

ANV SECURITY GROUP INC.
Form 10-12G
October 20, 2009

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

FORM 10

GENERAL FORM FOR REGISTRATION OF SECURITIES

Pursuant to Section 12(b) or (g) of The Securities Exchange Act of 1934

ANV SECURITY GROUP, INC.

(Exact Name of registrant as specified in its charter)

Nevada

13-3089537

(State or other jurisdiction

(I.R.S. Employer

of incorporation or organization)

Identification No.)

2105 - 11871 Horseshoe Way, Richmond, BC V7A 5H5, Canada

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: 604-277-6606

Securities to be registered pursuant to Section 12(b) of the Act: NA

Name of each exchange on which traded: NA

Securities to be registered pursuant to Section 12(g) of the Act:

Common Stock, par value \$0.001

(Title of Class)

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 the 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

INFORMATION REQUIRED IN REGISTRATION STATEMENT

THIS REGISTRATION STATEMENT ON FORM 10, INCLUDING WITHOUT LIMITATION ITEM 1, BUSINESS, AND ITEM 2, FINANCIAL INFORMATION, CONTAINS STATEMENTS WHICH ARE NOT HISTORICAL FACTS AND ARE FORWARD-LOOKING STATEMENTS WHICH REFLECT MANAGEMENT'S EXPECTATIONS, ESTIMATES AND ASSUMPTIONS. SUCH STATEMENTS ARE BASED ON INFORMATION AVAILABLE AT THE TIME THIS FORM 10 WAS PREPARED AND INVOLVE RISKS AND UNCERTAINTIES THAT COULD CAUSE FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS OF THE COMPANY TO DIFFER SIGNIFICANTLY FROM PROJECTED RESULTS. FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY INCLUDE, WITHOUT LIMITATION, TECHNOLOGICAL ADVANCES IN THE PROPERTY SECURITY INDUSTRY, THE SOUNDNESS OF OUR MARKETING MODEL, THE OPERATING EFFECTIVENESS OF OUR PRODUCTS AND SERVICES, OUR ABILITY TO RAISE ADDITIONAL CASH AND PRICE PRESSURES FROM OUR COMPETITORS.

PART I

Item 1: Business

General Development of Business

Organizational History

We were originally called B.G. S. Energy, Inc. and were incorporated under the laws of the State of Nevada on May 29, 1981. We were organized to engage in, alone or in conjunction with others, the exploration for, and where warranted, the development of oil, gas and mineral properties, the sale of oil, gas and mineral related leases. We became public in 1981 in a best efforts public offering and thereafter operated various oil and gas properties. We owned various oil and gas leases in Utah, Oklahoma, Kentucky, Texas and other states from time to time in 80's. In 1988 we changed our name to Dini Products Inc. and continued our oil and gas operations. Our revenues decreased and in 1992 we became dormant and did not have any operations for many years until we acquired all of the shares of Canada ANV Systems, Inc., a British Columbia corporation (CANV) in June 2009 and changed our name to ANV Security Group, Inc. Our plan is 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 Canada, The Peoples Republic of China and the United States of America. We are currently headquartered in Great Vancouver, Canada.

The Video and Alarm Industry in General

According to a Frost & Sullivan report dated December, 2007, which is available from the web site of www.MarketResearch.com on a fee basis, North America is the world's largest security equipment market, the demand from North America accounted for 26% of the total global demand. The report predicts that the North American security equipment market will grow by an annual rate of 20%. According to Frost & Sullivan's report, the global IP (Internet Protocol) video surveillance market will grow by an annual rate of 40% over the next few years. The size of the global IP security market is projected to reach \$5.0 billion dollars in 2010. According to an IDC market analysis report dated May, 2009, which is available for a fee from the website www.idc.com, between year 2007 and 2009, global digital network camera sales will exceed those of traditional analog cameras and the report predicted that the sales of IP cameras in US and Canada will be more than 20 million pieces in 2010.

Management believes that in the next few years, the maturity of broadband networks, video compression technology, and updating media processor performance, will provide a good foundation for the realization and application of various low-cost, high-performance IP video surveillance products. IP monitors are continually replacing traditional monitors in new and existing security systems. We believe that our products are well positioned to participate in these trends.

Operations and Development Plan

We design, manufacture, assemble and market advanced and professional security systems that include H.264 IP Camera and DVS series, NVS Center Management System and high-end network DVR. We also offer our patent pending USC18 Global Network Video Alarm Services Platform. This web based service platform provides ANV users with real time video monitoring, instant remote video storage, and instant VoIP/SMS/E-mail notification. ANV's products and services are typically used for crime deterrence, real time direct viewing and secure off premises crime evidence preservation on our remote server.

Our primary business focus is to provide a global network video alarm service utilizing the USC18 Platform and H.264 IP Camera, DVS and DVR for our dealers, distributors, system integrators and government entities.

Our products are employed in video alarm system installations in private residences; commercial and industrial properties; and by governments in Canada, the United States, the Peoples Republic of China.

In November 2007 we entered into an agreement with an established electronics manufacturer in Guangdong, Peoples Republic of China for the manufacture of H.264 IP Cameras, DVS, NVD and other security system products to our specifications. We sell our products and video alarm services to wholesalers, dealers and installers. We have also prepared a franchise offering document that complies with Canadian and Provincial Law and sold franchises for installation of our systems in Canada. We have acquired three Canadian franchisees that are installing our systems and in 2008 we realized revenues from these efforts. In addition we are directly marketing our systems in areas where

we have not granted territories to franchisees. Included in these sales has been a shopping mall in Westminster California. As of August 31, 2009 approximately 75 of our cameras were installed in approximately 35 customer locations.

Our Products & Services

Our products are based on H.264 video compression technology. H.264 is a high end standard for video compression that produces video output similar to MPEG4 while requiring lower data throughput rates. H.264 uses the latest innovations in video compression technology to provide clear video quality from the a relatively small amount of video data. H.264 delivers the same quality as MPEG-2 at a third to half the data rate and up to four times the frame size of MPEG-4 Part 2 at the same data rate. We believe that because H.264 achieves the best compression efficiency it will become the preferred standard for a broad range of applications, such as IP Cameras and surveillance, HDTV, broadcast, DVD, video conferencing, remote health care, remote online education worldwide, video-on-demand, streaming and multimedia messaging. H.264 delivers excellent quality across a wide operating range including 3G and HD. Applications of H.264 include high-quality video mobile phones, iChat, Internet, broadcast or satellite delivery, because H.264 provides exceptional performance at impressively low data rates.

We have spent about three years and invested approximately \$ 3 million dollars in developing our H.264 IP Cameras, DVS, NVD hardware and software of NVS (Network Video System) and integrating the Huawei chipset into our systems. Now we have successfully developed five series, and twenty varieties of H.264 IP products. We believe that every one of our products would require significant lead time for a potential competitor to replicate .

Presently, Texas Instrument and Huawei (a large privately owned China-based telecom equipment manufacture) are the two largest companies in the world capable of providing the H.264 chipset. ANV and its OEM factory are one of six Huawei H.264 licensees, and ANV also is a primary partner of Huawei in North America.

