

LARGO VISTA GROUP LTD
Form 10QSB
August 10, 2006

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10QSB

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

For the period ended June 30, 2006

COMMISSION FILE NUMBER 000-30426

LARGO VISTA GROUP, LTD

(Name of Small Business Issuer in Its Charter)

Nevada	76-0434540
(State of Incorporation)	(IRS Employer Identification No.)

4570 Campus Drive	Newport Beach, CA 92660
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(Address of Principal Executive Offices)

(949) 252-2180

ISSUER'S TELEPHONE NUMBER

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 ☒ No ☐

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 286,947,989 shares of Common Stock (\$.001 par value) as of August 11, 2006.

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

LARGO VISTA GROUP, LTD.

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LARGO VISTA GROUP, LTD.
CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited)
June 30, 2006

December 31, 2005

ASSETS

Current assets:

Cash and cash equivalent	\$ 35,593	\$ 75,642
Accounts receivable, net	522	287
Employee advances	30,493	11,064
Inventories, at cost (Note B)	21,153	17,689
Prepaid expenses and other	156,528	129,764
Total current assets	244,289	234,446

Property and equipment, at cost	17,147	16,636
Less: accumulated depreciation	14,322	12,635
	2,825	4,001

Deposits	755	755
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Total assets	\$ 247,869	\$ 239,202
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LIABILITIES AND DEFICIENCY IN STOCKHOLDERS' EQUITY

Current Liabilities:

Accounts payable and accrued liabilities	\$ 465,057	\$ 546,565
Customer deposits	78,261	-
Notes payable to related parties (Note E)	533,082	595,546
Due to related parties (Note F)	189,177	194,432
Total Current Liabilities	1,265,577	1,336,543

Commitment and contingencies	-	-
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Deficiency in stockholders' equity

Preferred stock, \$0.001 par value; 25,000,000 shares authorized, none issued and outstanding at June 30, 2006 and December 31, 2005 (Note C)	-	-
Common stock, \$0.001 par value; 400,000,000 shares authorized, 286,691,908 and 277,635,403 shares issued and outstanding at June 30, 2006 and December 31, 2005, respectively. (Note C)	286,692	277,635
Additional paid-in capital	15,574,531	15,344,344
Subscription payable	-	25,000
Accumulated deficit	(16,877,506)	(16,742,284)
Accumulated other comprehensive income:		
Foreign currency translation adjustment	(1,425)	(2,036)
Deficiency in stockholders' equity	(1,017,708)	(1,097,341)

Total liabilities and deficiency in stockholders' equity	\$ 247,869	\$ 239,202
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(see accompanying notes to the unaudited condensed consolidated financial information)

LARGO VISTA GROUP, LTD.
CONDENSED CONSOLIDATED STATEMENTS OF LOSSES
(unaudited)

	For the three months ended June 30,		For the six months ended June 30,	
	2006	2005	2006	2005
Revenue	\$ 103,779	\$ 107,162	\$ 210,625	\$ 161,773
Cost of sales	95,751	90,784	196,276	156,850
Gross profit	8,028	16,378	14,349	4,923
Operating expenses:				
Selling general and administrative	53,392	118,840	128,052	187,394
Depreciation	792	762	1,575	1,524
	54,184	119,602	129,627	188,918
Loss from operations	(46,156)	(103,224)	(115,278)	(183,995)
Other income (expenses):				
Interest (expense), net	(11,196)	(7,372)	(19,944)	(14,981)
Total other (expenses)	(11,196)	(7,372)	(19,944)	(14,981)
Loss from operations before income taxes	(57,352)	(110,596)	(135,222)	(198,976)
Provision for income taxes	-	-	-	-
Net loss	(57,352)	(110,596)	(135,222)	(198,976)
Other comprehensive income: foreign currency translation gain	1,320	-	611	-
Comprehensive (loss)	\$ (56,032)	\$ (110,596)	\$ (134,611)	\$ (198,976)
Loss per common share (basic and assuming diluted)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Weighted average shares outstanding	285,415,264	277,635,403	281,546,825	277,084,408

(see accompanying notes to the unaudited condensed consolidated financial information)

