COVENTURE INTERNATIONAL INC
Form 10QSB
December 14, 2005

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

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

For the Quarterly Period ended October 31, 2005

Commission File Number: 0-31539

COVENTURE INTERNATIONAL INC.
(Exact name of small business issuer as specified in its charter)

Delaware	98-0231607
(Jurisdiction of Incorporation)	(I.R.S. Employer Identification No.)

Tang Xing Shu Ma Building, Suite 418
Tang Xing Road
Xian High Tech Area
Xian, Shaanxi Province
China
(Address of principal executive office) (Zip Code)

Registrant's telephone number, including area code: 86-29-88323325

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.) Yes [x] No [ ]

As of December 14, 2005 the Company had 5,051,022 shares of common stock issued and outstanding.

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

INDEX

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

Coventure International Inc.
Consolidated Balance Sheet
(Unaudited)

	Oc
ASSETS	
Current Assets	
Cash & cash equivalents	
Prepaid expenses and deposits	
Total Current Assets	
Property and Equipment, net	

Equipment Under Capital Lease

Total Assets

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current Liabilities

Accounts payable
Accrued liabilities
Current portion of capital lease
Deferred revenue
Due to related parties
Loan payable

Total Current Liabilities

Capital Lease Obligation

Total Liabilities

Contingencies and Commitment

Stockholders' Deficit

Preferred Stock:
5,000,000 shares authorized, $0.0001 par value, none issued

Common Stock:
30,000,000 shares authorized, $0.0001 par value
7,022,200 shares issued and outstanding

Additional Paid-in Capital

Accumulated Other Comprehensive Loss

Deficit

Total Stockholders' Deficit

Total Liabilities and Stockholders' Deficit

(The Accompanying Notes are an Integral Part of the Consolidated Financial Statements)

Coventure International Inc.
Consolidated Statements of Operations
(Unaudited)

	Three Month Pe
	October 31, 2005 $
Revenue	11,259
Expenses	
Advertising and promotion	-
Amortization	2,948
Commissions	-
General and administrative	5,921
Loss on property and equipment	3,191
Management fees and wages	-
Professional fees	7,193
Subcontract	3,142
Total Expenses	22,395
Net Loss	(11,136)
Other Comprehensive Loss:	
	(2,848)
Foreign Currency translation adjustment	(2,848)
Comprehensive Loss	(13,984)
Net Loss Per Share - Basic and Diluted	-
Weighted Average Shares Outstanding	7,022,000

(The Accompanying Notes are an Integral Part of the Consolidated Financial Statements)

F-3

Coventure International Inc.
Consolidated Statements of Cash Flows
(Unaudited)

	Three Month P

	October 31, 2005 $
Operating Activities	
Net loss	(11,136)
Adjustment to reconcile net loss to net cash provided by (used in) operating activities	
Amortization	2,948
Loss on property and equipment	3,191
Changes in operating assets and liabilities	
Accounts receivable	3,153
Prepaid expenses and deposits	1,163
Accounts payable and accrued liabilities	(1,731)
Due to related parties	15,429
Deferred revenue	(14,453)
Net Cash Provided By (Used In) Operating Activities	(1,436)
Investing Activities	
(Purchase of) proceeds from disposal of property and equipment	803
Net Cash Provided by (Used In) Investing Activities	803
Financing Activities	
Advances from related parties	-
Principle repayments on capital lease	(894)
Net Cash Provided By (Used In) Financing Activities	(894)
Effect of Exchange Rate Changes on Cash	43
Net Increase (Decrease) in Cash & cash equivalents	(1,484)
Cash & cash equivalents - Beginning of Period	18,953
Cash & cash equivalents - End of Period	17,469

(The Accompanying Notes are an Integral Part of the Consolidated Financial Statements)

Coventure International Inc.
Notes to the Consolidated Financial Statements

October 31, 2005
(Unaudited)

1. Nature of Operations and Continuance of Business

Coventure International Inc. (the "Company") was incorporated in the State of Delaware, U.S.A. on March 31, 1999 as Bullet Environmental Systems, Inc. and changed its name on May 25, 2000 to Liquidpure Corp. On February 14, 2002, the Company changed its name to Coventure International Inc. These financial statements include the accounts of the Company and its wholly-owned subsidiary Coventure Canada Inc. (the "Subsidiary"). The Subsidiary was incorporated in the Province of Alberta, Canada on February 5, 2002.