Our product line consists of five series and twenty varieties of H.264 video surveillance equipment including the following:

1.

H.264 IP Camera series:

All of our cameras are designed to work with our central management software through a built in Web Server that allows remote control through a Web browser

ANV100-50SN IP Camera is an embedded device designed for network video surveillance application.

It is basic, full-color, wired, indoor network camera.

ANV101-50SN-IR is full-color, wireless, day and night dual-use, outdoor network camera with infrared lights; It is waterproof and has anti fog components. The infrared range can be up to 30 meters. Applications include banks, supermarkets, office buildings and other places requiring night video surveillance.

The ANV102-50SN IP Camera is designed for network video surveillance application.

It is full-color, wired, infrared, day and night dual-use, indoor dome network camera.

ANV103 ;§CD1 intelligent high-speed wireless Dome offers a super-clear, high integration solution for users by remote video surveillance based on local area networks (LAN) or wide Internet Area Network (WAN).It is equipped with zoom lens, and high-performance digital signal processing (DSP) cameras, embedded platforms, and digital decoder integrated. It represents a new generation of high-tech surveillance product development trend. It supports arbitrary position and continuous scan, to achieve an omnidirectional surveillance; We believe it is suitable for large businesses, intelligent buildings, banking security, urban roads, airport, and railway station .

The ANV104-WS wireless IP Camera is designed for network video surveillance application. It uses the single chip SOC with powerful Linux RTOS (Real-time Operating System) to realize high performance and low cost digital video processing. Optimized H.264 video compression algorithm assures clearer and smoother video transmission.

ANV105-WS-RF-IR is a specialized integrated IP camera designed for the small and middle-size commercial or residential application. In addition, this IP camera can work with a wireless alarm gateway; support and integrate with remote controls and wireless detectors, such as infrared sensors, PIR, curtain sensors, smoke detectors, gas detectors and other devices. And there is also an unique emergency function for summoning help.

ANV106-WS-IR-RF is a specialized integrated IP camera designed for the small and middle-size commercial and residential systems. This IP camera can work with our wireless alarm gateway; support remote control and wireless detectors, such as infrared sensors, PIR, curtain sensors, smoke detectors, gas detectors and other devices.

ANV107-WS-IR is specialized integrated IP camera designed for the small commercial and residential application. This IP Camera is full-color, wireless, day and night dual-use, for use indoors where economical integration network cameras with infrared lights is important and is roughly the size of cell phone.

ANV200-50SN-WS is an embedded Wireless & Storage IP camera device with WiFi and SD Card designed for network video surveillance application. It uses the single chips SOC with powerful Linux RTOS (Real-time Operating System) realize high performance and low cost digital multimedia process. Furthermore, central management software can be used for integrated surveillance and management of multiple network cameras where large video surveillance systems are required.

ANV201-MP-WS Series 2.0 mega pixel IP Camera is designed for high definition network surveillance based on Micron CMOS sensor with a high-performance multimedia processor. It adopts the embedded Linux OS. It supports H.264 Main Profile, Baseline Profile, MJPEG, JPEG and other video encoding standards. It has the advanced mega pixel technology with SD card storage and still image capability. It can communicate with IPTV terminal devices. It is a set of video capture, image processing, video transmission, video storage, video management functions in one type of high-definition, high-performance network camera. The design concept is all in one (highly integrated), Ready to go (Plug and Play), which greatly facilitates the user to install, use and maintain. It will be marketed to customers in the high-end surveillance market, including governments and banks where sophisticated and elaborate security system are frequently installed.

2.

DVS 300 series:

Digital Video Server (ANV H.264 DVS300 -1/2/4 CH -D1-WS) is an embedded surveillance device specially designed for network applications. It can upgrade the existing analog CCTV camera to digital IP camera.

3.

NVD600

This Network Video Decoder is an embedded large-scale decode device specially designed for network applications. DVR series: It can transfer the digital video into analog video.

4.

Digital Video Recording Devices

DVR-4CH-D1-ABDS: H.264 high-end full D1 realtime 4ch DVR, up to 800 fps PAL/960 fps NTSC.

DVR-8CH-D1-ABDS: H.264 high-end full D1 realtime 8ch DVR, up to 800 fps PAL/960 fps NTSC.

DVR-16CH-D1-ABDS: H.264 high-end full D1 realtime 16ch DVR, up to 800 fps PAL/960 fps NTSC.

DVR-4CH-D1-LCD: H.264 LCD D1 4ch DVR with high quality video and superior network functions.

DVR-4CH-MOBILE: new H.264 4ch mobile DVR with special and powerful anti-shock designing.

5.

NVS Central Video Management Software (CMS).

The CMS can manage up to 1728 IP cameras simultaneously, and can set and control every IP camera separately, support 32 channels output of TV walls, centralized storage, data transmission and electric map.

ANV provides a comprehensive line of products due to the many varied climatic and operational environments in which the products are expected to perform. In addition to selling from a standard catalog line, the Company at times modifies an existing product to meet a customer's requirements. Our products are concentrated principally among its iCam™ H.264 IP camera, DVS and DVR product lines.

Our competitive advantage is to offer our patent pending USC18™ global network video alarm services to the end user. This web based service platform provides ANV users with great ease of functions, including real time video monitoring, instant remotely video storage, life sharing, and instant e-mail, SMS (text to cell phone) and voice notification to customers. The systems are designed to provide instant-remote video storage in ANV server. We offer residential, small business and large business plans at prices ranging from \$25CDN to \$80CDN per month. Our platform capability can contain at least 40,000 registered end-users, and the bandwidth of our remote storage center is able to accept over 10000 data streams entering storage at same time. The system is expandable to contain over millions end-users and ownership is dividable.

Customers

Our products are sold principally to wholesalers, independent dealers, installers, retail stores, system integrators, distributors and franchisees. Sales are made principally by field sales engineers and inside customer service representatives. Our sales effort is supported by in-house customer service coordinators and technical support groups which provide product information, application engineering, design detail, field project management, and hardware and software technical support.

We presently have three Canadian franchisees and other potential franchisees who may purchase franchises under one of two plans in China. Our franchise agreements require the franchisee to purchase a franchise, to maintain an inventory, to pay a royalty, an advertising cost contribution and a fee related to our broadband (USCi8.com) monitoring service. Our ultimate customer is a property owner who installs the product and pays for both the equipment and a monthly fee. Our Canadian franchisees pay us \$25,000 to \$30,000 for their franchise and are required to maintain certain inventories. Our franchisees receive approximately 30% price differential from our listed prices and 40% of the monthly fee paid by the end user.

Internet Contract

We have entered into a bandwidth service agreement with Peer 1 Network Enterprises, Inc. (Peer 1 of Vancouver, B.C.). The agreement with Peer 1 commenced January 21, 2008 and was for a one year term with automatic one year renewals absent notice of termination. The agreement is in its first renewal term and required that we make certain up front payments for equipment and pay a monthly fee that is dependent on bandwidth usage. During the year ended March 31, 2009 the total amount we paid to Peer 1 was \$2,683.39. We incurred a due of \$ 1092 to Peer 1 during the quarter ended June 30, 2009. We believe that Peer 1 has sufficient equipment and bandwidth available to meet our needs for the foreseeable future. However, if Peer 1 were no longer available to serve us or if we deemed it advisable not to renew our contract with Peer 1, management believes that many other bandwidth service providers are available in the Vancouver area to meet our requirements at similar prices.

