

ANV SECURITY GROUP INC.  
Form 10-Q  
August 17, 2010

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2010

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 000-53802

ANV Security Group, Inc.  
(Exact name of registrant as specified in its charter)

Nevada  
(State or other jurisdiction of  
incorporation or organization)

13-3089537  
(I.R.S. Employer  
Identification No.)

2nd Floor, Tower B, Jiada R&D Building, No 5  
Songpingshan Road, Shenzhen, China  
(Address of principal executive offices)

518057  
(Zip Code)

0086-755-86656426  
(Registrant's telephone number, including area code)

N/A  
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting

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company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

As of August 16, 2010, 47,930,071 shares of common stock, par value \$.001 per share, were outstanding, of which 34,040,071 shares were held by non-affiliates.

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ANV SECURITY GROUP, INC.  
FORM 10-Q  
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## PART I Financial Information

## Item 1 Financial Statements

ANV Security Group, Inc.  
Consolidated Balance Sheets  
(Expressed in US dollars)

|                                                                                                                                    | As of                           |                                |
|------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|--------------------------------|
|                                                                                                                                    | June 30,<br>2010<br>(Unaudited) | March 31,<br>2010<br>(Audited) |
| <b>ASSETS</b>                                                                                                                      |                                 |                                |
| <b>Current Assets</b>                                                                                                              |                                 |                                |
| Cash                                                                                                                               | \$ 560,258                      | \$ 31,756                      |
| Accounts Receivable                                                                                                                | 32,373                          | -                              |
| GST Receivable                                                                                                                     | 2,662                           | 2,547                          |
| Inventory                                                                                                                          | 154,476                         | 81,490                         |
| Other Assets                                                                                                                       | 8,470                           | 5,227                          |
| <b>Total Current Assets</b>                                                                                                        | <b>758,239</b>                  | <b>121,020</b>                 |
| Property and Equipment , net                                                                                                       | 43,044                          | 21,015                         |
| Software Purchased                                                                                                                 | 1,201,422                       | 1,325,376                      |
| Organization Cost                                                                                                                  | 49,387                          | 54,482                         |
| Intangible Assets                                                                                                                  | 2,258,774                       | -                              |
| <b>Total Assets</b>                                                                                                                | <b>\$ 4,310,866</b>             | <b>\$ 1,521,893</b>            |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                                                                                        |                                 |                                |
| <b>Current Liabilities</b>                                                                                                         |                                 |                                |
| Accounts payable                                                                                                                   | \$ 2,854                        | \$ 7,303                       |
| Deposit payable                                                                                                                    | 2,208,852                       | -                              |
| Due to related parties                                                                                                             | 149,214                         | 38,188                         |
| <b>Total Liabilities</b>                                                                                                           | <b>2,360,920</b>                | <b>45,491</b>                  |
| <b>Commitments and Contingencies</b>                                                                                               |                                 |                                |
| <b>Stockholders' Equity</b>                                                                                                        |                                 |                                |
| Common Stock, Unlimited shares authorized, without par value 34,830,071 and 33,190,071 shares issued and outstanding, respectively | 2,754,907                       | 1,999,139                      |

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|                                               |              |              |
|-----------------------------------------------|--------------|--------------|
| Additional Paid-in Capital for Stock Options  | 24,836       | 24,836       |
| Deficit Accumulated                           | (934,818)    | (739,448)    |
| Accumulated Other Comprehensive Income (Loss) | 105,021      | 191,875      |
| Total Stockholders' Equity                    | 1,949,946    | 1,476,402    |
| Total Liabilities and Stockholders' Equity    | \$ 4,310,866 | \$ 1,521,893 |

See Notes to Financial Statements

ANV Security Group, Inc.  
Consolidated Statements of Operations  
(Expressed in US dollars)  
(Unaudited)

