AIVTECH INTERNATIONAL GROUP CO.
Form S-1/A
December 19, 2011

As filed with the Securities and Exchange Commission on December 19, 2011

Registration No. 333-171928

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

AMENDMENT NO. 4
TO
FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

AIVTECH INTERNATIONAL GROUP CO.
(Exact name of registrant as specified in its charter)

Nevada	3651	N/A
(State or other Jurisdiction of Incorporation)	(Primary Standard Classification Code)	(IRS Employer Identification No.)

1305 East, Hightech Plaza, Phase 2, Tian'an Cyber Park
Futian District, Shenzhen City, Guangdong Province, China
Telephone: +86 (139) 2349-3889
(Address and Telephone Number of Registrant's Principal Executive Offices and Principal Place of Business)

Val-U-Corp Services, Inc.
1802 North Carson Street. Suite 108
Carson City, NV 89701
Tel. No.: (800) 555-9141
(Name, Address and Telephone Number of Agent for Service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective. If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, please check the following box and list the Securities Act registration Statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. ¨

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	¨	Smaller reporting company	x

(Do not check if a smaller reporting company)

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered		Proposed Maximum Offering Price Per Share (2)	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee (5)
Common Stock, $0.001 par value per share	2,513,334	(1)	$3.00	$7,540,002	$875.39
Common Stock, $0.001 par value per share, issuable upon exercise of investor warrants	251,334	(3)	$4.00	$1,005,336	$116.72
Common Stock, $0.001 par value per share, issuable upon exercise of placement agent warrants	50,267	(4)	$4.00	$201,068	$23.34
Total	2,814,935			$8,746,404	$1,015.54

(1) Represents the total number of common shares issued to certain accredited investors in the registrant's private placement of 2,513,334 units. Each unit consists of (i) one share of the Registrant's common stock, $0.001 par value per share, and (ii) one warrant to purchase one-tenth (1/10) share of common stock at an exercise price of $4.00 per share.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457. The proposed maximum offering price is determined by the offering price of the common shares in the private placement completed on December 29, 2010.

(3) Represents the number of common shares issuable upon the exercise of the investor warrants at an exercise price of $4.00 per share.

(4) Represents the number of common shares issuable upon the exercise of the placement agent warrants at an exercise price of $4.00 per share.

(5) Previously paid.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with section 8(a) of the securities act of 1933 or until the registration statement shall become effective on such date as the commission, acting pursuant to said section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

PRELIMINARY PROSPECTUS SUBJECT TO COMPLETION, DATED DECEMBER 19, 2011

2,814,935 Common Shares

AIVTECH INTERNATIONAL GROUP CO.

This prospectus relates to the resale by the selling stockholders named in this prospectus of up to 2,814,935 shares (the "Shares") of our common stock, par value $0.001 per share, including (i) 2,513,334 shares of our common stock issued in the private placement, (ii) 251,334 shares of common stock issuable upon exercise of the investor warrants, at an exercise price of $4.00 per share (the "Investor Warrants"), and (iii) 50,267 shares of our common stock issuable upon exercise of the placement agent warrants (the "Placement Agent Warrants," and collectively, the "Warrants"). The Shares were issued to the selling stockholders in a private placement transaction which was exempt from the registration and prospectus delivery requirements of the Securities Act of 1933, as amended.

We completed a $7,540,000 private placement of our securities to accredited investors at $3.00 per unit, with each unit consisting of (i) one share of the our common stock, $0.001 par value per share, and (ii) one warrant to purchase one-tenth share of our common stock at an exercise price of $4.00 per share. The placement agent received compensation of: (i) a cash fee equal to two percent (2%) of the gross proceeds received by us in connection with the Private Placement, (ii) five-year warrants to purchase shares of our common stock equal to two percent (2%) of the shares of common stock issued in the Private Placement (the "Placement Agent Warrants"), and (iii) reasonable expenses relating to the Private Placement. Our net proceeds, after payment of the placement agent fees and expenses, were approximately $7.4 million.

The selling stockholders may offer all or part of their Shares for resale from time to time through public or private transactions, at either prevailing market prices or at privately negotiated prices. The common stock trades on the Over-the-Counter Bulletin Board under the symbol "AIVI". The stock has very limited trading activity; however, the last trade occurred on December 2, 2011 where 100 shares were sold at $0.38 per share. We will not receive any of the proceeds from the Shares by the selling stockholders, but we will receive funds from the exercise of the Warrants if and when those Warrants are exercised on a cash exercise basis. We are paying all of the registration expenses incurred in connection with the registration of the Shares, but we will not pay any of the selling commissions, brokerage fees and related expenses. No liquid public market currently exists for our Common Stock and there can be no assurance that an active trading market will develop, or if an active market does develop, that it will continue.

Investing in our common stock involves a high degree of risk. See "Risk Factors" beginning on page 3 to read about factors you should consider before investing in shares of our common stock.

NEITHER THE SECURITIES AND EXCHANGE COMMITTEE NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The Date of This Prospectus Is: _____________, 2011

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Please read this prospectus carefully. It describes our business, our financial condition and results of operations. We have prepared this prospectus so that you will have the information necessary to make an informed investment decision.

You should rely only on information contained in this prospectus. We have not authorized any other person to provide you with different information. This prospectus is not an offer to sell, nor is it seeking an offer to buy, these securities in any state where the offer or sale is not permitted. The information in this prospectus is complete and accurate as of the date on the front cover, but the information may have changed since that date.

PROSPECTUS SUMMARY

This summary highlights selected information contained elsewhere in this prospectus. This summary does not contain all the information that you should consider before investing in the common stock. You should carefully read the entire prospectus, including "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements, before making an investment decision.

Business Overview

AIVtech International Group Co. ("we," "us," "our," "AIVtech," or the "Company") was incorporated pursuant to the laws of Nevada on December 18, 2007 under the name of Ecochild Inc. On May 12, 2010, pursuant to a share exchange agreement (the "Exchange Agreement"), we completed the acquisition of AIVtech Holding (Hong Kong) Limited ("AIVtech-HK").

AIVtech-HK is a holding company incorporated under the laws of Hong Kong on November 4, 2005 with subsidiaries engaged in manufacturing casual furniture audio series, multimedia speakers, and LED. Shenzhen AIV Electronics Company Limited ("AIVtech-Shenzhen") was incorporated on October 26, 2004 under the laws of the People's Republic of China, which we refer to as China or the PRC. Dongguan AIV Electronics Company Limited ("AIVtech-Dongguan") was incorporated on December 25, 2009 under the laws of the PRC. AIVtech, through AIVtech-Shenzhen and AIVtech-Dongguan, engages in the business of designing, manufacturing and selling electronic furniture, digital/ multimedia speakers, and LCD/LED television under its own products brand – AIV, which stands for Audio and Interactive Video. Besides its own AIV brand, AIVtech also specializes in both Original Equipment Manufacturing ("OEM") and Original Design Manufacturing ("ODM") services. We integrate two traditional industries, which are electronics industry and furniture industry, into a new industry – electronic furniture industry.

We generate revenues mainly from the sales of electronic furniture and digital/multimedia speakers. The production of LCD/LED television started in late April 2010. Our net sales revenues for the year ended December 31, 2010 was approximately $68.3 million, representing a 77.6% growth from the year ended December 31, 2009 with net sales revenues of approximately $38.5 million. Our net income for the year ended December 31, 2010 was approximately $11.3 million, an increase of 52%, comparing to our net income of approximately $7.5 million for the year ended December 31, 2009.

On December 29, 2010, we entered into a subscription agreement with certain accredited investors for the issuance and sale in a private placement of investment units, each unit consisting of one share of the Company's common stock, $.001 par value per share and a warrant to purchase one-tenth of a share of common stock, for aggregate gross proceeds of $7,540,000. The purchase price per unit was $3.00. In the aggregate, we issued to the investors a total of 2,513,334 shares of common stock and five-year Investor Warrants to purchase up to an additional 251,334 shares of common stock at an exercise price of $4.00. We also paid to the placement agent a fee of $150,800 and issued to the Placement Agent a five-year Placement Agent Warrant to purchase a total of 50,267 shares of common stock at an exercise price of $4.00 per share.

On March 30, 2011, our subsidiary AIVtech-Shenzhen incorporated Henan AIVtech Technology Company, Ltd., or AIVtech-Henan, as a limited liability company in China, with a registered capital of RMB 50 million, or approximately $7.6 million. As of March 31, 2011, a total capital contribution of RMB 10 million, or approximately $1.5 million, was contributed to AIVtech-Henan, of which RMB 6 million was contributed by AIVtech-Shenzhen and RMB 4 million was contributed by Mr. Jinlin Guo, our chief executive officer and chairman of the board of directors. As of September 30, 2010, we paid RMB 30 million to local government as land use right deposit. AIVtech-Henan currently has no operations but will start to construct a manufacturing plant in Henan province once local government approves the land use right, which is expected by the end of December 2011.

On May 10, 2011, we entered into an agreement with the former shareholders of our wholly-owned subsidiary AIVtech-HK, pursuant to which extends the due date of an aggregate cash payment of $3,948,125 from May 12, 2011 to May 12, 2012. The amount was owed to these former shareholders in the form of a promissory note dated May 12, 2010.

Effective May 16, 2011, our ticker symbol as quoted on the OTC Bulletin Board was changed from “ECOH” to “AIVI.”

Risk Factors

Our ability to successfully operate our business and achieve our goals and strategies is subject to numerous risks as discussed more fully in the section titled “Risk Factors,” beginning on page 3, including for example:

- The effects of the recent global economic slowdown may continue to have a negative impact on our business, results of operations or financial condition;

- Our results of operations are cyclical and could be adversely affected by fluctuations in the raw material;

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- Our management has limited experience in managing and operating a public company. Any failure to comply or adequately comply with federal securities laws, rules or regulations could subject us to fines or regulatory actions, which may materially adversely affect our business, results of operations and financial condition;

- Our business could be materially adversely affected if we are unable to respond to rapid technological change and improve our products and services;

- Exchange rate volatility could adversely affect our financial condition;

- If we need additional capital to fund our growing operations, we may not be able to obtain sufficient capital and may be forced to limit the scope of our operations;

- Our ability to compete could be jeopardized if we are unable to protect our intellectual property rights or if we are sued for intellectual property infringement; and

- Our failure to comply with increasingly stringent environmental regulations and related litigation could result in significant penalties, damages and adverse publicity for our business.

Any of the above risks could materially and adversely affect our business, financial position and results of operations. An investment in our securities involves risks. You should read and consider the information set forth in “Risk Factors” and all other information set forth in this prospectus before investing in our securities.

Where You Can Find Us

Our principal executive office is located at 1305 East, Hightech Plaza, Phase 2, Tian’an Cyber Park, Futian District, Shenzhen City, Guangdong Province, China. Our telephone number is +86 (139) 2349-3889. Our corporate website is www.aivtechgroup.com. Information contained on, or accessed through our website is not intended to constitute and shall not be deemed to constitute part of this prospectus.

The Offering

Common stock offered by selling security holders	2,814,935 shares of common stock. This includes (i) 2,513,334 shares of common stock issued in the Private Placement; (ii) 251,334 shares of common stock issuable upon exercise of outstanding Investor Warrants; and (iii) 50,267 shares of common stock issuable upon exercise of outstanding Placement Agent Warrants.
Common stock outstanding before the offering	22,515,334 shares of common stock.
Common stock outstanding after the offering (on a fully diluted basis, assuming full exercise of all the Investor Warrants and Placement Agent Warrants)	22,816,935 shares of common stock
Terms of the Offering	The selling security holders will determine when and how they will sell the common stock offered in this prospectus.

Use of Proceeds	We are not selling any shares of the common stock covered by this prospectus, and, as a result, will not receive any proceeds from this offering. However, we will receive funds from the exercise of the Warrants if and when those Warrants are exercised on a cash basis. The proceeds from the cash exercise of such Warrants, if any, will be used by us for working capital and other general corporate purposes.
Risk Factors	The common stock offered hereby involves a high degree of risk and should not be purchased by investors who cannot afford the loss of their entire investment. See "Risk Factors" below.

RISK FACTORS

You should carefully consider the risks described below together with all of the other information included in this report before making an investment decision with regard to our securities. The statements contained in or incorporated herein that are not historic facts are forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those set forth in or implied by forward-looking statements. If any of the following risks actually occurs, our business, financial condition or results of operations could be harmed. In that case, you may lose all or part of your investment.

Risks Relating to Our Business

The effects of the recent global economic slowdown may continue to have a negative impact on our business, results of operations or financial condition.

The recent global economic slowdown has caused disruptions and extreme volatility in global financial markets, increased rates of default and bankruptcy, and declining consumer and business confidence, which has led to decreased levels of consumer spending. These macroeconomic developments have and could continue to negatively impact our business, which depends on the general economic environment and levels of consumer spending in the PRC and other parts of the world that affect not only the ultimate consumer, but also retailers, who are our primary direct customers. As a result, we may not be able to maintain or increase our sales to existing customers, make sales to new customers, or maintain or improve our earnings from operations as a percentage of net sales. If the global economic slowdown continues for a significant period or continues to worsen, our results of operations, financial condition, and cash flows could be materially adversely affected.

Our results of operations are cyclical and could be adversely affected by fluctuations in the raw material.

We are largely dependent on the cost and supply of raw materials such as electronic accessories and the selling price of our products, which are determined by constantly changing and volatile market forces of supply and demand as well as other factors over which we have little or no control. These other factors include:

- competing demand for the raw materials,
- environmental and conservation regulations, and
- economic conditions,

We cannot assure you that all or part of any increased costs experienced by us from time to time can be passed along to consumers of our products, in a timely manner or at all.

Substantially all of our business, assets and operations are located in the PRC.

Substantially all of our business, assets and operations are located in PRC. The economy of PRC differs from the economies of most developed countries in many respects. The economy of PRC has been transitioning from a planned economy to a market-oriented economy. Although in recent years the PRC government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises, a substantial portion of productive assets in PRC is still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating industry by imposing industrial policies. It also exercises significant control over PRC's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Some of these measures benefit the overall economy of PRC, but may have a negative effect on us.

Our management has limited experience in managing and operating a public company. Any failure to comply or adequately comply with federal securities laws, rules or regulations could subject us to fines or regulatory actions, which may materially adversely affect our business, results of operations and financial condition.

Our current management has limited experience managing and operating a public company and relies in many instances on the professional experience and advice of third parties including its attorneys and accountants. Failure to comply or adequately comply with any laws, rules, or regulations applicable to our business may result in fines or regulatory actions, which may materially adversely affect our business, results of operation, or financial condition and could result in delays in achieving the development of an active and liquid trading market for our stock.

Additionally, we rely upon an outside consultant to prepare our financial statements in accordance with US GAAP. We currently do not have any internal financial staff that is familiar with US GAAP and neither does our financial expert on the audit committee has any US GAAP experience. Our management believes that our current internal controls and procedures contain material weakness such as: insufficient monitoring controls to determine the adequacy of our internal control over financial reporting and related policies and procedures; lack of competent financial management personnel with appropriate accounting knowledge and training; insufficient controls over our period-end financial close and reporting processes; and ineffective controls over the accounting for acquisitions. There is no assurance that we will be able to improve our internal staff so that the staff will become familiar with US GAAP and we will be able to establish effective internal controls. Our inability to cure the above material weakness could have a material negative impact to our internal control and our ability to file our report with the Securities and Exchange Commission on a timely basis.

