ANV SECURITY GROUP INC.
Form 10-Q
August 12, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C.20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2013

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	13-3089537
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
8th Floor, Block B, R&D Building, Tsinghua Hi-Tech Park, North Area of Shenzhen Hi-Tech & Industrial Park, Nanshan District, Shenzhen, China	518057
(Address of principal executive offices)	**(Zip Code)**

011-86-755-8665-6436

(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 **x** 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 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 **x**

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No **x**

As of June 30, 2013, 56,950,660 shares of common stock, par value $0.001 per share, were outstanding, of which 10,545,461 shares were held by non-affiliates.

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 , 2013 (Unaudited)	As of December 31, 2012
ASSETS		
Current Assets	$	$
Cash and Cash Equivalents	120,927	72,316
Accounts Receivable, net	980,513	1,474,166
Inventories, net	20,748	22,814
Prepayments and Deposits	23,043	23,736
Total Current Assets	1,145,231	1,593,032
Property, Plant and Equipment , net	64,059	65,090
Intangible Assets	975,814	1,177,099
	$	$
Total Assets	2,185,104	2,835,221
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities	$	$
Accounts Payable and Accrued Expenses	102,249	174,363
Total Current Liabilities	102,249	174,363
Total Liabilities	102,249	174,363
Commitments and Contingencies		
Stockholders Equity		
Common Stock ($0.001 par value, 100,000,000 shares authorized, 56,950,660 and 56,950,660 shares issued and outstanding, respectively)	56,951	56,951
Additional Paid-in Capital	16,337,998	16,337,998

Deficit Accumulated	(15,552,551)	(15,000,937)
Accumulated Other Comprehensive Income	1,240,457	1,266,846
Total Stockholders Equity	2,082,855	2,660,858
Total Liabilities and Stockholders Equity	$ 2,185,104	$ 2,835,221

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

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

	For Three Months Ended		For Six Months Ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Continuing Operations				
Revenues	$ 21,061	$ 286	$ 200,936	$ 286
Cost of Sales	$ 10,597	$ 186	$ 13,724	$ 186
Gross profit	10,464	100	187,212	100
Operating Expenses				
Selling and Marketing	24,357	0	45,450	0
General and Administrative	$ 329,786	526,445	$ 627,377	$ 639,419
Research and Development	71,627	0	141,232	0
Total Operating Expenses	$ 425,770	526,445	$ 814,059	639,419
Operating Loss	$ (415,306)	(526,345)	$ (626,847)	(639,319)
Other Income (Expenses)				
Interest Income	$ 26	134	$ 61	$ 285
Interest Expense	0	0	0	0
Loss on disposal of subsidiaries	0	0	0	0
Others, net	12,625	0	75,172	0
Total Other Income (Expense)	$ 12,651	134	$ 75,233	285
Loss Before Income Tax Expense	$ (402,655)	(526,211)	$ (551,614)	(639,034)
Income Tax Expense, Net of Income Tax Benefit	0	0	0	0
Net Loss from continuing operations	$	$	$	$

	(402,655)	(526,211)	(551,614)	(639,034)
Discontinued Operations				
Net Income(Loss) from discontinued operations	$ 0	$ (5,323,043)	$ 0	$ (6,319,145)
Total Income(Loss) for the year	$ (402,655)	$ (5,849,254)	$ (551,614)	$ (6,958,179)
Other Comprehensive Income (Loss)				
Foreign Currency Translation Adjustment	$ (21,865)	$ (52,864)	$ (26,389)	$ (43,216)
Comprehensive Loss	$ (424,520)	$ (5,902,118)	$ (578,003)	$ (7,001,535)
Net Loss Per Share Basic and Diluted	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)
Weighted Average Number of Shares Outstanding Basic and Diluted	56,950,660	74,480,071	56,950,660	74,455,071

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

ANV Security Group, Inc.
Consolidated Statement of Stockholders' Equity
From March 31, 2010 to June 30, 2013
(Expressed in US dollars)
(Unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Comprehensive Income	Stock Subscription Receivable	Total
Balance March 31, 2010	33,190,071	33,190	1,990,785	(739,448)	191,875	0	1,476,402
Issuance of Common shares for cash	14,190,000	14,190	6,978,254	0			6,992,444
Issuance of Common shares for subsidiary stock acquisition	18,000,000	18,000	8,982,000	0	0	0	9,000,000
Issuance of Common shares for financial consulting service	750,000	750	374,250		0	0	375,000
Net loss for the year	0	0	0	(1,188,203)	0	0	(1,188,203)
Foreign currency translation adjustment	0	0	0	0	88,018	0	88,018
Stock Subscription Receivable	0	0	0	0	0	250,000	(250,000)
Balance December 31, 2010	66,130,071	66,130	18,325,289	(1,927,651)	279,893	(250,000)	16,493,661
Net loss for the year	0	0	0	(4,748,513)	0	0	(4,748,513)
Foreign currency translation adjustment	0	0	0	0	331,709	0	331,709
Stock Subscription Receivable	0	0	0	0	0	250,000	250,000
Issuance of shares for acquisitions	8,000,000	8,000	1,592,000	0	0	0	1,600,000
Balance December 31, 2011	74,130,071	74,130	19,917,289	(6,676,164)	611,602	0	13,926,857
Net loss for the year				(8,324,773)			(8,324,773)
Foreign currency translation adjustment					655,244		655,244
Issuance of shares for cash	350,000	350	99,650				100,000
Share from disposal of Shenzhen Factory @US$0.22 per share	(9,529,411)	(9,529)	(2,086,941)				(2,096,470)
Share from disposal of 4 subsidiaries @US$0.20 per share	(8,000,000)	(8,000)	(1,592,000)				(1,600,000)
	56,950,660	56,951	16,337,998	(15,000,937)	1,266,846	0	2,660,858

Balance	December 31, 2012							
Net loss for the year					(551,614)			(551,614)
Foreign currency translation adjustment						(26,389)		(26,389)
Balance	June 30, 2013	56,950,660	56,951	16,337,998	(15,552,551)	1,240,457	0	2,082,855

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

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

	For Six Months ended	
	30-Jun-13	30-Jun-12
Cash flows from operating activities	$	$
Net loss	(551,614)	(7,047,790)
Depreciation and amortization	212,399	296,829
Provision for doubtful accounts	(55)	(4,772)
Provision for obsolete inventories	0	329,514
Deferred tax	0	(164,475)
Loss on disposal of subsidiaries	(3,311)	6,305,602
Prepayment and deposit	482,266	129,524
Accounts receivable	7,743	275,481
GST Receivable	0	11,939
Inventories	2,436	640,600
Accounts payable and accrued expenses	(73,707)	(400,483)
Due to intercompanies	(12,861)	(1,186,959)
Net Cash (Used in) Provided by Operating Activities	63,296	(814,990)
Cash Flows From Investing Activities		
Purchase of equipment and furniture	(1,959)	(157,132)
Capitalized intangible costs	(12,817)	(4,210)
Disposal of subsidiaries	0	(124,945)
Net Cash (Used in) Provided by Investing Activities	(14,776)	(286,287)
Cash Flows From Financing Activities		
Proceeds from (repayment to) related parties	0	(147,627)

Proceeds from common stock subscription receivable and issuance	0	100,000
Net Cash (Used in) Provided by Financing Activities	0	(47,627)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	91	0
Net (Decrease) Increase In Cash and Cash Equivalents	48,611	(1,148,904)
Cash and Cash Equivalents at Beginning of Period	72,316	1,388,743
Cash and Cash Equivalents at End of Period	$ 120,927	$ 239,839
Supplemental Schedule of Cash Flows Disclosures		
Interest paid	$ 0	$ 30,249
Income taxes paid	$ 0	$ 0
Supplemental Schedule of Non-Cash Flows Activities		
Disposal of subsidiaries through treasury stock	$ 0	$ 3,701,000
Disposal of subsidiaries through receivable	$ 0	$ 637,112

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

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ANV Security Group, Inc.