|                                               | Three Months<br>Ended<br>June 30,<br>2010 | Three Months<br>Ended<br>June 30,<br>2009 |
|-----------------------------------------------|-------------------------------------------|-------------------------------------------|
| Revenue                                       | \$ 27,335                                 | \$ 5,670                                  |
| Cost of Sales                                 | 12,556                                    | 2,122                                     |
| Gross profit                                  | 14,779                                    | 3,548                                     |
| Expenses                                      |                                           |                                           |
| Advertising and promotion                     | -                                         | 4,158                                     |
| Amortization                                  | 69,743                                    | 1,311                                     |
| Automobile                                    | -                                         | -                                         |
| Commission                                    | 38,900                                    | 30,630                                    |
| Dues                                          | -                                         | 54                                        |
| General and administrative                    | 20,745                                    | 6,516                                     |
| Insurance                                     | 1,532                                     | -                                         |
| Licence                                       | -                                         | -                                         |
| Payroll                                       | 49,810                                    | 14,484                                    |
| Stock-based Compensation                      | -                                         | -                                         |
| Professional fees                             | 3,841                                     | 19,035                                    |
| Rent                                          | 7,204                                     | 5,577                                     |
| Research and Development                      | -                                         | -                                         |
| Repair and Maintenance                        | 584                                       | -                                         |
| Travel                                        | 11,208                                    | 2,597                                     |
| Total Expenses                                | 203,567                                   | 84,362                                    |
| Other Income (Expenses)                       |                                           |                                           |
| Interest Income                               | -                                         | -                                         |
| Rental Income                                 | -                                         | 2,827                                     |
| Customer Rebate                               | 8                                         | 3,038                                     |
| Exchange Loss                                 | (5,898)                                   | (7,322)                                   |
| Interest Expense                              | (692)                                     | (381)                                     |
| Total Other Income (Expense)                  | (6,582)                                   | (1,838)                                   |
| Net (Loss) Before Income Tax Expense          | (195,370)                                 | (82,652)                                  |
| Income Tax Expense, Net of Income Tax Benefit |                                           |                                           |
| Net Loss                                      | (195,370)                                 | (82,652)                                  |
| Other Comprehensive Income                    |                                           |                                           |
| Foreign Currency Translation Adjustment       | (86,854)                                  | 110,087                                   |

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|                                        |              |            |
|----------------------------------------|--------------|------------|
| Comprehensive Income                   | \$ (282,224) | \$ 27,435  |
| Net Loss Per Share – Basic and Diluted | (0.01)       | (0.00)     |
| Weighted Average Shares Outstanding    | 33,418,960   | 28,957,266 |

See Notes to Financial Statements

ANV Security Group, Inc.  
Consolidated Statements of Cash Flows  
(Expressed in US dollars)  
(Unaudited)

|                                                                            | Three Months<br>Ended<br>June 30, 2010 | Three Months<br>Ended<br>June 30, 2009 |
|----------------------------------------------------------------------------|----------------------------------------|----------------------------------------|
| Cash flows from operating activities                                       |                                        |                                        |
| Net loss                                                                   | \$ (195,370)                           | (82,652)                               |
| Adjustment to reconcile net loss to net cash used in operating activities: |                                        |                                        |
| Amortization                                                               | 69,879                                 | 1,311                                  |
| Stock-Based Compensation                                                   |                                        |                                        |
| Changes in operating assets and liabilities:                               |                                        |                                        |
| Accounts Receivable                                                        | (32,373)                               |                                        |
| Prepaid expenses and deposits                                              | (3,243)                                |                                        |
| GST Receivable                                                             | (115)                                  | 532                                    |
| Inventory                                                                  | (72,986)                               | 1,921                                  |
| Accounts Payable                                                           | (4,449)                                | 1,567                                  |
| Deposit Payable                                                            | 2,208,852                              | -                                      |
| Due to related parties                                                     | 111,026                                | (1,169)                                |
| Net Cash (Used for) by Operating Activities                                | 2,081,221                              | (78,490)                               |
| Cash flows from investing activities                                       |                                        |                                        |
| Purchase of equipment and furniture                                        | (86,813)                               |                                        |
| Long term investment                                                       |                                        |                                        |
| Acquisition of good will                                                   | (2,134,820)                            |                                        |
| Incorporation costs                                                        |                                        | (26,643)                               |
| Net Cash (Used for) Provided by Investing Activities                       | (2,221,633)                            | (26,643)                               |
| Cash flows from financing activities                                       |                                        |                                        |
| Proceeds from related party                                                |                                        |                                        |
| Issuance of Common stock                                                   | 755,768                                | 357,649                                |
| Net Cash Provided by Financing Activities                                  | 755,768                                | 357,649                                |
| Effect of exchange rate changes on cash                                    | (86,854)                               | 17,353                                 |
| Increase (Decrease) In Cash                                                | 528,502                                | 269,869                                |
| Cash – Beginning of Period                                                 | 31,756                                 | 28,470                                 |
| Cash – End of Period                                                       | \$ 560,258                             | 298,339                                |