Manufacturing Contract

On November 30, 2007 we entered into a manufacturing agreement (the OEM Agreement) with Shenzhen Huanghe Digital Technology Co., Ltd of Guandong, PRC (SHDT). The OEM Agreement is for an one year term with automatic one year renewals and requires that SHDT manufacture products for us to our specification and warrant the same to conform to our specifications and be free from defects. The OEM Agreement sets prices and delivery schedules for our orders and requires that SHDT be able to fulfill our requirements. We are obligated to defend SHDT should a claim be made that any of our products infringe on the rights of others. Management believes that SHDT can meet our requirements for the foreseeable future. If SHDT were unable to produce products for us, we would experience delays in receiving product and disruption to our operations, but we believe we would be able to locate an alternative manufacturer in the PRC.

Patent Application

In March 2009 we filed a US patent application, No12/405,147, which followed our provisional patent application "Systems and Methods for Providing Web Based Self Serviced Video Monitoring and Security Features for Systems Comprising IP Video Terminals and Web Servers" in March 2008. This patent relates to our web based system and management believes that it is central to our business. However, we can not give any assurance that a patent will be granted, and that if granted it will give meaningful protection from others or that our patent would not be found by a court to infringe upon patents held by others.

Our patent application includes technology for (i) A video security system having a server and a video terminal device including; (ii) At least one database for storing network and physical configuration information relating to the terminal device operable to remotely communicate with the server through a distributed network; (iii) One or multiple storage servers for storing video data received from the terminal devices; and (iv) A method of managing a video terminal device that includes assigning a unique device ID to the video terminal device then sending an event and an associated video stream from the video terminal device to the Server, and storing the event and the associated video stream in a database and a storage server in association with the unique device ID. Another method of storage set forth in our patent application involves creating a user account on a Server, selecting services for associating with the devices, allocating storage server space for storing video data stream files, and making available to the user stored video files.

Competition

The video and alarm security services business is highly competitive and fragmented with a number of major firms and thousands of smaller regional and local companies. Competition is based primarily on price in relation to quality of service. Rather than compete purely on price, we emphasize the quality and special features of our web-based video alarm security service. Our competitors also include manufacturers and potential manufacturers of surveillance equipment. Several of our competitors, such as ADT Worldwide, a subsidiary of Tyco Industries, Ltd. and Honeywell International, Inc. are large established multinational corporations with far greater resources than we do. In the PRC we will compete with large dominant firms including China Security Surveillance and Technology, Inc. All of these competitors have greater resources and name recognition than we do. Other competitors include the following companies or their affiliates: Samsung, Sony, Panasonic, Axis, Tyco, D-link, Linksys, Vivotek, Basler, Tiandy, etc. Several electronics manufacturers have the ability to make cameras and other surveillance system components competitive to ours but have elected not to enter this market to date.

Backlog

We do not currently have any material backlog and fill customer requirements on a current basis.

Sales, Marketing and Advertising

We market our products to consumers through our wholesaler, dealer, installer, franchisees as well as direct marketing efforts by our sales staff. We promotes and markets our products and services through industry trade shows worldwide, product brochures and catalogues, direct marketing and electronic mailings to existing and prospective customers, webinars, in-house training seminars for customers and end users, road shows which preview new products and try usci8.com platform, and advertising through trade and end user magazines and newspaper, and our web site (www.anvsecuritygroup.com). ANV's products are sold principally to independent wholesalers, dealers, installers, system integrators, and franchisees. Sales are made principally by field sales engineers and inside customer service representatives. ANV's sales effort is supported by in-house customer service coordinators and technical support groups which provide product information, application engineering, design detail, field project management, and hardware and software technical support.

Environmental Matters

Laws and regulations relating to protection of the environment have not had a material impact on our business.

Proprietary Rights

In addition to our patent application we have entered into employment agreements with our key employees that require them to keep all of our proprietary information confidential and require that any invention of theirs while our employee, except for those not related to our business, becomes our property. Our OEM Agreement provides us with similar protections. We can not assure that such protections will prove adequate should they be challenged in litigation.

Research and Development

We are dependent on continual research and development efforts to maintain our competitive position with our products. As of March 31, 2009 we had accumulated \$142,274 of research and development expense but did not incur any research and development expense in the quarter ended June 30, 2009. However, we will again incur research and development expenses for the balance of our fiscal year. Our research and development effort relates to product design and enhancement as well as computer source code and other programming matters.

Our R & D aspects are based on H.264 video techniques, combined with global advanced internet tech, wired and wireless communication tech, surveillance and alarm tech, and telecom payment. We give our future R & D plan as

follows:

Develop peer to peer technologies to enable more convenience in service provision; develop mobile applications to transmit surveillance video through mobile phones and automobiles; develop simultaneous charging surveillance of IP Camera and retail POS terminals; develop downloading and playing images through Google and YouTube; realize the arbitrary storage of surveillance video; develop intelligent facial recognition and registration plate recognition; develop real time , remote health care, remote online education worldwide, and other remote learning and image-based applications

Employees

As of August 31, 2009, we had 7 employees in our Vancouver headquarters. All of which are full-time, including 2 in administrative and management, 3 in engineering and technical, and 2 in sales and marketing.

Seasonality

We do not anticipate that our business will be seasonal to any material extent although installation of outdoor security and surveillance systems may be more difficult during winter months in area with more severe climates.

Item 1A Risk Factors

Risks Relating To Our Business

You should carefully consider the risks described below before investing in our publicly traded securities. The risks described below are not the only ones facing us. Our business is also subject to the risks that affect many other companies, such as competition, technological obsolescence, labor relations, general economic

conditions, geopolitical events, climate change and international operations. Additional risks not currently known to us or that we currently believe are immaterial also may impair our business operations and our liquidity.

We face risks related to general domestic and global economic conditions and to the current credit crisis.

Our current operating cash flows, which combined with access to the credit markets, provides us with significant discretionary funding capacity. However, the current uncertainty arising out of domestic and global economic conditions, including the recent disruption in credit markets, poses a risk to the economies in which we operate that has impacted demand for our products and services, and may impact our ability to manage normal relationships with our customers, suppliers and creditors. If the current situation deteriorates significantly, our business could be materially negatively impacted, including such areas as reduced demand for our products and services from a slow-down in the general economy, or supplier or customer disruptions resulting from tighter credit markets.

In order to grow at the pace expected by management, we will require additional capital to support our long-term business plan. If we are unable to obtain additional capital in future years, we may be unable to proceed with our long-term business plan and we may be forced to curtail or cease our operations.