Our business and the success of our products could be harmed if we are unable to maintain our brand image.

Our success to date has been due in large part to the strength of the AIV brand, and to a lesser degree, the reputation of our brand. If we are unable to timely and appropriately respond to changing consumer demand, our brand name and brand image may be impaired. Even if we react appropriately to changes in consumer preferences, consumers may consider our brand image to be outdated and affect our business.

We need to manage growth in operations to maximize our potential growth and achieve our expected revenues and our failure to manage growth will cause a disruption of our operations resulting in the failure to generate revenue at levels we expect.

In order to maximize potential growth in our current and potential markets, we believe that we must expand our producing operations. This expansion will place a significant strain on our management and our operational, accounting, and information systems. We expect that we will need to continue to improve our financial controls, operating procedures, and management information systems. We will also need to effectively train, motivate, and manage our employees. Our failure to manage our growth could disrupt our operations and ultimately prevent us from generating the revenues we expect.

We cannot assure you that our growth strategy will be successful which may result in a negative impact on our growth, financial condition, results of operations and cash flow.

One of our strategies is to establish our own flagship stores in main cities. However, many obstacles to entering such new markets exist including, but not limited to, established companies in such existing markets in the PRC. We cannot, therefore, assure you that we will be able to successfully overcome such obstacles and establish our products in any additional markets. Our inability to implement this organic growth strategy successfully may have a negative impact on our growth, future financial condition, results of operations or cash flows.

If we need additional capital to fund our growing operations, we may not be able to obtain sufficient capital and may be forced to limit the scope of our operations.

If adequate additional financing is not available on reasonable terms, we may not be able to expand our production lines and we would have to modify our business plans accordingly. There is no assurance that additional financing will be available to us.

In connection with our growth strategies, we may experience increased capital needs and accordingly, we may not have sufficient capital to fund our future operations without additional capital investments. Our capital needs will depend on numerous factors, including (i) our profitability; (ii) the release of competitive products by our competition; (iii) the level of our investment in research and development; and (iv) the amount of our capital expenditures, including acquisitions. We cannot assure you that we will be able to obtain capital in the future to meet our needs.

In recent years, the securities markets in the United States have experienced a high level of price and volume volatility, and the market price of securities of many companies have experienced wide fluctuations that have not necessarily been related to the operations, performances, underlying asset values or prospects of such companies. For these reasons, our securities can also be expected to be subject to volatility resulting from purely market forces over which we will have no control. If we need additional funding we will, most likely, seek such funding in the United States (although we may be able to obtain funding in the PRC) and the market fluctuations affect on our stock price could limit our ability to obtain equity financing.

If we cannot obtain additional funding, we may be required to: (i) limit our expansion; (ii) limit our marketing efforts; and (iii) decrease or eliminate capital expenditures. Such reductions could materially adversely affect our business and our ability to compete.

Even if we do find a source of additional capital, we may not be able to negotiate terms and conditions for receiving the additional capital that are favorable to us. Any future capital investments could dilute or otherwise materially and adversely affect the holdings or rights of our existing shareholders. In addition, new equity or convertible debt securities issued by us to obtain financing could have rights, preferences and privileges senior to the units. We cannot give you any assurance that any additional financing will be available to us, or if available, will be on terms favorable to us.

Need for additional employees.

Our future success also depends upon our continuing ability to attract and retain highly qualified personnel. Expansion of our business and the management and operation will require additional managers and employees with industry experience, and our success will be highly dependent on our ability to attract and retain skilled management personnel and other employees. There can be no assurance that we will be able to attract or retain highly qualified personnel. Competition for skilled personnel in our industries is significant. This competition may make it more difficult and expensive to attract, hire and retain qualified managers and employees.

Our ability to compete could be jeopardized if we are unable to protect our intellectual property rights or if we are sued for intellectual property infringement.

We believe that our product brand and trademark, AIV, and other proprietary rights are important to our success and our competitive position. We use trademarks on some of our products and believe that having distinctive marks that are readily identifiable is an important factor in creating a market for our goods, in identifying us and in distinguishing our goods from the goods of others. We consider our trademarks to be among our most valuable assets. We believe that our trademarks are generally sufficient to permit us to carry on our business as presently conducted. While we vigorously protect our trademarks against infringement, we cannot assure you that we will be able to secure patents or trademark protection for our intellectual property in the future or that protection will be adequate for future products.

In addition, the laws of foreign countries where we source and distribute our products may not protect intellectual property rights to the same extent as do the laws of the PRC. We cannot assure you that the actions we have taken to establish and protect our trademarks and other intellectual property rights outside the PRC will be adequate to prevent imitation of our products by others or, if necessary, successfully challenge another party’s counterfeit products or products that otherwise infringe on our intellectual property rights on the basis of trademark infringement. Continued sales of these products could adversely affect our sales and our brand and result in the shift of consumer preference away from our products. We may face significant expenses and liability in connection with the protection of our intellectual property rights outside the PRC, and if we are unable to successfully protect our rights or resolve intellectual property conflicts with others, our business or financial condition could be adversely affected.

Our failure to comply with increasingly stringent environmental regulations and related litigation could result in significant penalties, damages and adverse publicity for our business.

In recent years, the government of China has become increasingly concerned with the degradation of China’s environment that has accompanied the country’s rapid economic growth. In the future, we expect that our operations and properties will be subject to extensive and increasingly stringent laws and regulations pertaining to, among other things, the discharge of materials into the environment and the handling and disposition of wastes (including solid and hazardous wastes) or otherwise relating to protection of the environment. Failure to comply with any laws and regulations and future changes to them may result in significant consequences to us, including civil and criminal penalties, liability for damages and negative publicity. We cannot assure you that additional environmental issues will not require currently unanticipated investigations, assessments or expenditures, or that requirements applicable to us will not be altered in ways that will require us to incur significant additional costs.

We will incur significant costs to ensure compliance with United States corporate governance and accounting requirements.

We anticipate there will be additional costs associated with being a public company. Among other costs, we expect to incur approximately $171,600 in consultation/implementation costs to improve our overall internal control process in order to meet the requirements under the Sarbanes-Oxley Act of 2002 for a public company. We also estimate to incur approximately $206,000 in other legal and professional costs annually related to our periodic regulatory filings.

We may not be able to meet the internal control reporting requirements imposed by the SEC resulting in a possible decline in the price of our common stock and our inability to obtain future financing.

As directed by Section 404 of the Sarbanes-Oxley Act, the SEC adopted rules requiring each public company to include a report of management on the company's internal controls over financial reporting in its annual reports. Although the Dodd-Frank Wall Street Reform and Consumer Protection Act exempts companies with a public float of less than $75 million from the requirement that our independent registered public accounting firm attest to our financial controls, this exemption does not affect the requirement that we include a report of management on our internal control over financial reporting and does not affect the requirement to include the independent registered public accounting firm's attestation if our public float exceeds $75 million.

While we expect to expend significant resources in developing the necessary documentation and testing procedures required by Section 404 of the Sarbanes-Oxley Act, there is a risk that we may not be able to comply timely with all of the requirements imposed by this rule. Regardless of whether we are required to receive a positive attestation from our independent registered public accounting firm with respect to our internal controls, if we are unable to do so, investors and others may lose confidence in the reliability of our financial statements and our stock price and ability to obtain equity or debt financing as needed could suffer.

In addition, in the event that our independent registered public accounting firm is unable to rely on our internal controls in connection with its audit of our financial statements, and in the further event that it is unable to devise alternative procedures in order to satisfy itself as to the material accuracy of our financial statements and related disclosures, it is possible that we would be unable to file our Annual Report on Form 10-K with the SEC, which could also adversely affect the market for and the market price of our common stock and our ability to secure additional financing as needed.

The loss of the services of our key employees, particularly the services rendered by Jinlin Guo, our CEO and Chairman and Yilin Shi, our CFO and director, could harm our business.

Our success depends to a significant degree on the services rendered to us by our key employees. If we fail to attract, train and retain sufficient numbers of these qualified people, our prospects, business, financial condition and results of operations will be materially and adversely affected. In particular, we are heavily dependent on the continued services of Jinlin Guo, our CEO and Chairman and Yilin Shi, our CFO and director. The loss of any key employees, including members of our senior management team, and our inability to attract highly skilled personnel with sufficient experience in our industry could harm our business.

Risks Relating to Our Industry

The lack of core technologies is constraining the development of the PRC digital appliances industry which would adversely affect the competitiveness of our products in the market.

The manufacture of a significant number of digital products in the PRC still relies on core technologies held by other countries through patent licenses or other categories of contractual arrangements. The lack of independent core technologies will impose extra license fees and other costs and expenses for the PRC manufacturers, and therefore will adversely affect the competitiveness, profitability and the upgrade of the whole digital appliance industry in the PRC. If the PRC manufacturers fail to invest significantly on the research and development, their market share of digital products in the PRC might be reduced and our sales and business operations will be adversely affected as well.

If we are unable to respond to rapid technological change and improve our products and services, our business could be materially adversely affected.

The household digital appliance industry is characterized by technological advances, changes in customer requirements, frequent new product introductions and enhancements and evolving industry standards in computer hardware and software technology. As a result, we must continually change and improve our products in response to changes in operating systems, application software, sound control systems and programming tools. The introduction of products embodying new technologies and the emergence of new industry standards may render existing products obsolete or unmarketable. Our future operating results will depend upon our ability to enhance our current product and to develop and introduce new products on a timely basis that address the increasingly sophisticated needs of our customers and that keep pace with technological developments, new competitive product offerings and emerging industry standards. If we do not respond adequately to the need to develop and introduce new products or enhancements of our existing product in a timely manner in response to changing market conditions or customer requirements, our operating results may be materially diminished.

If the household digital appliances market in the PRC does not grow as we expect, our results of operations and financial condition will be adversely affected.

We believe household digital appliances have strong growth potential in the PRC and, accordingly, we have continuously increased our production and sales of such digital products. However, the market for household digital appliances in the PRC has grown in recent years due to the increased wealth of the average resident of China, which has been the result of double-digit annual growth in the Chinese economy. Due to the worldwide recession, the growth of the Chinese economy has slowed. If the digital appliances market in the PRC does not grow as we expect, our business will be harmed, we will need to adjust our growth strategy, and our results of operation will be adversely affected.

We require various licenses and permits to operate our business, and the loss of or failure to renew any or all of these licenses and permits could require us to suspend some or all of our production or distribution operations.

In accordance with PRC laws and regulations, we are required to maintain various licenses and permits in order to operate our business. Such licenses and permits include the business license, organization code certificate, approval certificate for establishment of enterprises with investment of Taiwan, Hong Kong, Macao and overseas Chinese in the People's Republic of China, various product certificates and various tax registration certificates. We are in compliance with applicable PRC standards in relation to our production processes. None of the above licenses or permit has ever been revoked or declared ineffective by any regulatory authority. However, we are subject to regular inspections by the regulatory authorities for compliance with applicable regulations. We passed all the inspections so far, such as environmental protection, security and fire safety check, and we did not receive any negative feedback from the government agencies. However, there is no assurance that we will be able to pass the inspections in the future. Failure to pass these inspections, or the loss of or failure to renew our licenses and permits, could require us to temporarily or permanently suspend some or all of our production or distribution operations, which could disrupt our operations and adversely affect our revenues and profitability.

Risks Relating to the People's Republic of China

Certain political and economic considerations relating to the PRC could adversely affect our company.

The PRC is transitioning from a planned economy to a market economy. While the PRC government has pursued economic reforms since its adoption of the open-door policy in 1978, a large portion of the PRC economy is still operating under five-year plans and annual state plans. Through these plans and other economic measures, such as control on foreign exchange, taxation and restrictions on foreign participation in the domestic market of various industries, the PRC government exerts considerable direct and indirect influence on the economy. Many of the economic reforms carried out by the PRC government are unprecedented or experimental, and are expected to be refined and improved. Other political, economic and social factors can also lead to further readjustment of such reforms. This refining and readjustment process may not necessarily have a positive effect on our operations or future business development. Our operating results may be adversely affected by changes in the PRC's economic and social conditions as well as by changes in the policies of the PRC government, such as changes in laws and regulations (or the official interpretation thereof), measures which may be introduced to control inflation, changes in the interest rate or method of taxation, and the imposition of restrictions on currency conversion in addition to those described below.

The recent nature and uncertain application of many PRC laws applicable to us create an uncertain environment for business operations and they could have a negative effect on us.

The PRC legal system is a civil law system. Unlike the common law system, the civil law system is based on written statutes in which decided legal cases have little value as precedents. In 1979, the PRC began to promulgate a comprehensive system of laws and has since introduced many laws and regulations to provide general guidance on economic and business practices in the PRC and to regulate foreign investment. Progress has been made in the promulgation of laws and regulations dealing with economic matters such as corporate organization and governance, foreign investment, commerce, taxation and trade. The promulgation of new laws, changes of existing laws and the abrogation of local regulations by national laws could have a negative impact on our business and business prospects.

Currency conversion could adversely affect our financial condition.

The PRC government imposes control over the conversion of Renminbi into foreign currencies. Under the current unified floating exchange rate system, the People's Bank of China publishes an exchange rate, which we refer to as the PBOC exchange rate, based on the previous day's dealings in the inter-bank foreign exchange market. Financial institutions authorized to deal in foreign currency may enter into foreign exchange transactions at exchange rates within an authorized range above or below the PBOC exchange rate according to market conditions.

Pursuant to the Foreign Exchange Control Regulations of the PRC issued by the State Council which came into effect on April 1, 1996, and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment of the PRC which came into effect on July 1, 1996, regarding foreign exchange control, conversion of Renminbi into foreign exchange by Foreign Investment Enterprises, or FIEs, for use on current account items, including the distribution of dividends and profits to foreign investors, is permissible. FIEs are permitted to convert their after-tax dividends and profits to foreign exchange and remit such foreign exchange to their foreign exchange bank accounts in the PRC. Conversion of Renminbi into foreign currencies for capital account items, including direct investment, loans, and security investment, is still under certain restrictions. On January 14, 1997, the State Council amended the Foreign Exchange Control Regulations and added, among other things, an important provision, which provides that the PRC government shall not impose restrictions on recurring international payments and transfers under current account items.

Enterprises in the PRC (including FIEs) which require foreign exchange for transactions relating to current account items, may, without approval of the State Administration of Foreign Exchange, or SAFE, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks by providing valid receipts and proofs.

Convertibility of foreign exchange in respect of capital account items, such as direct investment and capital contribution, is still subject to certain restrictions, and prior approval from the SAFE or its relevant branches must be sought.