Supplemental Schedule of Cash Flows Disclosures

|                   |    |       |   |
|-------------------|----|-------|---|
| Interest paid     | \$ | (692) | - |
| Income taxes paid | \$ |       |   |

Supplemental Schedule of Non-Cash Flows Activities

|                                                |    |   |         |
|------------------------------------------------|----|---|---------|
| Stock-based Compensation, Stock Options Issued | \$ | - | 131,440 |
|------------------------------------------------|----|---|---------|

See Notes to Financial Statements

ANV Security Group, Inc.  
Notes to Consolidated Financial Statements  
June 30, 2010

Note 1. Organization and Summary of Significant Accounting Policies

Organization

ANV Security Group inc. (the “Company”) was incorporated in British Columbia, Canada on December 18, 2006. and changed its name from Canada ANV Systems Inc. The Company owns 100 % of ANV Video Alarm Service Inc. which was incorporated in British Columbia, Canada on May 30, 2008 and ANV Security Group ( Asia) Co. Limited, incorporated in December 2009 under the laws of the Hong Kong Special Administrative Region (“Hong Kong”). Effective June 1, 2010 ANV Security Group ( Asia) Co. Limited, has a wholly owned subsidiary, Flybit International Limited, which was incorporated in August 15, 2008 in Hong Kong.

The Company is an innovator in video systems and specialize in both silicon and software solutions for the video products design and manufacturing. The Company offers enabling technologies that can provide the digital consumer and enterprise applications with excellent video quality and extended hours of portable operations across networks, be it home, enterprise or telecom networks. Also the Company offers a wide range of video cameras powered by the next generation H.264 video technologies and our patent pending USC18.com services platforms.

Summary of Significant Accounting Policies

a) Basis of Presentation

These financial statements and related notes are presented in accordance with accounting principles generally accepted in the United States, and are expressed in US dollars. The Company’s fiscal year-end is March 31.

b) Principles of Consolidation

These consolidated financial statements include the accounts of ANV Security Group Inc. and its wholly-owned subsidiaries, ANV Video Alarm Service Inc in Canada and ANV Security Group (Asia) Co., Limited. ANV Security Group (Asia) Co., Limited has its wholly-owned subsidiary, Flybit International Limited.. All intercompany accounts and transactions have been eliminated in consolidation.

c) Use of Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company regularly evaluates estimates and assumptions related to useful life and recoverability of long-lived assets, donated expenses, and deferred income tax valuation allowances. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by the Company may differ materially and adversely from the Company’s estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

d)

Reclassification

Certain account reclassifications have been made to the financial statements of the prior year in order to conform to classifications used in the current year. These changes had no impact on previously stated financial statements of the Company.

e)

Comprehensive Income (Loss)

SFAS No. 130, "Reporting Comprehensive Income," establishes standards for the reporting and display of comprehensive loss and its components in the financial statements. As at June 30, 2010, the Company's component of comprehensive income consisted of foreign currency translation adjustments and profit margin.

f)

Cash and Cash Equivalents

The Company considers all highly liquid instruments with maturity of three months or less at the time of issuance to be cash equivalents.

## g) Concentration of Credit Risks

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash and trade accounts receivable. The Company places its cash with high credit quality financial institutions in Canada. The Company has not experienced any losses in such bank accounts through June 30, 2010. At June 30, our bank deposits were as follows:

| COUNTRY                         | June 30,<br>2010 | March 31,<br>2010 |
|---------------------------------|------------------|-------------------|
| Canada                          | \$ 524,848       | \$ 31,756         |
| China                           | 35,410           | -0-               |
| Total cash and cash equivalents | \$ 560,258       | \$ 31,756         |

In an effort to mitigate any potential risk, the Company periodically evaluates the credit quality of the financial institutions at which it holds deposits.

## h) Accounts Receivable

Accounts receivable are presented net of an allowance for doubtful accounts. The Company maintains allowances for doubtful accounts for estimated losses. The Company reviews the accounts receivable on a periodic basis and makes general and specific allowances when there is doubt as to the collectability of individual balances. In evaluating the collectability of individual receivable balances, the Company considers many factors, including the age of the balance, customer's historical payment history, its current credit-worthiness and current economic trends. Accounts are written off after exhaustive efforts at collection.