LARGO VISTA GROUP, LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	For the six months ended June 30, 2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) from operations	\$ (135,222)	\$ (198,976)
Adjustments to reconcile net (loss) to net cash provided by operating activities:		
Depreciation	1,575	1,524
Common stock issued in exchange for services rendered	9,000	-
Changes in assets and liabilities:		
Accounts receivable	(231)	2,777
Inventories	(3,289)	(1,257)
Employee advances	(19,176)	(632)
Prepaid expenses and other	(25,466)	(86,967)
Accounts payable and other liabilities	(2,329)	71,990
Customer Deposits	78,261	(4,831)
NET CASH (USED IN) OPERATING ACTIVITIES	(96,877)	(216,372)
NET CASH FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(399)	-
NET CASH USED IN INVESTING ACTIVITIES:	(399)	
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from sale of commons stock	122,440	-
Proceeds from capital contributions from related parties	-	40,979
Proceeds from notes payable to related parties and related party advances, net of repayments	(65,245)	171,338
NET CASH PROVIDED BY FINANCING ACTIVITIES	57,195	212,317
Effect of exchange rates on cash	32	-
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(40,049)	(4,055)
Cash and cash equivalents at the beginning of the period	75,642	94,565
Cash and cash equivalents at the end of the period	\$ 35,593	\$ 90,510

Supplemental Disclosures of Cash Flow
Information

Cash paid during the period for interest	\$ -	\$ -
Income taxes paid	-	-
Non cash Investing and Financing Activities:		
Common stock issued in exchange for services rendered	9,000	-
Common stock issued for accrued service fees	78,000	84,000
Common stock issued in exchange for due to related parties	4,084	24,222
Common stock issued in exchange for common stock subscription	25,000	18,458

(see accompanying notes to the unaudited condensed consolidated financial information)

LARGO VISTA GROUP, LTD.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION
JUNE 30, 2006
(UNAUDITED)

NOTE A - SUMMARY OF ACCOUNTING POLICIES

General

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-QSB. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Accordingly, the results from operations for the three and six month period ended June 30, 2006 are not necessarily indicative of the results that may be expected for the year ended December 31, 2006. The unaudited condensed consolidated financial statements should be read in conjunction with the consolidated December 31, 2005 financial statements and footnotes thereto included in the Company's SEC Form 10-KSB.

Business and Basis of Presentation

Largo Vista Group, Ltd. (the "Company") was incorporated under the laws of the State of Nevada. The Company is principally engaged in the distribution of liquid petroleum gas (LPG) in the retail and wholesale markets in South China and in the purchase of petroleum products for delivery to the Far East.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Largo Vista, Inc., Largo Vista Construction, Inc., and Largo Vista International Corp. Largo Vista, Inc. is formed under the laws of the State of California and is inactive. Largo Vista Construction, Inc. is formed under the laws of the State of Nevada and is inactive. Largo Vista International Corp. is formed under the laws of Panama and is inactive. The Company also has operations through DBA (Doing Business As) agreements with Zunyi Jiahong Gas Co., Ltd. ("Jiahong"). Jiahong is registered under the Chinese laws in the Peoples Republic of China.

All significant intercompany balances and transactions have been eliminated in consolidation. All amounts in these consolidated financial statements and notes thereto are stated in United States dollars unless otherwise indicated.

Stock Based Compensation

Prior to the January 1, 2006 adoption of the Financial Accounting Standards Board ("FASB") Statement No. 123(R), "Share-Based Payment" ("SFAS 123R"), the Company accounted for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. Accordingly, because the stock option grant price equaled the market price on the date of grant, and any purchase discounts under the Company's stock purchase plans were within statutory limits, no compensation expense was recognized by the Company for stock-based compensation. As permitted by SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), stock-based compensation was included as a pro forma disclosure in the notes to the consolidated financial statements.

LARGO VISTA GROUP, LTD.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION
JUNE 30,, 2006
(UNAUDITED)

NOTE A - SUMMARY OF ACCOUNTING POLICIES (Continued)

Stock Based Compensation (Continued)

Effective January 1, 2006, the beginning of the Company's first fiscal quarter of 2006, the Company adopted the fair value recognition provisions of SFAS 123R, using the modified-prospective transition method. Under this transition method, stock-based compensation expense was recognized in the consolidated financial statements for granted, modified, or settled stock options. Compensation expense recognized included the estimated expense for stock options granted on and subsequent to January 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS 123R, and the estimated expense for the portion vesting in the period for options granted prior to, but not vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS 123. Results for prior periods have not been restated, as provided for under the modified-prospective method.

SFAS 123(R) requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. In the Company's pro forma information required under SFAS 123 for the periods prior to fiscal 2006, the Company accounted for forfeitures as they occurred.

Upon adoption of SFAS 123(R), the Company is using the Black-Scholes option-pricing model as its method of valuation for share-based awards granted beginning in fiscal 2006, which was also previously used for the Company's pro forma information required under SFAS 123. The Company's determination of fair value of share-based payment awards on the date of grant using an option-pricing model is affected by the Company's stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to the Company's expected stock price volatility over the term of the awards, and certain other market variables such as the risk free interest rate.