The Company is engaged in the business of providing management consulting, accounting and tax services. Subsequent to the period end, the Company changed its business to that of natural gas distribution. Refer to Note 8.

The Company generated sufficient revenues that indicated planned principal activities commenced and as a result, the Company emerged from the development stage during the 2004 fiscal year. As of October 31, 2005, the Company has a working capital deficiency of $146,893, and accumulated losses of $254,004 since inception. The continuation of the Company as a going concern is dependent upon the continued financial support from its shareholders, the ability of the Company to obtain necessary equity financing to continue operations and to generate profitable operations. There is no guarantee that the Company will be able to raise any equity financing or generate profitable operations. These financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. These factors raise substantial doubt regarding the Company's ability to continue as a going concern.

2. Summary of Significant Accounting Policies

1) Basis of Presentation

The accompanying consolidated balance sheet of Coventure International Inc. and subsidiary at October 31, 2005 and the consolidated statements of operations for the three month periods ended October 31, 2005 and 2004 and consolidated statements of cash flows for the three month periods ended October 31, 2005 and 2004 have been prepared by the Company's management in conformity with accounting principles generally accepted in the United States of America. In the opinion of management, all adjustments considered necessary for a fair presentation of the results of operations and financial position have been included and all such adjustments are of a normal recurring nature.

Operating results for the three month periods ended October 31, 2005, are not necessarily indicative of the results that can be expected for the year ending July 31, 2006.

These consolidated financial statements and related notes are prepared in accordance with accounting principles generally accepted in the United States and are expressed in US dollars. These statements include the accounts of the Company and its wholly-owned subsidiary Coventure Canada Inc., a company incorporated in the Province of

Alberta, Canada. All significant intercompany transactions and balances have been eliminated. The Company's fiscal year end is July 31.

2) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods. Actual results could differ from those estimates. 3) Cash and Cash Equivalents

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

4) Property and Equipment

Property and equipment consists of furniture and equipment and leasehold improvements and is recorded at cost. Furniture and equipment are being amortized on a straight-line basis over their estimated useful lives of four years. During the period, the Company's lease was terminated, and the remaining carrying cost of leasehold improvements of $3,191 was charged to operations.

5) Long-Lived Assets

In accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", the carrying value of intangible assets and other long-lived assets is reviewed on a regular basis for the existence of facts or circumstances that may suggest impairment. The Company recognizes impairment when the sum of the expected undiscounted future cash flows is less than the carrying amount of the asset. Impairment losses, if any, are measured as the excess of the carrying amount of the asset over its estimated fair value.

6) Foreign Currency Transactions/Balances

The Company's functional currency is the Canadian dollar. Occasional transactions occur in U.S. dollars, and management has adopted SFAS No. 52, "Foreign Currency Translation". Assets and liabilities denominated in foreign currencies are translated into US dollars at rates of exchange in effect at the balance sheet date. Average rates for the year are used to translate revenues and expenses. Resulting translation gains and losses are accumulated in a separate component of stockholders' equity as accumulated other comprehensive income or loss.

7) Income Taxes

Potential benefits of income tax losses are not recognized in the accounts until realization is more likely than not. The Company has adopted SFAS No. 109 "Accounting for Income Taxes" as of its inception. Pursuant to SFAS No. 109 the Company is required to compute tax asset benefits for net operating losses carried forward. Potential benefit of net operating losses have not been recognized in these financial statements because the Company cannot be assured it is more likely than not it will utilize the net operating losses carried forward in future years.