## i) Inventories

Inventories are stated at the lower of average cost or market and consist of raw materials and finished goods. The Company writes down inventory for estimated obsolescence or unmarketable inventory based upon assumptions and estimates about future demand and market conditions. If actual market conditions are less favorable than those projected by the Company, additional inventory write-downs may be required.

## j) GST Receivable

GST receivable represents tax credit that the Canadian Company receives when the Company pays GST tax during normal operations. As of June 30, 2010, the Company had a GST tax receivable of \$2,662.

## k) Advances to Suppliers

Advances to suppliers included in other assets represent the cash paid in advance for purchasing of inventory items from Suppliers and the amount as of June 30, 2010 was none.

## l) Property and Equipment

Property and equipment consists of furniture, office equipment, computer equipment/software and leasehold improvement, is recorded at cost. The property and equipment other than leasehold improvement is depreciated on a straight line basis over an estimated useful life of three years. Leasehold improvement is depreciated on a straight line basis over the lease period of ten years.

m)

Intangible Assets

Intangible assets consist of two parts. The first is a surveillance recording system, surveillance software, technical know-how and non-compete agreements, developed by Jiwei Zhang, Xianbo Fu, Kewei Feng, Mingyue Fan (all individuals), acquired originally by Landmark Enterprise Group Inc. (“Landmark”), a related party, and subsequently sold to the Company in exchange for common shares. The value of intangible assets acquired from Landmark was established by an independent valuation report. The second part is incorporation cost of Shell Company purchasing. Intangible assets are depreciated on a straight line basis over an estimated useful life of five years.

n)

Long-Lived Assets

In accordance with SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets”, the Company tests long-lived assets or asset groups for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount is not recoverable and exceeds fair value.

o) Financial Instruments and Fair Value Measures

SFAS No. 157 "Fair Value Measurements" requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. SFAS No. 157 establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. SFAS No. 157 prioritizes the inputs into three levels that may be used to measure fair value:

p) Revenue Recognition

The Company follows the guidance of the Securities and Exchange Commission's Staff Accounting Bulletin No. 104, "Revenue Recognition in Financial Statements". In general, the Company records revenue when persuasive evidence of an arrangement exists, services have been rendered or product delivery has occurred, the sales price to the customer is fixed or determinable, and collectability is reasonably assured. The following policies reflect specific criteria for the various revenues streams of the Company:

q) Foreign Currency Translation

The Company's functional currency is the Canadian dollar. The financial statements are translated to United States dollars in accordance with SFAS No. 52 "Foreign Currency Translation" using period-end rates of exchange for assets and liabilities, and average rates of exchange for the year for revenues and expenses. Translation gains (losses) are recorded in accumulated other comprehensive income (loss) as a component of stockholders' equity (deficit). Gains and losses arising on translation or settlement of foreign currency denominated transactions or balances are included in the determination of income. Foreign currency transactions are primarily undertaken in United States dollars. The Company has not, to the date of these financial statements, entered into derivative instruments to offset the impact of foreign currency fluctuations.

r) Basic and Diluted Net Income (Loss) Per Share

The Company computes net income (loss) per share in accordance with SFAS No. 128, "Earnings per Share". SFAS No. 128 requires presentation of both basic and diluted earnings per share (EPS) on the face of the income statement. Basic EPS is computed by dividing net income (loss) available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method and convertible preferred stock using the if-converted method. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential shares if their effect is anti dilutive.

Basic net earnings (loss) per share equals net earnings (loss) divided by the weighted average shares outstanding during the year. The computation of diluted net earnings per share does not include dilutive common stock equivalents in the weighted average shares outstanding as they would be anti-dilutive. The Company's common stock equivalents at June 30, 2010 include the following:

|          | June 30,<br>2010 | March 31,<br>2010 |
|----------|------------------|-------------------|
| Options  | 140,000          | 140,000           |
| Warrants | -0-              | -0-               |
|          | 140,000          | 140,000           |

s) Stock-based Compensation

The Company records stock-based compensation in accordance with SFAS No. 123R “Share Based Payments”, using the fair value method. The Company provides its officers, consultants, and directors stock options to purchase common stock of the Company on a discretionary basis. Generally, options are granted at exercise prices not less than the fair market value at the date of grant. As of June 30, 2010, the Company has granted 140,000 shares stock options to its director, consultant and top manager and the fair market value is \$24,836.

t) Recent Accounting Pronouncements

## Impact of New Accounting Standards

The Company does not expect the adoption of recently issued accounting pronouncements to have a significant impact on the Company's results of operations, financial position, or cash flow.