We will require additional working capital to support our long-term business plan, which includes identifying suitable targets for horizontal or vertical mergers or acquisitions, so as to enhance the overall productivity and benefit from economies of scale. Our working capital requirements and the cash flow provided by future operating activities, if any, will vary greatly from quarter to quarter, depending on the volume of business during the period and payment terms with our customers. We may not be able to obtain adequate levels of additional financing, whether through equity financing, debt financing or other sources. Additional financings could result in significant dilution to our earnings per share or the issuance of securities with rights superior to our current outstanding securities. In addition, we may grant registration rights to investors purchasing our equity or debt securities in the future. If we are unable to raise additional financing, we may be unable to implement our long-term business plan, develop or enhance our products and services, take advantage of future opportunities or respond to competitive pressures on a timely basis, if at all. In addition, a lack of additional financing could force us to substantially curtail or cease operations.

We sometimes extend credit to our customers. Failure to collect the trade receivables or untimely collection could affect our liquidity.

We extend credit to some of our customers while generally requiring no collateral. Generally, our customers pay in installments, with a portion of the payment upfront, a portion of the payment upon receipt of our products by our customers and before the installation, and a portion of the payment after the installation of our products and upon satisfaction of our customer. Sometimes, a small portion of the payment will not be paid until after a certain period following the installation. We perform ongoing credit evaluations of our customers; financial condition and generally have no difficulties in collecting our payments. However, if we encounter future problems collecting amounts due from our clients or if we experience delays in the collection of amounts due from our clients, our liquidity could be negatively affected.

If we are unable to attract and retain senior management and qualified technical and sales personnel, our operations, financial condition and prospects will be materially adversely affected.

Our future success depends in part on the contributions of our management team and key technical and sales personnel and our ability to attract and retain qualified new personnel. In particular, our success depends on the continuing employment of our CEO, Dr. Weixing Wang, our CFO, Ms. Yan Wang; our VP of Sales and Marketing, Mr. Xiaolin Yang; and our technical Officer, Mr. Tac Jiang. There is significant competition in our industry for qualified managerial, technical and sales personnel and we cannot assure you that we will be able to retain our key senior managerial, technical and sales personnel or that we will be able to attract, integrate and retain other such personnel that we may require in the future. Many engineers and technicians obtain post-graduate or professional degrees, and the increased educational time required at the post-graduate level further restricts the pool of engineers and technicians available for employment. We compete for all such personnel with other high tech companies in various fields. There can be no assurance that we will be successful in hiring or retaining such qualified personnel. If we are not able to hire and retain qualified people to fill these positions, our competitive position would be adversely affected, which would have a material adverse effect on our business, financial condition and results of operations.

If we are unable to attract and retain key personnel in the future, our business, operations, financial condition, results of operations and prospects could be materially adversely affected.

Our growth strategy has required us to make acquisitions and to make additional acquisitions in the future, which could subject us to significant risks, any of which could harm our business.

Our growth strategy includes identifying and acquiring or investing in suitable candidates on acceptable terms. We have also entered into letters of intent to acquire several other companies. Over time, we may acquire or make investments in other providers of products that complement our business and other companies in the security industry. The successful integration of these companies and any other acquired businesses require us to:

iiè
integrate and retain key management, sales, research and development, production and other personnel;

iiè
incorporate the acquired products or capabilities into our offerings from an engineering, sales and marketing perspective;

iiè
coordinate research and development efforts;

iiè
integrate and support pre-existing supplier, distribution and customer relationships; and

iiè
consolidate duplicate facilities and functions and combine back office accounting, order processing and support functions.

Acquisitions involve a number of risks and present financial, managerial and operational challenges, including:

iiè

diversion of management's attention from running our existing business;

iiè

increased expenses, including travel, legal, administrative and compensation expenses resulting from newly hired employees;

iiè

increased costs to integrate personnel, customer base and business practices of the acquired company with our own;

iiè

adverse effects on our reported operating results due to possible write-down of goodwill associated with acquisitions;

iiè

potential disputes with sellers of acquired businesses, technologies, services, products and potential liabilities; and

iiè

dilution to our earnings per share if we issue common stock in any acquisition.

Moreover, performance problems with an acquired business, technology, product or service could also have a material adverse impact on our reputation as a whole. Any acquired business, technology, product or service could significantly under-perform relative to our expectations, and we may not achieve the benefits we expect from our acquisitions. Geographic distance between business operations, the compatibility of the technologies and operations being integrated and the disparate corporate cultures being combined also presents significant challenges. Acquired businesses are likely to have different standards, controls, contracts, procedures and policies, making it more difficult to implement and harmonize company-wide financial, accounting, billing, information and other systems. If we cannot overcome these challenges, we may not realize actual benefits from past and future acquisitions, which will impair our overall business results.

Our facilities, or facilities of our customers or suppliers, could be susceptible to natural disasters.

All of our facilities, and many of the facilities of our customers and suppliers, are located in China. Natural disasters, such as floods and earthquakes, occur frequently in China, and they pose substantial threats to businesses with operations there. As a developing country, China's emergency-response ability is limited, and its ability to provide emergency reconstruction and other aid to businesses affected by natural disasters is limited. Should a natural disaster severely damage one of our facilities, or damage a major facility of one or more of our significant customers or suppliers, our business could be materially disrupted.

In the event that adequate insurance is not available or our insurance is not deemed to cover a claim, we could face liability.

We carry insurances that our management consider customary and adequate. The laws of the jurisdictions in which we operate, may limit or prohibit insurance coverage for punitive or certain other types of damages or liability arising from gross negligence. If we incur increased losses related to employee acts or omissions, or system failure, or if we are unable to obtain adequate insurance coverage at reasonable rates, or if we are unable to receive reimbursements from insurance carriers, our financial condition and results of operations could be materially and adversely affected.

Our quarterly operating results are likely to fluctuate, which may affect our stock price.

Our quarterly revenues, expenses, operating results and gross profit margins vary from quarter to quarter. As a result, our operating results may fall below the expectations of securities analysts and investors in some quarters, which could result in a decrease in the market price of our common stock. The reasons our quarterly results may fluctuate include:

iiè

seasonality inherent in the surveillance and safety industry;

iiè

variations in profit margins attributable to product mix;

iiè

changes in the general competitive and economic conditions;

iiè

delays in, or uneven timing in the delivery of, customer orders;

iiè

the introduction of new products by us or our competitors; and

Period to period comparisons of our results should not be relied on as indications of future performance.

We could face liability for our failure to respond adequately to alarm activations.

The nature of the services we provide potentially exposes us to greater risks of liability for employee acts or omissions or system failures that may be inherent in other businesses. In the event of litigation with respect to such matters, our financial condition and results of operations could be materially and adversely affected. In addition, the costs of such litigation could have an adverse effect on us.

Future government regulations or other standards could have an adverse effect on our operations.

Our operations are subject to a variety of laws, regulations and licensing requirements of national and local authorities in North American and China. In certain jurisdictions, we are required to obtain licenses or permits and to meet certain standards in the conduct of our business. The loss of such licenses, or the imposition of conditions to the granting or retention of such licenses, could have an adverse effect on us. In the event that these laws, regulations and/or licensing requirements change, we may be required to modify our operations or to utilize resources to maintain compliance with such rules and regulations. In addition, new regulations may be enacted that could have an adverse effect on us.