The following table shows the effect on net earnings and earnings per share had compensation cost been recognized based upon the estimated fair value on the grant date of stock options for the six months ended June 30, 2005, in accordance with SFAS 123, as amended by SFAS No. 148 "Accounting for Stock-Based Compensation - Transition and Disclosure:

<i>Six month Ended</i>	June 30, 2005
Net loss	\$ (198,976)
Deduct: stock-based compensation expense, net of tax	-
Pro forma net loss	\$ (198,976)
Net loss per common share — basic (and assuming dilution):	
As reported	\$ (0.00)
Deduct: stock-based compensation expense, net of tax	-
Pro forma	\$ (0.00)

The Company had no employee stock options issued and outstanding at June 30, 2006. All prior awards of stock options were vested at the time of issuance in prior years.

LARGO VISTA GROUP, LTD.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION
JUNE 30, 2006
(UNAUDITED)

NOTE A - SUMMARY OF ACCOUNTING POLICIES (Continued)

Revenue Recognition

For revenue from product sales, the Company recognizes revenue in accordance with Staff Accounting Bulletin No. 104, REVENUE RECOGNITION ("SAB104"), which superseded Staff Accounting Bulletin No. 101, REVENUE RECOGNITION IN FINANCIAL STATEMENTS ("SAB101"). SAB 101 requires that four basic criteria must be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred; (3) the selling price is fixed and determinable; and (4) collectibility is reasonably assured. Determination of criteria (3) and (4) are based on management's judgments regarding the fixed nature of the selling prices of the products delivered and the collectibility of those amounts. Provisions for discounts and rebates to customers, estimated returns and allowances, and other adjustments are provided for in the same period the related sales are recorded. The Company defers any revenue for which the product has not been delivered or is subject to refund until such time that the Company and the customer jointly determine that the product has been delivered or no refund will be required.

SAB 104 incorporates Emerging Issues Task Force 00-21 ("EITF 00-21"), MULTIPLE-DELIVERABLE REVENUE ARRANGEMENTS. EITF 00-21 addresses accounting for arrangements that may involve the delivery or performance of multiple products, services and/or rights to use assets. The effect of implementing EITF 00-21 on the Company's consolidated financial position and results of operations was not significant.

The Company generally recognizes revenue upon delivery of LPG to the customer. Revenue associated with shipments of petroleum products is recognized when title passes to the customer. There are no significant credit transactions.

In February 2002, the Company entered into an agreement ("Agreement") with Zunyi Municipal Government ("Government") to design and install LPG pipeline systems in residential areas in the city of Zunyi, China on behalf of Government. In exchange for installing the pipeline, the Agreement provides for the Company to be the sole LPG supplier for those households. Pursuant to the Agreement, Government had paid to the Company 50% of the total contracted installation fees, and the Company has to collect the remaining 50% of contract price directly from the customers. The Company substantially completed the installation of the LPG pipeline as of December 31, 2002 and recognized revenues in the amount of fees collected from Government. The Company's management has determined that the collectibility and length of time to collect the amount due from customers can not be reasonably assured. Accordingly, revenues are recognized as collected in connection with the portion of the contracted price to be collected from customers.

In May 2003, the Company entered into its Second Agreement ("Second Agreement") with Government to design and install more LPG pipeline systems in residential areas in the city of Zunyi, China on behalf of Government. In exchange for installing the pipeline, the Second Agreement provides for the Company to be the sole LPG supplier for those households. Pursuant to the Second Agreement, Government is obligated to pay to the Company 50% of the total contracted installation price, and the Company has to collect the remaining 50% of contracted price directly from the customers. During the year ended December 31, 2003, the Company did not receive any payments from Government and thus delayed the installation of pipelines. During the year ended December 31, 2004, the Company received 50% of the total contracted price from Government and substantially completed the installation project. The Company recognized revenues in the amount of fees collected from Government during the year ended December 31, 2004. The Company management has determined that the collectibility and length of time to collect the remaining

contracted price due from customers can not be reasonably assured. Accordingly, revenues will be recognized as collected in connection with the portion of contracted price to be collected from customers.

LARGO VISTA GROUP, LTD.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION
JUNE 30, 2006
(UNAUDITED)

NOTE A - SUMMARY OF ACCOUNTING POLICIES (Continued)**Foreign Currency Translation**

The Company translates the foreign currency financial statements of its Chinese subsidiary in accordance with the requirements of Statement of Financial Accounting Standards No. 52, "Foreign Currency Translation." Assets and liabilities are translated at the rates of exchange at the balance sheet date, and related revenue and expenses are translated at average monthly exchange rates in effect during the period. Resulting translation adjustments are recorded as a separate component in stockholders' equity. Foreign currency transaction gains and losses are included in the statement of income.

Reclassifications

Certain reclassifications have been made in prior year's financial statements to conform to classifications used in the current year.