8) Financial Instruments

The fair value of financial instruments which includes cash, accounts receivable, prepaid expenses, loan payable, accounts payable, accrued liabilities, due to related parties and deferred revenue were estimated to approximate their carrying value due to the immediate or relatively short maturity of these instruments. The Company's operations are in Canada and virtually all of its assets and liabilities are giving rise to significant exposure to market risks from changes in foreign currency rates. The financial risk is the risk to the Company's operations that arise from fluctuations in foreign exchange rates and the degree of volatility of these rates. Currently, the Company does not use derivative instruments to reduce its exposure to foreign currency risk.

9) Stock-Based Compensation

The Company has elected to apply the intrinsic value method of accounting in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25). Under the intrinsic value method of accounting, compensation expense is recognized if the exercise price of the Company's employee stock options is less than the market price of the underlying common stock on the date of grant. Stock-based compensation for employees is recognized on the straight-line basis over the vesting period of the individual options. Stock options granted to non-employees are accounted for under Statement of Financial Accounting Standards No. 123 "Accounting for Stock-Based Compensation" (SFAS 123), which establishes a fair value based method of accounting for stock-based awards, and recognizes compensation expense based on the fair market value of the stock award or fair market value of the goods and services received, whichever is more reliably measurable. Under the provisions of SFAS 123, companies that elect to account for stock-based awards in accordance with the provisions of APB 25 are required to disclose the pro forma net income (loss) that would have resulted from the use of the fair value based method under SFAS 123. The Company has not granted any stock-based awards since inception.

10) Revenue Recognition

The Company recognizes revenue from the sale of services in accordance with Securities and Exchange Commission Staff Accounting Bulletin No. 104 ("SAB 104"), "Revenue Recognition in Financial Statements." Revenue consists of consulting services and is recognized only when the price is fixed or determinable, persuasive evidence of an arrangement exists, the service is performed, and collectibility is reasonably assured.

The Company continually monitors timely payments and assesses any collection issues. The allowance for doubtful accounts is based on the Company's detailed assessment of the collectibility of specific customer accounts. Any significant accounts that are not expected to be collected are excluded from revenue. Deferred revenue represents customer deposits, which are recognized as revenue once the criteria for SAB 104 have been met.

11) Comprehensive Loss

SFAS No. 130, "Reporting Comprehensive Income," establishes standards for the reporting and display of comprehensive income and its components in the financial statements. For the three month period ended October 31, 2005, the Company had comprehensive loss of $13,984 which includes a foreign currency translation loss of $2,848.

12) Basic and Diluted Net Income (Loss) per Share

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

from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential common shares if their effect is anti-dilutive.

13) Recent Accounting Pronouncement

In May 2005, the Financial Accounting Standards Board (FASB) issued SFAS No. 154, "Accounting Changes and Error Corrections - A Replacement of APB Opinion No. 20 and SFAS No. 3". SFAS 154 changes the requirements for the accounting for and reporting of a change in accounting principle and applies to all voluntary changes in accounting principle. It also applies to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. SFAS 154 requires retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. The provisions of SFAS No. 154 are effective for accounting changes and correction of errors made in fiscal years beginning after December 15, 2005. The adoption of this standard is not expected to have a material effect on the Company's results of operations or financial position.

In December 2004, FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets - An Amendment of APB Opinion No. 29". The guidance in APB

Opinion No. 29, "Accounting for Nonmonetary Transactions", is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. The guidance in that Opinion, however, included certain exceptions to that principle. SFAS No. 153 amends Opinion No. 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. The provisions of SFAS No. 153 are effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. Early application is permitted and companies must apply the standard prospectively. The adoption of this standard is not expected to have a material effect on the Company's results of operations or financial position.

