

ANV SECURITY GROUP INC.  
Form 8-K/A  
December 30, 2010

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 8-K-A/2

CURRENT REPORT

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

Date of Report (date of earliest event reported) December 24, 2009

ANV SECURITY GROUP, INC.  
(Exact name of Registrant as specified in its charter)

|  |                                       |  |
|--|---------------------------------------|--|
| Nevada<br>(State or other jurisdiction<br>of incorporation or<br>organization) | 000-53802<br>(Commission File number) | 13-3089537<br>(IRS Employer<br>Identification No.) |
|--|---------------------------------------|--|

2nd Floor, Tower B, Jiada R&D Building, No 5, Songpingshan Road, Shenzhen, China 518057  
(Address of principal executive offices) (Zip Code)

0086-755-86656426  
(Registrant's Telephone Number, Including Area Code)

Not Applicable  
(Former Address If Changed since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation for the registrant under any of the following provisions (see General Instruction A.2. below):

- .. Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - .. Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - .. Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - .. Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

ITEM 1.01 ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT.

On December 24, 2009, ANV Security Group, Inc. (the “Company”) entered into an agreement (the “Initial Angesi Agreement”) to acquire all of the issued and outstanding stock of Shenzhen Angesi Technology, Co. (“Angesi”) which later changed its name to ANV Security Technology (China) Co. Ltd. and certain affiliated entities for 32 million shares from its owners. Due to the requirements for certain government approvals and the extent of the parties mutual due diligence the closing could not be held until September 30, 2010. At the closing, under a revised agreement (the “Revised Angesi Agreement”), the Company acquired Angesi’s manufacturing facility and operation, but not its affiliated marketing companies, for 15 million shares of common stock. The Revised Angesi Agreement is filed as an exhibit hereto. The revised agreement provides, among other things, that the former shareholders of Angesi may be required to return a portion of those shares in the event certain earnings and performance targets are not met. Angesi is now a Company subsidiary engaged in the business of developing, manufacturing and marketing video cameras in China.

The foregoing does not constitute a full statement of the terms of the Revised Angesi Agreement. An English translation of the Revised Angesi Agreement is filed as an exhibit to this report. Reference is made to such exhibit for a full description of the rights and obligations of the parties under that agreement. The reader should be aware that discrepancy between the English translation and the actual contract in Chinese will be resolved in favor of the contract in Chinese.

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ITEM 9. FINANCIAL STATEMENTS AND EXHIBITS.

Included herein. (a) Financial Statements of Business Acquired

Included herein. (b) Pro-Forma Financial Information

(c) Exhibits

ANV Security Technology (China) Co., Ltd.

Audited Financial Statements

September 30, 2010, December 31, 2009 and 2008

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of  
ANV Security Technology (China) Co. Ltd.

We have audited the accompanying balance sheets of ANV Security Technology (China) Co. Ltd. (the “Company”) as of September 30, 2010, December 31, 2009 and 2008 and the related statements of operation, changes in shareholders’ equity (deficit) and cash flows for the 9-months and fiscal years respectively 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 audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ANV Security Technology (China) Co. Ltd. as of September 30, 2010, December 31, 2009 and 2008 , and the results of its operation and its cash flows for the periods aforementioned in conformity with U.S. generally accepted accounting principles.

/s/ Stan J.H. Lee, CPA  
Stan J.H. Lee, CPA  
Fort Lee, NJ 07024  
November 15, 2010

## ANV SECURITY TECHNOLOGY (CHINA) CO., LTD.

## BALANCE SHEETS

AS OF SEPTEMBER 30, 2010 AND DECEMBER 31, 2009 &amp; 2008

As of September 30, As of December 31, December 31,  
 2010                      2009                      2008  
 USD                      USD                      USD

| ASSETS  |                     |                     |                     |
|---|---------------------|---------------------|---------------------|
| Current assets                                    |                     |                     |                     |
| Cash and cash equivalents                         | \$ 110,446          | \$ 162,835          | \$ 69,304           |
| Accounts receivable, net                          | 2,273,037           | 305,814             | 267,130             |
| Inventory   | 3,595,087           | 1,787,616           | 433,426             |
| Prepayments and other receivables                 | 613,709             | 291,363             | 160,336             |
| Amount due from related parties                   | 37,547              | -0-                 | 7,316               |
| <b>Total current assets</b>                       | <b>6,629,829</b>    | <b>2,547,628</b>    | <b>937,512</b>      |
| Long-term investment                              | -0-                 | -0-                 | 192,520             |
| Plant and equipment, net                          | 530,518             | 40,976              | 19,389              |
| Intangible assets                                 | 9,836               | 11,215              | -0-                 |
| Deferred tax assets                               | 653,308             | 12,885              | 7,308               |
| Long-term deferred expense                        | 117,074             | 146,858             | -0-                 |
| <b>Total assets</b>                               | <b>\$ 7,940,565</b> | <b>\$ 2,759,562</b> | <b>\$ 1,156,729</b> |
| LIABILITIES AND SHAREHOLDERS' EQUITY              |                     |                     |                     |
| Current liabilities                               |                     |                     |                     |
| Short-term borrowings                             | -0-                 | \$ 275,329          | \$ -0-              |
| Accounts payables                                 | \$ 3,810,577        | 1,294,540           | 503,826             |
| Advance from customer and other payable           | 647,926             | 820,730             | 319,768             |
| Accrued income taxation                           | 12,787              | 21,255              | 199                 |
| Amount due to related parties                     | 105,034             | -0-                 | 170,396             |
| Due to shareholders                               | -0-                 | 223,428             | 138,356             |
| <b>Total current liabilities</b>                  | <b>4,576,324</b>    | <b>2,635,282</b>    | <b>1,132,545</b>    |
| <b>Total liability</b>                            | <b>4,576,324</b>    | <b>2,635,282</b>    | <b>1,132,545</b>    |
| Commitments and contingencies                     |                     |                     |                     |
| Shareholders' equity                              |                     |                     |                     |
| Registered capital                                | 5,119,868           | 139,788             | 66,622              |
| Retained earnings                                 | -1,837,143          | -18,216             | -45,054             |
| Cumulative translation adjustment                 | 81,516              | 2,708               | 2,616               |
| <b>Total shareholders' equity</b>                 | <b>3,364,241</b>    | <b>124,280</b>      | <b>24,184</b>       |
| <b>Total liabilities and shareholders' equity</b> | <b>\$ 7,940,565</b> | <b>\$ 2,759,562</b> | <b>\$ 1,156,729</b> |

See Notes to Financial Statements

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## ANV SECURITY TECHNOLOGY (CHINA) CO., LTD.