Furthermore, the Renminbi is not freely convertible into foreign currencies nor can it be freely remitted abroad. Under the PRC’s Foreign Exchange Control Regulations and the Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, Foreign Invested Enterprises are permitted either to repatriate or distribute its profits or dividends in foreign currencies out of its foreign exchange accounts, or exchange Renminbi for foreign currencies through banks authorized to conduct foreign exchange business. The conversion of Renminbi into foreign exchange by Foreign Invested Enterprises for recurring items, including the distribution of dividends to foreign investors, is permissible. The conversion of Renminbi into foreign currencies for capital items, such as direct investment, loans and security investment, is subject, however, to more stringent controls.

Exchange rate volatility could adversely affect our financial condition.

The value of the RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions as well as economic policies of the PRC. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the RMB to the U.S. dollar. Under the new policy, the RMB has been permitted to fluctuate within a narrow and managed band against a basket of foreign currencies. This change in policy has resulted in an approximately 16.4% appreciation of the RMB against the U.S. dollar between July 21, 2005 and July 15, 2010, and as of November 23, 2010, the exchange rate was RMB 6.63 to $1.00. There remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in a further and more significant appreciation of the RMB against the U.S. dollar. In June 2010, the PRC government indicated that it would make the foreign exchange rate of the RMB more flexible, which increases the possibility of sharp fluctuations in RMB value in the near future and thus unpredictability associated with RMB exchange rates.

Substantially all of our revenues and costs are denominated in the RMB, and a significant portion of our financial assets is also denominated in the RMB. Further, we rely principally on dividends and other distributions paid by our operating subsidiaries in China. Any significant revaluation of the RMB could materially and adversely affect our cash flows, revenues, earnings and financial position, and the value of, and any dividends payable with respect to, our shares in U.S. dollars. Any fluctuations of the exchange rate between the RMB and the U.S. dollar could also result in foreign currency translation losses for financial reporting purposes.

Since our assets are located in the PRC, any dividends of proceeds from liquidation are subject to the approval of the relevant Chinese government agencies.

Our operating assets are located inside the PRC. Under the laws governing Foreign Invested Enterprises in the PRC, dividend distribution and liquidation are allowed but subject to special procedures under the relevant laws and rules. The principal laws, rules and regulations governing dividends paid by our PRC subsidiaries include the Company Law of the PRC (1993), as amended in 2006, the Wholly Foreign Owned Enterprise Law (1986), as amended in 2000, and the Wholly Foreign Owned Enterprise Law Implementing Rules (1990), as amended in 2001. Pursuant to these laws and rules, each of our PRC subsidiaries is required to allocate at least 10% of its after-tax profit each year to its statutory capital reserve fund until the accumulative amount of such reserve reaches 50% of its respective registered capital. Furthermore, each of our PRC subsidiaries may allocate its after-tax profits, the portion of which shall be determined by such subsidiary’s shareholders meeting, to its discretionary funds. Neither statutory nor discretionary reserves are distributable as cash dividends. Since any dividend payment will be subject to the decision of the board of directors and subject to the abovementioned foreign exchange rules governing such repatriation, there will be additional risk for our investors in case of dividend payment and liquidation.

It may be difficult to affect service of process and enforcement of legal judgments upon our company and our officers and directors because they reside outside the United States.

As our operations are presently based in the PRC and our director and officer resides in the PRC, service of process on our company and such director and officer may be difficult to effect within the United States. Also, our main assets are located in the PRC and any judgment obtained in the United States against us may not be enforceable outside the United States.

Under the PRC laws on the distribution of dividends by our PRC Operating Companies, we may not be able to pay dividends to our stockholders.

The Wholly-Foreign Owned Enterprise Law (1986), as amended and The Wholly-Foreign Owned Enterprise Law Implementing Rules (1990), as amended and the Company Law of the PRC (2006) contain the principal regulations governing dividend distributions by wholly foreign owned enterprises. Under these regulations, wholly foreign owned enterprises may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. Additionally, such companies are required to allocate at least 10% of its after-tax profit each year to its statutory capital reserve fund until the accumulative amount of such reserve reaches 50% of its respective registered capital. Furthermore, each of the wholly foreign owned enterprises may allocate its after-tax profits, the portion of which shall be determined by such enterprise’s shareholders meeting, to its discretionary funds. Neither statutory nor discretionary reserves are distributable as cash dividends. The PRC government also imposes controls on the conversion of RMB into foreign currencies and the remittance of currencies out of the PRC. We may experience difficulties in completing the administrative procedures necessary to obtain and remit foreign currency for the payment of dividends from the Company’s profits.

AIVtech-Shenzhen is a wholly-owned subsidiary of AIVtech-HK and a wholly foreign owned enterprise in the PRC. Its permitted business purpose includes technology developments, import and export of digital/multimedia speakers, internet devices and electronic products.

Furthermore, if our subsidiaries in China incur debt on their own in the future, the instruments governing the debt may restrict its ability to pay dividends or make other payments. If we or our subsidiaries are unable to receive all of the revenues from our operations, we may be unable to pay dividends on our common stock.

PRC regulation of direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds from the financing to make additional capital contributions to our PRC subsidiaries.

On August 29, 2008, State Administration of Foreign Exchange, or SAFE, promulgated the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign Invested Enterprises, or SAFE Circular 142, regulating the conversion by a foreign-invested enterprise of foreign currency registered capital into Renminbi by restricting how the converted Renminbi may be used. SAFE Circular 142 provides that the Renminbi capital converted from foreign currency registered capital of a foreign-invested enterprise may only be used within the business scope approved by the applicable governmental authority and may not be used for equity investments within the PRC, unless it is provided for otherwise. In addition, SAFE strengthened its oversight of the flow and use of the Renminbi capital converted from foreign currency registered capital of a foreign-invested company. The use of such Renminbi capital may not be altered without SAFE approval, and such Renminbi capital may not in any case be used to repay Renminbi loans if the proceeds of such loans have not been used. If we raise any funds in the United States in the further, we expect that if we convert the net proceeds into Renminbi pursuant to SAFE Circular 142, our use of Renminbi funds will be for purposes within the approved business scope of our PRC subsidiaries. Such business scope permits our PRC subsidiaries to provide technical and operational support to our consolidated entities. However, we may not be able to use such Renminbi funds to make equity investments in the PRC through our PRC subsidiaries.

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

We are dependent on our relationship with the local government in the province in which we operate our business. Chinese 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, 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 these jurisdictions 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.

Future inflation in China may inhibit our ability to conduct business in China. In recent years, the Chinese economy has experienced periods of rapid expansion and high rates of inflation. Rapid economic growth can lead to growth in the money supply and rising inflation. If prices for our products rise at a rate that is insufficient to compensate for the rise in the costs of supplies, it may have an adverse effect on profitability. These factors have led to the adoption by Chinese government, from time to time, of various corrective measures designed to restrict the availability of credit or regulate growth and contain inflation. High inflation may in the future cause Chinese government to impose controls on credit and/or prices, or to take other action, which could inhibit economic activity in China, and thereby harm the market for our products.

Risks Relating to Our Securities

In order to raise sufficient funds to expand our operations, we may have to issue additional securities at prices which may result in substantial dilution to our shareholders.

If we raise additional funds through the sale of equity or convertible debt, our current stockholders' percentage ownership will be reduced. In addition, these transactions may dilute the value of our securities outstanding. We may have to issue securities that may have rights, preferences and privileges senior to our common stock. We cannot provide assurance that we will be able to raise additional funds on terms acceptable to us, if at all. If future financing is not available or is not available on acceptable terms, we may not be able to fund our future needs, which would have a material adverse effect on our business plans, prospects, results of operations and financial condition.

Our securities have not been registered under the Securities Act, and cannot be sold without registration under the Securities Act or any exemption from registration.

Our securities should be considered a long-term, illiquid investment. Our securities have not been registered under the Securities Act, and cannot be sold without registration under the Securities Act or any exemption from registration. In addition, our securities are not registered under any state securities laws that would permit their transfer. Because of these restrictions and the absence of an active trading market for the securities, a shareholder will likely be unable to liquidate an investment even though other personal financial circumstances would dictate such liquidation.

We are not likely to pay cash dividends in the foreseeable future.

We currently intend to retain any future earnings for use in the operation and expansion of our business. Accordingly, we do not expect to pay any cash dividends in the foreseeable future, but will review this policy as circumstances dictate. Should we determine to pay dividends in the future, our ability to do so will depend upon the receipt of dividends or other payments from our PRC operating subsidiary may, from time to time, be subject to restrictions on its ability to make distributions to us, including restrictions on the conversion of RMB into U.S. dollars or other hard currency and other regulatory restrictions.

We may be subject to the penny stock rules which will make our securities more difficult to sell.

If we are able to obtain a listing of our securities on a national securities exchange, we may be subject in the future to the SEC's "penny stock" rules if our securities sell below $5.00 per share. Penny stocks generally are equity securities with a price of less than $5.00. The penny stock rules require broker-dealers to deliver a standardized risk disclosure document prepared by the SEC which provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer must also provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson, and monthly account statements showing the market value of each penny stock held in the customer's account. The bid and offer quotations, and the broker-dealer and salesperson compensation information must be given to the customer orally or in writing prior to completing the transaction and must be given to the customer in writing before or with the customer’s confirmation.

In addition, the penny stock rules require that prior to a transaction, the broker dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser’s written agreement to the transaction. The penny stock rules are burdensome and may reduce purchases of any offerings and reduce the trading activity for our securities. As long as our securities are subject to the penny stock rules, the holders of such securities may find it more difficult to sell their securities.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus contains certain forward-looking statements. When used in this Prospectus or in any other presentation, statements which are not historical in nature, including the words “anticipate,” “estimate,” “should,” “expect,” “believe,” “intend,” “may,” “project,” “plan” or “continue,” and similar expressions are intended to identify forward-looking statements. They also include statements containing a projection of revenues, earnings or losses, capital expenditures, dividends, capital structure or other financial terms.

The forward-looking statements in this Prospectus are based upon our management’s beliefs, assumptions and expectations of our future operations and economic performance, taking into account the information currently available to them. These statements are not statements of historical fact. Forward-looking statements involve risks and uncertainties, some of which are not currently known to us that may cause our actual results, performance or financial condition to be materially different from the expectations of future results, performance or financial condition we express or imply in any forward-looking statements. These forward-looking statements are based on our current plans and expectations and are subject to a number of uncertainties and risks that could significantly affect current plans and expectations and our future financial condition and results.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Prospectus might not occur. We qualify any and all of our forward-looking statements entirely by these cautionary factors. As a consequence, current plans, anticipated actions and future financial conditions and results may differ from those expressed in any forward-looking statements made by or on our behalf. You are cautioned not to unduly rely on such forward-looking statements when evaluating the information presented herein.

USE OF PROCEEDS

We will not receive any of the proceeds from the sale of our common stock by the selling shareholders. The selling shareholders will receive all of the net proceeds from the sales of common stock offered by them under this prospectus. To the extent that the selling shareholders exercise, for cash, all of the warrants covering the 301,601 shares of common stock registered for resale under this prospectus, we would receive approximately $1,206,404 in the aggregate from such exercises. We intend to use such proceeds for working capital, and other general corporate purposes. We will have complete discretion over how we may use the proceeds, if any, from any exercise of the warrants.

DETERMINATION OF OFFERING PRICE

Our common stock is quoted on the OTCBB under the symbol “AIVI.” There is very limited and sporadic trading of our common stock and the last trade was completed on December 2, 2011 where 100 shares were sold at $0.38 per share. The existence of these limited and sporadic quotations is not deemed to constitute an “established public trading market.”

There are 22,515,334 shares of common stock issued and outstanding as of the date hereof, among which 2,513,334 shares were issued in the private placement. The 2,513,334 shares of common stock are being registered in this prospectus. There are also Investor Warrants to purchase 251,334 shares of common stock and Placement Agent Warrants to purchase 50,267 shares of common stock at an exercise price of $4.00 per share that were issued in the private placement. The 301,601 shares underlying the Warrants are also being registered in this Registration Statement. There are no other options or warrants to purchase, or securities convertible into, common equity.

The selling stockholders may offer all or part of their Shares for resale from time to time through public or private transactions, at either prevailing market prices or at privately negotiated prices. The price of $3.00 per unit that the selling stockholders paid for the Shares in the private placement does not reflect market forces, and it should not be regarded as an indicator of any future market price of our securities.

MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock is thinly traded on the OTCBB under the symbol AIVI. There can be no assurance that a liquid market for our securities will ever develop. Transfer of our common stock may also be restricted under the securities or blue sky laws of various states and foreign jurisdictions. Consequently, investors may not be able to liquidate their investments and should be prepared to hold the common stock for an indefinite period of time.

The following table sets forth, for the periods indicated, the high and low bid prices for our common stock on the OTC Bulletin Board as reported by various OTCBB market makers. The quotations do not reflect adjustments for retail mark-ups, mark-downs, or commissions and may not necessarily reflect actual transactions.

Quarter Ended	High Bid ($)	Low Bid ($)
Fourth Quarter ended December 31, 2010	$ 5.25	$ 4.00
First Quarter ended March 31, 2011	4.07	2.00
Second Quarter ended June 30, 2011	3.00	0.55
Third Quarter ended September 30, 2011	0.47	0.36
Fourth Quarter until December 15, 2011	0.90	0.22

Holders of Our Common Stock

As of the date of this registration statement, we had approximately 463 shareholders of our common stock.

Dividends

We have paid dividends in the amount of $4,400,634 for the nine months ended September 30, 2010. We currently do not anticipate paying any cash dividends in the foreseeable future on our common stock, when issued pursuant to this offering. Although we intend to retain our earnings, if any, to finance the exploration and growth of our business, our Board of Directors will have the discretion to declare and pay dividends in the future. Payment of dividends in the future will depend upon our earnings, capital requirements, and other factors, which our Board of Directors may deem relevant.

Transfer Agent and Registrar

Island Stock Transfer Company is currently the transfer agent and registrar for our common stock. Its address is 100 Second Avenue South, Suite 705S, St. Petersburg, FL 33701. Its phone number is (727) 289-0010.

Securities Authorized for Issuance Under Equity Compensation Plans

We presently do not have any equity based or other long-term incentive programs. In the future, we may adopt and establish an equity-based or other long-term incentive plan if it is in the best interest of the Company and our stockholders to do so.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Our discussion includes forward-looking statements based upon current expectations that involve risks and uncertainties, such as our plans, objectives, expectations and intentions. Actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including those set forth under the Risk Factors, Cautionary Notice Regarding Forward-Looking Statements and Business sections in this Prospectus. We use words such as "anticipate," "estimate," "plan," "project," "continuing," "ongoing," "expect," "believe," "intend," "may," "will," "should," "could," and similar expressions to identify forward-looking statements

COMPANY OVERVIEW

AIVtech, through its PRC subsidiaries, engages in the business of designing, manufacturing and selling electronic furniture, digital/ multimedia speakers, and LCD/LED television under its own products brand – AIV, which stands for Audio & Interactive Video. Besides its own AIV brand, AIVtech also specializes in both Original Equipment Manufacturing ("OEM") and Original Design Manufacturing ("ODM") services. We integrate two traditional industries, which are electronics industry and furniture industry, into a new industry – electronic furniture industry.