In December 2004, the SFAS No. 123R, "Share Based Payment". SFAS 123R is a revision of SFAS No. 123 "Accounting for Stock-Based Compensation", and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees" and its related implementation guidance. SFAS 123R establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. SFAS 123R focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. SFAS 123R requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). That cost will be recognized over the period during which an employee is required to provide service in exchange for the award - the requisite service period (usually the vesting period). SFAS 123R requires that the compensation cost relating to share-based payment transactions be recognized in financial statements. That cost will be measured based on the fair value of the equity or liability instruments issued. Public entities that file as small business issuers will be required to apply SFAS 123R in the first interim or annual reporting period that begins after December 15, 2005. The adoption of this standard is not expected to have a material effect on the Company's results of operations or financial position.

In March 2005, the SEC staff issued Staff Accounting Bulletin No. 107 ("SAB 107") to give guidance on the implementation of SFAS 123R. The Company will consider SAB 107 during implementation of SFAS 123R.

14) Interim Financial Statements

These interim unaudited consolidated financial statements have been prepared on the same basis as the annual financial statements and in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the Company's financial position, results of operations and cash flows for the periods shown. The results of operations for such periods are not necessarily indicative of the results expected for a full year or for any future period.

3. Property and Equipment

	Cost $	Accumulated Amortization $
Furniture and equipment	31,160	(14,410)
Leasehold improvements	3,130	(3,130)
	34,290	(17,540)

Coventure International Inc.
Notes to the Consolidated Financial Statements
October 31, 2005
(Unaudited)

4. Capital lease

During the year ended July 31, 2005, the Company entered into a non-cancelable leasing arrangement involving certain assets owned by the Company. The Company sold equipment with a fair value of $12,515 and leased it back over a period of thirty-six months at an effective interest rate of 2.83% per annum. The leasor assumed the Company's obligations to the trade creditors related to the original acquisition of the assets. The Company maintains total use of the equipment and recorded a deferred gain. At October 31, 2005 the balance of the deferred gain is $618. The deferred gain will be amortized over the lease term. Amortization of equipment under capital leases was $1,088 for the three month period ended October 31, 2005.

Property under capital lease is as follows:

	$
Furniture and equipment (Leased equipment)	13,179
Less: Accumulated Amortization	(3,661)
	9,518

The following represents future minimum lease payments under capital leases and the present value of the minimum lease payments as of October 31, 2005.

$

2006	3,388
2007	4,517
2008	1,543
Total minimum lease payments	9,448
Less: Amounts representing interest	(812)
Present value of net minimum lease payments	8,636
Current portion of obligations under capital leases	3,940
Long-term obligations under capital leases	4,696

5. Related Party Transactions/Balances

1) The President of the Company and a company controlled by the President is owed $105,314 for cash advances and expenses paid on behalf of the Company as of October 31, 2005. This amount bears interest at 11.5% per annum, is unsecured and due on demand.

2) The Company paid management fees of $0 and $5,000 to the President of the Company during the three month periods ended October 31, 2005 and 2004, respectively. In addition, management fees and accounting fees of $21,596 and $0 were paid to the spouse of the President of the Company during the three month periods ended October 31, 2005 and 2004, respectively.

6. Loan Payable

An unrelated party advanced the Company $25,000 on a non-interest bearing, unsecured basis. This amount is due on demand with no terms of repayment.

7. Commitments

On September 1, 2003 the Company entered into an operating lease for office premises for a term of 3 years. During the three month period ended October 31, 2005 the lease was terminated.