## STATEMENTS OF OPERATIONS

FOR THE 9-MONTHS PERIOD ENDED SEPTEMBER 30, 2010 AND YEAR ENDED DECEMBER 31, 2009 &amp; 2008

|  | 9-Months ended<br>September 30, 2010<br>USD | Year Ended December<br>2009<br>USD | Year Ended December 31,<br>2008<br>USD |
|--|---|------------------------------------|--|
| Net sales                                  | \$ 12,359,732                               | \$ 4,725,807                       | \$ 1,843,083                           |
| Cost of sales                              | -10,748,904                                 | -3,825,187                         | -1,500,523                             |
| Gross profit                               | 1,610,828                                   | 900,620                            | 342,560                                |
| Operating expenses                         |   |                                    |  |
| Selling expenses                           | -673,595                                    | -217,499                           |  |
| Administrative expenses                    | -3,353,688                                  | -635,974                           | -357,211                               |
| Total operating expenses                   | -4,027,283                                  | -853,473                           | -357,211                               |
| Operating income                           | -2,416,455                                  | 47,147                             | -14,651                                |
| Other income/(expense)                     |   |                                    |  |
| - Interest expenses                        | -9,022                                      | -5,956                             | -2,320                                 |
| - Interest income                          | 3,517                                       | 209                                | 193                                    |
| - Others, net                              | 19,868                                      | 1,059                              | -2,895                                 |
| Total other income/(expense)               | 14,363                                      | -4,688                             | -5,022                                 |
| Income before income tax benefit/(expense) | -2,402,092                                  | 42,459                             | -19,673                                |
| Income tax benefit/(expense)               | 583,165                                     | -15,621                            | -1,764                                 |
| Net income                                 | \$ -1,818,927                               | \$ 26,838                          | \$ -21,437                             |
| Other comprehensive income                 |   |                                    |  |
| Foreign currency translation gain          | 78,808                                      | 92                                 | 2,247                                  |
| Comprehensive income                       | \$ -1,740,119                               | \$ 26,930                          | \$ -19,190                             |

See Notes to Financial Statements

## ANV SECURITY TECHNOLOGY (CHINA) CO., LTD.

## STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE 9-MONTHS PERIOD ENDED SEPTEMBER 30, 2010 AND YEAR ENDED DECEMBER 31, 2009 &  
2008

|   | Share Premium | Accumulated other<br>comprehensive income | Retained<br>earnings | Total<br>shareholders'<br>equity |
|---|---------------|---|----------------------|----------------------------------|
|   | USD           | USD                                       | USD                  | USD                              |
| Balance as of January 1, 2008           | 66,622        | 369                                       | -23,617              | 43,374                           |
| Net income                              |               |   | -21,437              | -21,437                          |
| Foreign currency translation adjustment |               | 2,247                                     |                      | 2,247                            |
| Balance as of December 31, 2008         | 66,622        | 2,616                                     | -45,054              | 24,184                           |
| Paid-in Capital by shareholders         | 73,166        |   |                      | 73,166                           |
| Net income                              |               |   | 26,838               | 26,838                           |
| Foreign currency translation adjustment |               | 92  |                      | 92                               |
| Balance as of December 31, 2009         | 139,788       | 2,708                                     | -18,216              | 124,280                          |
| Paid-in Capital by shareholders         | 4,980,080     |   |                      | 4,980,080                        |
| Net income                              |               |   | -1,818,927           | -1,818,927                       |
| Foreign currency translation adjustment |               | 78,808                                    |                      | 78,808                           |
| Balance as of SEP 30, 2010              | 5,119,868     | 81,516                                    | -1,837,143           | 3,364,241                        |