Notes to Consolidated Financial Statements

For the six months ended June 30, 2013

(Unaudited)

Note 1- Company Information

ANV Security Group, Inc. (the Company) is a Nevada company and was incorporated on December 18, 2006 in Vancouver, BC, Canada. The Company s headquarter is in Shenzhen, China.

On June 28, 2009, the Company entered into an agreement and plan of reorganization (the agreement) by and among Dini Products, Inc. (DINP), a Nevada corporation, where each common share of DINP was exchanged on a share-for-share basis for the Company s shares such that after the exchange, DINP has 33,190,071 common shares issued and outstanding, inclusive of 29,860,000 shares issued to the Company s stockholders. Upon the execution of the agreement, the Company changed its name to ANV Security Group, Inc.

The Company specializes in network video surveillance and video alarm service, and conducts new products research & development, software solution and technologies on its current platforms. The Company plans to become a fully integrated developer, designer, manufacturer, marketer, installer and servicer of web-based security systems for residential, commercial and government customers operating in the People s Republic of China.

On February 10, 2011, the Company changed its fiscal year-end from March 31 to December 31 in order to be aligned with the fiscal years of its principal operating subsidiaries in China.

On May 31, 2012, ANV Security Group, Inc. (the Company) entered into an Equity and Intellectual Property Rights Transfer Agreement (the EIPRTA) to dispose of all of the shares and related intellectual property of its subsidiary ANV Security Technology (China) Co., Ltd. (ANV Tech), by transferring the same to a company owned by its former owner and director. At the same time, the Company sold 100% equity interest in ANV Tech s four subsidiaries back to former owners of these subsidiaries.

After these dispositions, the Company focuses on customer support and backend service for its multi-platform security monitoring and alerts in real-time through the internet, or 3G and 4G networks. Customers are able to use computer, smart phone or any other internet enabled device to visually monitor their locations where ANV devices have been installed.

Due to the legal restrictions of the internet business in PRC, the Company set up a VIE structure to carry on the business in China. After disposed all the assets and liabilities in ANV ASIA, ANV ASIA has no assets other than cash, but it does have a business operation, namely the management of Shen Zhen Global Intelligent Eye (ANV GIE), which is incorporated in December 2011, under the laws of the People s Republic of China. ANV GIE has two equity owners: 75% of the equity interest owned by Mr. Wang Weixing, CEO and director of the Company, 25% of the equity interest owned by Mr. Feng Chun, General Manager of the ANV GIE. ANV ASIA carries out that management pursuant to the terms of VIE agreement that it made with ANV GIE and with the equity owners in ANV GIE. Collectively, the agreements provide ANV ASIA exclusive control over the business of ANV GIE. The relationship is one that is generally identified as entrusted management. As a result of that relationship, the financial statements of ANV GIE are consolidated with the Company s financial statements in this report.

At times throughout this Report we will use the term the Company to refer to the three entities mentioned above as a single entity, which is a consolidated entity for financial reporting purposes. References to the business of the Company and the like, however, all refer to the business carried on by ANV GIE, which is the only one of the three consolidated entities that carries on business operations.

ANV GIE was founded in December 2011 under the laws of the People s Republic of China with registered capital of 1 million RMB (US$158,707). ANV s executive offices and operations are located in Shenzhen, Guangdong Province, in Southern China.

Note 2 - Summary of Significant Accounting Policies

a)

Basis of Presentation and Going Concern

These consolidated financial statements are those of the Company and its subsidiaries. All significant intercompany transactions have been eliminated. These financial statements and related notes are presented in accordance with the accounting principles generally accepted in the United States and are expressed in US dollars.

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States, which contemplate continuation of the Company as a going concern. The Company has incurred $15.6 million losses since inception. Further, as of June 30, 2013 the cash resources of the Company were insufficient to meet its current business plan. These and other factors raise substantial doubt about the Company s ability to continue as a going concern. The accompanying financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the possible inability of the Company to continue as a going concern.

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The Company expects to develop its business and thereby increase its revenue. However, the Company would require sufficient capital to be invested into the Company to acquire the properties to begin generating sufficient revenue to cover the monthly expenses of the Company. Until the Company is able to generate revenue, the Company would be required to raise capital through the sale of its stock or through debt financing. Management may raise additional capital through future public or private offerings of the Company s stock or through loans from private investors, although there can be no assurance that it will be able to obtain such financing. The Company s failure to do so could have a material and adverse effect upon it and its shareholders.

To this date the Company has relied on the sale of stock, mainly to its officers and directors, to finance its operations and growth. The Company expects to continue to fund the Company through debt and securities sales and issuances until the Company generates enough revenues through the operations. These transactions will initially be through related parties, such as the Company s officers and directors.

b)

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries (all subsidiaries are 100% owned by the Company): ANV Security Group (Asia) Co., Ltd. (ANV ASIA), and Shenzhen Global Intelligent Eye Technology Co., Ltd. (GIE). The Company consolidates its subsidiaries in which it has over 50% controlling interests. All significant intercompany accounts, transactions and cash flows have been eliminated on consolidation.

c)

Use of Estimates

In preparing the Company s consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. Significant estimates

made by management include: provision for product returns, allowance for doubtful accounts, inventory provision, useful lives of amortizable intangible assets, and provisions for income taxes and realizability of deferred tax assets. On an ongoing basis, management reviews its estimates to ensure that these estimates appropriately reflect changes in the Company s business and new information as it becomes available. If historical experience and other factors used by management to make these estimates do not reasonably reflect future activity, the Company s consolidated financial statements could be materially impacted.

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 have no impact on previously stated financial statements of the Company.

e)

Comprehensive Income (Loss)

In accordance with ASC 220-10-55, comprehensive income is defined to include all changes in equity except those resulting from investments by owners and distributions to owners. The Company s components of comprehensive income for the six months ended June 30, 2013 and 2012 were net loss and the foreign currency translation adjustment.

f)

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments that are readily convertible to cash with maturities of three months or less when purchased.

g)

Accounts Receivable

The Company extends unsecured credit to its customers in the ordinary course of business but mitigates the associated risks by performing credit checks and actively pursuing past due accounts. An allowance for doubtful accounts is established and recorded based on management s assessment of the credit history with the customer and current relationships with them. As of June 30, 2013 and 2012, the company had amount of $980,513 and $1,474,166 respectively.

h)

Inventories

Inventories are stated at the lower of cost or replacement cost with respect to raw materials and the lower of cost and net realizable value with respect to finished goods and work in progress. Cost of work in progress and finished goods is generally determined on weighted average cost basis and includes direct material, direct labor and overhead. Net realizable value represents the anticipated selling price less estimated costs of completion and distribution.

i)

Prepayment and Deposits

Prepayment and deposits represent cash paid in advance for purchasing of inventory items from suppliers and the amounts as of June 30, 2013 and December 31, 2012 were $23,043 and $23,736 respectively.

j)

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Significant additions and improvements are capitalized, while repairs and maintenance are charged to expenses as incurred. Equipment purchased for specific research and development projects with no alternative uses are expensed. Assets under construction are not depreciated until construction is completed and the assets are ready for their intended use. Gains and losses from the disposal of property, plant and equipment are included in operating income (loss).