8. Subsequent Event

On December 6, 2005, the Company entered into and closed a share purchase agreement with Xian Xilan Natural Gas Co., Ltd., a corporation formed under the laws of the People's Republic of China ("Xilan"), and each of Xilan's shareholders . Pursuant to the Agreement, the Company acquired all of the issued and outstanding capital stock of Xilan from the Xilan shareholders in exchange for 4,000,000 shares of the Company's common stock. Concurrently with the closing of the Purchase Agreement and as a condition thereof, the Company entered into an agreement with John Hromyk, the Company's President and Chief Financial Officer, pursuant to which Mr. Hromyk returned 5,971,178 shares of the Company's common stock to the Company for cancellation. Upon completion of the foregoing transactions, the Company had an aggregate of 5,051,022 shares of common stock issued and outstanding. The shares of common stock issued to the shareholders of Xilan were issued in reliance upon the exemption from registration provided by Regulation S under the Securities Act of 1933, as amended.

Xilan was incorporated under the laws of the People's Republic of China on January 8, 2000 and is headquartered in Xian, China in Shaanxi Province. Xilan primarily engages in the transmission and distribution of natural gas to commercial, industrial and residential customers.

In connection with the acquisition of Xilan on December 6, 2005, John Hromyk resigned as the sole officer of the Company and the executive officers of Xilan were appointed as executive officers of the Company.

The exchange of shares with Xilan will be accounted for as a reverse acquisition under the purchase method of accounting since the shareholders of the Xilan obtained control of the Company. Accordingly, the merger of the two companies has been recorded as a recapitalization of Xilan, with Xilan being treated as the continuing entity.

Unaudited revenue and net income of Xilan for the nine month periods ended September 30, 2005 and 2004 are as follows:

	Nine month periods ended September 30, (Unaudited)	
	2005	2004
Revenue	$ 2,714,042	$ 701,615
Net income (loss) for the period	$ 736,802	$(128,289)

Item 2. Management's Discussion and Analysis or Plan of Operation

The following discussion and analysis explains the major factors affecting our financial condition. The following discussion of our financial condition and plan of operations should be read along with the financial statements and notes to the financial statements included elsewhere in this quarterly report.

In the fall of 2003 we began providing accounting, tax and business consulting services to small and medium sized businesses in-and-around the Calgary, Alberta region. The consulting services are designed to improve a client's profitability through strategic analysis, planning, consulting and ongoing evaluation. Our core services attempt to identify inefficiencies and trouble spots in a business before they cause significant problems.

Our original plan of business was to leverage the experience from this regional office to template offices throughout Canada through a network of regionally licensed operators. We have to date been unable to secure the necessary financing to establish a network of regionally licensed operators and have determined that it would be in our best interests to seek to locate an adequately financed venture partner which is seeking the benefits of being publicly traded with which to merge. Our management reached this determination due to the fact that, while our core business has achieved marginal profitability, the costs incurred in registering our common stock with the Securities and Exchange Commission and the ongoing costs of maintaining such registration have resulted in unsustainable financial losses.

11

As of October 31, 2005 we had approximately five clients serviced out of our Cochrane office. These clients are small and medium sized businesses that have selected one of our standard programs that incorporate tax and business advisory services for a one-year initial period. Client response has been strong and we have implemented numerous refinements to our programs from our experience with our clients.

Results of Operations

Three month periods ended October 31, 2005 and 2004

Our revenue for the three month period ended October 31, 2005 has decreased to $11,259 from $67,023 for the three month period ended October 31, 2004. The decreased revenue resulted in decreased expenses of $22,395 for the three month period ended October 31, 2005 as compared to $84,142 for the three month period ended October 31, 2004. The Company had net loss of $11,136 for the three month period ended October 31, 2005 compared to a net loss of $17,119 in the previous year period. The commissions expense for the three month period ended October 31, 2005 has decreased to $0 from $5,266 for the three month period ended October 31, 2004 as a result of the reduced number of clients currently being serviced.

During the three month period ended October 31, 2005 net cash used in operating activities was $1,436 and we incurred $803 on office equipment and leasehold improvements.

Liquidity and Capital Resources

At October 31, 2005 we had total current assets of $17,872 and a working capital deficit of $146,893. Our business has operated at a loss since inception and we have been unable to obtain adequate financing to continue our current operations. We have no current source of funds to fund our operations.