See Notes to Financial Statements



## ANV SECURITY TECHNOLOGY (CHINA) CO., LTD.

## STATEMENT OF CASH FLOWS

FOR THE 9-MONTHS PERIOD ENDED SEPTEMBER 30, 2010 AND DEC 31, 2009 &amp; 2008

|  | 9-Months Ended<br>September 30,<br>2010<br>USD | Year Ended<br>December 31,<br>2009<br>USD | Year Ended<br>December 31,<br>2008<br>USD |
|--|--|---|---|
| <b>Cash flow from operating activities</b>   |  |   |   |
| Net income   | -1,818,927                                     | 26,838                                    | -21,437                                   |
| Adjustments to reconcile net income to net cash (used in)/provided by operating activities |  |   |   |
| - Depreciation of property, plant and equipment  | -153,296                                       | 5,979                                     | 1,737                                     |
| - Amortization of intangible assets  | 1,819  | 801                                       |   |
| - Amortization of long-term deferred expense   | -32,263  | 28,870                                    |   |
| - Bad debt expense   | -2,029,360                                     | -8,939                                    | -21,750                                   |
| - Inventory (Allowance for reduction of inventory to market)                               | -21,518  | -13,333                                   | -6,509                                    |
| Changes in operating liabilities and assets:   |  |   |   |
| - Accounts receivable  | -272,445                                       | -36,662                                   | -253,538                                  |
| - Inventories  | -1,785,953                                     | -1,340,857                                | -349,563                                  |
| - Prepaid expenses and other current assets  | -628,190                                       | -129,687                                  | -150,553                                  |
| - Amounts due from related parties   | -37,547  | 7,316                                     | -7,316                                    |
| - Accounts payable   | 2,516,037                                      | 790,714                                   | 479,033                                   |
| - Accrued expenses and other payables  | -172,804                                       | 500,962                                   | 286,071                                   |
| - Accrued income taxation  | -8,468   | 21,056                                    | 199                                       |
| - Amounts due to related parties   | -118,394                                       | -85,324                                   | 308,752                                   |
| Net cash provided by operating activities  | -4,561,309                                     | -232,266                                  | 265,126                                   |
| <b>Cash flow from investing activities</b>   |  |   |   |
| Payment of Long-term deferred expense  | -62,047  | -175,728                                  |   |
| Payment of property, plant and equipment   | -336,246                                       | -27,566                                   | -17,296                                   |
| Payment of land use rights   | -440   | -12,016                                   |   |
| Payment of equity investment   |  |   | -192,520                                  |
| Proceeds from taking back of equity investment   |  | 192,520                                   |   |
| Net cash used in investing activities  | -274,639                                       | -22,790                                   | -209,816                                  |
| <b>Cash flow from financing activities</b>   |  |   |   |
| Issuance of share capital  | 4,980,080                                      | 73,166                                    |   |
| Proceeds from short-term bank loans  | -  | 292,903                                   |   |
| Principal payments of short-term bank loans  | -275,329                                       | -17,574                                   |   |
| Net cash used in financing activities  | 4,704,751                                      | 348,495                                   |   |
| Effect of foreign exchange rate changes  | 78,808   | 92  | 2,247                                     |
| Net increase in cash   | -52,389  | 93,531                                    | 57,557                                    |
| <b>Cash</b>  |  |   |   |
| At beginning of period/year  | 162,835  | 69,304                                    | 11,747                                    |
| At end of year   | 110,446  | 162,835                                   | 69,304                                    |
| <b>Supplemental disclosure of cash flow information</b>                                    |  |   |   |
| Cash paid during the period/year for   |  |   |   |
| Interest expense   | 9,022  | 6,015                                     | 2,424                                     |

|                   |        |     |     |
|-------------------|--------|-----|-----|
| Income taxes paid | 38,271 | 145 | -0- |
|-------------------|--------|-----|-----|

See Notes to Financial Statements

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ANV SECURITY TECHNOLOGY (CHINA) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010 AND DECEMBER 31, 2009 & 2008

Note 1) Principal Activities and Organization

ANV Security Technology (China) Co., Ltd (the “Company”), formerly known as Shenzhen Angesi Technology Co., Ltd, the company was incorporated in Shenzhen, Guangdong Province, People’s Republic of China on October 18, 2007. The company is primarily engaged in the manufacturing and distributing of surveillance and safety products and systems and developing surveillance and safety related software in China.

History of the Company

The company was established as a limited liability company in October 2007 under the laws of the PRC with an initial registered capital of RMB500,000 by Li Tingyi (95% interest) and Liu Wengao(5% interest). In 2009, Liu Wengao, an unaffiliated party, transferred all his equity interest in the company to Jiang Xiu at cost. In 2009, the registered capital of the company was increased to RMB1 million, of which RMB475,000 of the increase was paid up by Li Tingyi (95%) and RMB25,000 was paid by Jiang Xiu (5%). In 2010, the registered capital of the company was increased to RMB35 million, of which RMB32,300,000 of the increase was paid up by Li Tingyi (95%) and RMB1,700,000 was paid by Jiang Xiu (5%). On September 30, 2010, Li Tingyi (95% interest) and Jiang Xiu(5% interest) transferred all their equity interest in the company to ANV Security Group(Asian)Co., Ltd. Since the date of such transfer, ANV Security Group(Asian)Co., Ltd has been the owner of 100% of the paid-up capital of the company. On May 12, 2010, the company name changed to ANV Security Technology (China) Co. Ltd.

Note 2) Basis of Presentation

These financial statements and related notes are presented in accordance with accounting principles generally accepted in the United States of America (“US GAAP”). The company maintains its books and accounting records in Renminbi (“RMB”), and its reporting currency is United States dollars. The Company’s fiscal year-end is December 31.

Note 3) Summary of Significant Accounting Policies and Practices

(a) Use of estimate

The preparation of financial statements in conformity with US GAAP 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 revenue and expenses during the reporting period.

The more significant financial statement items requiring the use of management estimates and assumptions relate to: (i) estimates used in valuing property to net realizable value, reserves for contingencies equipment and intangible assets, (ii) uncollectible accounts receivable, (iii) obsolete and/or damaged inventory.

Management makes these estimates using the best information available at the time the estimates are made; however actual results could differ from those estimates.

(b) 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.

(c) Accounts receivable

Accounts receivable are recorded at the contract amount after deduction of trade discounts, allowances, if any, and do not bear interest. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company determines the allowance based on historical write-off experience, customer specific facts and economic conditions.

The Company reviews its allowance for doubtful accounts monthly. Past due balances over 1 year and over a specified amount are reviewed individually for collectability. All other balances are reviewed on a pooled basis by aging of such balances. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company does not have any off-balance-sheet credit exposure related to its customers.

(d) Inventories

Inventories are stated at the lower of cost or market value. Cost is determined using moving weighted average method. Cost of finished goods comprises direct material, direct production cost and an allocated portion of production overheads based on normal operating capacity.

(e) Investments

For trading securities, the measurement of fair value and earning/loss would be based on the market price of closing price of the balance sheet date (or the closest trading date prior the balance sheet date ) when Securities were trading in the market.