On March 30, 2011, our subsidiary AIVtech-Shenzhen incorporated AIVtech-Henan as a limited liability company in China, with a registered capital of RMB 50 million, or approximately $7.6 million. As of September 30, 2011, a total capital contribution of RMB 10 million, or approximately $1.5 million, was contributed to AIVtech-Henan, of which RMB 6 million was contributed by AIVtech-Shenzhen and RMB 4 million was contributed by Mr. Jinlin Guo, our chief executive officer and chairman of the board of directors. As of September 30, 2011, we have paid RMB 30 million, or approximately $4.6 million, to local government as land use right deposit. AIVtech-Henan currently has no operations but will start to construct a manufacturing plant in Henan province once the local government approves the land use right, which is expected by the end of December 2011. Accordingly, there were no operating activities reported for AIVtech-Henan for the quarter ended September 30, 2011.

Restatement of previous issued financial statements

We have reclassified and restated certain line items on the 2009 consolidated financial statements. The restatement has no impact on the 2009 consolidated statement of income and comprehensive income. However, as a result of the restatements, the corresponding line items on the consolidated statements of cash flows have been restated.

RESULTS OF OPERATIONS

Results of Operations for the three months ended September 30, 2011 as compared to the three months ended September 30, 2010

The following table presents certain information from the condensed consolidated statement of operations for the three months ended September 30, 2011 and 2010.

	2011	2010	change	%change
Net sales	$ 20,667,885	$ 27,419,290	(6,751,405)	-24.62 %
Cost of sales	(16,139,318)	(21,417,974)	5,278,656	-24.65 %
Gross profit	4,528,567	6,001,316	(1,472,749)	-24.54 %
Operating expenses				
Selling expense	(205,717)	(212,779)	7,062	-3.32 %

General administrative expenses	(468,643)	(507,006)	38,363	-7.57 %
Total operating expenses	(674,360)	(719,785)	45,425	-6.31 %
Income from Operations	3,854,207	5,281,531	(1,427,324)	-27.02 %
Other income (expenses)				
Change in fair value of warrants liability	178,748	-		100.00 %
Interest income	23,679	5,724	17,955	313.68 %
Interest expenses	(331)	(5,035)	4,704	-93.43 %
Total other income	202,096	689	201,407	29231.79 %
Income before income tax	4,056,303	5,282,220	(1,225,917)	-23.21 %
Provision for Income taxes	(590,686)	(720,648)	129,962	-18.03 %
Net income	3,465,617	4,561,572	(1,095,955)	-24.03 %

The following table sets forth the breakdown of our revenue, cost of sales, and gross profit by product category for the three months ended September 30, 2011 and 2010, respectively:

	For the three months ended							
	September 30, 2011					September 30, 20		
Product categories	Revenue	%	Cost of sales	Gross profit	Gross profit %	Revenue	Cost of sales	G
Furniture audio	9,685,512	46.9 %	7,113,599	2,571,913	26.6 %	13,487,500	10,219,143	
Multi-media speaker	5,828,737	28.2 %	4,580,262	1,248,475	21.4 %	3,362,057	2,358,773	
LED TV	5,153,636	24.9 %	4,445,457	708,179	13.7 %	10,569,733	8840058	
Total	20,667,885	100.0 %	16,139,318	4,528,567	21.9 %	27,419,974	21,419,974	

The Company's products can be divided into three categories: casual furniture audio, multi-media speakers and LED TV. Furniture audio is the leading selling product of the Company, which accounted for about 46.9% of total sales for the three months ended September 30, 2011. In addition, sales of TV product decreased during the quarter as compared to three months ended September 30, 2010. As a result, total sales for the three months ended September 30, 2011 was $20,667,885 compared to $27,419,290 for the same period in 2010, representing a decrease of $6,751,405 or approximately 25%. The decrease in sales revenue was driven by fewer sales orders received from our customers than in the same quarter last year. The Company also obtained several large sales orders in September 2011, but these sales orders were still under manufacturing as of September 30, 2011 and will be delivered to customers by October 2011.

Sales revenue from furniture audio product decreased from $13.49 million for the quarter ended September 30, 2010 to $9.68 million for the same quarter ended September 30, 2011, representing $3.80 million, or approximately 28% decrease in the third quarter this year as compared to the same quarter last year. In terms of quantity sold, quantity sold of furniture audio products decreased from 1,221,879 units during the quarter ended September 30, 2010 to only 763,278 units sold for the quarter ended September 30, 2011, representing 37.53% decrease. The decrease in furniture audio products during the period was due to decreased sales order received from distributors affected by competitive market environment. The Company's furniture audio product is primarily exported to U.S and European market through distributors and the quantity sold is affected by the overall economy conditions of these major markets. As the economy conditions in the U.S. and Europe went down, export demand for this product declined, accordingly, sales revenue went down for the quarter ended September 30, 2011 as compared to prior comparative period.

Sales revenue from multi-media speaker product increased from $3.36 million for the quarter ended September 30, 2010 to $5.83 million for the quarter ended September 30, 2011, representing $2.46 million, or approximately 73% increase. The increase is contributed by increased orders of multi-media speaker product from one of the major distributors during the third quarter this year. In terms of quantity sold for multi-media speakers, 502,895 multi-media speakers were sold during the quarter as compared to only 342,320 items sold during the prior comparative period. Quantity sold increased 46.91% for this product.

Sales revenue from TV product also decreased from $10.57 million for the quarter ended September 30, 2010 to only $5.15 million for the quarter ended September 30, 2011. In terms of quantity sold, 71,443 units were sold in 2010 and only 32,907 items were sold during current quarter, representing 20.58% decrease. The Company just started to produce TV product in May 2010 and as a result, sales revenue for the quarter ended September 30, 2010 climbed as of September 30, 2010 because major distributor Guangdong Guanghong Import and Export Company ordered significant amount of TV products to be distributed to overseas market for the quarter ended September 30, 2010. However, during the quarter ended September 30, 2011, Guanghong reduced its orders on TV products because orders from 2011first two quarters have not been fully distributed and accordingly Guanghong reduced orders on TV product in order to avoid inventory stockpile.

Cost of Sales

Cost of sales for the quarter ended September 30, 2011 was $16,139,318 as compared to $21,417,974 for the same quarter last year, a decrease $5,278,656, or approximately 25%, especially the decrease in sales revenue of both TV product and furniture audio product, which led to decrease in cost of revenue related to these product categories. Cost of sales on multi-media product increased $2.22 million because 160,575 more items were sold for this product during the quarter ended September 30, 2011, which led to more cost of sales were allocated on this product. However, as quantity sold for furniture audio and TV products decreased, cost of sales related to these two product sales decreased accordingly. Cost of sales on furniture audio product was $7.11 million for the quarter ended September 30, 2011 as compared to $10.22 million for prior comparative period, representing $3.11 million decrease; cost of sales on TV product decreased $4.40 million when comparing the same quarter in 2010.

Gross Profit

Total gross profit for the three months ended September 30, 2011 was $4,528,567 (or 21.9% of revenue) as compared to $6,001,316 (or 21.9% of revenue) for the same quarter in 2010, a decrease of $1,472,749, or approximately 25%. The decrease of our gross profit was driven by the overall decrease in our sales revenue. In terms of product category sales, gross profit margin on furniture audio product, multi-media speaker and TV product was 26.6%, 21.4% and 13.7%, respectively.

The following table summarizes the gross profit by product categories:

	For the three months ended September 30,			
Gross profit	2011	2010	Increase (Decrease)	% change
Multi-media speaker	1,248,475	1,003,284	245,191	24.4 %
Furniture audio	2,571,914	3,268,356	(696,442)	(21.3)%
TV product	708,179	1,729,675	(1,021,496)	(59.1)%
Total	4,528,568	6,001,315	(1,472,747)	(24.5)%

Selling, General and Administrative Expense

The Company’s selling and distribution expenses include: Advertising and promotion expenses, such as billboard and other physical advertising cost, and costs associated with showroom or exhibits; salary and commission paid to sales representatives; and shipping fees incurred to deliver the sales orders to customers

Selling expense for the quarter ended September 30, 2011 was $205,717 as compared to $212,779 for the same quarter in 2010, a decrease of $7,062, or approximately 3.32%. The decrease is associated with lower amount of advertising expense incurred to promote the sales of our TV products than in prior comparative period.

General and administrative expense for the quarter ended September 30, 2011was $468,643 compared to $507,006 for the same period in 2010, representing a decrease of $38,363, or approximately 7.57%. Most of the general and administrative expense incurred during the quarter ended September 30, 2011 was consulting and professional fees paid to U.S. attorney, auditor and other service providers in connection with the Form S-1 filing and amendment and settle the litigation between the Company and CCG Investor Group, the Company also incurred certain expenses in newly formed subsidiary Henan AIVtech with regard the registration and application for the land use right.

Change in Fair Value of Warrants

The Company issued warrants to investors and placement agents in connection with the private placement offering on December 29, 2010. These warrants are marked to market at each reporting period. The Company determined the fair value of the warrants at December 29, 2010, the date of the issuance was $1.40 per share. The Company determined the fair value of the warrants at September 30, 2011 was $0.43 per share. Since the fair value of the warrants liability decreased, we recorded a gain of $178,748 to reflect the change in the fair value of the warrants for the three months ended September 30, 2011. There were no warrants issued or outstanding for the same period in 2010.

Income Taxes

Income tax expense for the three months ended September 30, 2011 was $590,686 as compared to $720,648 for the same quarter last year, representing a decrease of $129,962 or 18%. The decrease was mainly due to the decreased sales revenue and taxable income for the period indicated.

Net Income

Net income for the three months ended September 30, 2011 was $3,465,617 as compared to $4,561,572 for the same quarter last year, a decrease of $1.1 million, or 24.0%. The decrease in net income was primarily due to decreased sales revenue in the third quarter of 2011.

Results of Operations for the nine months ended September 30, 2011 as compared to the nine months ended September 30, 2010

The following table presents certain information from the condensed consolidated statement of operations of AIVtech International Group Co. for the nine months ended September 30, 2011 and 2010.

	2011	2010	change	%change
Net sales	$ 54,426,551	$ 56,101,695	(1,675,144)	-2.99 %
Cost of sales	(42,419,946)	(42,644,943)	224,997	-0.53 %
Gross profit	12,006,605	13,456,752	(1,450,147)	-10.78 %
Operating expenses				
Selling expense	(634,199)	(505,973)	(128,226)	25.34 %
General administrative expenses	(1,571,605)	(1,366,649)	(204,956)	15.00 %
Total operating expenses	(2,205,804)	(1,872,622)	(333,182)	17.79 %
Income from Operations	9,800,801	11,584,130	(1,783,329)	-15.39 %
Other income (expenses)				
Change in fair value of warrants liability	170,201	-		100.00 %
Interest income	49,570	12,933	36,637	283.28 %
Interest expenses	(22,807)	(11,362)	(11,445)	100.73 %
Total other income (expense)	196,964	1,571	195,393	12437.49 %
Income before income tax	9,997,765	11,585,701	(1,587,936)	-13.71 %
Provision for Income taxes	(1,530,232)	(1,471,624)	(58,608)	3.98 %
Net income	8,467,533	10,114,077	(1,646,544)	-16.28 %

The following table sets forth the breakdown of our revenue, cost of sales, and gross profit by product category for the nine months ended September 30, 2011 and 2010, respectively:

	For the nine months ended						
	September 30, 2011					September 3	
Product categories	Revenue	%	Cost of sales	Gross profit	Gross profit %	Revenue	Cost of sales
Furniture audio	$ 25,698,064	47.2 %	$ 19,346,643	$ 6,351,421	24.7 %	$ 36,522,924	$ 26,973,227
Multi-media speaker	14,149,588	26.0 %	10,627,986	3,521,602	24.9 %	7,766,127	5,716,296
LED TV	14,578,899	26.8 %	12,445,317	2,133,582	14.6 %	11,812,644	9955421
Total	$ 54,426,551	100.0 %	$ 42,419,946	$ 12,006,605	22.1 %	$ 56,101,695	$ 42,644,944

The Company's products can be divided into three categories: casual furniture audio, multi-media speakers and LEDTV. Furniture audio is the leading selling product of the Company, which accounted for about 47% of total sales for the nine months ended September 30, 2011. For the nine months ended September 30, 2011, the Company received fewer sales orders than in prior comparative period. As a result, total sales for the nine months ended September 30, 2011 was $54,426,551, as compared to $56,101,695 for the same period in 2010, a decrease of $1,675,144 or approximately 3%.

Sales revenue from furniture audio product for the nine months ended September 30, 2011 was $25.70 million as compared to $36.52 million for the same period last year, a decrease $10.82 million, or approximately 30%. The decrease in furniture audio products during the period was due to decreased sales order received from major distributors, also affected by competitive market environment. The Company's furniture audio product is primarily exported to U.S and European market through distributors and the quantity sold is affected by the overall economy conditions and customer demands of these major markets. As the economy conditions in the U.S. and Europe went down, export demand for this product declined accordingly. As a result, the Company's sales revenue from this product category declined.

Sales revenue from multi-media speaker product for the nine months ended September 30, 2011 was $14.15 million as compared to $7.77 million for the same period last year, an increase $6.38 million, or approximately 82%. The increase is contributed by increased quantity sold from 822,938 unit sold for the nine months ended September 30, 2010 to 1,263,873 units sold during the nine months ended September 30, 2011.

Sales revenue from TV product for the nine months ended September 30, 2011 was $14.58 million as compared to $11.81 million for the same period of last year, an increase of $2.77 million, or approximately 23%. The Company just started TV production in May 2010 and began to sell TV product in June 2010. As a result, total 79,443 sets of TV product have been sold during the nine months ended September 30, 2010 as compared to 94,195 sets of TV product have been sold for the nine months ended September 30, 2011, corresponding quantity sold increased 18.57%.

For the upcoming fourth quarter ended December 31, 2011, we anticipate a positive sales trend which will lead to an increase in our sales revenue due to due to our high product quality, more variety of product choice to target different customers, relatively stable unit sales price and more sales orders from customers.

Cost of Sales

Total costs of sales for the nine months ended September 30, 2011 was $42,419,946 as compared to $42,644,943 for the same period in 2010, a decrease of $224,997, or approximately 1%. The Company's cost of goods sold primarily consisted of raw materials costs, direct labor costs and overhead costs. These costs are accumulated in a cost pool allocating to finished goods, and only transferred out as Cost of sales when finished goods are sold to customers. The decrease in cost of revenue was primarily affected by decreased sales of furniture audio product which led to less cost to be allocated, offset by increased sales of TV product which normally has higher cost and lower profit margin than the Company’s other product category. Normally, cost of sales for TV product is higher than our other two categories of product due to higher production cost, especially higher raw material cost per unit. And the production costs and cost of sales per unit for our multimedia speaker and audio furniture products are within a relative stable range.