## Note 2. Accounts Receivable

Accounts receivable as of June 30, 2010 consists of \$32,373 of trade receivable for ANV Video Alarm Service Inc. ANV Security Group (Asia) Co., Limited has no accounts receivable as at June 30, 2010.

## Note 3. Inventory

At June 30 and March 31, 2010, inventories consisted of:

|                                         | June 30,<br>2010 | March 31,<br>2010 |
|-----------------------------------------|------------------|-------------------|
| Parts                                   | \$ -0-           | \$ -0-            |
| Finished goods                          | 154,476          | 81,490            |
|                                         | 154,476          | 81,490            |
| Less: Reserve for slow moving inventory | -0-              | -0-               |
|                                         | \$ 154,476       | \$ 81,490         |

## Note 4. Other Assets

Other assets consist of rental deposit of \$8,470 as at June 30 and \$5,227 as at March 31, 2010, respectively.

## Note 5. Property and Equipment

Fixed assets are summarized by classifications as follows:

|                         | Cost      | Accumulated<br>Amortization | June 30,<br>2010<br>Net<br>Carrying<br>Value | March 31,<br>2010<br>Net<br>Carrying<br>Value |
|-------------------------|-----------|-----------------------------|----------------------------------------------|-----------------------------------------------|
| Furniture and equipment | \$ 28,628 | \$ 5,744                    | \$ 22,884                                    | \$ 1,599                                      |
| Computer equipment      | 7,969     | 5,417                       | 2,552                                        | 3,347                                         |
| Customer software       | 596       | 519                         | 77                                           | 132                                           |
| Leasehold Improvement   | 20,709    | 3,178                       | 17,531                                       | 15,937                                        |
|                         | \$ 57,902 | \$ 14,858                   | \$ 43,044                                    | \$ 21,015                                     |

The furniture, equipment and software are depreciated on a straight line basis over an estimated useful life of three years. Leasehold improvement is depreciated on a straight line basis over the lease period of ten years.

## Note 6. Intangible Assets

Intangible assets are summarized by classifications as follows:

|                        |              |                             | June 30,<br>2010      | March 31,<br>2010     |
|------------------------|--------------|-----------------------------|-----------------------|-----------------------|
|                        | Cost         | Accumulated<br>Amortization | Net Carrying<br>Value | Net Carrying<br>Value |
| Research & Development | \$ 1,264,655 | \$ 63,233                   | \$ 1,201,422          | \$ 1,325,376          |
| Incorporation Cost     | 51,986       | 2,599                       | 49,387                | 54,482                |
| Goodwill               | 2,258,774    | 0                           | 2,258,774             |                       |
|                        | \$ 3,575,415 | \$ 65,832                   | \$ 3,509,583          | \$ 1,379,858          |

Intangible assets are depreciated on a straight line basis over an estimated useful life of five years.

## Note 7. Accounts Payable

As at June 30, 2010 accounts payable amounted \$2,211,706 consisted of vacation payable of \$1,733, PST payable of \$125, customer deposit of \$996 and advanced share acquisition deposit of 2,208,852. As at March 31, 2010, accounts payable amounted \$7,303 consists of amounts owing to Visa \$5,487 and government agency payable \$1,816, respectively.

## Note 8. Related Party Transactions

Amounts owing to the related parties of the shareholders amounted \$149,214 as at June 30 and \$38,188 as at March 31, 2010, respectively.

## Note 9. Capital Stock

The company is authorized to issue unlimited shares of common stocks – Class A and Class B, no par value share. As of June 30 and March 31, 2010, the amount of voting common shares issued and outstanding are 34,830,071 and 33,190,071, respectively.

On June 28, 2009, Company entered in to an agreement and plan of reorganization (“agreement”) by and among Dini Products, Inc. (“DINP”), a Nevada corporation whereas, each of the common share in the Company was exchanged on a share for share basis so that after such exchange DINP has 33,190,071 shares of common stock issued and outstanding inclusive of 29,860,000 shares issued to the Company’s stockholders.

Upon execution of agreement, the Company has amended its name to ANV Security Group, Inc.

