also paid $59,005 in agent's commissions and $73,000 in fees. The agent also received a corporate finance fee of 250,000 units (valued at $62,500) having the same terms as the Units offered, an administration fee and a fiscal advisory services fee.

During the year ended December 31, 2008:

The Company completed a SFO on January 7, 2008. The SFO was closed by the sale of 561,300 units (the "Units") at $0.75 per Unit for gross proceeds of $420,975, with each Unit consisting of one share and one half warrant. Each whole warrant is exercisable into one common share for a period of two years at an exercise price of $0.90 per share. The warrants are non-transferable. The Company issued 84,195 agent's warrants (valued at $13,134), exercisable at $0.75 per share until January 7, 2010. The Company also paid $34,470 in agent's commissions and fees.

10. STOCK OPTIONS

On September 19, 2003, the Company adopted a stock option plan under which it is authorized to grant options to directors and employees to acquire common shares, up to an amount equivalent to 20% of the outstanding common shares. Under the plan, the exercise price of each option may not be less than the market price of the Company's stock as calculated on the date of grant, less applicable discounts. The options can be granted for a maximum term of 5 years.

On June 28, 2005, the Company amended the vesting period of the options to officers and directors to 1/3 one year after the date of grant, 1/3 two years after the date of grant and 1/3 three years after the date of grant. The Company also amended the vesting period of the options to employees and consultants to 1/4 one year after the date of grant, 1/4 two years after the date of grant, 1/4 three years after the date of grant and 1/4 four years after the date of grant. Under the current option plan, the maximum aggregate number of shares that may be reserved for issuance is 6,000,000 common shares.

As at December 31, 2009, the following incentive stock options are outstanding:

	Number of Shares	Exercise Price ($)	Expiry Date
Stock options	25,000	2.12	June 28, 2010
	25,000	1.76	August 10, 2010
	160,000	1.24	February 20, 2011
	300,000	2.50	April 20, 2011
	450,000	1.00	September 1, 2011
	120,000	0.62	August 24, 2012
TOTAL OUTSTANDING OPTIONS	1,080,000		

Stock option transactions are summarized as follows:

	2009		2008	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	1,597,500	$ 1.26	2,739,000	$ 0.97
Options exercised	-	-	(30,000)	0.90
Options expired or cancelled	(517,500)	0.85	(1,111,500)	0.56
OUTSTANDING, END OF YEAR	1,080,000	$ 1.45	1,597,500	$ 1.26
NUMBER OF OPTIONS EXERCISABLE, END OF YEAR	980,000	$ 1.51	1,144,167	$ 1.24

STOCK-BASED COMPENSATION

The Company granted Nil (2008 – Nil) stock options during the year to directors, officers, consultants and employees. Compensation costs of $153,093 (2008 - $287,372) resulted from amortization of stock-based compensation of options granted in prior years.

11. WARRANTS

On January 7, 2008 the Company completed a SFO, which resulted in the sale of 561,300 Units. Each Unit consists of one share and one half warrant. As a result, 280,650 non-transferable warrants were issued, exercisable at a price of $0.90 for a period of 24 months from closing. For this offering, the agents received 84,195 non-transferable warrants valued at $13,134, exercisable at a price of $0.75 for a period of 24 months from closing.

On July 9, 2009 the company completed its SFO, which resulted in the sale of 2,950,250 Units and grant of 250,000 agent's Units. Each Unit consists of one share and one warrant. As a result, 3,200,250 non-transferable warrants were issued, exercisable at a price of $0.30 for a period of 24 months from closing. For this offering, the agent received 442,537 non-transferable warrants valued at $81,140, exercisable at a price of $0.25 for a period of 24 months from closing.

The following weighted average assumptions were used in the Black-Scholes Option Pricing Model in determining the fair value of agent's warrants issued for services during the year:

	2009	2008
Risk-free interest rate	1.24%	3.58%
Expected life	2 years	2 years
Annualized volatility	156.02%	77.54%
Dividend	-	-

Warrant transactions and the number of warrants outstanding are summarized as follows:

	2009		2008	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	1,662,690	$ 0.87	2,192,845	$ 0.88
Warrants granted	3,642,787	0.29	364,845	0.87
Warrants expired	(357,195)	0.78	(895,000)	0.90
OUTSTANDING, END OF YEAR	4,948,282	$ 0.45	1,662,690	$ 0.87
NUMBER OF WARRANTS CURRENTLY EXERCISABLE	4,948,282	$ 0.45	1,662,690	$ 0.87