Depreciation of property, plant and equipment generally is computed using the straight-line method based on the estimated useful lives of the assets as follows:

Production equipment	5-10 years
Electronic equipment	3-5 years
Vehicle	5-10 years
Leasehold improvement	3-5 years

k)

Impairment of Long-Lived Assets

Long-lived assets including intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable from the future undiscounted net cash flows expected to be generated by the asset. If the asset is not fully recoverable, an impairment loss would be recognized for the difference between the carrying value of the asset and its estimated fair value based on discounted net future cash flows. There were no impairment adjustments to the carrying value of the long-lived assets for the six months ended June 30, 2013 and the year ended December 31, 2012.

l)

Software Development Costs

The Company accounts for software development costs in accordance with ASC 985-20, Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed. Costs related to establishing the technological feasibility of a software product are expensed as incurred as a part of research and development in general and administrative expenses. Costs that are incurred to produce the finished product after technological feasibility is established are capitalized and amortized over the estimated economic life of 5 years. The Company performs periodic reviews to ensure that unamortized program costs remain recoverable from future revenue.

m)

Financial Instruments and Concentration of Credit Risks

Fair Value of Financial Instruments

Assets and liabilities subject to fair value measurements are required to be disclosed within a specified fair value hierarchy. The fair value hierarchy ranks the quality and reliability of inputs, or assumptions, used in the determination of fair value and requires assets and liabilities carried at fair value to be classified and disclosed in one of the following categories based on the lowest level input used that is significant to a particular fair value measurement:

Level 1 Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets and liabilities in markets that are not active.

Level 3 Unobservable inputs for the asset or liability.

As of June 30, 2013 and December 31, 2012, the Company did not have any Level 2 and 3 financial assets. As of June 30, 2013 and December 31, 2012, the Company did not have financial liabilities measured at fair value on a recurring basis.

The fair values of financial instruments are estimated at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying values of cash and cash equivalents, restricted cash, short-term investments, accounts receivable, short-term loans payable, accounts payable and accrued liabilities, and due from related parties approximate their fair value because of their short term nature. The fair values of loans payable and long-term payable for acquisition of assets are based on the estimated discounted value of future contractual cash flows. The discount rate is estimated using the rates currently offered for debt with similar remaining maturities.

Exchange Rate Risks

The Company operates in China, which may give rise to significant foreign currency risks from fluctuations and the degree of volatility of foreign exchange rates between US dollars and the Chinese RMB.

Concentration of Credit Risks

Financial instruments that potentially subject the Company to concentration of credit risks consist primarily of cash and cash equivalents, accounts receivable, and short-term investments, the balances of which are stated on the consolidated balance sheets which represents the Company s maximum exposure. The Company places its cash and cash equivalents in high credit quality financial institutions. Concentration of credit risks with respect to accounts receivables is linked to the concentration of revenue. To manage credit risk, the Company performs ongoing credit evaluations of customers financial condition. The Company does not require collateral or other security to support financial instruments subject to credit risks.

n)

Revenue Recognition

The Company recognizes revenue in accordance with ASC 605, which requires that revenue be recognized when it is earned and either realized or realizable. In general, the Company generates revenue from the sales of surveillance and safety products and systems and revenue is recognized when the following criteria are met:

(i)Persuasive evidence of an arrangement exists The Company requires evidence of an agreement with a customer specifying the terms and conditions of the products to be delivered typically in the form of a signed contract or purchase order;

(ii)Delivery has occurred For product sales, delivery generally takes place when title to the product is transferred, which generally take place when products are shipped to or accepted by the customer, depending on the terms of the contract;

(iii) The fee is fixed or determinable Fees are fixed or determinable based on the contract or purchase order terms; and

(iv) Collection is probable The Company performs a credit review of all customers with significant transactions to determine whether a customer is creditworthy and collection is probable.

o)

Income Taxes

The Company recognizes deferred tax liabilities and assets for the expected future tax consequences of events that have been recognized in the Company s financial statements or tax returns using the liability method. Under this method, deferred tax liabilities and assets are determined based on the temporary differences between the financial statements and tax bases of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. A valuation allowance is provided for the portion of deferred tax assets that is more likely than not to remain unrealized. Deferred tax assets and liabilities are measured using enacted tax rates and laws.

The Company adopted the guidance issued by the Financial Accounting Standards Board (FASB) Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109 (FIN 48), codified in the FASB Accounting Standards Codification (ASC) 740, Income Taxes. ASC 740 prescribes a more-likely than-not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740 also provides guidance on the recognition and de-recognition of income tax assets and liabilities; classification of current and deferred income tax assets and liabilities accounting for interest and penalties associated with tax positions; accounting for income taxes in interim periods and income tax disclosures.

The tax benefit from an uncertain tax position is recognized only if it is more likely than not that the tax position will be sustained upon examination by the appropriate taxing authority, based on the technical merits of the position. The tax benefits recognized from such a position are measured based on the amount that is greater than 50% likely of being realized upon settlement. Liabilities associated with uncertain tax positions are classified as long-term unless expected to be paid within one year. Interest and penalties related to uncertain tax positions, if any, are recorded in the provision for income taxes and classified with the related liability on the consolidated balance sheet.

The Company has reviewed the tax positions taken, or to be taken, in its tax return for all tax years currently open to examination by a taxing authority in accordance with the recognition and measurement standards of ASC 740. The Company is not under examination by any authority for income tax purposes and has not applied any income tax filing extension.

The Company s taxing jurisdiction is U.S. ANV Security Group (Asia) Co., Ltd. s tax jurisdiction is Hong Kong. Shenzhen Global Intelligent Eye Technology Co., Ltd. s taxing jurisdiction is China.

p)

Segments

Operating segments are defined as components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision making group, in deciding how to allocate resources and in assessing performance. The Company's chief operating decision maker is its Chief Executive Officer. The Company operates exclusively in the network video surveillance sector. The Company s business is considered as operating in one segment based upon the Company s organizational structure, the way in which the operation is managed and evaluated, the availability of separate financial results and materiality considerations.

q)

Foreign Exchange Translation

The Company s financial information is presented in US dollars. The functional currencies of the Company and its subsidiaries include the United States dollar (US$), Hong Kong dollar, and Renminbi (RMB).

The financial statements of the Company have been translated into U.S. dollars in accordance with ASC 830-30 *Translation of Financial Statements* . The financial information is first prepared in functional currencies and then is translated into U.S. dollars at period-end exchange rates as to assets and liabilities and average exchange rates as to revenue and expenses. Capital accounts are translated at their historical exchange rates when the capital transactions occurred. The effects of foreign currency translation are included as a component of accumulated other comprehensive income in shareholders equity.