The instruments, which held by the Company, represented less than 20% of external companies' equity and without significant influence, its fair value and investment earning/loss would be measured via cost method on benchmark basis.

For Investments instruments held by the Company, which represents 20%-50% ownership, and the Company had significant influence on the debtors. The fair value of investment earning/loss would be fairly measured via equity-method. According to the equity-method, after the investment was measured as initial investment cost, adjusting the book value of the investment through the change of the portion of the investor has in the owner's equity of the investee to calculate the gains or losses. The amount of gains or losses includes other investment income.

No investment was held as of respective financial statements dates.

(f) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment.

Depreciation on property, plant and equipment is calculated on the straight-line method after taking into account their respective estimated residual values over the estimated useful lives of the assets as follows:

|                                |           |
|--------------------------------|-----------|
| Machinery and equipment        | 10 years  |
| Furniture and office equipment | 3—5 years |

Maintenance and repair costs are expensed as incurred, whereas significant renewals and betterments are capitalized. Construction in progress represented capital expenditure in respect of machine tool production line. The incurred interests costs are recorded into the project until construction in progress are ready for use. No depreciation is provided in respect of construction in progress. No construction in progress was held as of SEP 30, 2010.

(g) Intangible Assets

Intangible assets include software. Software are carried at cost and charged to expense on a straight-line basis over the period the rights are granted 5 years.

(h) Accounting for long-lived assets impairment

Long-lived assets held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. It is reasonably possible that these assets could become impaired as a result of technology or other industry changes. Determination of recoverability of assets to be held and used is determined by comparing the carrying amount of an asset to future undiscounted cash flows to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

There were no impairments of long-lived assets as of December 31, 2009.

(i) Revenue Recognition

The Company recognizes revenue in accordance with Staff Accounting Bulletin ("SAB") No. 104. All of the following criteria must exist in order for the Company to recognize revenue: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services have been rendered; (3) the seller's price to the buyer is fixed or determinable; and (4) collectability is reasonably assured.

The Company sells its products pursuant to sales contracts entered into with its customers. Revenue for all products is recognized when title and risk of loss pass to the customer and when collectability is reasonably assured. The passing of title and risk of loss to the customer is based on the terms of the sales contract, generally upon delivery and acceptance of product by the customer.

(j) Foreign Currency Translation

The functional currency of the Company is RMB and RMB is not freely convertible into foreign currencies. The Company maintains its financial statements in the functional currency. Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at rates of exchange prevailing at the balance sheet date. Transactions denominated in currencies other than the functional currency are translated into the functional currency at the exchange rates prevailing at the dates of the transactions. Exchange gains or losses arising from foreign currency transactions are included in the determination of net income for the respective periods.

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For financial reporting purposes, the financial statements of the Company, which are prepared using the functional currency, have been translated into United States dollars. Assets and liabilities translated at exchange rates at the balance sheet date, revenue and expenses are translated at the average exchange rates for the period, and members' equity is translated at historical exchange rates. Translation adjustments are included in accumulated other comprehensive income, a component of members' equity. The exchange rates applied are as follows:

|  | SEP 30, 2010 | Dec 31, 2009 | Dec 31, 2008 |
|--|--------------|--------------|--------------|
| Year end RMB exchange rate             | 6.7011       | 6.8282       | 6.8346       |
| Average RMB exchange rate - year ended | 6.7647       | 6.8314       | 7.0696       |

No representation is made that the RMB amounts could have been, or could be, converted into United States dollars at the rates used in translation.

#### (k) Accumulated Other Comprehensive Income

Accumulated other comprehensive income represents the change in equity of the Company during the periods presented from foreign currency translation adjustments.

#### (l) Taxation

Taxation on profits earned in the PRC has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the PRC where the Company operates after taking into effect the benefits from any special tax credits or "tax holidays" allowed in the county of operations.

The Company does not accrue United States income tax since it has no significant operating income in the United States. The Company is organized and located in the PRC and do not conduct any business in the United States.

#### Enterprise income tax

Under the decree of the State Council of People's Republic of China on the implementation of the enterprise income tax transition preferential policies, the company statutory rate was 25% for the years 2008, 2009 and 2010.

#### Value added tax

The Provisional Regulations of The People's Republic of China Concerning Value Added Tax promulgated by the State Council came into effect on January 1, 1994. Under these regulations and the Implementing Rules of the Provisional Regulations of the PRC Concerning Value Added Tax, value added tax ("VAT") is imposed on goods sold in or imported into the PRC and on processing, repair and replacement services provided within the PRC.

VAT payable in The People's Republic of China is charged on an aggregated basis at a rate of 13% or 17% (depending on the type of goods involved) on the full price collected for the goods sold or, in the case of taxable services provided, at a rate of 17% on the charges for the taxable services provided, but excluding, in respect of both goods and services, any amount paid in respect of VAT included in the price or charges, and less any deductible value added tax already paid by the taxpayer on purchases of goods and services in the same financial year.

(m) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. It can also be a present obligation arising from past events that is not recognized because it is not probable that the Company will incur a liability or obligations as a result. A contingent liability, which might occur but is not probable, is not recorded but is disclosed in the notes to the financial statements. The Company will recognize a liability or obligation when it is probable that the Company will incur it.

A contingent asset is an asset, which could possibly arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Company. Contingent assets are not recorded but are disclosed in the notes to the financial statements when it is likely that the Company will recognize an economic benefit. When the benefit is virtually certain, the asset is recognized.

(n) Fair Value of Financial Instruments

SFAS No. 107, "Disclosures about Fair Values of Financial Instruments", requires disclosing fair value to the extent practicable for financial instruments that are recognized or unrecognized in the balance sheet. The fair value of the financial instruments disclosed herein is not necessarily representative of the amount that could be realized or settled, nor does the fair value amount consider the tax consequences of realization or settlement.