NOTE B - INVENTORIES

Inventories are stated at the lower of cost or market determined by the first-in, first-out (FIFO) method. Inventories consist primarily of liquid petroleum gas available for sale to contract clients and the public. Components of inventories as of June 30, 2006 and December 31, 2005 are as follows:

	June 30, 2006	December 31, 2005
Liquid petroleum gas	\$ 10,141	\$ 6,670
Packaging bottles	10,262	10,417
Supplies	750	602
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Total	\$ 21,153	\$ 17,689

NOTE C - CAPITAL STOCK

The Company has authorized 25,000,000 shares of Series A Preferred Stock, with a par value of \$.001 per share. As of June 30, 2006 and December 31, 2005, the Company has no Series A Preferred Stock issued and outstanding. The company has authorized 400,000,000 shares of common stock, with a par value of \$.001 per share. As of June 30, 2006 and December 31, 2005, the Company has 286,691,908 and 277,635,403 shares of common stock issued and outstanding, respectively.

LARGO VISTA GROUP, LTD.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION
JUNE 30, 2006
(UNAUDITED)

NOTE C - CAPITAL STOCK (continued)

During the six months ended June 30, 2006, the Company issued an aggregate of 1,166,666 shares of its common stock for \$25,000 of common stock subscribed during the year ended December 31, 2005. The Company issued an aggregate of 1,532,145 shares of its common stock in exchange for accrued services fees of \$78,000 and service fees of \$9,000. All valuations of common stock issued for services were based upon the value of the services rendered, which did not differ materially from the fair value of the Company's common stock during the period the services were rendered. The Company issued 68,634 shares of its common stock as repayment of advances from an officer in the amount of \$4,804. Additionally, the Company issued an aggregate of 6,289,060 shares of common stock in exchange for proceeds of \$122,440, net of costs and fees.

NOTE D - AGREEMENT TO SELL STOCK TO SHANGHAI OFFSHORE OIL GROUP

On March 18, 2005, the Company signed an Agreement and Assignment of Certain Contractual Rights and Benefits (the "Agreement"), with Shanghai Offshore Oil Group (HK) Co., Ltd. ("Shanghai Oil"). Under the Agreement, Shanghai Oil assigned to the Company all of its rights to receive payments under a prior contract with Asiacorp Investment Holding Ltd. ("Asiacorp"), under which Shanghai Oil would purchase from Asiacorp fuel oil produced in Russia and deliver it to entities in The People's Republic of China at a rate of thirty thousand (30,000) metric tons per month for three (3) months and continue for the following thirty-three (33) months at a rate of two hundred thousand (200,000) metric tons per month, for a total of six million, six hundred ninety thousand (6,690,000) metric tons (the "Asiacorp Contract"). The Agreement states that deliveries under the Asiacorp Contract were to begin no later than May 18, 2005.

The Agreement provides that the Company will receive all of the profit realized by Shanghai Oil from the sale of fuel oil it acquires under the Asiacorp Contract, after the deduction of costs associated with the purchase, transportation and sale of the fuel oil, with a minimum payment of two dollars (\$2.00) per metric ton. In exchange for the assignment of the Asiacorp contract and subject to the receipt of payment(s) from Shanghai Oil, the Company agreed to issue to Shanghai Oil one hundred million (100,000,000) shares of the Company's common stock, deliverable in three equal increments over the term of the Agreement, which amounts may be reduced based upon the amount, if any, of Shanghai Oil's actual payments from its sale of the fuel oil. However, the Company has not received any payments from Shanghai Oil under the Agreement, and cannot give absolute assurances that any fuel oil will be delivered under the Asiacorp Contract.

Payments received by The Company based upon Shanghai Oil's sale of the fuel oil, if any, will be accounted for as a capital transaction as The Company's transaction with Shanghai Oil represents, in substance, a stock subscription under which the Company would receive approximately \$0.13 per share if the total projected amount of fuel oil is sold and the minimum guaranteed profit margin is paid to the Company.

During June of 2005, Shanghai Oil notified the Company that it had not received any fuel oil under the Asiacorp Contract. As the Company had not received any payments from Shanghai Oil, it did not release any of its shares of common stock to Shanghai Oil. On or about July 1, 2005, The Company sent Shanghai Oil a written "Demand to Cure Delayed-Performance" giving Shanghai Oil until July 18, 2005, later extended to August 31, 2005, to make its first payment to the Company under the Agreement. Although Shanghai Oil has indicated to the Company that it intends to deliver payment pursuant to the Agreement, either through performance under the Asiacorp Contract or through another contract in its place, investors should understand that delivery is far from certain. As of June 30, 2006, the

Company has not received any payments from Shanghai Oil nor has it released any of the shares deliverable to Shanghai Oil.