In order to resolve our lack of liquidity, our management has been actively seeking an adequately financed venture partner which is seeking the benefits of being publicly traded with which to merge.

Acquisition of Xi'an Xilan Natural Gas Co., Ltd.

On December 6, 2005, the Company entered into and closed a share purchase agreement with Xian Xilan Natural Gas Co., Ltd., a corporation formed under the laws of the People's Republic of China ("Xilan"), and each of Xilan's shareholders . Pursuant to the Agreement, the Company acquired all of the issued and outstanding capital stock of Xilan from the Xilan shareholders in exchange for 4,000,000 shares of the Company's common stock. Concurrently with the closing of the Purchase Agreement and as a condition thereof, the Company entered into an agreement with John Hromyk, the Company's President and Chief Financial Officer, pursuant to which Mr. Hromyk returned 5,971,178 shares of the Company's common stock to the Company for cancellation. Upon completion of the foregoing transactions, the Company had an aggregate of 5,051,022 shares of common stock issued and outstanding. The shares of common stock issued to the shareholders of Xilan were issued in reliance upon the exemption from registration provided by Regulation S under the Securities Act of 1933, as amended.

Xilan was incorporated under the laws of the People's Republic of China on January 8, 2000 and is headquartered in Xian, China in Shaanxi Province. Xilan primarily engages in the transmission and distribution of natural gas to commercial, industrial and residential customers.

In connection with the acquisition of Xilan on December 6, 2005, John Hromyk resigned as the sole officer of the Company and the executive officers of Xilan were appointed as executive officers of the Company.

Critical Accounting Policies

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The methods, estimates, and judgments we use in applying our most critical accounting policies have a significant impact on the results that we report in our financial statements. The SEC considers an entity's most critical accounting policies to be those policies that are both most important to the portrayal of a company's financial condition and results of operations, and those that require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about matters that are inherently uncertain at the time of estimation. We believe the following critical accounting policies, among others, require significant judgments and estimates used in the preparation of our financial statements:

(i) Property and Equipment
Property and equipment consists of furniture and equipment and leasehold improvements and is recorded at cost. Furniture and equipment and leasehold improvements are being amortized on a straight-line basis over their estimated useful lives of four years and three years, respectively.

(ii) Long-Lived Assets
In accordance with Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets", the carrying value of intangible assets and other long-lived assets is reviewed on a regular basis for the existence of facts or circumstances that may suggest impairment. The Company recognizes impairment when the sum of the expected undiscounted future cash flows is less than the carrying amount of the asset. Impairment losses, if any, are measured as the excess of the carrying amount of the asset over its estimated fair value.

(iii) Revenue Recognition
The Company recognizes revenue from the sale of services in accordance with Securities and Exchange Commission Staff Accounting Bulletin No. 104 ("SAB 104"), "Revenue Recognition in Financial Statements." Revenue consists of consulting services and is recognized only when

the price is fixed or determinable, persuasive evidence of an arrangement exists, the service is performed, and collectibility is reasonably assured.

The Company continually monitors timely payments and assesses any collection issues. The allowance for doubtful accounts is based on the Company's detailed assessment of the collectibility of specific customer accounts. Any significant accounts that are not expected to be collected are excluded from revenue. Deferred revenue represents customer deposits, which are recognized as revenue once the criteria for SAB 104 have been met.

(iv) Foreign Currency Transactions/Balances

The Company's functional currency is the Canadian dollar. Occasional transactions occur in U.S. dollars, and management has adopted SFAS No. 52, "Foreign Currency Translation". Assets and liabilities denominated in foreign currencies are translated into US dollars at rates of exchange in effect at the balance sheet date. Average rates for the year are used to translate revenues and expenses. Resulting translation gains and losses are accumulated in a separate component of stockholders' equity as accumulated other comprehensive income or loss.