(o) Recently Issued Accounting Pronouncements

In June 2009, the FASB approved the Accounting Standards Codification ("the Codification") as the single source of authoritative nongovernmental U.S. GAAP. All existing accounting standard documents, such as FASB, American Institute of Certified Public Accountants, Emerging Issues Task Force and other related literature, excluding guidance from the Securities and Exchange Commission ("SEC"), have been superseded by the Codification. All other non-grandfathered, non-SEC accounting literature not included in the Codification has become nonauthoritative. The Codification did not change U.S. GAAP, but instead introduced a new structure that combines all authoritative standards into a comprehensive, topically organized database. The Codification became effective for the period beginning September 15, 2009, and impacts the Company's financial statements, as all references to authoritative accounting literature is now referenced in accordance with the Codification.

On January 1, 2009, the Company adopted new accounting guidance related to the accounting for business combinations and related disclosures. This new guidance addresses the recognition and accounting for identifiable assets acquired, liabilities assumed, and non-controlling interests in business combinations. The guidance also establishes expanded disclosure requirements for business combinations. The Company has applied this new guidance to its 2009 business combinations.



On January 1, 2009, the Company also adopted new accounting guidance related to the accounting for non-controlling (minority) interests in consolidated financial statements. This guidance establishes accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary, and requires that non-controlling interests in subsidiaries be reported in the equity section of the controlling company's balance sheet. It also changes the manner in which the net income of the subsidiary is reported and disclosed in the controlling company's income statement. The Company's consolidated financial statements reflect the adoption and implementation of this new guidance for all periods presented.

On January 1, 2009, the Company adopted a new accounting standard on determining whether an instrument (or embedded feature) is indexed to an entity's own stock. This standard provides a two-step model to determine if an instrument, or embedded feature in an instrument, can be considered indexed to an entity's own stock for the purpose of determining if the instrument can be accounted for as equity or as a derivative presented outside of equity. The adoption of this standard had no material impact on the Company's consolidated financial statements.

In May 2009, the FASB established general standards for accounting and disclosure of events that occur after the balance sheet date but before the financial statements are issued or are available to be issued. The pronouncement required the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date, whether that date represents the date the financial statements were issued or were available to be issued. In February 2010, the FASB amended this standard whereby SEC filers, like the Company, are required by GAAP to evaluate subsequent events through the date its financial statements are issued, but are no longer required to disclose in the financial statements that the Company has done so or disclose the date through which subsequent events have been evaluated.

In August 2009, the FASB provided clarification when measuring liabilities at fair value in a circumstance in which a quoted price in an active market for an identical liability is not available. A reporting entity is required to measure fair value using one or more of the following methods: 1) a valuation technique that uses a) the quoted price of an identical liability when traded as an asset or b) quoted prices for similar liabilities (or similar liabilities when traded as assets) and/or 2) a valuation technique that is consistent with the preexisting fair value guidance. It also clarifies that when estimating the fair value of a liability, a reporting entity is not required to adjust the estimate to include inputs relating to the existence of transfer restrictions on that liability. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

In October 2009, the FASB issued an update to existing guidance on accounting for arrangements with multiple deliverables. This update will allow companies to allocate consideration received for qualified separate deliverables using estimated selling price for both delivered and undelivered items when vendor-specific objective evidence or third-party evidence is unavailable. Additional disclosures discussing the nature of multiple element arrangements, the types of deliverables under the arrangements, the general timing of their delivery, and significant factors and estimates used to determine estimated selling prices will be required. This guidance is effective prospectively for interim and annual periods ending after June 15, 2010. The Company is currently evaluating the impact this guidance may have, if any, on its consolidated financial statement, but does not anticipate that this updated guidance will have a material impact.

In January 2010, the FASB issued an update that improves the requirements related to fair value measurements and disclosures about transfers between Level 1, Level 2 and Level 3 assets and the disaggregated activity in the roll forward for Level 3 fair value measurements. These new disclosures are effective for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years. The Company does not expect the adoption of these expanded disclosures to have a material impact on its consolidated financial statements.



In February 2010, the FASB issued Accounting Standards Update (“ASU”) No. 2010-09 (“ASU 2010-09”), which amends ASC 855 to address certain implementation issues related to an entity’s requirement to perform and disclose subsequent-events procedures. The new guidance clarifies that management must evaluate, as of each reporting period, events or transactions that occur after the balance sheet date through the date that the financial statements are issued. Management must perform its assessment for both interim and annual financial reporting periods. ASU 2010-09 also exempts SEC filers from disclosing the date through which subsequent events have been evaluated. The adoption of this amended standard did not have a material impact on the company’s consolidated financial statements.

#### 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 4) Accounts Receivable

The following are the components of accounts receivable:

|                             | Sep 30, 2010<br>USD | Dec 31, 2009<br>USD | Dec 31, 2008<br>USD |
|-----------------------------|---------------------|---------------------|---------------------|
| Accounts Receivable         | \$ 4,000,482        | \$ 321,909          | \$ 281,189          |
| Provision for doubtful debt | (1,727,445)         | (16,095)            | (14,059)            |
|                             | \$ 2,273,037        | \$ 305,814          | \$ 267,130          |

#### Note 5) Inventories

Inventories at Sep 30, 2010, Dec 31, 2009 and 2008 consist of the following:

|                         | Sep 30, 2010<br>USD | Dec 31, 2009<br>USD | Dec 31, 2008<br>USD |
|-------------------------|---------------------|---------------------|---------------------|
| Working in Process      | \$ 592,780          | \$ 29,290           | \$ -0-              |
| Raw material            | 1,404,826           | 1,556,812           | 131,429             |
| Finished goods          | 794,374             | 221,592             | 308,730             |
| Semi-finished products  | 618,844             |                     |                     |
| Merchandise Shipped     | 226,444             |                     |                     |
|                         | 3,637,268           | 1,807,694           | 440,159             |
| Provision for Inventory | -42,181             | -20,078             | -6,733              |
|                         | \$ 3,595,087        | \$ 1,787,616        | \$ 433,426          |