LARGO VISTA GROUP, LTD.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION
JUNE 30, 2006
(UNAUDITED)

NOTE D - AGREEMENT TO SELL STOCK TO SHANGHAI OFFSHORE OIL GROUP (continued)

Resolution with Shanghai Oil remains highly uncertain, and the Company does not foresee any economic benefit materializing from the Agreement. While the Company has reserved its rights to pursue all available remedies it may have against Shanghai Oil, pursuing these remedies may be prohibitively expensive. On December 22, 2005, the Company's board of directors unanimously adopted a resolution to cancel the 97,364,597 shares that the Company agreed to issue to Shanghai Oil under the Agreement, none of these shares were released to Shanghai Oil prior the cancellation of shares on December 22, 2005.

NOTE E - NOTES PAYABLE TO RELATED PARTIES

Notes payable to related parties at June 30, 2006 and December 31, 2005 consists of the following:

	June 30, 2006	December 31, 2005
Notes payable on demand to Company's Chairman; interest payable monthly at 7% per annum; unsecured	\$464,937	\$537,401
Notes payable on demand to Company's Chief Financial Officer; interest payable monthly at 7% per annum; unsecured	9,400	9,400
Notes payable on demand to Company shareholders; interest payable monthly at 10% per annum; unsecured	12,000	12,000
Notes payable on demand to Company shareholders; interest payable monthly at 7% per annum; unsecured	46,745	36,745
Total:	533,082	595,546
Less:		
Current portion	(533,082)	(595,546)
Long term portion	\$ -	\$ -

NOTE F - RELATED PARTY TRANSACTIONS

In addition to notes payable to related parties described in Note E, a consultant (shareholder and former employee) of the Company has advanced funds to the Company as working capital of its Vietnam representative office. No formal repayment terms or arrangements exist. The net amount of advances due the consultant at June 30, 2006 and December 31, 2005 was \$29,082.

The Company's Chief Financial Officer has advanced funds to the Company for working capital purpose. No formal repayment terms or arrangements exist. The net amount of advances due the Chief Financial Officer at June 30, 2006

and December 31, 2005 was \$1,148 and \$4,803, respectively.

The Company's Chairman has advanced funds to the Company for working capital purposes. No formal repayment terms or arrangements exist. The net amount of advances due the Company's Chairman at June 30, 2006 and December 31, 2005 was \$158,947 and \$160,547, respectively.

LARGO VISTA GROUP, LTD.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION
JUNE 30, 2006
(UNAUDITED)

NOTE G - GOING CONCERN MATTERS

The accompanying statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As shown in the consolidated financial statements, during the six months ended June 30, 2006 and 2005, the Company incurred net losses of \$135,222 and \$198,976, respectively. The Company had accumulated deficit of \$16,877,506 as of June 30, 2006. The Company's current liabilities exceeded its current assets by \$1,021,288 as of June 30, 2006. These factors among others may indicate that the Company will be unable to continue as a going concern for a reasonable period of time.

The Company's existence is dependent upon management's ability to develop profitable operations and resolve its liquidity problems. Management anticipates the Company will attain profitable status and improve its liquidity through the continued developing, marketing and selling of its products and additional equity investment in the Company. The accompanying consolidated financial statements do not include any adjustments that might result should the Company be unable to continue as a going concern.

In order to improve the Company's liquidity, the Company is actively pursuing additional equity financing through discussions with investment bankers and private investors. There can be no assurance the Company will be successful in its effort to secure additional equity financing.

If operations and cash flows continue to improve through these efforts, management believes that the Company can continue to operate. However, no assurance can be given that management's actions will result in profitable operations or the resolution of its liquidity problems.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following discussion should be read in conjunction with the Company's Unaudited Condensed Consolidated Financial Statements and Notes thereto, included elsewhere within this Report.

Management's discussion and analysis of results of operations and financial condition are based on our financial statements. These statements have been prepared in accordance with accounting principles generally accepted in the United States of America. These principles require management to make certain estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates based on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. References to "we", "our", "us" or the "Company" are to Largo Vista Group, Ltd. and its subsidiaries.

DESCRIPTION OF THE COMPANY

Largo Vista Group, Ltd. ("Largo Vista" or the "Company") was formed under the laws of the State of Nevada on January 16, 1987 under the name, "The George Group". On January 9, 1989, The George Group acquired Waste Service Technologies, Inc. ("WST"), an Oregon corporation, and filed a name change in Nevada and changed its name to WST, listed its stock, and began trading on OTC bulletin Board.

On April 15, 1994, WST acquired Largo Vista, Inc., a California corporation, and filed a name change in Nevada to change WST's name to Largo Vista Group, Ltd., OTC bulletin Board symbol "LGOV". Largo Vista originally planned to develop housing in China, but after shipping two factory built homes to China, never fully implemented plans due to unanticipated financing, environmental and regulatory complications.