## Note 10. Foreign Currency Translation

Accounting for Canada ANV System Inc. and its subsidiary is conducted in Canadian currency. It converts figures on a period basis in accordance with FASB # 52. The functional currency is in Canadian currency. The Companies balance sheet as of June 30, 2010 was translated at three months ended rate of 0.9393 (Canadian currency to US currency) and 0.1285 (Hong Kong currency to US currency) for the two subsidiaries, respectively. Statements of operations were reported on the weighted average for the three months ended June 30, 2010 as required by FASB # 52 at the rate of 0.9725 (Canadian currency to US currency) and 0.1287 (Hong Kong currency to US currency) for the two subsidiaries, respectively. Statement of cash flows were reported on the weighted average for the three months

ended June 30, 2010 as required by FASB # 52 at the rate of 0.9725 (Canadian currency to US currency) and 0.1284 (Hong Kong currency to US currency) for the two subsidiaries, respectively.

#### Note 11. Commitments and Contingencies

##### 11.1 Lease Commitments

Company leases its office space and laboratory facility in Richmond, British Columbia which starts on April 1, 2010 and expires on March 31, 2013. Its total monthly minimum rental fee is \$ 3,285.

##### 11.2 Litigation

As per the Company, as of June 30, 2010, there are no actions, suits, proceedings or claims pending against or materially affecting the Company, which if adversely determined, would have a material adverse effect on the financial condition of ANV.

#### Note 12 Acquisitions

On June 1 2010 ANV Security Group (Asia) Co., Limited, acquired 100% shares of Flybit International Ltd.

In January 2010, Company has established ANV Security Group (Asia) Co. Ltd. a Hong Kong Company (“ ANV Asia”) as a wholly- owned subsidiary of the registrant for the purpose of acquiring operating companies in China. ANV Asia has no operation to this date.

On January 19, 2010, Mr. Wilson Wang acting as legal representative of ANV Security Group (Asia) Co. Ltd. entered into an agreement (the "Flybit Agreement") to acquire all of the issued and outstanding stock of Flybit International, Ltd., a Hong Kong corporation, from its sole owner Zhaohui Zeng for three million shares of the Company's common stock and \$720,000 in cash. The closing under the Flybit Agreement was held on February 1, 2010 with effective date of June 1, 2010. Flybit is in developing and marketing mobile video security system used on vehicles and it is a certified OEM manufacturer for Panasonic in mobile video systems.

The purchase price under each agreement is subject to adjustment, and each agreement could be cancelled based on the result of an audit of the target company. The Company intends to utilize the assets of these companies to expand its manufacturing base and increase its retail operations in China.

## ITEM 2. MANGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Forward Looking Statements

This Quarterly Report on Form 10-Q contains "forward-looking" statements as such term is defined in the Private Securities Litigation Reform Act of 1995 and information relating to the Company that is based on the beliefs of the Company's management as well as assumptions made by and information currently available to the Company's management. When used in this report, the words "anticipate," "believe," "estimate," "expect" and "intend" and words or phrases of similar import, as they relate to the Company or Company management, are intended to identify forward-looking statements. Such statements reflect the current risks, uncertainties and assumptions related to certain factors including, without limitations, competitive factors, general economic conditions, customer relations, relationships with vendors, the interest rate environment, governmental regulation and supervision, seasonality, distribution networks, product introductions and acceptance, technological change, changes in industry practices, onetime events and other factors described herein and in other filings made by the company with the Securities and Exchange Commission. Based upon changing conditions, should any one or more of these risks or uncertainties materialize, or should any underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected or intended. The Company does not intend to update these forward-looking statements.

### RESULTS OF OPERATIONS

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#### First Quarter FY 2011 v First Quarter FY 2010

**Revenues.** We had revenues of \$27,335 in the first three months of FY 2011 and revenues of \$5,670 for the first three months of FY 2010 as the earlier portion of FY 2010 was devoted to product design and establishing a business model in Canada. The results in the 2011 FY, particularly in the first quarter, as described below, reflect management's decision to concentrate on the Company's efforts to enter the larger Chinese market rather than pursue further development of the Canadian market. Management believes that the Chinese market, which is much larger than the Canadian market will enable the Company to enjoy greater revenues in the future. As reported on a Current Report on Form 8-K, filed February 5, 2010, we have made several acquisitions to facilitate our entry into the Chinese market. Although we reported those acquisitions in February, principally due to the need for the completion of government approval processes in China, the acquisitions could not be completed until June 2010. We are in the early stages of developing the Chinese market we expect that revenues and results will fluctuate from quarter to quarter. We anticipate opening retail stores in China during calendar 2010. The costs of opening a Company operated store include inventory, real estate costs, employee expense and promotional expenses such as advertising. The costs to open a Company owned in China are anticipated to be approximately \$10,000 per retail store. The size and scope of each of

these programs will be governed by management's assessment of the Company's capital resources and can not be specified at this time.