## Note 6) Prepayment and Other Receivables

Prepayment and other receivables at Sep 30, 2010, Dec 31, 2009 and 2008 consist of the following:

|                                   | Sep 30, 2010<br>USD | Dec 31, 2009<br>USD | Dec 31, 2008<br>USD |
|-----------------------------------|---------------------|---------------------|---------------------|
| Prepayment                        | \$ 477,407          | \$ 283,392          | \$ 166,405          |
| Other receivables                 | 485,305             | 23,378              | 2,370               |
|                                   | 962,712             | 306,770             | 168,775             |
| Provision for unrecoverable items | (349,003)           | (15,407)            | (8,439)             |
|                                   | \$ 613,709          | \$ 291,363          | \$ 160,336          |

## Note 7) Deferred Tax Assets

Deferred tax assets at Sep 30, 2010, Dec 31, 2009 and 2008 consist of the following:

|   | Sep 30, 2010<br>USD | Dec 31, 2009<br>USD | Dec 31, 2008<br>USD |
|---|---------------------|---------------------|---------------------|
| Provision for inventory   | \$ 10,545           | \$ 5,019            | \$ 1,683            |
| Provision for property, plant and equipment                         | 122,592,            |                     |                     |
| Provision for accounts receivable, prepayment and other receivables | 520,170             | 7,866               | 5,625               |
|   | \$ 653,308          | \$ 12,885           | \$ 7,308            |

## Note 8) Property, Plant and Equipment

Property, Plant and Equipment at Sep 30, 2010, Dec 31, 2009 and 2008 consists of the following:

|                                | Sep 30, 2010<br>USD | Dec 31, 2009<br>USD | Dec 31, 2008<br>USD |
|--------------------------------|---------------------|---------------------|---------------------|
| Machinery and equipment        | \$ 1,156,377        | \$ 8,789            | \$ -0-              |
| Furniture and office equipment | 27,188              | 39,967              | 21,185              |
|                                | 1,183,565           | 48,756              | 21,185              |
| Less: Accumulated depreciation | (162,678)           | (7,780)             | (1,796)             |
| Less: Impairment provision     | (490,368)           |                     |                     |
|                                | \$ 530,518          | \$ 40,976           | \$ 19,389           |

## Note 9) Bank Loans

Bank Loans at Sep 30, 2010, Dec 31, 2009 and 2008 consists of the following:

|                  | Sep 30, 2010<br>USD | Dec 31, 2009<br>USD | Dec 31, 2008<br>USD |
|------------------|---------------------|---------------------|---------------------|
| Guaranteed loan: | \$ -0-              | \$ 275,329          | \$ -0-              |
|                  | \$ -0-              | \$ 275,329          | \$ -0-              |

## Note 10) Accounts Payable

Accounts payable as of Sep 30, 2010, Dec 31, 2009 and 20088 consist of the following:

|                  | Sep 30, 2010<br>USD | Dec 31, 2009<br>USD | Dec 31, 2008<br>USD |
|------------------|---------------------|---------------------|---------------------|
| Accounts payable | \$ 3,810,577        | \$ 1,294,540        | \$ 503,826          |
|                  | \$ 3,810,577        | \$ 1,294,540        | \$ 503,826          |

## Note 11) Other Payable and Accruals

Other payable and accruals as of Sep 30, 2010, Dec 31, 2009 and 2008 consist of the following:

|                         | Sep 30, 2010<br>USD | Dec 31, 2009<br>USD | Dec 31, 2008<br>USD |
|-------------------------|---------------------|---------------------|---------------------|
| Advances from customers | \$ (493,877)        | \$ (689,109)        | \$ (34,969)         |
| Accrued payroll         | (128,710)           | (65,024)            |                     |
| Taxes prepaid           | 7,916               | 146,122             | 7,830               |
| Other payable           | (33,254)            | (212,719)           | (292,629)           |
|                         | \$ 647,926          | \$ 820,730          | \$ 319,768          |

## Note 12) Accrued Income Taxation

Accrued income taxation as of Sep 30, 2010, Dec 31, 2009 and 2008 consist of the following:

|                         | Sep 30, 2010<br>USD | Dec 31, 2009<br>USD | Dec 31, 2008<br>USD |
|-------------------------|---------------------|---------------------|---------------------|
| Accrued income taxation | \$ 12,787           | \$ 21,255           | \$ 199              |
|                         | \$ 12,787           | \$ 21,255           | \$ 199              |

## Note 13) Income Taxes

The Company and its subsidiary are governed by the Income Tax Laws of the PRC and are subject to the PRC corporate income tax.

Under the decree of the State Council of People's Republic of China on the implementation of the enterprise income tax transition preferential policies, the company statutory rate was 25% for the years 2008, 2009 and 2010.

|                             | Sep 30, 2010<br>USD | Dec 31, 2009<br>USD | Dec 31, 2008<br>USD |
|-----------------------------|---------------------|---------------------|---------------------|
| China Statutory Tax Rate    | 25%                 | 25%                 | 25%                 |
| Taxable income              | 203,978             | 84,755              | 771                 |
| Current income tax expenses | 50,994              | 21,189,             | 193                 |
| Deferred income tax         | -634,159            | -5,568              | 1,571               |

## Note 14) Commitments

Commitments for the operating leases as of Sep 30, 2010 were as follows:

|                              | USD        |
|------------------------------|------------|
| Payment within one year      | \$ 193,526 |
| Payment in one to two years  | 170,247    |
| Payment in two to five years | 141,872    |
|                              | \$ 505,645 |