Unless the context otherwise requires, all references to the Company include its wholly-owned subsidiaries, Largo Vista, Inc., an inactive California corporation, Largo Vista Construction, Inc., an inactive Nevada corporation, and Largo Vista International, Corp., an inactive Panama corporation. Largo Vista also has operations through Doing Business As ("DBA") agreement with Jiahong Gas Co., Ltd. ("Jiahong"), registered under the Chinese laws in the Peoples Republic of China, Guizhou Province.

Through DBA agreements with Jiahong, Largo Vista is engaged in the business of purchasing and reselling liquid petroleum gas ("LPG") in the retail and wholesale markets to both residential and commercial consumers. Largo Vista operated a storage depot and has an office headquarters in the City of Zunyi. Largo Vista has found the storage depot operations to be unprofitable; and therefore has terminated those operations in order to concentrate its resources on supplying LPG in bottles and through pipelines.

In February 2002, Largo Vista's China operations entered into an agreement with the Zunyi Municipal Government to design and install LPG pipeline systems in residential areas in the city of Zunyi. In exchange for installing the pipeline, the agreement provides for the Largo Vista to be the sole LPG supplier for those households for 40 years. Largo Vista substantially completed the installation of the LPG pipeline in 2002 and continues to operate the pipeline.

In May 2003, Largo Vista's China operations entered into its second agreement with Zunyi Municipal Government to design and install more LPG pipeline systems in residential areas in the city of Zunyi, China. The pipeline project was substantially completed in December of 2004. These two pipelines currently serve approximately 660 customers. When natural gas becomes available to the area, these pipelines will be in place to deliver that commodity to the same customers.

In addition, Largo Vista has contracted with a private developer to construct six additional pipelines in the same area. Pipeline Number 3 will serve 42 condominiums and was completed July, 2005. Pipeline Number 4 will serve 60 condominiums. Construction schedules are still pending. Pipeline Number 5 will serve 1,067 condominiums and the original plan was to build 16 buildings, housing 1,067 residences. 15 buildings containing 994 residences were completed in December, 2005. The developer is awaiting government approval to proceed with the 16th building of 73 residences. Pipeline Number 6 will serve 5,000 condominiums but the developer is slow in civil engineering. Pipeline Number 7 will serve 70 condominiums. Pipeline Number 8 will serve 242 condominiums. All of these pipelines will be operated by Largo Vista under long term supply contracts.

The contracts that Largo Vista Group, Ltd. (the “Company”) has with the Zunyi Municipal Government granted to the Company the exclusive right to supply liquid petroleum gas (LPG) to project buildings through pipeline systems. These project buildings are similar to large apartment or condominium complexes in the United States. The Company contracts with independent third parties for all of the design and construction of the pipelines. Generally, a central supply station will be built close to the buildings to be served. LPG will be stored in this facility and gasified before entering the pipeline system. The Company operates these central supply stations and manages the relationships with the individual customers in the buildings.

The Zunyi Municipal Government (“Zunyi”) agreed in its contracts with the Company to reimburse the Company for the costs of constructing the LPG pipelines, fifty percent (50%) after the signing of each contract and the remaining fifty percent (50%) upon completion of each pipeline project. Zunyi did pay the Company the first fifty percent (50%); but failed to pay the Company the remaining fifty percent (50%) upon completion of the first two (2) pipeline projects. Zunyi took the position that the Company should collect the balance from the customers as they subscribe for LPG delivery. The Company has been collecting that amount as a connection or subscription fee and accounting for that revenue as it is received.

Largo Vista still seeks for the opportunities to supply petroleum products into Vietnam.

In addition, Largo Vista has a representative office in the Far East area, in Wuhan, China to supervise LPG and gas oil trading operations in China, respectively. Largo Vista closed its rep office in Vietnam at the end of December, 2005. Largo Vista continues to evaluate the acquisition of other possible business opportunities in the Far East.

Agreement To Sell Stock To Shanghai Offshore Oil Group

On March 18, 2005, Largo Vista signed an Agreement and Assignment of Certain Contractual Rights and Benefits (the “Agreement”), with Shanghai Offshore Oil Group (HK) Co., Ltd. (“Shanghai Oil”). Under the Agreement, Shanghai Oil assigned to Largo Vista all of its rights to receive payments under a prior contract with Asiaticorp Investment Holding Ltd. (“Asiaticorp”), under which Shanghai Oil would purchase from Asiaticorp fuel oil produced in Russia and deliver it to entities in The People’s Republic of China at a rate of thirty thousand (30,000) metric tons per month for three (3) months and continue for the following thirty-three (33) months at a rate of two hundred thousand (200,000) metric tons per month, for a total of six million, six hundred ninety thousand (6,690,000) metric tons (the “Asiaticorp Contract”). The Agreement states that deliveries under the Asiaticorp Contract were to begin no later than May 18, 2005.