As at December 31, 2009, the following warrants are outstanding:

	Number of Warrants	Exercise Price ($)	Expiry Date
Warrants	84,195	0.75	January 7, 2010 (expired subsequently)
	940,650	0.90	June 19, 2011[1]
	280,650	0.90	July 7, 2011[2]
	2,950,250	0.30	July 9, 2011
	250,000	0.30	July 9, 2011
	442,537	0.25	July 9, 2011
TOTAL OUTSTANDING WARRANTS	4,948,282		

1) Expiry date of the 940,650 warrants was applied for extension from December 19, 2009 to June 19, 2011 subject to the approval of TSX venture.

2) Expiry date of the 280,650 warrants was applied for extension from January 7, 2010 to July 7, 2011 subject to the approval of TSX venture.

12. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

a) Recorded stock-based compensation of $84,599 (2008 - $213,611) for services provided by directors and officers.
b) Paid or accrued consulting fees of $65,000 (2008 - $80,733) for services provided by officers and directors of the Company.
c) Paid or accrued salaries and benefits of $83,000 (2008 - $118,000) to an officer of the Company included in research and development costs.
d) Paid or accrued salaries and benefits of $127,000 (2008 - $170,000) to two directors and officers of the Company.

Included in accounts payable is $211,484 (2008 - $35,393) due to directors and officers of the Company.

At December 31, 2009, the loans payable are due to a director of the Company. The loans bear interest at 8.5%, and are unsecured. The total interest paid or accrued was $175,151 (2008 - $72,159) for the year ended December 31, 2009.

The amounts charged to the Company for the services provided have been determined by negotiation among the parties and, in certain cases, are covered by signed agreements. These transactions were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties.

13. INCOME TAXES

A reconciliation of income taxes with the reported taxes is as follows:

	2009	2008
LOSS BEFORE INCOME TAXES	$ (2,064,529)	$ (2,696,612)
Expected income tax recovery	$ (619,359)	$ (835,950)
Differences in foreign tax rates	(893)	(10,846)
Share issuance costs deductible	(81,761)	(91,367)
Non-deductible expenses	251,176	444,713
Unrecognized tax benefit of non-capital operating losses	450,837	493,450
TOTAL INCOME TAX RECOVERY	$ -	$ -

The significant components of the Company's future tax assets are as follows:

	2009	2008
Future income tax assets:		
Non-capital losses available for future years	$ 4,376,000	$ 4,373,000
Property and equipment	60,000	60,000
Share issuance costs and other	76,000	92,000
	4,512,000	4,525,000
Valuation allowance	(4,512,000)	(4,525,000)
NET FUTURE INCOME TAX ASSETS	$ -	$ -

The Company has available for deduction against future taxable income non-capital losses in Canada of approximately $17,500,000. These losses, if not utilized, will expire through to 2029. Future tax benefits which may arise as a result of these non-capital losses have not been recognized in these financial statements due to the uncertainty of their realization.

14. SEGMENTED INFORMATION

The Company currently conducts substantially all of its operations in one business segment, being the development of Linux-based embedded systems technologies, in the following geographical areas:

	2009	2008
PROPERTY AND EQUIPMENT :		
Canada	$ 81,481	$ 91,484

	2009	2008
REVENUE:		
United States of America	$ 404	$ 104,611
Asia	14,819	27,499
Europe	-	7,560
Canada	5,836	6,778
	$ 21,059	$ 146,448

Revenues are attributed to geographic areas based upon the location of the customers. Sales to three (2008 - four) customers each were in excess of 10% of revenue in 2009.

15. FINANCIAL INSTRUMENTS AND RISK

The carrying value of accounts receivable, accounts payable and accrued liabilities, convertible debenture and loan payable approximated their fair value.

Financial instruments measured at fair value on the balance sheet are summarized in levels of fair value hierarchy as follows:

Assets	Level 1	Level 2	Level 3	Total
Cash	$ 59,455	$ -	$ -	$ 59,455

The Company is exposed to the following risks from its use of financial instruments: credit risk, market risk and liquidity risk. Management, the Board of Directors and the Audit Committee monitor risk management activities and review the adequacy of such activities.

CREDIT RISK

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to fulfill its contractual obligations. Such risk arises principally from certain financial assets held by the Company consisting of trade receivables. The maximum exposure to credit risk of the Company at period end is the carrying value of these financial assets.