## Note 15) Related Party Transactions

As of Sep 30, 2010, the related parties of the Company and the relationship were known as following:

|                                  | Relationships  |
|----------------------------------|--|
| Shenzhen Aopvision Tech Co., Ltd | the company controlled by Li Tingyi                      |
| Li Tingyi                        | the former shareholder and vice president of the company |

The transactions with these entities were made in the ordinary course of business and were negotiated at arms length. A summary of transactions and balances with related parties follows:

## (a) Related Party Transactions-Sales of Goods and Providing of Service

| Name of Related Parties                         | Variety | Pricing Method | Transaction AMT 2010 | Transaction AMT 2009 | Transaction AMT 2008 |
|---|---------|----------------|----------------------|----------------------|----------------------|
| Shenyang Angesi Technology Co., Ltd             | Goods   | Cost Plus      |                      | \$ 52,850            |                      |
| Nanjing Aogesi Technology Co., Ltd              | Goods   | Cost Plus      |                      |                      | 104,434              |
| Shanghai Xin Angesi Digital Technology Co., Ltd | Goods   | Cost Plus      |                      |                      | 37,309               |
| Changsha Aogesi Electric Technology Co., Ltd    | Goods   | Cost Plus      |                      |                      | 105,812              |
| Jinan Sheng Angesi Technology Co., Ltd          | Goods   | Cost Plus      |                      |                      | 181,768              |
| ANV video alarm service Inc                     |         |                | \$ 4,235             |                      |                      |
|   |         |                | \$ 4,235             | \$ 482,173           |                      |

## (b) Related Parties Balances

As of Sep 30, 2010, Dec 31, 2009 and 2008 amounts due from/to related companies consist of:

## (i) Receivables should be collected from related parties:

|                                  | Sep 30, 2010<br>USD | Dec 31, 2009<br>USD | Dec 31, 2008<br>USD |
|----------------------------------|---------------------|---------------------|---------------------|
| Shenzhen Aopvision Tech Co., Ltd | \$ -0-              | \$ -0-              | \$ 7,316            |
| ANV video alarm service Inc      | 4,235               | -0-                 | -0-                 |
| Flybit International Ltd         | 37,547              | -0-                 | -0-                 |



(ii) Payables should be paid to related parties:

|   | Sep 30, 2010 | Dec 31, 2009 | Dec 31, 2008 |
|---|--------------|--------------|--------------|
|   | USD          | USD          | USD          |
| Shenyang Angesi Technology Co., Ltd             |              |              | \$ 2,590     |
| Nanjing Aogesi Technology Co., Ltd              | -0-          | -0-          | 9,769        |
| Shanghai Xin Angesi Digital Technology Co., Ltd | -0-          | -0-          | 7,494        |
| Changsha Aogesi Electric Technology Co., Ltd    | -0-          | -0-          | 27,238       |
| Jinan Sheng Angesi Technology Co., Ltd          | -0-          | -0-          | 123,305      |
| Li Tingyi                                       | \$ 63,513    | \$ 223,428   | 138,356      |
| Wei Ming  | 30,766       | -0-          | -0-          |
| ANV Security Technology (Taian) Co., Ltd.       | 10,755       | -0-          | -0-          |
|   | \$ 105,034   | \$ 223,428   | \$ 308,752   |

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Pro Forma Condensed Combined Balance Sheets and Statement of Operations

On September 30, 2010 ANV Security Group Inc. , acquired 100% of outstanding common shares of ANV Security Technology ( China) Co. Ltd.

Pro Forma accounting effects of Purchase Agreement are presented in the following tables which presents the combined results of balance sheets and operations as they may have appeared had the acquisition and financing transactions described above occurred as of April 1, 2010 ( the effective date of start of accounting fiscal year of the Company) .

The unaudited pro forma condensed combined balance sheet and statement of operations has been derived from and should be read together with the historical financial statements of notes of ANV Security Group Inc. filed as part of 10- K/A of the Company filed with the Securities Exchange Commissions on July 26, 2010 and the historical financial statements of the Company, both prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”), for the fiscal year March 31, 2010, included elsewhere in the 10-K/A.

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ANV Security Group, Inc.

## Unaudited Pro Forma Condensed Combined Balance Sheets

|   | ANV Security<br>Group<br>Inc.<br>As of September<br>30<br>2010 | ANV Security<br>Technology<br>(China)<br>Co., Ltd.<br>As of September<br>30<br>2010 | Pro Forma<br>Adjustments | ANV Security<br>Group<br>Inc.<br>As of September<br>30<br>2010<br>Pro Forma |
|---|--|---|--------------------------|---|
| <b>ASSETS</b>   |  |   |                          |   |
| <b>CURRENT ASSETS</b>                                       |  |   |                          |   |
| Cash  | \$ 5,571,631   | \$ 110,446  | \$                       | \$ 5,682,077  |
| Accounts receivable, net of allowance                       | 103,461  | 2,273,037   |                          | 2,376,498   |
| Inventory   | 342,948  | 3,595,087   |                          | 3,938,035   |
| Other current assets  | 6,222,717  | 651,259   |                          | 6,873,976   |
| <b>TOTAL CURRENT ASSETS</b>                                 | <b>12,240,757</b>  | <b>6,629,829</b>  |                          | <b>18,870,586</b>   |
| Property and equipment - net of<br>accumulated depreciation | 46,712   | 530,518   |                          | 577,230   |
| Other noncurrent assets                                     | 7,503,445  | 780,218   |                          | 8,283,663   |
| Investment in a subsidiary                                  | 4,980,080  | -   | (4,980,080)              | -   |
| <b>TOTAL OTHER ASSETS</b>                                   | <b>12,530,237</b>  | <b>1,310,736</b>  | <b>(4,980,080)</b>       | <b>8,860,893</b>  |
| <b>TOTAL ASSETS</b>   | <b>\$ 24,770,994</b>   | <b>\$ 7,940,565</b>   | <b>\$ (4,980,080)</b>    | <b>\$ 27,731,479</b>  |
| <b>LIABILITIES AND STOCKHOLDERS'<br/>EQUITY (DEFICIT)</b>   |  |   |                          |   |
| <b>CURRENT LIABILITIES</b>                                  |  |   |                          |   |
| Accounts payable  | \$ 655,615   | \$ 3,810,577  | \$                       | \$ 4,466,192  |
| Advance from customers and other<br>payable                 | -  | 647,926   |                          | 647,926   |
| Income Tax Payable  | -  | 12,787  |                          | 12,787  |
| Due to related parties                                      | 12,910,191   | 105,034   |                          | 13,015,225  |
| <b>TOTAL CURRENT LIABILITIES</b>                            | <b>13,565,806</b>  | <b>4,576,324</b>  |                          | <b>18,142,130</b>   |
| <b>STOCKHOLDERS' EQUITY (DEFICIT)</b>                       |  |   |                          |   |
| Common stock  | 10,765,119   | 5,119,868   | (4,980,080)              | 10,904,907  |
| Additional paid-in capital                                  | 24,836   |   |                          | 24,836  |
| Retained earnings (Deficit)                                 | 295,121  | (1,837,143)   |                          | (1,542,022)   |
| Other comprehensive loss - foreign<br>currency translation  | 120,112  | 81,516  |                          | 201,628   |
| <b>TOTAL STOCKHOLDERS' EQUITY</b>                           | <b>11,205,188</b>  | <b>3,364,241</b>  | <b>(4,980,080)</b>       | <b>9,589,349</b>  |