The Agreement provides that Largo Vista will receive all of the profit realized by Shanghai Oil from the sale of fuel oil it acquires under the Asiaticorp Contract, after the deduction of costs associated with the purchase, transportation and sale of the fuel oil, with a minimum payment of two dollars (\$2.00) per metric ton. In exchange for the assignment of the Asiaticorp contract and subject to the receipt of payment(s) from Shanghai Oil, Largo Vista agreed to issue to Shanghai Oil one hundred million (100,000,000) shares of Largo Vista’s common stock, deliverable in three equal increments over the term of the Agreement, which amounts may be reduced based upon the amount, if any, of Shanghai Oil’s actual payments from its sale of the fuel oil. However, Largo Vista has not received any payments from

Shanghai Oil under the Agreement, and cannot give absolute assurances that any fuel oil will be delivered under the Asiacorp Contract.

Payments received by Largo Vista based upon Shanghai Oil's sale of the fuel oil, if any, will be accounted for as a capital transaction as Largo Vista's transaction with Shanghai Oil represents, in substance, a stock subscription under which Largo Vista would receive approximately \$0.13 per share if the total projected amount of fuel oil is sold and the minimum guaranteed profit margin is paid to Largo Vista.

During June of 2005, Shanghai Oil notified the Company that it had not received any fuel oil under the Asiacorp Contract. As the Company had not received any payments from Shanghai Oil, it did not release any of its shares of common stock to Shanghai Oil. On or about July 1, 2005, The Company sent Shanghai Oil a written "Demand to Cure Delayed-Performance" giving Shanghai Oil until July 18, 2005, later extended to August 31, 2005, to make its first payment to the Company under the Agreement. Although Shanghai Oil has indicated to the Company that it intends to deliver payment pursuant to the Agreement, either through performance under the Asiacorp Contract or through another contract in its place, investors should understand that delivery is far from certain. As of December 31, 2005, the Company has not received any payments from Shanghai Oil nor has it released any of the shares deliverable to Shanghai Oil.

Resolution with Shanghai Oil remains highly uncertain, and the Company does not foresee any economic benefit materializing from the Agreement. While the Company has reserved its rights to pursue all available remedies it may have against Shanghai Oil, pursuing these remedies may be prohibitively expensive. On December 22, 2005, the Company's board of directors unanimously adopted a resolution to cancel the 97,364,597 shares that the Company agreed to issue to Shanghai Oil under the Agreement, none of these shares were released to Shanghai Oil prior the cancellation of shares on December 22, 2005.

FORWARD LOOKING STATEMENTS

This Form 10-QSB contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements included Herein that address activities, events or developments that the Corporation expects, believes, estimates, plans, intends, projects or anticipates will or may occur in the future, are forward-looking statements. Actual events may differ materially from those anticipated in the forward-looking statements. Important risks that may cause such a difference include: general domestic and international economic business conditions, increased competition in the Company's markets and products. Other factors may include, availability and terms of capital, and/or increases in operating and supply costs. Market acceptance of existing and new products, rapid technological changes, availability of qualified personnel also could be factors. Changes in the Company's business strategies and development plans and changes in government regulation could adversely affect the Company. Although the Company believes that the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate. There can be no assurance that the forward-looking statements included in this filing will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by the Company that the objectives and expectations of the Company would be achieved.

RESULTS OF OPERATIONS

REVENUE

During the quarter ended June 30, 2006 the Company realized \$103,779 of revenue compared to \$107,162 for the same period in the prior year, a 3.16% decrease. During the six months ended June 30, 2006 revenues from operations were \$210,625 as compared with \$161,773 for the same period last year. The decrease of 3.16% in revenue in the quarter ended June 30, 2006 compared with the same period last year is due to a decrease of bottled customers and partially offset by an increase of pipeline operations. The increase in the six month period ended June 30, 2006 of 30.20% compared with the six month ended June 30, 2005 is primarily attributable to the additional pipeline revenues created with added lines coming into service in 2006.