The RMB is not freely convertible into foreign currency and all foreign exchange transactions must take place through authorized institutions. No representation is made that the RMB amounts could have been, or could be, converted into US dollars at the rates used in translation.

r)

Basic and Diluted Net Income (Loss) Per Share

The Company computes earnings per share (EPS) in accordance with ASC 260 Earnings per Share (ASC 260), and SEC Staff Accounting Bulletin No. 98 (SAB 98). ASC 260 requires companies with complex capital structures to present basic and diluted EPS. Basic EPS is measured as net income divided by the weighted average common shares outstanding for the period. Diluted EPS is similar to basic EPS but presents the dilutive effect on a per share basis of potential common shares (e.g., convertible securities, options and warrants) as if they had been converted at the beginning of the periods presented, or issuance date, if later. Potential common shares that have an anti-dilutive effect (i.e., those that increase income per share or decrease loss per share) are excluded from the calculation of diluted EPS.

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 as at June 30, 2013 and 2012 include its outstanding stock options granted.

s)

Stock-based Compensation

Compensation expense for costs related to all share-based payments, including grants of stock options, is recognized through a fair-value based method. The Company uses the Black-Scholes option-pricing model to determine the fair value for the awards. The value of the portion of the award that is ultimately expected to vest is recognized on a straight-line basis as expense over the requisite service period in the statement of income.

t)

Recent Accounting Pronouncements

The company does not expect the adoption of recently issued accounting pronouncements to have a significant impact on its results of operations, financial position or cash flows.

Note 3- Inventory

Inventories consisted of the following:

	June 30, 2013	December 31, 2012
Raw materials	-	-
Work-in-progress	-	-
Finished goods	$ 20,748	$ 22,814
Less: provision	-	-
	$ 20,748	$ 22,814

For the six months ended June 30, 2013 and 2012, there is not an inventory valuation provision for lower of net realizable value or cost recorded in the Consolidated Statements of Operations and Comprehensive Income.

Note 4- Property, Plant and Equipment

Property, plant and equipment consisted of the following:

	June 30, 2013	December 31, 2012
Production equipment	-	-
Electronic equipment	$ 11,419	$ 9,198
Vehicle	71,856	70,017
Leasehold improvement	-	-
	83,275	79,915
Less: Accumulated depreciation	(19,216)	(11,632)
	$ 64,059	$ 65,090

Depreciation expenses for the six months ended June 30, 2013 and 2012 were $7,584 and $6,324 respectively.

Note 5- Goodwill and other Intangible Assets

a)

Goodwill

The following table summarizes the activities in the Company s goodwill account during the six months ended June 30, 2013 and the year ended December 31, 2012.

		June 30, 2013		December 31, 2012
Beginning balance	$	-	$	4,197,256
Goodwill acquired during the year:				
Flybit		-		-
Angesi(Shenzhen factory)		-		-
Jinan Hualutong		-		-
Shijiazhuang Huilin		-		-
Taian Comins		-		-
Shenyang Huasheng		-		-
		-		-
Goodwill disposed during the year:				
Flybit		-		-
Angesi(Shenzhen factory)		-		(4,015,855)
Jinan Hualutong		-		(46,099)
Shijiazhuang Huilin		-		(46,099)
Taian Comins		-		(44,601)
Shenyang Huasheng		-		(44,602)
		-		(4,197,256)
Ending balance	$	-	$	-

b)

Intangible assets

Intangible assets are summarized by classifications as follows:

	June 30, 2013	December 31, 2012
Software	$ 2,030,192	$ 2,028,976
Incorporation cost	55,008	55,330
	2,085,200	2,084,306
Less: Accumulated amortization	(1,109,386)	(907,207)
	$ 975,814	$ 1,177,099

Amortization expenses for the six months ended June 30, 2013 and 2012 were $207,441 and $416,447 respectively.

Note 6- Accounts Payable and Accrued Expenses

As at June 30, 2013 accounts payable and accrued expenses amounted $102,249 representing trade payables to suppliers and accrued expenses incurred in operations. As at December 31, 2012, accounts payable and accrued expenses amounted $174,363.

Note 7- Related Party Transactions

All inter-company accounts, transactions and cash flows have been eliminated on consolidation. As at June 30, 2013 and December 31, 2012, there is no any amount due from/to related parties.

Note 8- Capital Stock

As of June 30, 2013, and December 31, 2012, the amount of voting common shares issued and outstanding are 56,950,660 and 56,950,660, respectively.

Note 9- Stock Options

On October 1, 2008, the board of directors adopted the Company's Stock Option Plan. The Company has reserved 1,000,000 shares of common stock for issuance upon exercise of options granted from time to time under the stock option plan. The stock option plan is intended to assist the Company in securing and retaining key employees, directors and consultants by allowing them to participate in the Company's ownership and growth through the grant of incentive and non-qualified options. Under the stock option plan, the Company may grant incentive stock options only to key employees and employee directors, or the Company may grant non-qualified options to employees, officers, directors and consultants. The stock option plan is currently administered by the Company's board of directors. Subject to the provisions of the stock option plan, the board will determine who shall receive options, the number of shares of common stock that may be purchased under the options. As at June 30, 2013 the Company has granted 140,000 shares options.

	Weighted Average Exercise Price

	Shares		
Options outstanding at December 31, 2012	140,000		0.21
Granted	-		-
Options outstanding at June 30, 2013	140,000	$	0.21

Options Outstanding			
Range of Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
$ 0.25	40,000	0.42 years	$ 0.25
$ 0.20	100,000	0.58 years	$ 0.20

Options Exercisable		
Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
140,000	0.54 years	$ 0.21

Note 10- Income Taxes

Shenzhen Global Intelligent Eye Technology Co., Ltd. is subject to income taxes in China on their taxable income as reported in their statutory accounts at a tax rate in accordance with the relevant income tax laws.

ANV Security Group, Inc. is a U.S. company and subject to taxes in US.

On March 16, 2007, The National People s Congress of China passed The Law of the People's Republic of China on Enterprise Income Tax (the Enterprise Income Tax Law). The Enterprise Income Tax Law became effective on January 1, 2008. Under the new law, both domestic companies and foreign invested enterprises are subject to a unified income tax rate of 25% starting from 2008.

The Company has disposed its business on production, so the remaining business is operated by a simple company structure-Only ANV Group, ANV Asia and Shenzhen GIE are included in the continuing operation in consolidated financial statements. At the present, there is no temporary difference that gives rise to the deferred tax assets or liabilities, and the income tax expense or benefit as well. Moreover, there is no comparable data in continuing operation in the same period last year. The deferred tax assets or liabilities are as follows:

	June 30, 2013	June 30, 2012
Deferred tax assets / (liabilities):		
Provision for bad debts	$	$

	-	-
Inventories	0	0
Property, plant and equipment	0	0
Losses carry forward	118,080	130,276
Total deferred tax assets	118,080	130,276
Less: Valuation allowance	(118,080)	(130,276)
Net deferred tax assets	$ 0	$ 0

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The valuation allowance is reviewed periodically. When circumstance changes and this causes a change in management s judgment about the realizability of deferred tax assets, the impact of the change on the valuation allowance is generally reflected in current income.