|   |    |            |    |           |                |    |            |
|---|----|------------|----|-----------|----------------|----|------------|
| TOTAL LIABILITIES AND<br>STOCKHOLDERS' EQUITY (DEFICIT) | \$ | 24,770,994 | \$ | 7,940,565 | \$ (4,980,080) | \$ | 27,731,479 |
|---|----|------------|----|-----------|----------------|----|------------|

See Notes to the Financial Statements

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ANV Security Group, Inc.  
Unaudited Pro Forma Condensed Combined Statements of Operations

|   | ANV Security<br>Group Inc.<br>April 1 to<br>September 30,<br>2010 | ANV Security<br>Technology<br>(China) Co., Ltd.<br>April 1 to<br>September 30,<br>2010 | Pro Forma<br>Adjustments | ANV Security<br>Group Inc.<br>April 1 to<br>September 30,<br>2010<br>Pro Forma |
|---|---|--|--------------------------|--|
| Revenue   | \$ 135,955  | \$ 9,011,761   | \$                       | \$ 9,147,716   |
| <b>TOTAL NET REVENUE</b>                          | <b>135,955</b>  | <b>9,011,761</b>   |                          | <b>9,147,716</b>   |
| <b>COST OF REVENUES</b>                           | <b>109,881</b>  | <b>7,873,708</b>   |                          | <b>7,983,589</b>   |
| <b>GROSS PROFIT</b>                               | <b>26,074</b>   | <b>1,138,053</b>   |                          | <b>1,164,127</b>   |
| <b>OPERATING COSTS</b>                            |   |  |                          |  |
| Operating expenses and depreciation               | 836,403   | 2,969,704  |                          | 3,806,107  |
| Total Operating Costs                             | 836,403   | 2,969,704  |                          | 3,806,107  |
| <b>OPERATING INCOME (LOSS)</b>                    | <b>(810,329)</b>  | <b>(1,831,651)</b>   |                          | <b>(2,641,980)</b>   |
| <b>OTHER INCOME &amp; (EXPENSES)</b>              |   |  |                          |  |
| Non operating expense                             | (1,839)   | (5,280)  |                          | (7,119)  |
| Non operating income                              | 6,784   | 8,713  |                          | 15,497   |
| <b>Total Other Income &amp; (Expenses)</b>        | <b>4,945</b>  | <b>3,433</b>   |                          | <b>8,378</b>   |
| <b>NET INCOME BEFORE INCOME TAX &amp; BENEFIT</b> | <b>(805,384)</b>  | <b>(1,828,218)</b>   |                          | <b>(2,633,602)</b>   |
| Current income taxes, net of income tax benefits  | 2,811   | 441,600  |                          | 444,411  |
| <b>NET INCOME (LOSS)</b>                          | <b>\$ (802,573)</b>   | <b>\$ (1,386,618)</b>  | <b>\$</b>                | <b>\$ (2,189,191)</b>  |
| <b>COMPREHENSIVE LOSS:</b>                        |   |  |                          |  |
| Unrealized foreign currency translation income    | 9,753   | 78,177   |                          | 87,930   |
| <b>COMPREHENSIVE LOSS</b>                         | <b>\$ (792,820)</b>   | <b>\$ (1,308,441)</b>  | <b>\$</b>                | <b>\$ (2,101,261)</b>  |

See Notes to the Financial Statements



NOTE 1 – BASIS OF PRO FORMA PRESENTATION

The unaudited pro forma condensed combined balance sheet and statement of operations (“Pro Forma”) of the Company is presented for the period ended September 30, 2010. The unaudited Pro Forma applies the group’s accounting policies over the pro forma period.

No amount has been included in the purchase price allocation for estimated costs to be incurred to achieve savings or other benefits of the transactions. Similarly, the Pro Forma does not reflect any cost savings or other benefits that may be obtained through synergies among the operations of two entities.

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| Exhibit No. | Description  |
|-------------|--|
| 10.1        | Angesi Agreement – English Translation. Filed with original Form 8-K |
| 10.2        | Revised Angesi Agreement – Filed Herewith                            |
| 23.1        | Consent of independent public accountant.                            |

SIGNATURES

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

ANV Security Group, Inc.

Weixing Wang

By: /s/ Weixing Wang, CEO

Dated: December 29, 2010

Title: President and CEO

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