COSTS AND EXPENSES

The Company incurred costs of sales of \$95,751 in connection with the LPG revenues during three months ended June 30, 2006, compared to \$90,784 for the three months ended June 30, 2005; an increase of \$4,967 or 5.47%. Cost of sales for the six month period ended June 30, 2006 is \$196,276; an increase of \$39,426 or 25.14% as compared with the same period last year \$156,850. The increase in cost of sales during the quarter ended June 30, 2006 is the result of additional customers on line. The six month increase in cost of sales of \$39,426 from June 30, 2006 as compared with the same last year is primarily attributable to the increase in related revenues from an additional customer base. During the quarter ended June 30, 2006 the Company incurred \$54,184 of total operating expenses compared to \$119,602 for the same period in the prior year; a \$65,418 or 55.07% decrease for the six month period ended June 30, 2006 operating expenses is \$129,627 compared with \$188,918 for the same period last year; a decrease of \$59,291 or 31.38%. The decrease is due primarily to decreases in professional, consulting and other related administrative services.

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2006, we had a deficiency in working capital of \$1,021,288. As a result of our operating losses of \$135,222 for the six month period ended June 30, 2006, adjusted by depreciation of \$1,575, common stock issued in exchange for services in the amount of \$9,000, increase in receivables and other assets of \$48,162, decrease in accounts payable of \$2,329, and increase in customer deposit of \$78,261, we generated a cash flow deficit of \$96,877 from operating activities. We met our cash requirements during this period through loans, net of repayments, from related parties totaling \$65,245 and \$122,440 from capital contributions from the company's officers, principal shareholders and third parties.

In the past we have raised capital to meet our working capital requirements. Additional financing may be required if the contract agreement stated previously does not materialize.

The effect of inflation on the Company's revenue and operating results was not significant. The Company's operations are located in mainland China and there are no seasonal aspects that would have a material effect on the Company's financial condition or results of operations.

The Company's independent certified public accountant has stated in his report included in the Company's December 31, 2005 Form 10-KSB, that the Company has incurred operating losses in the last two years, and that the Company is dependent upon management's ability to develop profitable operations.

Off-Balance Sheet Arrangements

We have not had, and at June 30, 2006 do not have, any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

CAUTIONARY FACTORS THAT MAY AFFECT FUTURE RESULTS

Our annual report on Form 10-KSB for the year ended December 31, 2005 includes a detailed list of cautionary factors that may affect future results. Management believes that there have been material changes to the factors so listed, and as such should reflect positively on future results. That annual report can be accessed in the EDGAR section of the SEC website.

ITEM 3. CONTROLS AND PROCEDURES

a) Evaluation of Disclosure Controls and Procedures. As of June 30, 2006, our management carried out an evaluation, under the supervision of our Chief Executive Officer and Chief Financial Officer of the effectiveness of the design and operation of our system of disclosure controls and procedures pursuant to the Securities and Exchange Act, Rule 13a-15(e) and 15d-15(e) under the Exchange Act). Based on that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

b) Changes in internal controls. There were no changes in internal controls over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially effect, our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

During the quarter ended June 30, 2006, we issued an aggregate of 1,166,666 shares of common stock for \$25,000 of common stock subscribed during the year ended December 31, 2005. We issued an aggregate of 1,532,145 shares of common stock to three consultants in exchange for accrued services fees of \$78,000 and service fees of \$9,000. We issued 68,634 shares of common stock as repayment of advances from an officer in the amount of \$4,804. Additionally, we issued an aggregate of 6,289,060 shares of common stock in exchange for proceeds of \$122,440, net of costs and fees. These transactions were exempt from registration pursuant to Section 4(2) of the Securities Act of 1933.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

ITEM 5. OTHER INFORMATION

In August 2005, the staff of the Los Angeles office of the Securities and Exchange Commission advised Largo Vista that it had initiated a formal, non-public inquiry. Largo Vista and its officers have received document subpoenas seeking documents related to the previously announced contract between Largo Vista and Shanghai Oil and trading in the securities of Largo Vista, among other things.

While the Company is confident in its practices, there is a risk that an enforcement proceeding will be recommended by the staff of the Commission as a result of this formal investigation. An enforcement proceeding could include allegations by the SEC that the Company and/or its officers violated, among others, the anti-fraud and books and records provisions of federal securities laws, and the rules thereunder. It cannot be predicted with certainty what the nature of such enforcement proceeding would be, the type of sanctions that might be sought, or what the likelihood would be of reaching settlement. The Company has been and expects to continue to cooperate with the ongoing SEC investigation.

ITEM 6. EXHIBITS

31.1	Certification pursuant to Section 302 of the
	Sarbanes-Oxley Act of 2002 - Chief Executive Officer.
31.2	Certification pursuant to Section 302 of the
	Sarbanes-Oxley Act of 2002 - Chief Financial Officer
32.1	Certification of Deng Shan Pursuant to Section 906 of
	the Sarbanes-Oxley Act of 2002.
32.2	Certification of Albert Figueroa 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.

DATE: August 8, 2006	LARGO VISTA GROUP, LTD.
	/S/ DENG SHAN

	DENG SHAN
	CHIEF EXECUTIVE OFFICER