**Cost of Sales; Gross Profit.** Our cost of sales in the first three months of FY 2011 was \$12,556, yielding a gross profit of \$14,779 or 54.1 of sales. Our cost of sales in the first three months of FY 2010 was \$2,122, yielding a gross profit of \$3,548 or 62.6% of sales. Both of these results and ratios are from an early stage operation and management does not believe that significant conclusions should be drawn from these limited results.

#### Operating Expenses

Operating expenses increased to \$203,567 in the first three months of FY 2011 compared to \$84,362 in the first three months of FY 2010 as increases were incurred in every category due to the large scale operations in China which are included for a portion of the First Quarter of FY 2011. Again, as the operations are in an early stage, especially in China, management would caution against drawing any significant conclusions from these limited results.

#### Net Loss; Comprehensive Loss

Our net loss and comprehensive loss consists of two parts: net operating gain (loss) and foreign currency translation adjustments. Because all our transactions are recorded in Canadian dollars or Chinese RMB, we need to exchange them into US dollar using the exchange rate for different period when we release the financial statements to the public. If the exchange rate fluctuates and if we have a large balance of assets, liabilities or equity, the foreign currency translation adjustment will be large.

For the three months ended June 30, 2010, the net loss was \$(195,370), and foreign currency translation adjustment loss was \$(86,854), so the comprehensive loss was \$(202,224). (Because we have substantial intangible assets the foreign transaction adjustment was large). For the three months ended June 30, 2010, the net loss was \$(82,652) but foreign currency translation adjustment gain was \$110,087 so the comprehensive income was \$27,435 (Because we have substantial intangible assets the foreign transaction adjustment was large)

## LIQUIDITY AND CAPITAL RESOURCES

Net cash flows provided by operating activities for the three-month period ended June 30, 2010 totaled \$2,081,221.

Net Cash flows used for investing activities in the three months ended June 30, 2010 totaled \$(2,221, 633).

Net cash provided by financing activities, the sale of our stock, was \$755,768 for the three months ended June 30, 2010.

The Company has limited cash resources and intends to continue to raise additional capital through the issuance of debt or equity in order to expand operations. The Company has entered into a letter agreement with an investment banking group to raise funds to allow the Company to expand its operations in China. The availability of cash through such resources is not assured and if the Company is not able to raise enough cash, the Company might be forced to delay or limit the expansion of its Chinese operations.

## ITEM 4. CONTROLS AND PRODCECURES

### (a) Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Securities Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, as ours are designed to do, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of December 31, 2009, we carried out an evaluation, under the supervision and with the participation of our management, including our Principal Financial Officer of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934. Based upon that evaluation, our Principal Financial Officer concluded that our disclosure controls and procedures are effective in enabling us to record, process, summarize and report information required to be included in our periodic SEC filings within the required time period.

### (b) Changes in Internal Controls

There were no changes in our internal controls and procedures in internal control over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We continue to rely on the members of the Board of Directors to provide assurance that our entity-level controls remain effective and we believe our process-level controls remain effective.



PART II  
OTHER INFORMATION

Item 1. Legal Proceedings

We are not party to any material legal proceeding.

Item 2. Changes in Securities

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

a) EXHIBITS

31.1 Certification of the Chief Executive Officer pursuant to Rule 13a-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of the Chief Financial Officer pursuant to Rule 13a-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certifications of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2 Certifications of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

b) REPORTS ON FORM 8-K

Reports on Form 8-K filed July 29, 2010 including items 3.02 and 9.01t.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ANV SECURITY GROUP, INC.

By: /S/ Weixing Wang  
Weixing Wang  
Chief Executive Officer (Principal Executive Officer)

By: /S/ Yan Wang  
Yan Wang  
VP and Chief Financial Officer (Principal Financial and Accounting Officer)

August 16, 2010