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

We rely on a combination of trademarks, patent, copyrights, trade secret laws, confidentiality procedures and licensing arrangements to protect our intellectual property rights. A successful challenge to the ownership of our technology 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 have applied for a United States patent for our web based security systems. 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 patent protection could materially adversely affect our business.

We Need Substantial Additional Capital

We have experienced recurring net losses, including net losses of \$ 82,652 for the quarter ended June 30, 2009 and \$340,555 for the year ended March 31, 2009, and we had current assets of \$365,512 at June 30, 2009 (unaudited).

Our plan is to increase production of our products as well as the geographical scope of our operations. Our present resources and operating revenue is insufficient to fund these plans. Therefore, we require substantial additional funds to finance our business activities on an ongoing basis and to implement our expansion strategy portraying our company as one with sufficient financial strength and stability to attract government and larger business customers. Accordingly, we intend to seek additional financing following the filing of this registration statement. We do not have any commitments or arrangements to obtain any additional equity capital, and there can be no assurance that the additional financing we require would be available on reasonable terms, if at all. The unavailability of additional financing could require us to delay, scale back or terminate our plans to expand our business.

Product Failure, Marketplace Reputation and Liability

Through our wholesalers, dealers, installers, franchisees and direct operations we intend to install hundreds and eventually thousands of security systems. Should any of our systems fail to perform as promised due to a product defect or a faulty installation, our reputation could be marred by adverse publicity. We could be liable for damages suffered by our customer. Consequently our operating results and stock price could suffer.

We intend to become subject to the periodic reporting requirements of the Securities Exchange Act of 1934 that will require us to incur audit fees and legal fees in connection with the preparation of such reports. These additional costs could reduce or eliminate our ability to earn a profit.

Commencing sixty days after the filing of this registration statement on Form 10, we will be required to file periodic reports with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder. In order to comply with these requirements, our independent registered public accounting firm will have to review our financial statements on a quarterly basis and audit our financial statements on an annual basis. Moreover, our legal counsel will have to review and assist in the preparation of such reports. The costs charged by these professionals for such services cannot be accurately predicted at this time because factors such as the number and type of transactions that we engage in and the complexity of our reports cannot be determined at this time and will have a major affect on the amount of time to be spent by our auditors and attorneys. However, our incurring these costs will obviously be an expense to our operations and thus have a negative effect on our ability to meet our overhead requirements and earn a profit. We may be exposed to potential risks resulting from new requirements under Section 404 of the Sarbanes-Oxley Act of 2002. If we cannot provide reliable financial reports or prevent fraud, our business and operating results could be harmed, investors could lose confidence in our reported financial information, and the trading price of our common stock, if a market ever develops, could drop significantly.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, as amended by SEC Release 33-8934 on June 26, 2008 we will be required, beginning with our fiscal year ending June 30, 2010, to include in our annual report our assessment of the effectiveness of our internal control over financial reporting as of the end of the fiscal year ending June 30, 2010. Furthermore, in the following year, our independent registered public accounting firm will be required to report separately on whether it believes that we have maintained, in all material respects, effective internal control over financial reporting. We have not yet completed any assessment of the effectiveness of our internal control over financial reporting. We expect to incur additional expenses and diversion of management's time

as a result of performing the system and process evaluation, testing and remediation required in order to comply with the management certification and auditor attestation requirements.

Our officers have no experience in managing a public company.

Our present officers have no previous experience in managing a public company and we do not have a sufficient number of employees to segregate responsibilities and may be unable to afford increasing our staff or engaging outside consultants or professionals to overcome our lack of employees. During the course of our testing, we may identify other deficiencies that we may not be able to remediate in time to meet the deadline imposed by the Sarbanes-Oxley Act for compliance with the requirements of Section 404. In addition, if we fail to achieve and maintain the adequacy of our internal controls, as such standards are modified, supplemented or amended from time to time, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal controls over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. Moreover, effective internal controls, particularly those related to revenue recognition, are necessary for us to produce reliable financial reports and are important to help prevent financial fraud. If we cannot provide reliable financial reports or prevent fraud, our business and operating results could be harmed, investors could lose confidence in our reported financial information, and the trading price of our common stock, if a market ever develops, could drop significantly.

Competition

We face a variety of competitive challenges from other security and surveillance companies in every market where we operate or plan to operate. Many of our competitors will be large multinational or market dominant companies whom have greater financial and marketing resources than we do and may be able to adapt to changes in consumer preferences or requirements more quickly, devote greater resources to the marketing and sale of their products or adopt more aggressive pricing policies than we can.

Control by Management

Our company is effectively controlled by management, specifically Weixing Wang ,Yan Wang and Ming Li who beneficially own 18,640,000 shares or 56.1% of our 33,180,000 issued and outstanding shares of common stock as of August 31, 2009. Accordingly, they will be able to elect our board of directors and control our corporate affairs for the foreseeable future.

Dependence of Third Party Supplier

We have entered into an OEM Agreement with SHDT and an internet services agreement with Peer 1. A failure of either of these parties to perform in accordance with the terms of their agreement with us could have a material adverse effect on our results of operations and negatively impact our stock price.

RISKS RELATED TO OUR INDUSTRY

Our success relies on our management's ability to understand the highly evolving network surveillance and safety industry.

The network surveillance and safety industry is nascent and rapidly evolving. Therefore, it is critical that our management is able to understand industry trends and make good strategic business decisions. If our management is unable to identify industry trends and act in response to such trends in a way that is beneficial to us, our business will suffer.

If we are unable to respond to the rapid changes in our industry and changes in our customer's requirements and preferences, our business, financial condition and results of operations could be adversely affected.

If we are unable, for technological, legal, financial or other reasons, to adapt in a timely manner to changing market conditions or customer requirements, we could lose customers and market share. The network surveillance and safety industry is characterized by rapid technological change. Sudden changes in customer requirements and preferences, the frequent introduction of new products and services embodying new technologies and the emergence of new industry standards and practices could render our existing products, services and systems obsolete. The emerging nature of products and services in the network surveillance and safety industry and their rapid evolution will require that we continually improve the performance, features and reliability of our products and services. Our success will depend, in part, on our ability to:

iiè

enhance our existing products and services;

iiè

anticipate changing customer requirements by designing, developing, and launching new products and services that address the increasingly sophisticated and varied needs of our current and prospective customers; and

iiè

respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis.

The development of additional products and services involves significant technological and business risks and requires substantial expenditures and lead time. If we fail to introduce products with new technologies in a timely manner, or adapt our products to these new technologies, our business, financial condition and results of operations could be adversely affected. We cannot assure you that even if we are able to introduce new products or adapt our products to new technologies that our products will gain acceptance among our customers. In addition, from time to time, we or our competitors may announce new products, product enhancements or technological innovations that have the potential to replace or shorten the life cycles of our existing products and that may cause customers to refrain from purchasing our existing products, resulting in inventory obsolescence.

We may not be able to maintain or improve our competitive position of strong competition in the network surveillance and safety industry, and we expect this competition to continue to intensify.