The Company's cash is held with high-credit quality financial institutions. Provisions for doubtful accounts are made on a customer by customer basis. All write downs against receivables are recorded in the expenses on the Consolidated Statement of Operations. The Company is exposed to credit related losses on sales to customers outside of North America due to higher risks of enforceability and collectibility. Accounts receivable at December 31, 2009 are comprised of trade accounts receivable. There is no provision for doubtful accounts at December 31, 2009.

MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holding of financial instruments.

(i) Foreign Exchange Risk – The Company operates internationally and is exposed to foreign exchange risk from various currencies, primarily the U.S. Dollar and the Chinese Renminbi. Foreign exchange risk arises from sales and purchase transactions as well as recognized financial assets and liabilities that are denominated in currencies other than the Canadian dollar, which is the functional currency of the Company and its subsidiaries.

During the year ended December 31, 2009 and at December 31, 2009, the Company held only minor amounts of cash deposits in foreign currencies.

(ii) 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 Company does not have any debt instruments outstanding with variable interest rates at December 31, 2009. Financial liabilities that bear interest at fixed rates are subject to fair value interest rate risk. No hedging relationships have been established for the related monthly interest or for the principal payments. The Company manages its interest rate risk by minimizing financing costs on its borrowings and maximizing income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day to day basis. The carrying value of long-term debt approximates its fair value.

LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. At December 31, 2009, the Company had cash of approximately $59,455. Monthly operating expenses approximate $170,000. The continuation of the Company depends upon the support of its lender and equity investors, which cannot be assured. The Company's debt is from a related party and approximates fair value.

16. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard its assets while at the same time maintaining investor and market confidence and to sustain future development of the business. In the management of capital, the Company includes shareholder's equity and loans payable in the definition of capital. To maintain or adjust the capital structure, the Company may issue new shares, issue new debt with different characteristics or acquire and dispose of assets. There were no changes in the Company's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

17. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2009	2008
Cash paid during the year for interest	$ 49,762	$ 45,918
Cash paid during the year for income taxes	-	-

During the year ended December 31, 2009, the Company:

a) granted 250,000 share units (valued at $62,500) representing the corporate finance fee and 442,537 non-transferable warrants (valued at $81,140) as agent service fees pursuant to the SFO.
b) acquired $17,975 of office equipment through capital lease.
c) issuance of $70,000 of convertible debentures, the proceeds of which was received before December 31, 2008.

During the year ended December 31, 2008, the Company:

a) granted 84,195 non-transferable warrants (valued at $13,134) as agent services fees pursuant to the SFO.
b) reclassified $4,313 from contributed surplus to capital stock upon exercise of 30,000 stock options.

18. COMMITMENTS

The Company has entered into an operating lease agreement for its premises. The annual lease commitments under this lease are as follows:

2010	$ 98,938

19. SUBSEQUENT EVENTS

a) On January 13, 2010, the Company announced signing an amendment to the Purchase Agreement with Pixon Imaging, LLC to among other things, extend the closing date of the purchase to be on or before February 26, 2010. The amendment provides for further repayable deposits to be advanced to the vendors, which could total as much as US$210,000 depending on when the closing occurs. On March 18, 2010, the Company announced a 30 day extension of the definitive agreement to purchase Pixon Imaging, LLC which was terminated and expired earlier. Under this extension, the Company has an option to extend for another 30 days subject to certain terms and conditions. The Company is continuing discussion with Pixon Imaging on possible closing of the transaction.

b) On January 27, 2010 the Company extended its existing convertible debenture (“the “Debenture”) for one additional year. The Debenture was due for repayment on January 31, 2010 and the parties have agreed to extend the term of the Debenture to January 31, 2011. All terms and conditions of the Debenture remain the same.

c) The Company received in advance proceeds for its non-brokered private placement convertible debentures. The convertible debentures bear interest at the rate of 12% per annum and are convertible into common shares of the Company at $0.50 per share maturing two years from the date of issuance and are convertible at any time before maturity, at the option of the holder. Interest is payable semi-annually. The Company received $162,128 in proceeds before December 31, 2009 and $156,400 subsequent to December 31, 2009. No closing date has been set.

Board of Directors

EDWARD BAGG
AMY CHAN
STEVE GUPTA
PAUL LEUNG

Management

PAUL LEUNG
Chairman, President & CEO (Founder)

AMY CHAN
Chief Financial Officer,
VP of Operations & General Manager
(Co-founder)

KENNETH HO
VP of Research & Development

STEVE MATHIESEN
Corporate Secretary

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