Gross Profit

Gross profit for the nine months ended September 30, 2011 was $12.01 million (or 22.1% of revenue) as compared to $13.46 million (or 24% of revenue) for the same period in 2010, a decrease of $1.45 million, or approximately 10.8%. The decrease is driven by the overall decrease in sales revenue for the nine months ended September 30, 2011. In terms of product category sales, for the nine months ended September 30, 2011, total of 94,195 units of TV product have been sold as compared to only 79,443 units sold in the same period of 2010. The company began to produce TV from June 2010, the production cost for TV product are higher than other product categories and gross profit margin for this new product is lower than other mature products, which resulted an offset to the overall gross profit margin. For the nine months ended September 30, 2011, our gross profit margin on furniture audio product, multi-media speaker and TV product was 24.7%, 24.9% and 14.6%, respectively.

The following table summarizes the gross profit by product categories:

	For the nine months ended September 30,			
Gross profit	2011	2010	Increase (Decrease)	% change
Multi-media speaker	3,521,602	2,049,831	1,471,771	71.8 %
Furniture audio	6,351,422	9,549,697	(3,198,275)	(33.5)%
TV product	2,133,582	1,857,223	276,359	14.9 %
Total	12,006,606	13,456,751	(1,450,145)	(10. 8)%

Selling, General and Administrative Expense

Our selling and distribution expenses included advertising and promotion expenses, such as billboard and other physical advertising cost, and costs associated with our showroom or exhibits; salary and commission paid to sales representatives, and shipping fees incurred to deliver the sales orders to customers

Selling expense for the nine months ended September 30, 2011 was $634,199 as compared to $505,973 for the same period in 2010, an increase of $128,126, or approximately 25.3%. The increase is associated with higher advertising expense to promote the sales of our TV products than in prior comparative period. Total advertising and promotion expense amounted to $17,246 for the nine months ended September 30, 2011. In addition, the Company incurred more product testing and sampling expenses than in prior comparative period. Total product testing and sampling expense increased $73,309 for the nine months ended September 30, 2011 as compared to prior comparative period.

General and administrative expense for the nine months ended September 30, 2011 was $1,571,605 as compared to $1,366,649 for the same period in 2010, an increase of $204,956, or approximately 15%. The increase is associated with the general and administrative expenses incurred on our newly formed subsidiary Henan AIVtech, plus increased legal and accounting fees in connection with Form S-1 filing and amendment. The increase in our general and administrative expense was also affected by $76,865 settlement payment paid to CCG Investor Group for service provided during prior year. After the Company made the payment to CCG, CCG withdrew the lawsuit filed with U.S. Court in September 2011.

Interest Income and Interest Expense

The interest income and interest expenses for the nine months ended September 30, 2011 were $49,570 and $22,123, as compared to $12,933 and $11,362 for the same period of last year, an increase of $36,637 and $10,761, or approximately 283% and 95%, respectively. The increased interest expenses is mainly due to our short term borrowing of RMB 6 million (approximate to $913,385) from Shenzhen Top Finance Guaranty Investment Inc in order to pay the registered capital of newly formed subsidiary AIVtech-Henan. The loan was repaid in full with interest expenses amounted $16,838 on June 27, 2011.

Change in Fair Value of Warrants

The Company issued warrants to investors and placement agents in connection with the private placement offering on December 29, 2010. These warrants are marked to market at each reporting period. The Company determined the fair value of the warrants at December 29, 2010, the date of the issuance was $1.40 per share. The Company determined the fair value of the warrants at September 30, 2011 was $0.43 per share. Since the fair value of the warrants liability decreased, we recorded a gain of $170,201 to reflect the change in the fair value of the warrants in earnings for the nine months ended September 30, 2011. There were no warrants issued or outstanding for the same period in 2010.

Income Taxes

Income tax expense for the nine months ended September 30, 2011 was $1,530,232 as compared to $1,471,624 for the same period last year, an increase of $58,608 or approximately 4.0%. The slightly increase was primarily affected by the exchange rate fluctuation used to convert the Company's functional currency Chinese Renminbi into our reporting currency US dollar.

Net Income

Net income was $8,467,533 for the nine months ended September 30, 2011 as compared to $10,114,077 for the same period of 2010, a decrease of $1,646,544, or approximately 16.28%. The decrease in net income was primarily due to decreased sales revenue, increased cost of sales and increased operating expenses for the period indicated.

Results of operations for the year ended December 31, 2010 as compared to the year ended December 31, 2009

The following table presents certain information from the consolidated statement of operations of AIVtech International Group Co. for the year ended December 31, 2010 and 2009.

	2010	2009	Change	%Change
Net sales	$68,334,543	$38,469,185	29,865,358	78 %
Cost of sales	(52,459,912)	(28,064,339)	(24,395,573)	87 %
Gross profit	15,874,631	10,404,846	5,469,785	53 %

Operating expenses				
Selling expense	(741,738)	(644,757)	(96,982)	15%
General administrative expenses	(2,146,465)	(1,433,254)	(713,211)	50%
Total operating expenses	(2,888,203)	(2,078,011)	(810,192)	39%
Income from Operations	12,986,428	8,326,835	4,659,593	56%
Other income (expenses)				
Change in warrants liability	122,795	-	122,795	100%
Interest income(expense), net	1,147	(20,245)	21,392	-106%
Total other income (expense)	123,943	(20,245)	144,188	712%
Income before income tax	13, 110,371	8,306,590	4,803,781	58%
Provision for Income taxes	(1,715,218)	(830,659)	(884,559)	106%
Net income	11,395,153	7,475,931	3,919,222	52%

Sales

The following table sets forth the breakdown of our revenue, cost of sales, and gross profit by product category for the years ended December 31, 2010 and 2009, respectively:

	For the year ended									
	December 31,2010				December 31,2009					
Product categories	Revenue	Cost of sales	Gross profit	Gross profit%	Revenue	Cost of sales	Gross profit	Gross profit %	Revenue Amount	
Furniture audio	41,417,493	30,516,391	10,901,102	26%	30,829,105	22,427,587	8,401,518	27%	10,588,388	3
Multi-media speaker	9,117,387	6,790,569	2,326,818	26%	7,640,080	5,636,752	2,003,328	26%	1,477,307	1
LED TV	17,799,663	15,152,952	2,646,711	15%	—		—		17,799,663	1
Total	68,334,543	52,459,912	15,874,631	23%	38,469,185	28,064,339	10,404,846	27%	29,865,358	7

The Company's products can be divided into three categories: casual furniture audio, multi-media speakers and LEDTV. And furniture audio is the leading selling product of the Company, which accounted for about 61% of total sales for the year ended December 31, 2010. Sales for the year ended December 31, 2010 totaled $68,334,543 compared to $38,469,185 for the year ended December 31, 2009, an increase of $29,865,358 or approximately 78%. The increase in sales revenue was attributable to the following reasons:

1) The Company strengthened its advertising and sales promotions activities during the year of 2010. Through participating various exhibits and trade shows in Europe and North America, the Company's products have been accepted by more customers steadily, which helped the sales increase. During 2010, the Company has developed five new customers or distributors, who helped to distribute the Company's products to previously unaddressed markets, such as Southeast Asia and Eastern Europe. Among total sales, approximately $7,350,590 or 10.7% are generated by these five new customers.

2) The Company has newly developed LED/LED TV and entered the market in June 2010. This new product has broadened the Company's product lines and the TV has been sold to various end users through one exclusive distributor Guangdong Guanghong Import and Export Co. Ltd. during the year. TV sales accounted for $17.8 million or 26% of the total sales for the year ended December 31, 2010. In addition, the Company has constantly improved its video gaming furniture and audio products which exposed the Company to more sales opportunities;

3) The establishment of AIVtech-Dongguan manufacturing plant in December 2009 has also ensured the sales orders can be produced and fulfilled on a timely basis. As the production capacity increased in Dongguan AIV plant, the company became able to get some larger sales orders than in prior year.

Cost of Sales

Total costs of sales was $52,459,912 for the year ended December 31, 2010 as compared to $28,064,339 for the year ended December 31, 2009, an increase of $24.4 million or 87%. The overall increase in cost of sales primarily attributable to the increase in material costs and labor costs in connection with establishing the production line as well as sales of our newly developed TV product. As indicated in the table above, the significant increase in cost of sales in current year attributable to the production costs associated with the LED TV. The increase in cost of sales for furniture audio and multi-media was comparable to the similar increase in sales for these products.

Gross Profit

Total gross profit for the year ended December 31, 2010 was $15,874,631 (or 23% of revenue) as compared to $10,404,846 (or 27% of revenue) for the year ended December 31, 2009, an increase of $5,469,785 or 53%. The increase in our gross profit was in line with the increased sales revenue. However, gross profit as a percentage of revenue decreased 4% compared with prior year. The decrease is primarily due to the higher production cost of TV with lower gross margin. Our furniture audio and multi-media speaker has an average gross profit of 26% to 27%, but the TV product only has gross profit of 15% due to higher costs incurred. As a result, total gross profit percentage decreased from 27% in 2009 to 23% in 2010. Due to the low profit margin on LED TV, we are currently in the process of assessing the alternative business plan for this product.

Selling, General and Administrative Expense

Our selling and distribution expenses include: (1) Advertising and promotion expenses, such as billboard and other physical advertising cost, and costs associated with our showroom or exhibits; (2) salary and commission paid to sales representatives (3) shipping fees incurred to deliver the sales orders to customers

Selling expense was $741,738 for the year ended December 31, 2010 as compared to $644,757 for the year ended December 31, 2009, an increase of $96,982, or approximately 15%. During 2010, the Company incurred advertising and promotion expense of $234,354 in order to promote the sales of the newly developed TV products. In addition, salary paid to sales representatives increased $200,853 in line with the revenue growing.

General and administrative expense was $2,146,465 for the year ended December 31, 2010 as compared to $1,433,254 for the year ended December 31, 2009, representing an increase of $713,211, or approximately 50%. The increase is primarily due to the expenses incurred in connection with the company’s going public. The Company became a public company in May 2010 and incurred approximately $453,460 related to consulting, legal, and other professional fees. In addition, the increase in general and administrative expense in 2010 was also affected by increased payroll expense of approximately $190,836 paid to administrative staff in connection with the expansion of our business.

Interest expense

Interest expense was $19,607 for the year ended December 31, 2010 as compared to $-0- for the year ended December 31, 2009, an increase of 100%. On January 5, 2010, we entered into a loan agreement with a third-party Dongguan Shilong Industrial Company and borrowed RMB 5 million (approximately to $757,311) for three years with annual interest rate of 2.7%. The loan was borrowed to be used as our working capital fund. No loans were outstanding in the prior comparable period.

Change in Fair Value of Warrants

The Company issued warrants to investors and placement agents in connection with the private placement offering on December 29, 2010. These warrants are considered a liability and measured at fair value at each reporting period. The Company determined the fair value of the warrants liability at December 29, 2010, the date of the issuance was $1.40 per share, totaling $422,287.   The Company determined the fair value of the warrants at December 31, 2010 was $0.99 per share, totaling $299,492. As a result, we recorded a gain of $122,795 in changes in the fair value of the warrants liability in profit or loss for the year ended December 31, 2010. There were no warrants issued or outstanding in 2009.

Income Taxes

Income tax expense was $1,715,218 for the year ended December 31, 2010 as compared to $830,659 for the year ended December 31, 2009, an increase of $884,558 or 106%. The increase in income tax expenses was primarily due to increased in taxable income. As a percentage of net income, income tax expenses was 13.1% for the year ended December 31, 2010 as compared to $10% for the year ended December 31, 2009. The increase was attributable to income tax paid on net income generated from AIVtech-Dongguan, which is at the statutory tax rate of 25%. AIVtech-Dongguan was formed in December 2009 and generated no income in prior year. AIVtech-Shenzhen enjoys a favorable income tax rate of 10% as granted by the local tax authorities for the years ended December 31, 2010 and 2009.

Net Income

Net income was $11,395,153 for the year ended December 31, 2010 as compared to $7,475,931 for the year ended December 31, 2009, an increase of $3.9 million, or 52.4%. This improvement reflects the increased revenue in current year.

LIQUIDITY AND CAPITAL RESOURCES

Our U.S. based parent company is a holding company and does not have any operations of its own. The Company's liquidity and capital resources are primarily obtained through our operating subsidiaries located in PRC. The operating subsidiaries conduct all business transactions in PRC. From time to time funds are transferred among operating subsidiaries in PRC for operational needs without the requirement of obtaining third party approval. Although management does not expect to repatriate any of its earnings generated from the PRC operating subsidiaries to United States in the foreseeable future, there is no restriction as to transferring assets from our subsidiaries in PRC to our U.S. parent company. Since our operation is conducted primarily through our subsidiaries and they hold a majority of our operating assets, any significant transfer of net assets from the operating subsidiaries to the parent company would have a potential impact on the scope and the nature of our operation taken as whole.

At September 30, 2011 and December 31, 2010, our cash and cash equivalents was $18,060,314 and $7,079,221, respectively. Our principal sources of liquidity were cash generated from our operating activities, short-term borrowings, and cash received from the equity financing under private placement. Our working capital as of September 30, 2011 was approximately $20,514,687, current assets totaled $29,761,665 and current liabilities were $15,042,070. The components of the $10,981,093 increase in our cash and cash equivalents are reflected below.

	For the nine months ended September 30, 2011	2010
Net cash provided by operating activities	$ 8,441,002	$ 3,142,676
Net cash used in investing activities	(4,263,066)	(180,421)
Net cash provided by (used in) financing activities	7,036,231	(3,566,457)
Effects of exchange rates on cash	126,926	98,593
Net change in cash	$ 10,981,093	$ (505,609)

Net Cash provided by Operating Activities

For the nine months ended September 30, 2011, our net cash provided by operating activities was $8,441,002, including the following:

1) The increase in accounts payable of $3.4 million primarily due to increased purchasing of materials on account for the period indicated. The Company purchased RMB 38.5 million of raw materials and components on account during the second quarter ended June 30, 2011 and put such purchases into production, in order to fulfill the sales orders to be delivered to customers in August, 2011. These outstanding accounts payables have not been fully paid to the suppliers because vendor's invoices have not been received or processed as of September 30, 2011 based on the terms of the purchase contract. The increase in accounts payables was in line with the increase in WIP inventory.

2) The increase in accounts receivable of $3.05 million primarily due to our increased credit sales of our products to customers during the June to September period. We grant credit to customers with good credit standings with a maximum term of 90 days. There were no events or other factors that led us to believe the outstanding account receivables were uncollectible.

3) The increase in inventory of $474,884 because we purchased certain materials and components and used them in our production in order to fulfill several sales orders to be delivered to our customer in October 2011.

Net Cash used in Investing Activities

Cash used in investing activities for the nine months ended September 30, 2011amounted to $4,623,066, primarily included $4,617,700 deposit for land use right. As of September 30, 2010, our subsidiary Henan AIVtech paid RMB 30 million (approximately $4,617,700) to local government as land use right deposit. Henan AIVtech currently has no operations but will start to construct a manufacturing plant in Henan province once local government approves the land use right, which is expected by the end of December 2011.