The North American and Chinese network surveillance and safety industry is highly competitive, we also face competition from international competitors. Some of our international competitors are larger than us and possess greater name recognition, assets, personnel, sales and financial resources. These entities may be able to respond more quickly to changing market conditions by developing new products and services that meet customer requirements or are otherwise superior

to our products and services and may be able to more effectively market their products than we can because they have significantly greater financial, technical and marketing resources than we do. They may also be able to devote greater resources than we can to the development, promotion and sale of their products. Increased competition could require us to reduce our prices, result in our receiving fewer customer orders, and result in our loss of market share. We cannot assure you that we will be able to distinguish ourselves in a competitive market. To the extent that we are unable to successfully compete against existing and future competitors, our business, operating results and financial condition could be materially adversely affected.

Our business and reputation as a OEM manufacturer of high quality H.264 IP products may be adversely affected by product defects or performance.

We believe that we offer high quality products that are reliable and competitively priced. If our products do not perform to specifications, we might be required to redesign or recall those products or pay substantial damages. Such an event could result in significant expenses, disrupt sales and affect our reputation and that of our products. In addition, product defects could result in substantial product liability. We do not have product liability insurance. If we face significant liability claims, our business, financial condition, and results of operations would be adversely affected.

Our product offerings involve a lengthy sales cycle and we may not anticipate sales levels appropriately, which could impair our profitability.

Some of our products and services are designed for medium to large commercial, industrial and government facilities desiring to protect valuable assets and/or prevent intrusion into high security facilities. Given the nature of our products and the customers that purchase them, sales cycles can be lengthy as customers conduct intensive investigations and deliberate between competing technologies and providers. For these and other reasons, the sales cycle associated with some of our products and services is typically lengthy and subject to a number of significant risks over which we have little or no control. If sales in any period fall significantly below anticipated levels, our financial condition and results of operations could suffer.

RISKS RELATED TO DOING BUSINESS IN CHINA

Adverse changes in political and economic policies of the PRC government could impede the overall economic growth of China, which could reduce the demand for our products and damage our business.

Our growth strategy includes acquiring or investing in suitable candidates on acceptable terms in China. We have also entered into letters of intent to acquire several other companies. We also produce our products through OEM in China. Accordingly, our business, financial condition, results of operations and prospects are affected significantly by economic, political and legal developments in China. The PRC economy differs from the economies of most developed countries in many respects, including:

iiè

the higher level of government involvement;

iiè

the early stage of development of the market-oriented sector of the economy;

iiè

the rapid growth rate;

iiè

the higher level of control over foreign exchange; and

iiè

the allocation of resources.

As the China economy has been transitioning from a planned economy to a more market-oriented economy, the China government has implemented various measures to encourage economic growth and guide the allocation of resources. While these measures may benefit the overall China economy, they may also have a negative effect on us.

Although the China government has in recent years implemented measures emphasizing the utilization of market forces for economic reform, the China government continues to exercise significant control over economic growth in China through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and imposing policies that impact particular industries or companies in different ways.

Any adverse change in the economic conditions or government policies in China could have a material adverse effect on the overall economic growth and the level of surveillance and safety investments and expenditures in China, which in turn could lead to a reduction in demand for our products and consequently have a material adverse effect on our business and prospects.

Uncertainties with respect to the China legal system could limit the legal protections available to you and us.

Our operating subsidiaries are generally subject to laws and regulations applicable to foreign investments in China and, in particular, laws applicable to foreign-invested enterprises. The China legal system is based on written statutes, and prior court decisions may be cited for reference, but have limited precedential value. Since 1979, a series of new China laws and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. However, since the China legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involve uncertainties, which may limit legal protections available to you and us. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

The China government exerts substantial influence over the manner in which we conduct our business activities.

The China government has exercised and continues to exercise substantial control over virtually every sector of the Chinese economy through regulation and state ownership. Our ability to operate in China may be harmed by changes in its laws and regulations, including those relating to taxation, import and export tariffs, environmental regulations, land use rights, property and other matters. We believe that our operations in China are in material compliance with all applicable legal and regulatory requirements. However, the central or local governments of the jurisdictions in which we operate may impose new, stricter

regulations or interpretations of existing regulations that would require additional expenditures and efforts on our part to ensure our compliance with such regulations or interpretations.

Accordingly, government actions in the future, including any decision not to continue to support recent economic reforms and to return to a more centrally planned economy or regional or local variations in the implementation of economic policies, could have a significant effect on economic conditions in China or particular regions thereof and could require us to divest ourselves of any interest we then hold in Chinese properties or joint ventures.

Restrictions on currency exchange may limit our ability to receive and use our sales revenue effectively.

Some of our sales revenue and/or expenses are or will occur in China and be denominated in Renminbi. Under PRC law, the Renminbi is currently convertible under the “current account,” which includes dividends and trade and service-related foreign exchange transactions, but not under the “capital account,” which includes foreign direct investment and loans. In the future, our China operating subsidiaries may purchase foreign currencies for settlement of current account transactions, including payments of dividends to us, without the approval of the State Administration of Foreign Exchange (the “SAFE”), by complying with certain procedural requirements. However, the relevant China government authorities may limit or eliminate our ability to purchase foreign currencies in the future. Since a significant amount of our future revenue will be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to utilize revenue generated in Renminbi to fund our business activities outside China that are denominated in foreign currencies.

Foreign exchange transactions by China operating subsidiaries under the capital account continue to be subject to significant foreign exchange controls and require the approval of or need to register with PRC government authorities, including SAFE. In particular, if our China operating subsidiaries borrow foreign currency through loans from us or other foreign lenders, these loans must be registered with SAFE, and if we finance the subsidiaries by means of additional capital contributions, these capital contributions must be approved by certain government authorities, including the Ministry of Commerce, or their respective local counterparts. These limitations could affect our China operating subsidiaries’ ability to obtain foreign exchange through debt or equity financing.

We may be unable to complete a business combination transaction efficiently or on favorable terms due to complicated merger and acquisition regulations which became effective on September 8, 2006.

On August 8, 2006, six PRC regulatory agencies, including the CSRC, promulgated the Regulation on Mergers and Acquisitions of Domestic Companies by Foreign Investors, which became effective on September 8, 2006. This new regulation, among other things, governs the approval process by which a China company may participate in an acquisition of assets or equity interests. Depending on the structure of the transaction, the new regulation will require the China parties to make a series of applications and supplemental applications to the government agencies. In some instances, the application process may require the presentation of economic data concerning a transaction, including appraisals of the target business and evaluations of the acquirer, which are designed to allow the government to assess the transaction. Government approvals will have expiration dates by which a transaction must be completed and reported to the government agencies. Compliance with the new regulations is likely to be more time consuming and expensive than in the past and the government can now exert more control over the combination of two businesses. Accordingly, due to the new regulation, our ability to engage in business combination transactions has become significantly more complicated, time consuming and expensive, and we may not be able to negotiate a transaction that is acceptable to our stockholders or sufficiently protect their interests in a transaction.