All income and taxes are attributable to foreign operations. A reconciliation of the federal statutory income tax, at the statutory rate of 35% to the Company s effective income tax rate, for the six months ended June 30, 2013 and 2012 are as follows:

	Six months ended June 30, 2013	Six months ended June 30, 2012
Loss from operations before taxes	$ (551,614)	$ (639,034)
Statutory tax rate	35%	35%
Income tax expense at statutory tax rate	(193,065)	(223,662)
Foreign tax rate differential	74,985	93,386
Expenses not deductible (recoverable) for income tax purpose	0	0
Change in valuation allowance and others	118,080	130,276
Income tax expense (benefit)	$ 0	$ 0

Note 11 Concentrations and Risks

100% of the Company s revenues for the six months ended June 30, 2013 and 2012, respectively, were derived from customers located in China mainland.

The majority of the Company s assets, liabilities, revenues and expenses are denominated in Renminbi, which was tied to the US Dollar and is now tied to a basket of currencies of China s largest trading partners, is not a freely convertible currency. The appreciation of the Renminbi against the US Dollar would result in an increase in the assets, liabilities, revenues and expenses of the Company and a foreign currency gain included in comprehensive income. Conversely, the devaluation of the Renminbi against the US Dollar would result in a decrease in the assets, liabilities, revenues and expenses of the Company and a foreign currency loss included in comprehensive income. As at June 30, 2013 approximately US$12,892 of the cash and cash equivalents (December 31, 2012: US$59,317) were held in Renminbi.

Note- 12 Discontinued Operations

As of May 31, 2012, the Company entered into an Equity and Intellectual Property Rights Transfer Agreement (the EIPRTA) to dispose of all of the shares and related intellectual property of its subsidiary ANV Security Technology (China) Co., Ltd. (ANV Tech), by transferring the same to a company owned by its former owner and director, for five million RMB (approximately $800,000) payable in three installments; (i) 20% on Closing, and 40% on each of December 31, 2012 and 2013 and (B) the return to the Company of 9,529,411 shares from former owner of the Company s common stock. At the same time, the Company sold 100% equity interest in ANV Tech s four subsidiaries back to former owners of these subsidiaries by return to the Company of 8,000,000 common shares from former owners of four subsidiaries.

The operating results of discontinued operations are as follows:

	For Six Months Ended	
	June 30, 2013	June 30, 2012
Revenues	0	6,409,306
Cost of Sales	0	5,293,803
Gross profit	0	1,115,503
Operating Expenses		
Selling and Marketing	0	767,117
General and Administrative	0	883,908
Research and Development	0	382,893
Total Operating Expenses	0	2,033,918
Operating Loss	0	(918,415)
Other Income (Expenses)		
Interest Income	0	59,755
Interest Expense	0	(30,249)
Loss on disposal of subsidiaries	0	(5,846,100)
Others, net	0	191,607
Total Other Income (Expense)	0	(5,624,987)
Loss Before Income Tax Expense	0	(6,543,402)
Income Tax Expense, Net of Income Tax Benefit	0	224,257
Net Income(Loss) from discontinued Operations	0	(6,319,145)

Note 13- Commitments and Contingencies

a)

Lease Commitments

The Company leases its headquarter office in Shenzhen, China. The lease commenced on January 14, 2011 and expires on January 13, 2014. Its total monthly rental fee is RMB 97,759 (US$15,531).

The Company leases its another office in Shenzhen, China, the total monthly rental fee is RMB 7,590 (US$1200). The lease expired on March 30, 2013. The company and the landlord signed another contract to extend the lease period from April 1, 2013 to March 30, 2014. But in consideration of integration of our organization structure and saving costs, the company terminated this lease contract from May 2013.

	RMB	USD
Within 1 year	586,554	94,932
Within 1-2 years		
Thereafter	-	-

b)

Litigation

As at June 30, 2013, there were no actions, suits, proceedings or claims pending against the Company, which if adversely determined, would have a material adverse effect on the financial condition of the Company.

Note 14- Subsequent Events

The Company has performed an evaluation of subsequent events in accordance with ASC Topic 855 and the Company is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

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.

OVERVIEW

ANV Security Group, Inc. and its subsidiaries (the Company or ANVS) are specialized in providing alarm service through an internet based video service platform. This platform performs instant notification to the owner via SMS, e-mail, telephone or cellular phone when an alarm is triggered worldwide in any time zone and captures the event images in user accessible video surveillance servers.

Business Update

Disposition of ANV Trading (HK) Limited (formerly Flybit International Ltd.)

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 Company intended to utilize the assets of these companies to expand its manufacturing base and increase its retail operations in China.

From June 2010 to December 2011, the sales of the mobile video security system didn t reach the targeted levels and the Company had incurred approximately RMB10 million (USD$1.59 million) losses on this product line. Due to the down turn of the market for mobile video security systems, increased competition and lower margins, trends which management anticipates will continue, the Company initiated a strategic is to move back to providing automatic video alarm platform security service by internet. The board of directors decided to stop this product line and sold the inventory and intangible assets to an unrelated party for total cash consideration of RMB 10 Million (USD $1.59 million). The Company received first payment of RMB 3.34 million (US$530K) in December 2011, the remaining RMB 6.66 million (US$1.06 million) will be received by two equal payments at Dec 31, 2012 and Dec 31, 2013. As of June 30, 2013, the Company has not received the second payment yet. The Company will take further steps to collect the payment in the third quarter of F2013. At the same time, the Company decided to dissolve ANV Trading (HK) Limited.

Disposition of ANV Security Technology (China) Co., Ltd. (ANV Tech)

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 agreement provided, 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.

As of May 31, 2012, ANV Security Group, Inc. (the Company) entered into an Equity and Intellectual Property Rights Transfer Agreement (the EIPRTA) to dispose of all of the shares and related intellectual property of its subsidiary ANV Security Technology (China) Co., Ltd. (ANV Tech), by transferring the same to a company owned by its former owner and our director, Tingyi Li, for five million RMB (approximately $800,000) payable in four installments:(a) 20% on Closing day; (b) 20% upon the date of shareholder transferring; (c) 40% on December 31, 2012 ; (d) 20% on June 30, 2013 ,and return to the Company of 7,350,000 shares from Tingyi Li and 2,200,000 shares from former owner Zhengwu Pu of the Company s common stock. The price payable to the Company is subject to adjustment for certain events set forth in the Transfer Agreement and the transaction is subject to various government approvals in China.

The Company elected to dispose of ANV Tech which owns several manufacturing facilities acquired in 2010, because of declining margins in the technology manufacturing business in China and the large amount of capital that had to be dedicated to manufacturing operations. Management believes that the disposal of ANV Tech will free resources to allow the Company to develop its core business of residential, commercial and government security and monitoring systems, primarily in China. Management also believes that the Company will be able to secure the products it needs for its core business from other manufacturers at reasonable prices.

Disposition of ANV Tech s four subsidiaries

In the second quarter ended June 30, 2011, the Company acquired four companies from different unaffiliated persons in arms length transactions. The principals of the acquired companies received 2 million shares of our common stock. The acquired companies are (i) Jinan Hualutong Technology Co., Ltd., an electronic security product marketer located in Jinan, Shandong, China; (ii) Shijiazhuang Huilin Technology Co., Ltd., an electronic security product marketer located in Shijiazhuang, Hebei, China; (iii)TaianComins Electronic Technology Co., Ltd., an electronic security product marketer and installer located in Taian, Shandong, China; and (iv) Shenyang HuashengShiji Trading Co., Ltd., an electronic security product marketer located in Shenyang, Liaoning, China.

As of May 31, 2012, the Company elected to sell 100% equity interest in ANV Tech s four subsidiaries back to same former owners of these subsidiaries (unaffiliated persons in arms length transactions) by return to the Company of 8,000,000 common shares from former owners of four subsidiaries.