Net Cash provided by Financing Activities

Our net cash provided by financing activities for the nine months ended September 30, 2011 amounted to $7,036,231. We received $7.4 million net proceeds in January 2011 from a private placement offering filed on December 29, 2010. In addition, we borrowed RMB 6 million (approximately $0.9 million) from a related party Shenzhen Top financing Company and used the amount to invest in Henan AIVtech as 60% paid-in capital on March 25, 2011and repaid all amounts on June 27, 2011. We also repaid RMB 2 million short-term borrowings from the related party Shenzhen Top financing Company when the loan expired on February 25, 2011. Also, on June 30, 2011, we repaid RMB 5 million (approximately $769,617) to a third party Dongguan Shilong Industrial Company. As a result, as of September 30, 2011, we did not have any long-term loan outstanding.

During the nine months ended September 30, 2011, we received RMB 4 million cash (approximately $608,923) contributed by a minority shareholder and invested this amount to pay the registered capital for our new subsidiary AIVtech-Henan, located in Henan province of China. Our new subsidiary AIVtech-Henan was formed by AIVtech-Shenzhen and minority shareholder Mr. Guo Jinlin, with total paid-in capital of RMB 10 million, of which 60% was contributed by AIVtech-Shenzhen.

We anticipate that our available funds and cash flows generated from operations will be sufficient to meet our anticipated on-going operating needs for the next twelve months.

Our operating subsidiaries are primarily operated in PRC.

As of September 30, 2011 and December 31, 2010, our loan arrangements are indicated as follows:

	June 30, 2011	December 31, 2010
Long-term loan	-	757,311
Due to related parties	266,242	529,166
Total	$ 266,242	$ 1,286,477

On January 5, 2010, we obtained a loan from a third-party Dongguan Shilong Industrial Company for RMB 5 million (approximately to $757,311) for the purpose of working capital needs. The loan has been repaid on March 31, 2011.

During the normal course of the business, from time to time, we temporarily borrow money from principal shareholders or officers to finance our working capital as needed. The amounts are usually unsecured, non-interest bearing and due on demand.

On March 25, 2011, Dongguan AIVtech entered into an loan agreement with Shenzhen Top Finance Guaranty Investment Inc., to borrow RMB 6 million (approximate to $913,385) to pay the registered capital of newly formed subsidiary Henan AIVtech. The loan was repaid in full on June 27, 2011.

Shenzhen Top Finance Guaranty Investment Inc. is one of the major shareholders of the Company, and owns 10.38% of the total issued and outstanding common shares of the Company. As of September 30, 2011, total related party borrowings from Shenzhen Top Finance Guaranty Investment Inc. amounted to $220,907.

The Company has been able to maintain a virtuous cycle of capital chain by ensuring the continuation of capital, i.e. the average accounts receivable collection period is less than the average accounts payable period, during the materials purchase process. Set forth below is a chart with descriptions of this process:

CRITICAL ACCOUNTING POLICY

Principals of Consolidation

Our consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”). The condensed consolidated financial statements include the financial statements of the Company and its subsidiaries, AIVtech Holding (H.K.) Limited, Shenzhen AIV Electronics Co., Ltd., and Dongguan AIV Electronics Co., Ltd, All significant inter-company balances and transactions are eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S.GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes, and disclosure of contingent liabilities at the date of the consolidated financial statements. Estimates are used for, but not limited to, the selection of the useful lives and residual values of property and equipment, provision for doubtful accounts, provision necessary for contingent liabilities, fair values, revenue recognition, and other similar charges. Management believes that the estimates utilized in preparing its consolidated financial statements are reasonable and prudent. Actual results could differ from these estimates.

Fair Value of Financial Instruments

The Company adopted the provisions of Accounting Standards Codification (“ASC”) 820, Fair Value Measurements and Disclosures. ASC 820 clarifies the definition of fair value, prescribes methods for measuring fair value, and establishes a fair value hierarchy to classify the inputs used in measuring fair value as follows:

Level 1 – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities available at the measurement date.

Level 2 – Inputs are unadjusted quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, inputs other then quoted prices that are observable, and inputs derived from or corroborated by observable market data.

Level 3 – Inputs are unobservable inputs which reflect the reporting entity’s own assumptions on what assumptions the market participants would use in pricing the asset or liability based on the best available information.

The carrying amounts of certain financial instruments, including cash and cash equivalents, accounts receivable, other receivables, accounts payable, long-term loan, taxes payable, other payables and accrued liabilities, approximate their fair value due the short-term nature of these items. The carrying amount of long-term loan approximates the fair value based on the Company’s expected borrowing rate with similar remaining maturities and comparable risk in market. The warrant liability is measured at fair value on a recurring basis as discussed below.

Revenue Recognition

The Company recognizes revenue when the following fundamental criteria are met: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the price to the customer is fixed or determinable and (iv) collection of the resulting receivable is reasonably assured. Revenue is not recognized until title and risk of loss is transferred to the customer, which occurs upon delivery of goods, and objective evidence exists that customer acceptance provisions have been met.

The Company sells its products to customers who have passed the Company's credit check. Sales agreements are signed with each customer. The purchase price of products is fixed in the agreement. The Company makes custom products based on sales agreements, so no sales returns are allowed. The Company accepts returns one year from the date of shipment only in the event of defects. Historically, the Company has not experienced significant defects, and replacements for defects have been minimal. For the years ended December 31, 2010 and 2009, no sales returns and allowances have been recorded. Should returns increase in the future it would be necessary to adjust estimates, in which case recognition of revenues could be delayed.

In the PRC, value added tax (VAT) of 17% of the invoice amount is collected in respect of the sales of goods on behalf of tax authorities. The VAT collected is not revenue of the Company; instead, the amount is recorded as a liability on the balance sheet until such VAT is paid to the authorities.

Accounts Receivable

Accounts receivable are recorded at net realizable value consisting of the carrying amount less an allowance for uncollectible amounts.

We grant credit to customers with good credit standings with a maximum term of 90 days. We determine the adequacy of reserves for doubtful accounts based on individual account analysis and historical collection trends. Provisions for doubtful accounts are assessed based upon a detailed review of all significant outstanding receivables on an individual customer account basis. In the event the accounts become overdue, we would continue our best effort to collect from customers until events or circumstances indicate that the amounts might not be collectible, then we would record a full reserve against specific uncollectible amounts. Historically we have not experienced significant bad debt write-offs. Normally we collect over 90% of the outstanding account receivables within three months after invoicing with the remaining balances collected within 6 months. As of September 30, 2011, 51% of the account receivable balances were within the 1 – 30 days aging category and remaining 49% of the accounts receivable were within 31-60 days aging category. As of December 31, 2010, 100% of the account receivable balance was within the 1-90 days aging category. There were no events or other factors that led us to believe the outstanding account receivables were uncollectible. Accordingly we determined the reserve for doubtful accounts for the respective periods were not necessary.

Inventories

Inventories are stated at the lower of cost or market value, using the FIFO method. The cost of inventories comprises all costs of purchases, costs of labors, direct fixed and variable production overheads and other costs incurred in bringing the inventories to their present location and condition. The Company provides inventory reserves based on excess and obsolete inventories determined principally by customer demand.

Warrant Liability

Our warrants are measured at fair value at each reporting period. We use the Black-Scholes valuation model to determine the fair value of warrants. The inputs for the Black-Scholes model require the use of significant assumptions, including 1) the expected term the warrants will be held before exercise, 2) discount rates, 3) volatility calculated based on the closing prices of our common stock traded in the open market. Changes in the daily closing prices of our common stock could have a material impact on the volatility calculations which could result in significant changes in the fair value of warrant liability. The following are the assumptions used in the Black-Scholes model to calculate the fair value of warrants:

	September 30, 2011	December 31, 2010
Stock Price	$ 0.47	$ 4.02
Exercise Price	$ 4.00	$ 4.00
Term	4.25	5.00
Volatility	205.97 %	23.06 %
Annual Rate of quarterly dividend	0.00 %	0.00 %
Discount rate - bond equivalent rate	0.96 %	2.010 %
Fair value per warrant	$ 0.4287	$ 0.9930

Changes in one or more of the above assumptions can materially affect fair value of the warrants on the consolidated balance sheets, the changes in fair value of warrants would result in income or expenses on the consolidated statements of income and comprehensive income. We consider the inputs used to determine the fair value to be level 2 inputs within the fair value hierarchy established by GAAP.

Income Taxes

The Company is governed by the Income Tax Law of the PRC and the U.S. tax laws governing privately run enterprises are generally subject to a statutory tax rate of 25% after appropriate tax adjustments. AIVtech-Shenzhen was formed on May 18, 2006 in a special economic zone in Shenzhen and has been granted a favorable tax treatment by local tax authority which stipulated a 100% income tax exemption for the first two years and 50% income tax exemption for the following consecutive three years. Consequently, AIVtech-Shenzhen enjoyed a favorable tax exemption policy and the effective income tax rate for AIVtech-Shenzhen assessed by local tax authority was 11% and 10% for the nine months ended September 30, 2011 and 2010, respectively. AIVtech-Dongguan is now subject to 25% statutory income tax rate. The favorable income tax rate is assessed and reviewed by the local tax authority on a periodic basis and there is no guarantee that the Company will grant the same assessment after the current assessment expires on December 31, 2011.

The parent Company AIVtech International Group Inc was incorporated in the United States. It had no taxable income as of September 30, 2011. Net operating loss carry forwards for United States income tax purposes amounted to $112,776 as of September 30, 2011, which are available to reduce future years' taxable income. These carry forwards will expire in 2031. However, due to the change in control resulting from the reverse acquisition in 2010 which limits the amount of loss to be utilized each year, management doesn't expect to remit any of its net income back to the United States in the foreseeable future. Accordingly, the Company recorded a full valuation allowance as of September 30, 2011.

Recent Accounting Pronouncements

On June 16, 2011, FASB issued Accounting Standards Update 2011-05 (“ASU 2011-05”), Comprehensive Income (Topic 220)-Presentation of Comprehensive Income. ASU 2011-05 eliminates the current option to report other comprehensive income and its components in the statement of changes in equity, and requires that all nonowner changes in stockholders’ equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The amendments in ASU 2011-05 should be applied retrospectively. For public entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The adoption of this accounting standard is not expected to have a material effect on the Company’s condensed consolidated financial statements.

On May 12, 2011, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update 2011-04 (“ASU 2011-04”), Fair Value Measurement (Topic 820) Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS. ASU 2011-04 completes a major project of the boards’ joint work to improve IFRS and US GAAP and to bring about their convergence. For US GAAP, ASU 2011-04 will supersede most of the guidance in Topic 820, although many of the changes are clarifications of existing guidance or wording changes to align with IFRS 13. It also reflects the FASB’s consideration of the different characteristics of public and non-public entities and the needs of users of their financial statements. ASU 2011-04 will be effective for public entities for interim and annual periods beginning after December 15, 2011, and should be applied prospectively. The adoption of this accounting standard is not expected to have a material effect on the Company’s condensed consolidated financial statements.

In December 2010, the Financial Accounting Standards Board (“FASB”) issued changes to the disclosure of pro forma information for business combinations. These changes clarify that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. Also, the existing supplemental pro forma disclosures were expanded to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. These changes become effective for the Company beginning January 1, 2011. Management has determined these changes will not have an impact on the Consolidated Financial Statements.

In April 2010, the FASB issued changes to the classification of certain employee share-based payment awards. These changes clarify that there is not an indication of a condition that is other than market, performance, or service if an employee share-based payment award’s exercise price is denominated in the currency of a market in which a substantial portion of the entity’s equity securities trade and differs from the functional currency of the employer entity or payroll currency of the employee. An employee share-based payment award is required to be classified as a liability if the award does not contain a market, performance, or service condition. These changes become effective for the Company on January 1, 2011. Management has determined these changes will not have an impact on the Consolidated Financial Statements.

OFF-BALANCE SHEET ARRANGEMENTS

We have never entered into any off-balance sheet financing arrangements and have never established any special purpose entities.

CORPORATE STRUCTURE AND HISTORY

Corporate History

We were incorporated pursuant to the laws of Nevada on December 18, 2007 under the name Ecochild Inc. Our original plan was to build a diverse portfolio of organic, health and wellness grocery products manufactured by small and mid size North American manufacturers and sell them to the European market through a network of local and national distributors.

On July 31, 2009, we completed a private placement whereby we issued 3,625,000 shares of common stock to 29 non-U.S. investors at $0.008 per share raising an aggregate amount of $29,000 under Regulation S of the Securities Act of 1933. On September 16, 2009, we filed an S-1 registration statement to register all of the 3,625,000 shares of common stock issued in the private placement. The S-1 registration statement was declared effective on December 10, 2009.

On April 16, 2010, our majority shareholders entered into certain stock purchase agreements with Jie Zhang, pursuant to which Jie Zhang purchased a total of 5,900,000 shares, which represented 61.3% of our outstanding common stock at the time of the transaction from the majority shareholders, for a total of $29,500. In connection with the change of control and pursuant to the stock purchase agreements, Galina Birca resigned as our president, chief executive officer and director, and Vladimir Enachi resigned as our chief financial officer and director effective immediately. Mr. Jie Zhang was appointed as our sole director and officer effective immediately.

Acquisition of AIVtech-HK

On May 12, 2010, we entered into a share exchange agreement with AIVtech Holding (Hong Kong) Limited, or AIVtech-HK, a company that is in the business of designing, manufacturing and selling electronic furniture, digital/multimedia speakers, and LCD/LED television. Pursuant to the terms of the share exchange agreement, we acquired all of the outstanding shares of AIVtech-HK from its shareholders. In exchange, we issued to the shareholders of AIVtech-HK, their designees or assigns, an aggregate of 10,375,000 shares or 51.88% of the shares of our common stock at the time of the transaction, at $0.005 per share; and paid cash of $3,948,125 to the AIVtech shareholders in the form of promissory note payable within twelve months of the close of the transaction. Pursuant to the share exchange agreement, AIVtech-HK became our wholly-owned subsidiary.

AIVtech-HK is a holding company incorporated under the laws of Hong Kong on November 4, 2005 with subsidiaries engaged in manufacturing casual furniture audio series, multimedia speakers, and LED. AIVtech-HK owns 100% of AIVtech-Shenzhen, a company incorporated on October 26, 2004 under the laws of the PRC. AIVtech-Shenzhen owns 70% of AIVtech-Dongguan, a company incorporated on December 25, 2009 under the laws of the PRC. AIVtech-Shenzhen was owned by Jinlin Guo and Lanbin Ding holding 87.5% and 12.5% of the shares, respectively. On March 30, 2010, Jinlin Guo transferred all the 87.5% interest to AIVtech-HK in exchange for RMB 4,375,000 (or $0.64 million), and Lanbin Ding transferred all the 12.5% interest to AIVtech-HK in exchange for RMB 625,000 ($0.9 million). AIVtech-Shenzhen became a wholly-owned subsidiary of AIVtech-HK and a wholly foreign owned enterprise in the PRC after the transaction.

As a further condition of the acquisition, Jie Zhang resigned as our sole officer and director, and Jinlin Guo and Yilin Shi were appointed as our directors and Jinlin Guo, Yilin Shi and Teli Liao were appointed as our officers effective immediately.