The new regulation allows China government agencies to assess the economic terms of a business combination transaction. Parties to a business combination transaction may have to submit to the Ministry of Commerce and other relevant government agencies an appraisal report, an evaluation report and the acquisition agreement, all of which form part of the application for approval, depending on the structure of the transaction. The regulations also prohibit a transaction at an acquisition price obviously lower than the appraised value of the China business or assets and in certain transaction structures, require that consideration must be paid within defined periods, generally not in excess of a year. The regulation also limits our ability to negotiate various terms of the acquisition, including aspects of the initial consideration, contingent consideration, holdback provisions, indemnification provisions and provisions relating to the assumption and allocation of assets and liabilities. Transaction structures involving trusts, nominees and similar entities are prohibited. Therefore, such regulation may impede our ability to negotiate and complete a business combination transaction on financial terms that satisfy our investors and protect our stockholders' economic interests.

In addition to the above risks, in many instances, we will seek to structure transactions in a manner that avoids the need to make applications or a series of applications with Chinese regulatory authorities under these new M&A regulations. If we fail to effectively structure an acquisition in a manner that avoids the need for such applications or if the Chinese government interprets the requirements of the new M&A regulations in a manner different from our understanding of such regulations, then acquisitions that we have effected may be unwound or subject to rescission. Also, if the Chinese government determines that our structure of any of our acquisitions does not comply with these new regulations, then we may also be subject to fines and penalties.

Fluctuations in exchange rates could adversely affect our business and the value of our securities.

The value of our common stock will be indirectly affected by the foreign exchange rate between U.S. dollars and the Renminbi and between those currencies and other currencies in which our sales may be denominated. Because we OEM and import products from China and some of our earnings are denominated in Renminbi and our financial results are reported in U.S. dollars, fluctuations in the exchange rate between the U.S. dollar and the Renminbi will affect our balance sheet and our earnings per share in U.S. dollars. In addition, appreciation or depreciation in the value of the Renminbi relative to the U.S. dollar would affect our financial results reported in U.S. dollar terms without giving effect to any underlying change in our business or results of operations. Fluctuations in the exchange rate will also affect the relative value of any dividend we issue that will be exchanged into U.S. dollars and earnings from, and the value of, any U.S. dollar-denominated investments we make in the future.

Since July 2005, the Renminbi has no longer 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 the China authorities may lift restrictions on fluctuations in the Renminbi exchange rate and lessen intervention in the foreign exchange market.

Very limited hedging transactions are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may enter into hedging transactions in the future, the availability and effectiveness of these transactions may be limited, and we may not be able to successfully hedge our exposure at all. In addition, our foreign currency exchange losses may be magnified by China exchange control regulations that restrict our ability to convert Renminbi into foreign currencies.

Currently, some of our raw materials, components and major equipment are imported. In the event that the U.S. dollars appreciate against Renminbi, our costs will increase. If we cannot pass the resulting cost increases on to our customers, our profitability and operating results will suffer.

Risks Relating to Our Common Stock

Limitations upon Broker-Dealers Effecting Transactions in "Penny Stocks"

Trading in our common stock is subject to material limitations as a consequence of regulations which limits the activities of broker-dealers effecting transactions in "penny stocks." Pursuant to Rule 3a51-1 under the Exchange Act, our common stock is a "penny stock" because it (i) is not listed on any national securities exchange or The NASDAQ Stock Market™, (ii) has a market price of less than \$5.00 per share, and (iii) its issuer (the Company) has net tangible assets less than \$2,000,000 (if the issuer has been in business for at least three (3) years) or \$5,000,000 (if the issuer has been in business for less than three (3) years).

Rule 15c-9 promulgated under the Exchange Act imposes limitations upon trading activities on "penny stocks", which makes selling our common stock more difficult compared to selling securities which are not "penny stocks." Rule 15c-9 restricts the solicitation of sales of "penny stocks" by broker-dealers unless the broker first (i) obtains from the purchaser information concerning his financial situation, investment experience and investment objectives, (ii) reasonably determines that the purchaser has sufficient knowledge and experience in financial matters that the person is capable of evaluating the risks of investing in "penny stocks", and (iii) delivers and receives back from the purchaser a manually signed written statement acknowledging the purchaser's investment experience and financial sophistication.

Rules 15c-2 through 15c-6 promulgated under the Exchange Act require broker-dealers who engage in transactions in "penny stocks" first to provide their customers with a series of disclosures and documents, including (i) a standardized risk disclosure document identifying the risks inherent in investing in "penny stocks", (ii) all compensation received by the broker-dealer in connection with the transaction, (iii) current quotation prices and other relevant market data, and (iv) monthly account statements reflecting the fair market value of the securities.

There can be no assurance that any broker-dealer which initiates quotations for the Common Stock will continue to do so, and the loss of any such broker-dealer likely would have a material adverse effect on the market price of our common stock.

No Active or Regular Market

Although our common stock has been quoted on the Pink Sheets since October 31, 1985 there have been no trades recorded in our common stock for several years. We are taking steps, including the filing of this registration statement, to encourage the development of an orderly and active trading market. After the completion of this registration statement we intend to seek to have our stock included on the Over-the-Counter Bulletin Board maintained by FINRA (the "OTCBB") or a higher exchange. However, even if our stock is included on the OTCBB it is possible that no market-maker will want to provide such quotations. Even if our common stock is quoted on the OTCBB, the OTCBB also provides a limited trading market similar to the Pink Sheets. The OTCBB and the Pink

Sheets are not stock exchanges, and trading of securities on the OTCBB or the Pink Sheets is often more sporadic than the trading of securities listed on a quotation system such as the NASDAQ Stock Market or a stock exchange such as the American Stock Exchange.

Companies quoted for trading on the OTCBB must be reporting issuers under Section 12 of the Exchange Act and must be current in their reports under Section 13 of the Exchange Act, in order to maintain price quotation privileges on the OTCBB. If our common stock is quoted on the OTCBB, and we fail to remain current on our reporting requirements, we could be removed from the OTBB. As a result, the market liquidity for our securities could be severely adversely affected by limiting the ability of broker-dealers to sell our securities and the ability of stockholders to sell their securities in the secondary market. In addition, we may be unable to regain our quotation privileges on the OTCBB, which may have an adverse material effect on our business.

Accordingly, there can be no assurance as to the liquidity of any present or future markets that may develop for our common stock, the ability of holders of our common stock to sell our common stock, or the prices at which holders may be able to sell our common stock.

Shares Eligible for Future Sale

The sale of a substantial number of shares of our common stock, or the perception that such sales could occur, could adversely affect prevailing market prices for our common stock. In addition, any such sale or perception could make it more difficult for us to sell equity, or equity related, securities in the future at a time and price that we deem appropriate. If and when this registration statement becomes effective and we become subject to the reporting requirements of the Exchange Act, we might elect to adopt a stock option plan and file a registration statement under the Securities Act registering the shares of common stock reserved for issuance thereunder. Following the effectiveness of any such registration statement, the shares of common stock issued under such plan, other than shares held by affiliates, if any, would be immediately eligible for resale in the public market without restriction.