The Company elected to dispose of ANV Tech s four subsidiaries which acquired in 2010, because of declining margins in the technology manufacturing business in China and the large amount of capital that had to be dedicated to manufacturing operations. Management believes that the disposal of ANV tech s four subsidiaries will free resources to allow the Company to develop its core business of residential, commercial and government security and monitoring systems, primarily in China. Management also believes that the Company will be able to secure the products it needs for its core business from other manufacturers at reasonable prices.

Organizational Charts: Before and After Dispositions

New Business Structure after Dispositions

After these dispositions, the Company focused on customer support and backend service for its multi-platform security monitoring and alerts in real-time through the internet, or 3G and 4G networks. Customers are able to use computers, smart phones or any other internet enabled devices to visually monitor their locations where ANV devices have been installed.

Due to the legal restrictions of the internet business in PRC, the Company set up a VIE structure to carry on the business in China. Under this structure the Company does not actually own the shares of Shenzhen Global Intelligent Eye Technology Co., Ltd., but is entitled to name its board of directors and to all operating profits. In addition, the Company has the option, at any time, to acquire all of the shares of Shenzhen Global Intelligent Eye Technology Co., Ltd. at no cost. Accordingly, while technically not owned by the Company, the Company to comply with Chinese law, has all of the benefits of ownership of Shenzhen Global Intelligent Eye Technology Co., Ltd. and may obtain actual ownership at such time as management may desire for the capital cost of the current owners. After the disposal of all the assets and liabilities in ANV ASIA, ANV ASIA has no assets other than cash, but it does have a business operation, namely the management of Shen Zhen Global Intelligent Eye (ANV GIE), which is incorporated in December 2011, under the laws of the People s Republic of China. ANV GIE has two equity owners: 75% of the equity interest is owned by Mr. Wang Weixing, CEO and director of the Company, 25% of the equity interest owned by Mr. Feng Chun, General Manager of the ANV GIE. ANV ASIA carries out that management pursuant to the terms of VIE agreement that it made with ANV GIE and with the equity owners in ANV GIE. Collectively, the agreements provide ANV ASIA exclusive control over the business of ANV GIE. The relationship is one that is generally identified as entrusted management. As a result of that relationship, the financial statements of ANV GIE are consolidated with the Company s financial statements in this report.

At times throughout this Report we will use the term the Company to refer to the three entities mentioned above as a single entity, which is a consolidated entity for financial reporting purposes. References to the business of the Company and the like, however, all refer to the business carried out by ANV GIE, which is the only one of the three consolidated entities that carries on business operations.

ANV GIE was founded in 2011 under the laws of the People s Republic of China with registered capital of 1 million RMB (US$158,707). ANV s executive offices and operations are located in Shenzhen, Guangdong Province, in Southern China.

VIE Agreements

On November 30, 2011, ANV ASIA and ANV GIE entered into the VIE Agreements, pursuant to which ANV GIE became ANV ASIA s VIE. The use of VIE agreements is a common structure used to acquire PRC companies, particularly in certain industries in which foreign investment is restricted or forbidden by the PRC government. The VIE Agreements include:

.

An Entrusted Management Agreement through which ANV ASIA has the right to advise, consult, manage and operate ANV GIE and collect and own all of the net profits of ANV GIE. ANV ASIA has the right to recommend director candidates and appoint the senior executives of ANV GIE, approve any transactions that may materially affect the assets, liabilities, rights or operations of ANV GIE, and guarantee the contractual performance by ANV GIE of any agreements with third parties, in exchange for a pledge by ANV GIE of its accounts receivable and assets;

.

A Shareholders Proxy Votes Agreement under which the owners of ANV GIE have vested their collective voting control over ANV GIE to ANV ASIA and will only transfer their respective equity interests in ANV GIE to ANV ASIA or its designee(s);

.

An Option Agreement under which the owners of ANV GIE have granted to ANV ASIA the irrevocable right and option to acquire all of their equity interests in ANV GIE; and

.

An Equity Pledge Agreement under which the owners of ANV GIE have pledged all of their rights, title and interests in ANV GIE to ANV ASIA to guarantee ANV GIE s performance of its obligations under the Entrusted Management Agreement.

Through the VIE Agreements, we exercise effective control over the operations of ANV GIE and receive the economic benefits of ANV GIE. As a result, under U.S. GAAP, we are considered the primary beneficiary of ANV GIE and thus consolidate its results in our consolidated financial statements.

RISKS RELATED TO THE VIE AGREEMENTS

The PRC government may determine that the VIE Agreements are not in compliance with applicable PRC laws, rules and regulations.

ANV GIE manages and operates our video alarm business through ANV GIE pursuant to the rights it holds under the VIE Agreements. Almost all economic benefits and risks arising from ANV GIE s operations are transferred to ANV ASIA under these agreements.

There are risks involved with the operation of our business in reliance on the VIE Agreements, including the risk that the VIE Agreements may be determined by PRC regulators or courts to be unenforceable. Our PRC counsel has provided a legal opinion that the VIE Agreements are binding and enforceable under PRC law, but has further advised that if the VIE Agreements were for any reason determined to be in breach of any existing or future PRC laws or regulations, the relevant regulatory authorities would have broad discretion in dealing with such breach, including:

.

Imposing economic penalties;

.

Discontinuing or restricting the operations of ANV GIE;

.

Imposing conditions or requirements in respect of the VIE Agreements with which ANV GIE or ANV ASIA may not be able to comply;

.

Requiring our company to restructure the relevant ownership structure or operations;

.

Taking other regulatory or enforcement actions that could adversely affect our company s business; and

.

Revoking the business licenses and/or the licenses or certificates of ANV GIE, and/or voiding the VIE Agreements.

Any of these actions could adversely affect our ability to manage, operate and gain the financial benefits of ANV GIE, which would have a material adverse impact on our business, financial condition and results of operations.

Our ability to manage and operate ANV GIE under the VIE Agreements may not be as effective as direct ownership.

We conduct our Video Alarm business in the PRC and generate virtually all of our revenues through the VIE Agreements. Our plans for future growth are based substantially on growing the operations of ANV GIE. However, the VIE Agreements may not be as effective in providing us with control over ANV GIE as direct ownership. Under the current VIE arrangements, as a legal matter, if ANV GIE fails to perform its obligations under these contractual arrangements, we may have to (i) incur substantial costs and resources to enforce such arrangements, and (ii) reply on legal remedies under PRC law, which we cannot be sure would be effective. Therefore, if we are unable to effectively control ANV GIE, it may have an adverse effect on our ability to achieve our business objectives and grow our revenues.

As the VIE Agreements are governed by PRC law, we would be required to rely on PRC law to enforce our rights and remedies under them, and PRC law may not provide us with the same rights and remedies as are available in contractual disputes governed by the law of other jurisdictions.

The VIE Agreements are governed by the PRC law and provide for the resolution of disputes through arbitral proceedings pursuant to PRC law. If ANV GIE or its shareholders fail to perform the obligations under the VIE Agreements, we would be required to resort to legal remedies available under PRC law, including seeking specific performance or injunctive relief, or claiming damages. We cannot be sure that such remedies would provide us with effective means of causing ANV GIE to meet its obligations, or recovering any losses or damages as a result of non-performance. Further, the legal environment in China is not as developed as in other jurisdictions. Uncertainties in the application of various laws, rules, regulations or policies in the PRC legal system could limit our liability to enforce the VIE Agreements and protect our interests.