Simultaneously with the acquisition, we also changed our name from “Ecochild Inc.” to “AIVtech International Group Co.” and changed our fiscal year end from October 31 to December 31.

Subsequent Events and Recent Financing

On September 10, 2010, we amended Section 6(b) of our Bylaws from “Except as otherwise provided in these Bylaws, a quorum is two persons present and being, or representing by proxy, shareholders of the Corporation” to “Except as otherwise provided in these Bylaws, the holders of a majority of the shares of the Corporation issued and outstanding and entitled to vote at any meeting of the shareholders shall constitute a quorum at such meeting for the transaction of any business, provided that when a specified item of business is required to be voted on by a class or series, voting as a class, the holders of a majority of the shares of such class or series shall constitute a quorum for the transaction of such specified item of business.”

On December 29, 2010, we entered into a subscription agreement with certain accredited investors for the issuance and sale in a private placement of investment units, each unit consisting of one share of our common stock, $.001 par value per share and a warrant to purchase one-tenth of one share of common stock, for aggregate gross proceeds of $7,540,000. The purchase price per unit was $3.00. In the aggregate, we issued to the investors a total of 2,513,334 shares of common stock and five-year Investor Warrants to purchase up to an additional 251,334 shares of common stock at an exercise price of $4.00. We also paid to the placement agent a fee of $150,800 and issued to the Placement Agent a five-year Placement Agent Warrants to purchase a total of 50,267 shares of common stock at an exercise price of $4.00 per share.

Pursuant to the subscription agreement, we agreed to file a registration statement on Form S-1 (or any other applicable form) (the “Registration Statement”) with the Securities and Exchange Commission (the “SEC”) to register for resale (i) 100% of the shares of common stock sold in the private placement and (ii) 100% of the shares of our common stock underlying the Investor Warrants (collectively, “Registrable Shares”), within 30 calendar days following the closing of the private placement (“Required Filing Date”), and use the Company’s best efforts to have the registration statement declared effective within 180 calendar days after the closing of the private placement (“Required Effective Date”). If a Registration Statement covering the registration of the Registrable Shares is not filed with the SEC by the Required Filing Date or is not declared effective by the Required Effective Date, the Company shall pay to each investor as liquidated damages, a cash payment equal to 2% of the aggregate amount invested by such Investor in the offering on the first business day of each thirty (30) day period (pro rata for any period less than thirty days) until the Registration Statement has been filed or declared effective, or a portion thereof. Such liquidated damages shall not exceed 10% per annum.

In addition, we agreed to issue to the investors an aggregate of 2,513,334 shares of our common stock (the “Make Good Shares”), on a pro rata basis, if the make good targets set forth in the subscription agreement are not met. With respect to the fiscal year ending December 31, 2010, if we do not achieve $0.44 in earnings per share, then one-half of the Make Good Shares will be distributed to the investors on a pro rata basis. With respect to the fiscal year ending December 31, 2011, if we do not achieve $0.60 in earnings per share, then the other one-half of the Make Good Shares will be distributed to the investors on a pro rata basis.

On June 29, 2011, we entered into agreements with the investors pursuant to which extended the Form S-1 Required Effective Date from June 30, 2010 to September 30, 2011. On September 28, 2011, we entered into agreements with the investors to futher extend the Required Effective Date to December 31, 2011.

Subsequent to June 30, 2011, we entered into agreements with the investors to amend the make good provision in the subscription agreement whereby all parties agreed that the basic earnings per share as make good target for the year ending December 31, 2011 is reduced from $.60 per share to $.40 per share.

Global Hunter Securities, LLC acted as our placement agent in connection with the offering. As compensation for its services provided in this transaction, we (i) paid a cash fee of $150,800 which is equal to two (2%) percent of the aggregate gross proceeds raised in the private placement, (ii) issued five-year warrants to purchase shares of our common stock equal to two (2%) percent of the number of shares of common stock issued in the private placement, exercisable at any time at a price equal to $4.00 per share and (iii)paid expenses relating to the private placement. We also agreed to indemnify the placement agent against certain liabilities, including liabilities under the Securities Act. The Placement Agent Warrants have the same registration rights as the registration rights afforded to the investors in the private placement.

On March 30, 2011, our subsidiary AIVtech-Shenzhen incorporated AIVtech-Henan, as a limited liability company in China, with a registered capital of RMB 50 million, or approximately $7.6 million. As of June 30, 2011, a total capital contribution of RMB 10 million, or approximately $1.5 million, was contributed to AIVtech-Henan, of which RMB 6 million was contributed by AIVtech-Shenzhen and RMB 4 million was contributed by Mr. Jinlin Guo, our chief executive officer and chairman of the board of directors. As of September 30, 2010, the Company has paid RMB 30 million to local government as land use right deposit. AIVtech-Henan currently has no operations but will start to construct a manufacturing plant in Henan province once local government approves the land use right, which is expected by the end of December 2011.

On May 10, 2011, we entered into an agreement with the former shareholders of our wholly-owned subsidiary AIVtech-HK, pursuant to which extends the due date of an aggregate cash payment of $3,948,125 from May 12, 2011 to May 12, 2012. The amount was owed to these former shareholders in the form of a promissory note dated May 12, 2010.

Effective May 16, 2011, our ticker symbol as quoted on the OTC Bulletin Board was changed from “ECOH” to “AIVI.”

Organization & Subsidiaries

The Company’s organizational structure was developed to permit the infusion of foreign capital under the laws of the PRC and to maintain an efficient tax structure, as well as to foster internal organizational efficiencies. The Company’s organization structure is summarized in the figure below:

DESCRIPTION OF BUSINESS

Business Overview

We engage in the business of designing, manufacturing and selling electronic furniture, digital/multimedia speakers, and LCD/LED television under our own product brand – AIV, which stands for Audio & Interactive Video. Besides our own AIV brand, AIVtech also specializes in both Original Equipment Manufacturing ("OEM") and Original Design Manufacturing ("ODM") services. We integrate two traditional industries, which are electronics industry and furniture industry, into a new industry – electronic furniture industry.

We generate revenues mainly from the sales of electronic furniture and digital/multimedia speakers. The production of LCD/LED television started in late April 2010. Our net sales revenues for the year ended December 31, 2010 was approximately $68.3 million, representing a 77.6 % growth from the year ended December 31, 2009 with net sales revenues of approximately $38.5 million. Our net income for the year ended December 31, 2010 was approximately $11.3 million, an increase of 52.42%, comparing to our net income of approximately $7.47 million for the year ended December 31, 2009.

Market Summary

International Market

Electronic Furniture: Audio gaming chair is a popular product in the electronic furniture industry. It targets the audio-visual entertainment, especially the video game markets. In conformity with the need for innovation which is the trend in this industry, the new furniture audios launched by AIV in 2005 incorporate the Video Gaming Chair with Built-in Speakers and Vibration, as well as the Leisure Furniture with Built-in Audio/ Video System. The new product became popular after its debut in the European and the U.S. markets in 2006. The product has also developed a market in China, Australia and Southeast Asia countries. There are still many potential markets waiting to be explored.

Multimedia/Digital Speakers: At present, the global speakers market is dominated by a certain number of manufacturers with large production capacity and leading technologies. These manufacturers mainly based in the United States, Japan and European countries. Many of those companies outsource their manufacturing to China.

LED/LCD Television: According to a conservative estimate by Displaybank, a global authority in market research and consulting for the display and solar industries, the number of LEDs sold in 2008 was around 200,000 units, while the number is expected to increase to more than 32 million units in 2010. The compound annual growth rate ("CAGR") of a 5-year period from 2008 to 2013 is 272%. The number of global sales of LEDs in 2013 is estimated to be 156 million units. (Source: http://www.jilin.cei.gov.cn/news/viewArticle.html?id=402880a8259f667001260694196e0c60)

Chinese Domestic Market

Furniture audios: The video game especially the online video game industry started late in China but is growing rapidly. Since 2000, its annual growth rate has exceeded 50%. Nowadays, more and more video game companies are entering into the Chinese market with many large companies also establishing branch offices or studios in China.

Multimedia/Digital Speakers: China is the country with the largest production and distribution of multimedia/ digital speakers in the world. The Pearl River Delta region of China is the location of speaker manufacturers which produce 70% of the world's speakers. Many big multimedia speakers companies outsource their manufacturing to companies in China (Source: Canton and Hong Kong Information Daily. http://finance.sina.com.cn/g/20030801/1501390264.shtml). Most of these manufacturers are original equipment manufacturers with no brands of their own, and they depend solely on exports. The co-existence of genuine and counterfeit products reflects the current real situation of the Chinese speakers industry. However, the speakers market is relatively stable. The innovation of both the products and business model are the key factors to success for the domestic speaker manufacturers.

LED/LCD Television: According to a survey by the Consumption Electronic Products Investigation Office of the China Electronic Chamber of Commerce, 75% of the domestic television consumers pay attention to LED products and 34% of them have plans to purchase LED products in 2010 (Source: 2010-2015 China LCD Television Market Investment Analysis and Forecast Report).

Products

Currently, we classify our products into three main categories: Electronic Furniture, Multimedia/Digital Speaker and LCD/LED Television.

A) Electronic Furniture

Our casual furniture audio has made a creative combination of two traditional industries: electronic audio-visual entertainment industry and furniture industry. Our electronic furniture not only supplies customers with a super-sensory audio-visual enjoyment, but also brings convenience for home-living. Among the furniture audio field, the product that develops the most rapidly is the exclusive audios for video game chair. This product is mainly for the video game and audio-visual entertainment markets. The video game chair can be easily connected to video game consoles and digital music players etc. The video industry, especially the network video game industry, had a late start in China, but it is an industry that has experienced rapid growth. The annual growth rate has exceeded 50% since the year 2000 (Source: China Securities Journal. http://stock.stockstar.com/GA2006082200299559.shtml). Publishers and developers for video game all over the world are now entering the Chinese market at a fast pace. Many big game publishing companies are establishing branches or studios in China. Because of the huge potential of the video game industry, the company's exclusive audio for video game chair has a broad market and development space. Moreover, this will also promote the development of furniture audio industry.

a) Video Gaming Chairs with Built-in Speakers and Vibration

Video game lovers are the target customers for this product series. It can be applied to different video game consoles such as XBOX360 and PS3. It has 3D games' sound and vibration function. This stylish electronic furniture is taking the video game lovers to another level of enjoyment and giving the video game accessories a new fashion.

b) Leisure Furniture with Built-in Audio/Video System

This is a product series for home entertainment and leisure. The existing products include Rocker Chair and Cabinet with Built-in Speakers and Audio System, TV Stands with Built-in Audio/ Video System, etc. Our products are designed for consumers with a preference for modern stylish electronic products.

B) Multimedia/ Digital Speakers

With the popularization of PC and the digitization of the audio-visual entertainment, we believe that the multimedia speaker will become the main media for musical works in the future. Whether the audio track is X.1 or 2.0, the design philosophy of the multimedia speaker is based on the concept that the music should be expressed with high fidelity and transmitting the soul of music to people. As a manufacturer of multimedia speaker, our goal is to produce speaker systems that have comprehensive and balanced sound that maintain the integrity of the music. Under the trend that the global audio-visual entertainment is becoming digital, computerized and miniaturized, we have introduced five main product series, namely “nocturne”, “concerto”, “solo”, “chord” and “symphony”, and are devoted to bringing the music’s true sound to our customers. In the future development of multimedia speaker, we hope that our products’ stylish appearance, excellent performance and ingenious function will be our advantages in the market.

C) LCD/LED Televisions

As an upgraded TV product, we believe that LED TVs will occupy the mainstream market by virtue of its environmental friendly and energy efficient features, as well as its outstanding image quality. In the upcoming future, we believe that the competition in the flatscreen TV industry will focus on the LED TV. Conforming to this trend, we established the LED international business department. Our products consist mainly of LED TVs and PC TVs, both with a small size and thin appearance.

TV Specification

Our TV products support DVB-T, PAL, SECAM, DVB-T standard and MPEG2 decode MP@ML. Our digital TV products support MHEG5 (UK), EPG, SUBTITLE, and the AUDIO Language, and accept analogue and up to 1080P digital HD signals. Our TFT-LCD modules support resolution of up to 1920*1200, HDMI1.2, HDCP1.1, 2D motion video adaptive progressive compartment exchange of up to 1080i. The 2D motion video noise reduction function supports analogue and digital 10 pages teletext. The auto sound detect function supports NICAM/A2, Auto detect and recover between 3:2 and 2:2 format, and auto switch between 4:3 and 16:9 format. With a single common interface, it can decrypt all kinds of encrypted programs. With its software settings, it can choose the TS current either with or without descrambling. With the picture engine function, it can dynamically adjust the picture color, contrast ratio, complexion and definition, etc.

Raw Materials and Suppliers

Electronics components, Wooden Boxes, Modules, Frames, AC converters and other basic components are our main raw materials to produce electronic furniture, multimedia/ digital speakers, and LED/LCD televisions. We purchase all of our other raw materials and component parts from a variety of sources, none of which we believe to be a dominant supplier. Alternative sources of supply are believed to be available to the Company. Our top five raw material suppliers are listed below:

Top Five Suppliers

Suppliers	Raw Materials Supplied	Percentage of Total Supply in 2010	
Guangdong Guanghong Exports & Imports Ltd	LED screen	27.61	%
ShenZhen HuiKe Sound Box Co., Ltd.	Wooden boxes	9.89	%
ShenZhen YuanMao Electronic Accessories Co., Ltd.	AC converters	9.50	%
ShenZhen QuanXin Plastic Cement Products Co., Ltd.	Covers	6.05	%
FengShun MingYin Electronics Co., Ltd.	Frames	5.56	%
Total		58.61	%

Marketing, Sales and Customers

Sales breakdown: The sales of our furniture audio products accounted for approximately 61% and 80% of the total sales in our fiscal years ended December 31, 2010 and 2009, respectively. The sales of our multimedia/digital speakers accounted for approximately 13% and 20% of the total sales in our fiscal years ended December 31, 2010 and 2009, respectively. We started the production of LED products in late April 2010, which accounted for approximately 26% of total sales in fiscal year ended December 31, 2010. The sales of our furniture audio products accounted for approximately 48% and 81.28% of the total sales for the six months ended June 30, 2011 and 2010, respectively. The sales of our multimedia/digital speakers accounted for approximately 25% and 14.59% of the total sales for the six months ended June 30, 2011 and 2010, respectively. The sales of LED products accounted for approximately 27% and 4.13% of total sales for the six months ended June 30, 2011 and 2010.

Marketing Strategies

Our marketing strategy focuses on the products' innovation and integration of multi-elements. In addition, we have been continuing to improve our products and raise the brand's market recognition, as we attempt to make the AIV brand a symbol of innovation, value and quality. We are also establishing flagship stores in certain targeted cities.

Sales Strategies

We are making full use of global resources such as Alibaba.com to promote our products. We also take part in various international exhibitions. In addition, we provide multipoint-to-point services to our major customers to ensure the after-sale services of our products.

We are integrating and completing the distribution network, completing the marketing strategy, supporting the main distributors and expanding the domestic market shares gradually.