The sale of shares of our common stock which are not registered under the Securities Act, known as "restricted" shares, typically are effected under Rule 144. At August 31, 2009 we had outstanding an aggregate of 32,938,000 shares of restricted common stock. In accordance with the recent amendments to Rule 144, since we formerly were a "shell" company no shares of our restricted common stock are eligible for sale under Rule 144 until we become subject to the reporting requirements of the Exchange Act, i.e., until this registration statement becomes effective, and then only if we thereafter have complied with our reporting requirements under the Exchange Act for the next 12 months. No prediction can be made as to the effect, if any, that future sales of "restricted" shares of our common stock, or the availability of such shares for future sale, will have on the market price of our common stock or our ability to raise capital through an offering of our equity securities.

The sale of a substantial number of shares of our common stock, or the perception that such sales could occur, could adversely affect prevailing market prices for our common stock. In addition, any such sale or perception could make it more difficult for us to sell equity, or equity related, securities in the future at a time and price that we deem appropriate. If and when this registration statement becomes effective and we become subject to the reporting requirements of the Exchange Act, we might elect to adopt a stock option plan and file a registration statement under the Securities Act registering the shares of common stock reserved for issuance thereunder. Following the effectiveness of any such registration statement, the shares of common stock issued under such plan, other than shares held by affiliates, if any, would be immediately eligible for resale in the public market without restriction.

No Dividends

We never have paid any dividends on our common stock and we do not intend to pay any dividends in the foreseeable future.

Item 2: Financial Information

The following tables summarize certain information from our financial statements appearing elsewhere in this registration statement. The reader is directed to such financial statements and the accompanying notes for a full explanation of the information set forth below:

Balance Sheet Data:

As of March 31,

As of June 30,

2009

2008

2009 (unaudited)

Total Current Assets

\$ 89,763

\$ 277,427 \$ 363,339

Property and Equipment

\$ 21,266

\$ 6,242 \$ 21,698

Intangible Assets

\$1,034,627

\$1,239,864

\$1,148,425

Total Assets

\$1,145,616

\$1,523,534

\$1,533,635

Total Liabilities

\$ 4,345

\$ 10,949

\$6,288

Stockholders' Equity

\$1,141,261

\$1,512,857

\$1,527,347

Total Liabilities and

Stockholders' Equity

\$1,145,616

\$1,523,534

\$1,533,635

Statement of Operations Data

For the year ended March 31,

For the three months ended June 30,

2009

2008

2009

2008

(unaudited)

Revenues

\$ 20,820

\$ -

\$ 5,670

\$ 522

Cost of Sales

\$ 14,790

\$ -

\$ 2,122

\$ 980

Gross Profit

\$ 6,030

\$ -

\$ 3,548

\$ (458)

Expenses

\$ 361,229

\$ 19,217

\$ 84,362

\$ 134,326

Other Income (Expense)

\$ 4,745

\$ (197)

\$ (1,838)

\$ 450

Net (Loss)

\$ (350,455)

\$ (19,415)

\$(82,652)

\$(134,334)

Foreign Currency

Translation

\$ (270,752)

\$ 143,909

\$111,088

\$ 299,170

Comprehensive

Income (Loss)

\$ (621,207)

\$ 124,494

\$(28,436)

\$(164,836)

Net Income

(Loss) per share

\$(0.02)

\$ 0.04

\$ 0.00

\$ (0.09)

Fiscal Year ended March 31, 2009 compared to Fiscal Year ended March 31, 2008

Revenues. We had revenues of \$20,820 in FY 2009 and no revenues in 2008 as FY 2008 was devoted to product design and establishing a business model. FY 2009 reflects an initial roll out of our business model in Canada for a portion of the year, Canada being our first and the smallest of our three initial planned markets.

Cost of Revenue; Gross Profit. Our cost of revenue in FY 2009 was \$14,790, yielding a gross profit of \$6,030 or 29% of revenues. We had no revenues, cost of revenues or gross profit in FY 2008. We anticipate that as revenues increase we will increase our gross profit margins.

Operating Expenses

Operating expenses increased to \$361,229 in FY 2009 compared to \$19,217 in FY 2008 as we began manufacturing and marketing efforts in FY 2009.

Net Loss; Comprehensive Loss

Because FY 2009 was a year where we engaged in activities such as attempting to market franchises and initiated manufacturing, we incurred expenses which positioned us to potentially realize income in future years, but did not result in income during the 2009 FY. Accordingly our net loss increased to \$(350,455) in 2009 FY from \$(19,415) in 2008 FY. The comprehensive loss for 2009 FY was further adversely affected by a loss in currency translation of \$(270,752) compared to a gain of \$143,909 in 2008 FY largely as a result of the Canadian Dollar faring poorly against the Chinese RMB. As a result comprehensive loss was \$(621,207) in FY 2009 compared to income of \$124,494 in

2008 FY.

First Quarter FY 2010 v First Quarter FY 2009

Revenues. We had revenues of \$5,670 in Q1 of FY 2010 and revenues of \$522 Q1 of FY 2009 as FY 2009 was devoted to product design and establishing a business model. Q1 of FY 2010 reflects an initial roll out of our business model in Canada, Canada being our first and the smallest out three initial planned markets.

Cost of Revenue; Gross Profit. Our cost of revenue in Q1 of FY 2010 was \$2,122, yielding a gross profit of \$3,548 or 62% of revenues. We had minimal revenues, cost of revenues or gross profit in Q1 of FY 2009. We anticipate that as revenues increase we will increase our gross profit margins.

Operating Expenses

Operating expenses decreased to \$84,362 in Q1 of FY 2010 compared to \$134,326 in Q1 of FY 2009 as decreases in general and administrative expense, research and development and advertising were partially offset by increased commissions, payroll and professional fees.

Net Loss; Comprehensive Loss

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

For the three months ended Jun 30, 2008, the net loss is -\$134,334, but foreign currency translation adjustment gain is 299,170, so the comprehensive gain is \$164,836. (For we have large intangible assets so the foreign transaction adjustments large).

For the three months ended Jun 30, 2009, the net loss is -\$82,652 but foreign currency translation adjustment gain is 110,087 so the comprehensive gain is 27,435. (For we have both large intangible assets and accounts receivable so the foreign transaction adjustments large)

Liquidity and Capital Resources

As of June 30, 2009, we had \$298,339 of cash on hand and current assets totaling \$ 363,512. We are in need of working capital if we are to pursue our business plan. Management believes that once we obtain an OTCBB listing, which we will seek upon completion of this registration statement, we will be able to seek additional funding through a private placement. We intend to raise a minimum of \$500,000 and a maximum of \$3,500,000 although no assurance can be given that we will be successful in these efforts or that such funds can be raised on terms that will not substantially dilute the interests of our present stockholders or that if such funds are raised we will prove successful in our business.

If we are able to raise funds we anticipate applying them as follows:

If \$500, 000 is raised

If \$ 3,500,000 is raised

Marketing	\$ 100,000	\$ 250,000
R & D	\$ 130,000	\$ 250,000
Production	\$ 150,000	\$ 250,000
Salaries		
	\$ 120,000	\$ 250,000
Equipment	\$ 0	\$2,000,000

Off-Balance Sheet Arrangements

We do not have any off balance sheet arrangements that are reasonably likely to have a current or future effect on our financial condition, revenues, and results of operations, liquidity or capital expenditures.

CRITICAL ACCOUNTING POLIC