The payment arrangement under the VIE Agreements may be challenged by the PRC tax authorities.

We generate our revenues through the payments we receive pursuant to the VIE Agreements. We could face adverse tax consequences if the PRC tax authorities determine that the VIE Agreements were not entered into based on arm s length negotiations. For example, PRC tax authorities may adjust our income and expenses for PRC tax purposes, which could result in our being subject to higher tax liability or cause other adverse financial consequences.

The controlling shareholder of ANV GIE may have potential conflicts of interest with our company that may adversely affect our business.

Mr. Weixing Wang, our Chief Executive Officer, is also the largest shareholder of ANV GIE. Conflicts could arise from time to time between our interests and the interests of Mr. Wang. Conflicts could also arise between us and ANV GIE that would require our shareholders and ANV GIE s shareholders to vote on corporate actions necessary to resolve the conflict. There can be no assurance in any such circumstances that Mr. Wang will vote his shares in our best interest or otherwise act in the best interests of our company. If Mr. Wang fails to act in our best interests, our operating performance and future growth could be adversely affected.

We rely on the approval certificates and business license held by ANV GIE and any deterioration of the relationship between ANV GIE and ANV ASIA could materially and adversely affect our business operations.

We operate our video alarm business in China on the basis of the approval certificates, business license and other requisite licenses held by ANV GIE. There is no assurance that ANV GIE will be able to renew its licenses or certificates when their terms expire with substantially similar terms as the ones they currently hold.

Further, our relationship with ANV GIE is governed by the VIE Agreements, which are intended to provide us with effective control over the business operations of ANV GIE. However, the VIE Agreements may not be effective in providing control over the application for and maintenance of the licenses required for our business operations. ANV GIE could violate the VIE Agreements, become insolvent, suffer from difficulties in its business or otherwise become unable to perform its obligations under the VIE Agreements and, as a result, our operations, reputations and business could be materially harmed.

If ANV ASIA exercises the purchase option it holds over ANV GIE s share capital pursuant to the VIE Agreements, the payment of the purchase price could materially and adversely affect our financial position.

Under the VIE Agreements, ANV GIE s shareholders have granted ANV ASIA an option for the maximum period of time allowed by law to purchase all of the equity interest in ANV GIE at a price equal to the capital paid in by the transferors, adjusted pro rata for purchase of less than all of the equity interest, unless applicable PRC laws and regulations require an appraisal of the equity interest or stipulate other restrictions regarding the purchase price of the equity interest. Since ANV GIE is already our contractually controlled affiliate, our exercise of the option would not bring immediate benefits to our Company, and we would only do so if ANV GIE or its shareholders fail to perform the obligations under the VIE Agreements and we are unable to obtain specific performance, injunctive relief, or other damages in PRC courts, or otherwise protect our interests. The parties have agreed that if the applicable PRC laws and regulations require an appraisal of the equity interest or stipulate other restrictions regarding the purchase price of the equity interest at the time that the option is exercised, then the purchase price will be set at the lowest price permissible under the applicable laws and regulations. However, due to uncertainties in the application of various laws, rules, regulations or policies in PRC legal system, we cannot be sure that if we choose to exercise such option, any appraisal of equity interest or other stipulated restrictions required by PRC law will not materially increase the payment price for the option and adversely affect our results of operations.

Lack of Need Shareholder approval for the disposal of ANV Tech or other Subsidiaries

The Company is required to obtain shareholder approval for the sale of substantially all of the Company s assets under Nevada corporate law. As disclosed in the Form 8-K filed July 25, 2012, the board of directors intended to obtain shareholder ratification of the disposal of ANV Tech and its four subsidiaries. 64.98% of the shares are owned by Company insiders and obtaining shareholder s ratification would have been certain. However, because we owned these assets through several layers of subsidiaries and because a shareholder vote was held at the subsidiary level, counsel as advised us that obtaining shareholder approval at the Company level is not required. We have determined not to incur the expense of a shareholder approval. Due to our organizational structure, management may make decisions regarding acquiring and disposing of assets without shareholder votes that may be required under Nevada Law were the assets directly owned by the Company.

We may be exposed to liabilities under the Nevada Corporate Law and any determination that we violated these laws could have a material adverse effect on our business.

We have determined that we did not need to obtain shareholder approval prior to consummating the disposal transactions under Nevada Corporate Law although we have determined that the holders of approximately 64.98% of our shares supports of the disposal transactions when this transaction approved by the board of directors.

Due to the slowdown of the Chinese economy and decline of market demand, the Company has no cash to finance those manufacturing business. If we didn t dispose those manufacturing business on a timely manner, we would have been required to shut down ANV Tech and its four subsidiaries. If we had shut down the manufacturing business instead of pursuing disposal, the Company would have incurred significant liabilities related to severance payment and disposal losses on tangible assets. Due to the time restriction, management and board of directors decided to sell ANV Tech and its four subsidiaries back to its former owners in China as soon as possible as that course was in the best interest of Shareholders and in compliance with Nevada Law.

We can not assure our shareholders that a lawsuit might not be brought which would subject us to significant expense or that a court might not find that we have violated Nevada Law and cause us to be subject to criminal or civil sanctions, and we may be subject to other liabilities, which could negatively affect our business, operating results and financial condition.

Impact of the dispositions on the Company and the current status of operations, what is required to develop current operations and known trends and uncertainties.

Since the Company acquired ANV trading, ANV Tech and ANV Tech s four subsidiaries in 2010, the Company incurred $1.17 million losses for the nine months ended December 31, 2010, $4.73 million losses for the year ended December 31, 2011 and $6.32 million losses for the 6 months ended June 30, 2012. Management believes that the disposal of ANV trading, ANV tech and its four subsidiaries will free resources to allow the Company to develop its core business of residential, commercial and government security and monitoring systems, primarily in China. Management also believes that the Company will be able to secure the products it needs for its core business from other manufacturers at reasonable prices.

The impact of the dispositions on the company is positive because the Company no needs to put large capital in manufacturing operations. Furthermore, if the Company didn t dispose the ANV Tech and its four subsidiaries, the Company still can t continue running the manufacturing business due to the short of cash. As a result, the Company will no longer run manufacture business and changed to a service providing company.

The Company has incurred total $15.56 million losses since inception. Further, as of June 30, 2013 the cash resources of the Company were insufficient to meet its current business plan. These and other factors raise substantial doubt about the Company s ability to continue as a going concern.

The Company expects to develop its video alarm service business and thereby increase its revenue. However, the Company would require sufficient capital to be invested into the Company to do research and marketing activities. As of June 30, 2013, the Company still not begins generating sufficient revenue to cover the monthly expenses of the Company. Until the Company is able to generate sufficient revenue to cover the monthly expenses of the Company, the Company would be required to raise capital through the sale of its stock or through debt financing. Management may raise additional capital through future public or private offerings of the Company s stock or through loans from private investors, although there can be no assurance that it will be able to obtain such financing. The Company s failure to do so could have a material and adverse effect upon it and its shareholders.

To this date the Company has relied on the sale of stock, mainly to its officers and directors, to finance its operations and growth. The Company expects to continue to fund the Company through debt and securities sales and issuances until the Company generates enough revenues through the operations. These transactions will initially be through related parties, such as the Company s officers and directors.