New Accounting Pronouncements

In May 2005, the Financial Accounting Standards Board (FASB) issued SFAS No. 154, "Accounting Changes and Error Corrections - A Replacement of APB Opinion No. 20 and SFAS No. 3". SFAS 154 changes the requirements for the accounting for and reporting of a change in accounting principle and applies to all voluntary changes in accounting principle. It also applies to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. SFAS 154 requires retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. The provisions of SFAS No. 154 are effective for accounting changes and correction of errors made in fiscal years beginning after December 15, 2005. The adoption of this standard is not expected to have a material effect on the Company's results of operations or financial position.

In December 2004, FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets - An Amendment of APB Opinion No. 29". The guidance in APB Opinion No. 29, "Accounting for Nonmonetary Transactions", is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. The guidance in that Opinion, however, included certain exceptions to that principle. SFAS No. 153 amends Opinion No. 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do

not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. The provisions of SFAS No. 153 are effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. Early application is permitted and companies must apply the standard prospectively. The adoption of this standard is not expected to have a material effect on the Company's results of operations or financial position.

In December 2004, the SFAS No. 123R, "Share Based Payment". SFAS 123R is a revision of SFAS No. 123 "Accounting for Stock-Based Compensation", and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees" and its related implementation guidance. SFAS 123R establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. SFAS 123R focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. SFAS 123R requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). That cost will be recognized over the period during which an employee is required to provide service in exchange for the award - the requisite service period (usually the vesting period). SFAS 123R requires that the compensation cost relating to share-based payment transactions be recognized in financial statements. That cost will be measured based on the fair value of the equity or liability instruments issued. Public entities that file as small business issuers will be required to apply SFAS 123R in the first interim or annual reporting period that begins after December 15, 2005. The adoption of this standard is not expected to have a material effect on the Company's results of operations or financial position.

In March 2005, the SEC staff issued Staff Accounting Bulletin No. 107 ("SAB 107") to give guidance on the implementation of SFAS 123R. The Company will consider SAB 107 during implementation of SFAS 123R.

F-15

Forward Looking Statements

This Plan of Operations includes a number of forward-looking statements that reflect Management's current views with respect to future events and financial performance. Those statements include statements regarding the intent, belief or current expectations of us and members of our management team as well as the assumptions on which such statements are based. Prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risk and uncertainties, and that actual results may differ materially from those contemplated by such forward-looking statements.

Readers are urged to carefully review and consider the various disclosures made by us in this report and in our other reports filed with the Securities and Exchange Commission. Important factors currently known to management could cause actual results to differ materially from those in forward-looking statements. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes in the future operating results over time. We believe that its assumptions are based upon reasonable data derived from and known about our business and operations and the business and operations of the Company. No assurances are made that actual results of operations or the results of our future activities will not differ materially from its assumptions.

Item 3. Controls and Procedures

We carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15 of the Securities Exchange Act of 1934 (the "Exchange Act") under the supervision and with the participation of our chief executive officer and chief financial officer. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives. Any system of controls can provide only reasonable and not absolute assurance that the objectives of the control system are met. In addition, the design of any control system is based upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Based upon the evaluation of the effectiveness of the design and operations of our disclosure controls and procedures, the chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective as of October 31, 2005 in timely alerting them to material information required to be included in our Exchange Act filings, and that such information is recorded, processed, summarized and reported within the time period required.

There were no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART II: OTHER INFORMATION

Item 1. Legal Proceedings

Not applicable.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not Applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

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

Not applicable.

Item 5. Other Information

Not applicable

Item 6. Exhibits

31.1 Certification by Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification by Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certification by Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2 Certification by Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

December 14, 2005

COVENTURE INTERNATIONAL INC.

By:/s/ MINQING LU

Minqing Lu,
Chief Executive Officer
(Principal Executive Officer)

By: /s/ XIAOGANG ZHU

Xiaogang Zhu,
Chief Financial Officer
(Principal Financial Officer
and Principal Accounting Officer)