Moreover, we maintain close cooperation with furniture manufacturers and related enterprises to integrate the advantages of furniture with that of the electronic devices.

Sales Channels and Partners

(A) Sales network of the general agency system. We have built a stable domestic sales network through the previous sales of its traditional products. The sales network includes the general distributors in each province. The general distributors have the rights to choose their own sub-distributors. Due to the high performance-price ratio and good quality of the products, we believe that we have accumulated a group of quality distributors, enhancing our domestic sales network.

(B) Big order ODM customization system. Our main customers are well-known enterprises both domestic and overseas. At present, we have established a group of stable ODM customization customers, which helps us maintain more stable sales.

(C) Project orders. We customize office and entertainment electronic furniture for places such as internet bars, banks, security companies, airport VIP rooms and high-standard clubs.

(D) Global E-commerce platform. We have built a fixed platform for product promotion in E-commerce websites such as Alibaba and Global Resource. In the future, as the development of the wholesale model, we will establish broader E-commerce sales channels.

Sales Cycle

At present, our accounts receivables term for our main customers are 60 to 120 days, for our key customers 30 to 60 days, and the average term about 90 days.

Pricing strategy

We use the product portfolio pricing strategy which means different prices are applied to different products in the same product series. Some products' prices are low because the purpose is for cultivating the market and attracting customers. While some median and high-end products and technology innovation products' prices are high, and these products bring a higher profit margin to the Company.

Top Five Customers

Customers	Percentage of Total Sales Revenue in 2010	
DaKang Holding Group Co., Ltd.	29.74	%
AnJi ChaoYa Furnitures Co., Ltd.	11.33	%
GuangDong GuangHong Import & Export Co., Ltd.	37.65	%
BeiJing HuaQi Info-Digit Technology Co., Ltd.	4.80	%
AnJi WeiYu Furnitures Co., Ltd.	4.03	%
Total	87.55	%

Market Shares and Competitors

Our products compete with some branded products within their product category as well as privately labeled products sold by retailers, including some of our OEM/ ODM customers.

Our electronic furniture competes with Pyramat, Actona and other smaller manufacturers. Our products have held significant international market shares since 2006. In varying degrees, depending on the product category involved, we compete on the basis of style, price, quality, comfort and brand name prestige and recognition, among other considerations.

Our multimedia/digital speakers and LED/ LCD television products compete with numerous international branded products like Sony, Panasonic, Samsung, Phillips and LG, etc. Due to the lower costs and labor expenses in Asia Pacific regions, many international speaker manufacturers are establishing plants in Asia. This allows large manufacturers to compete with local manufacturers in pricing. Right now, we have a global market share of only about 0.3% on multimedia/digital speaker products. We did not start the production of LED/LCD television until late April 2010, and the general availability of contract manufacturers also allows the ease of access by new comers. Many of our competitors are larger in scale, have been in existence for a longer period of time, have achieved greater recognition for their brand names, have captured greater market shares and/or have substantially greater financial, distribution, marketing and other resources than we do. We are not sure whether we can compete against them right now or in the future, or that competitive pressures will have a material adverse effect on our business, financial condition and results of operations.

Business Model

We conduct our quality management in strict compliance with ISO9001 international quality management standard. We believe that quality, cost control and efficiency are the three components to the Company's competitiveness; that integrity, innovation and values are the three components to the Company's management philosophy; and that people, environment and technology are the three components to the Company's design philosophy. Our goals are to:

1) Achieve the new integration of electronic and furniture industries, and persist in innovation as the strategy of industry development;

2) Ensure a steady and healthy expansion or growth of the Company, and build a long lasting well known national brand by setting up flagship stores on main cities;

3) Create a beneficial-to-all situation among the Company, staff, shareholders, customers, partners and the society by providing quality products with competitive prices.

Growth Strategy

We intend to grow our business by improving our marketing, financial, production and human resource management:

Marketing Management

Management department. We established two decision-making departments, namely the General Manager Office and the Cost Control Committee. The General Manager Office makes decisions regarding the strategic issues such as the Company's development strategy and operation plan, etc, and also supervises the implementation status. The Cost Control Committee manages the control over all the costs on the premise so that the Company meets its targets.

Incentive and restriction mechanism. We have entered into several employment contracts, confidentiality agreements and restrictive covenants with the management and other employees, the business department and the product R&D department. The employees' salary and bonus are based on their performance. Also, we have a periodical salary-raise program. We raise staffs' salary after the testing in April of each year. And every year, we issue special recognition awards and grants special bonus and certificates to outstanding employees.

Promotion and publicity. We believe that the domestic furniture audio market will have a big influence on the domestic IT industry and furniture industry. Electronic furniture products have been widely introduced in the media such as “Brands Shenzhen ”, “Times Entrepreneur”, “ZOL” and “IT168”. We also conduct the promotion via E-commerce platforms such as Alibaba and Global Resource.

Financial Management

Establish a cost control system. We intend to establish a standard cost control system, execute the cost budget management policy and complete the ERP (Enterprise Resource Planning) management system for cost control purposes.

Complete the financing capital chain. With multiple financing channels, we attempt to stabilize our capital chain and to efficiently use our proceeds which improve our business transactions.

Production Management

PMC (Product Material Control) Management. We believe that the improvement of the material and plan management capacities is the key to a successful management.

- Production Plan Management: all the elements involved in this management should be precise and detailed, from the origin of the plan information (such as sales and prediction), organization of the plan outline, the relationship between production plan and the amount of time spent, the production cycle to the arrangement of the production period.

- Plan and Material Control Management: all the elements involved in this management should be managed strictly, from the origin of the MRP (Material Requirement Planning) data, product sheet and material list, the execution and control of the material requirement plan, product material cost management to the material management of production field, to ensure the Company’s material cycle, cost and consumption be always under the ideal condition.

Field Management. We attempt to limit any waste of resources such as material, labor, time, space, energy and transportation. We also adopted effective management systems to control and manage the key processes such as flow-chart, instruction tracing, shipment, field 7S (Seiri, Seiton, Seiso, Shitsuke, Safety, Speed and Saving) and lean production, to ensure the production field is running at full load.

Human Resources Management

We promote the SOP (Standard Operation Procedure) and establish the KPI (Key Performance Indication) check system to make our human capital more valuable. It persists in the principle of benefit sharing and has established scientific incentive mechanisms to attract talents. Through this mechanism, we have put together a team of elites on technology development, market exploration, operation management and quality management.

Intellectual Property

We own and utilize the trademarks, patents and domain name listed below. We continuously look to increase the number of our trademarks and potential design and utility model patents where necessary to protect valuable intellectual property. We regard our trademarks and other intellectual property as valuable assets and believe that they have significant value in the marketing of our products. We vigorously protect our trademarks against infringement, including through the use of cease and desist letters, administrative proceedings and lawsuits.

We rely on trademark, patent, copyright and trade secret protection, non-disclosure agreements and licensing arrangements to establish, protect and enforce intellectual property rights in our logos, trade names and in the design of our products. In particular, we believe that our future success will largely depend on our ability to maintain and protect the “AIVTECH” trademark. Despite our efforts to safeguard and maintain our intellectual property rights, we cannot be certain that we will be successful in this regard. Furthermore, we cannot be certain that our trademarks, products and promotional materials or other intellectual property rights do not or will not violate the intellectual property rights of others, that our intellectual property would be upheld if challenged, or that we would, in such an event, not be prevented from using our trademarks or other intellectual property rights. Such claims, if proven, could materially and adversely affect our business, financial condition and results of operations. In addition, although any such claims may ultimately prove to be without merit, the necessary management attention to and legal costs associated with litigation or other resolution of future claims concerning trademarks and other intellectual property rights could materially and adversely affect our business, financial condition and results of operations.

The laws of certain foreign countries do not protect intellectual property rights to the same extent or in the same manner as do the laws of the PRC. Although we continue to implement protective measures and intend to defend our intellectual property rights vigorously, these efforts may not be successful or the costs associated with protecting our rights in certain jurisdictions may be prohibitive. From time to time we may discover products in the marketplace that are counterfeit reproductions of our products or that otherwise infringe upon intellectual property rights held by us. Actions taken by us to establish and protect our trademarks and other intellectual property rights may not be adequate to prevent imitation of our products by others or to prevent others from seeking to block sales of our products as violating trademarks and intellectual property rights. If we are unsuccessful in challenging a third party's products on the basis of infringement of our intellectual property rights, continued sales of such products by that or any other third party could adversely impact the "AIVTECH" brand, result in the shift of consumer preferences away from our products and generally have a material adverse effect on our business, financial condition and results of operations.

Trademarks

We have registered the following trademark with the Trademark Office, State Administration for Industry and Commerce in the PRC:

No.	Registration No.	Trademark	Registrant	Item Category	Expiration Date
1	6983650	AIV AIVTECH	AIVtech-Shenzhen	Category No. 20: Furniture, mirrors, picture frames; goods (not included in other classes) of wood, cork, reed, cane, wicker, horn, bone, ivory, whalebone, shell, amber, mother-of-pearl, meerschaum and substitutes for all these materials, or of plastics.	June 20, 2020

We plan to file for extension with the Trademark Office of the above trademark before the expiration date.

Patents

Through AIVtech-Shenzhen, we have been granted the following design patents by the State Intellectual Property Office, or SIPO, of PRC. We enjoy a ten year protection period starting from each patent application date.

No.	Patent No.	Patent Name	Patent Owner	Application Date	Date of Grant	Type
1	ZL 2008 3 0102656. X	Multi-media Chair with Built-in Speakers (halo3 model)	AIVtech-Shenzhen	03/12/2008	06/03/2009	Design Patent
2	ZL 2009 3 0166242. 8	Sofa with Built-in Speakers (S-360VM)	AIVtech-Shenzhen	06/08/2009	03/24/2010	Design Patent
3	ZL 2009 3 0166238. 1	Speaker (Sofa Built-in Speaker S-306)	AIVtech-Shenzhen	06/05/2009	02/24/2010	Design Patent
4	ZL 2009 3 0166237. 7	Speaker (Sofa Built-in Speaker S-319W)	AIVtech-Shenzhen	06/05/2009	03/24/2010	Design Patent
5	ZL 2009 3 0166241. 3	Speaker (Sofa Built-in Speaker S-362V)	AIVtech-Shenzhen	06/08/2009	05/19/2010	Design Patent
6	ZL 2006 3 0154134. 5	Beach Music Chair	AIVtech-Shenzhen	10/26/2006	10/24/2007	Design Patent
7			AIVtech-Shenzhen	02/22/2008	04/01/2009	

	ZL 2008 3 0102015. 4	Digital Speaker for Video & Audio Chatting				Design Patent
8	ZL 2009 3 0166487. 0	Speaker (AD-101)	AIVtech-Shenzhen	06/04/2009	05/19/2010	Design Patent
9	ZL 2008 2 0092183. 4	A Digital Speaker for Video & Audio Chatting	AIVtech-Shenzhen	02/22/2008	01/21/2009	Utility Model Patent
10	ZL 2006 2 0013949. 6	A Multi-media Chair with Built-in Speakers	AIVtech-Shenzhen	05/22/2006	07/11/2007	Utility Model Patent

Domain Names

AIVtech International Group Co., Ltd. owns the domain name www.aivtechgroup.com.

Environmental Protection

Compliance with national, provincial or local provisions which have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment have not had, nor are they expected to have, any material effect on the capital expenditures, earnings or competitive position of the Company. The Company uses and generates certain substances and wastes that are or can be regulated or may be deemed hazardous under certain national, provincial or local regulations with respect to the environment.

Properties

Our corporate headquarter is located at Suite A1305, 13th Floor, East Building Phase II, High-Tech Plaza, Tian'an Cyber Park, Futian District, Shenzhen, China. The corporate headquarter office is approximately 371 square meters, and is leased from the individual owner of the property for RMB 22,268, or approximately USD 3,275, per month, for a term of three years from May 1, 2011 to April 30, 2014.

Our manufacturing factory is located at AIV Industrial Park, No.78, Wenquan South Road, Xihu District, Shilong town, Dongguan, China. The factory building is approximately 21509 square meters, and is leased from DongGuan Mei Da Decorating & Design Works Company Limited for RMB 222,587, or approximately USD 32,733, per month until April 3, 2015.

The post-merger assets of the Company and its subsidiaries on a consolidated basis include cash, accounts receivable from customers, inventories, equipments and dues from related parties.

Employees

As of the date hereof, we have approximately 693 full-time employees. The breakdown of our employees is as follows:

Management Staff	90
R&D Staff	51
Sales Staff	22
Manufacturing Staff	530
Total	693

Litigation

On June 7, 2011, the Company and its subsidiary AIVtech-Shenzhen were served with a Summons and Complaint filed by CCG Investor Relations, a California corporation, in the Court of Beverly Hills of the State of California against the Company and AIVtech-Shenzhen for breach of contract, seeking total damages of $116,865.83, including $79,865.83 for services rendered, $12,000 interest and $25,000 for attorney's fees. The Company entered into a settlement agreement with CCG Investor Relations and paid a total of $76,865 in September 2011 to settle the lawsuit. Other than stated above, currently there are no legal proceedings pending or threatened against the Company or its subsidiaries.

Governmental Regulation

This section sets forth a summary of the most significant Chinese regulations or requirements that may affect our business activities in China or our shareholders' right to receive dividends and other distributions of profits from the PRC subsidiaries.

Industry Regulations

We have all necessary licenses and permits to operate our business. We are also subject to regular inspections by the regulatory authorities for compliance with applicable regulations with respect to our environmental protection, security and fire safety, etc. We passed all the inspections so far and we did not receive any negative feedback from the government agencies.

Business licenses of AIVtech-HK, AIVtech-Shenzhen, AIVtech-Dongguan and AIVtech- Henan:

Name of Subsidiary	Date and Place of Incorporation	License Name and Number	Valid Period	Current Status	Issuing Agency
AIVtech-HK	November 4, 2005. Hong Kong	Hong Kong Business/Branch Registration Certificate. Certificate Number: 36172801-000-11-10-A	November 4, 2010 to November 3, 2011	Effective	Hong Kong Business Registration Office
AIVtech-Shenzhen	October 26, 2004. People’s Republic of China	PRC Business License. License Number: 1066717	October 26, 2004 to September 30, 2020	Effective	The Market Supervision Administration of Shenzhen Municipality
AIVtech-Dongguan	December 25, 2009. People’s Republic of China	PRC Business License. License Number: 441900000705281	December 25, 2009 to Indefinite	Effective	The Industrial and Commercial Bureau of Dongguan City
AIVtech-Henan	March 30, 2011. People’s Republic of China	PRC Business License. License Number: 411593000000672	March 30, 2011 to March 29, 2021	Effective	The Industrial and Commercial Bureau of Xinyang City

Organizational Code Certificates of AIVtech-Shenzhen, AIVtech-Dongguan and AIVtech-Henan, as applicable:

Name of Subsidiary	Organizational Code	Certificate Registration Number	Valid Period	Current Status	Issuing Agency
AIVtech-Shenzhen	76757863-3				