Our limited ability to protect our intellectual properties, and the possibility that our technologies could inadvertently infringe technologies owned by others, may adversely affect our ability to compete.

We rely on a combination of trademarks, patent applications, copyrights, trade secret laws, confidentiality procedures and licensing arrangements to protect our intellectual property rights. A successful challenge to the ownership of our technologies could materially damage our business prospects. Our competitors may assert that our technologies or products infringe on their patents or proprietary rights. We may be required to obtain from others licenses that may not be available on commercially reasonable terms, if at all. Problems with intellectual property rights could increase the cost of our products or delay or preclude our new product development and commercialization. If infringement claims against us are deemed valid, we may not be able to obtain appropriate licenses on acceptable terms or at all. Litigation could be costly and time-consuming but may be necessary to protect our technology license positions or to defend against infringement claims. We had applied for a United States patent for our web based security systems. We do not have any United States patents and we are not currently pursuing our existing application as technological advances have made the items sought to be protected therein less valuable. We may modify our existing patent applications or seek new patents in the coming year. No assurance can be given that we will be granted a patent, that, if granted, any patent will provide us with meaningful protection from infringement by others or that any patent that we may be granted will not be held by a court to infringe on the rights of others. The loss of our intellectual property could materially adversely affect our business.

New business development

The consideration received from the disposition will be used to develop and improve the service platform. There will be uncertainties resulting from the dispositions, but the Company does not need to put significant capital resources into its manufacturing operation, as a result, we anticipate that these dispositions will have positive impact on the Company s results of operations and liquidity and capital resources.

In September 2012, the Company entered into a new strategic long term contract with Qingdao Fu Yuan Yun Tong Investment Management Co., Ltd, one of China's leading investment management companies. As per the partnership, ANV GIE will install remotely controlled and centralized video systems in their hundreds of franchise stores across the country.

Qingdao Fu Yuan Yun Tong Investment Management Co., Ltd., established in August 2005, is a private enterprise engaged in financial intermediation services for financial technology patents. After years of operation & development, Fu Yuan Yun Tong Investment Management Company has opened branches in 22 provinces, cities and autonomous regions in China and more than 400 franchises. Fu Yuan is planning to become a listed company within five years.

ANV GIE's key customers will fall within five primary markets including large scale enterprises, small and medium businesses, residential, automotive and personal security & monitoring. ANV GIE allows franchises or business owners to monitor employee and shop activity at a single or multiple locations including fire alarms, gas leaks, break-ins or natural events. Through innovative technology the benefit of the multi-platform monitoring service offered by ANV GIE equates to cost savings and peace of mind for customers. No other service offers the robust versatility and innovative technology developed by ANVS.

RESULTS OF OPERATIONS

Revenues

Our revenues are primarily generated from sales of surveillance and safety products. Revenues was $200,936 for the six months ended June 30, 2013, and $286 for the same period last year. The increase is mainly due to sales of IP camera, software and membership fees.

Cost of goods sold

Cost of goods sold is primarily comprised of the costs of our finished goods purchased from our subcontractors. Cost of goods sold was $13,724 for the six months ended June 30, 2013 and $186 for the same period last year. The increase is mainly due to new business stream.

Operating expenses

Operating expenses were $814,059 for the six months ended June 30, 2013 compared to $639,419 for the same period in last year. The increase is mainly due to new hired staff and marketing expenses increase compared to same period last year.

Operation loss

Operating loss was ($551,614) for the six months ended June 30, 2013 compared to ($639,034) for the same period last year. The operation loss decrease is mainly due to the Company start to generate revenue compared to same period last year.

Loss from discontinued operations

Income from discontinued operations was $nil for six months ended June 30, 2013 compared to ($6,319,145) for the same period in 2012. There is no income (loss) in this year due to all the discontinued operations have been disposed last year.

Net Loss

Net loss was ($551,614) for the six months ended June 30, 2013 compared to ($639,034) for the same period in 2012. The net loss is decreased mainly due to the revenue generated gradually this year which covers a part of the operating expense.

LIQUIDITY AND CAPITAL RESOURCES

We had cash and cash equivalents of $120,927 as of June 30, 2013, as compared to $72,316 as of December 31, 2012, an increase of $48,611was primarily attributable to cash generated in operations of $63,296.

Net cash generated in operating activities was $63,296 for the six months ended June 30, 2013, as compared to net cash used in operating activities $407,981 for the six months ended June 30, 2012. The cash generated in operating activities was primarily attributable to our income, as well as changes in working capital for the six months ended June 30, 2013 and 2012.

Net cash used from investing activities was $14,776 for the six months ended June 30, 2013, as compared to net cash provided by investing activities of $149,974 for the six months ended June 30, 2012. The cash used this year is due to purchasing of equipment and furniture for research and development, and outsourcing development cost for our software.

Net cash from financing activities was $nil for the six months ended June 30, 2013 as compared to $31,552 for the same period last year. The company considers the appropriate methods of financing activities in terms of the operation development.

During 2011, a former officer and director effected a purported unauthorized repurchase of shares from two shareholders located in Canada in the aggregate amount of $144,931. Management does not recognize this unauthorized purchase and intends to pursue the Company s legal remedies to recover these funds.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Exchange Risk

Our reporting currency is the U.S. dollar. Except for the U.S. holding company, the majority of our consolidated revenues, consolidated costs and expenses, and our assets are denominated in RMB. As a result, we are exposed to foreign exchange risk as our revenues and results of operations may be affected by fluctuations in the exchange rate between the U.S. dollars and the RMB. If the RMB depreciates against the U.S. dollar, the value of our RMB revenues, earnings and assets as expressed in our U.S. dollar financial statements will decline. Assets and liabilities are translated at exchange rates at the balance sheet dates and revenue and expenses are translated at the average exchange rates and equity is translated at historical exchange rates. Any resulting translation adjustments are not included in determining net income but are included in determining other comprehensive income, a component of equity. We have not entered into any hedging transactions in an effort to reduce our exposure to foreign exchange risk.

The value of the Renminbi against the U.S. dollar and other currencies is affected by, among other things, changes in China s political and economic conditions. Since July 2005, the Renminbi has not been pegged to the U.S. dollar. Although the People s Bank of China regularly intervenes in the foreign exchange market to prevent significant short-term fluctuations in the exchange rate, the Renminbi may appreciate or depreciate significantly in value against the U.S. dollar in the medium to long term. Moreover, it is possible that in the future, PRC authorities may lift restrictions on fluctuations in the Renminbi exchange rate and lessen intervention in the foreign exchange market.

Inflation

Inflationary factors such as increases in the cost of our materials and overhead costs may adversely affect our operating results. Although we do not believe that inflation has had a material impact on our financial position or results of operations to date, a high rate of inflation in the future may have an adverse effect on our ability to maintain current levels of gross margin and selling, general and administrative expenses as a percentage of net revenues if the selling prices of our products do not increase with these increased costs.

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 June 30, 2013, 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 1A. Risk Factors

There are no material changes from the risk factors previously disclosed in Part I, Item 1A. "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2012, filed with the SEC on March 28, 2013.

Item 2. Changes in Securities

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

Item 6. 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

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this amended 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/ Kevin Su
Kevin Su
Chief Financial Officer
(Principal Financial and Accounting Officer)

August 12, 2013