

LARGO VISTA GROUP LTD  
Form 10QSB  
May 25, 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 March 31, 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
(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: 286,691,908 shares of Common Stock (\$.001 par value) as of May 23, 2006.

## LARGO VISTA GROUP, LTD.

## Table of Contents

PART I.	FINANCIAL INFORMATION	
Item 1.	Financial Statements (Unaudited)	3
	Condensed Consolidated Balance Sheets	3
	March 31, 2006 and December 31, 2005	
	Condensed Consolidated Statements of Losses	4
	Three Months Ended March 31, 2006 and 2005	
	Condensed Consolidated Statements of Cash Flows	5
	Three Months Ended March 31, 2006 and 2005	
	Notes to Unaudited Condensed Consolidated Financial Information	6
	March 31, 2006	
Item 2.	Management's Discussion and Analysis of Results of Operation and Financial Condition	13
Item 3.	Controls and Procedures	17
PART II.	OTHER INFORMATION	
Item 1.	Legal Proceedings	17
Item 2.	Unregistered Sale of Equity Securities and Use of Proceeds	17
Item 3.	Defaults Upon Senior Securities	17
Item 4.	Submission of Matters to a Vote of Security holders	17
Item 5.	Other Information	18
Item 6.	Exhibits	18



**LARGO VISTA GROUP, LTD.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

	(unaudited) March 31, 2006	December 31, 2005
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalent	\$ 35,854	\$ 75,642
Accounts receivable, net	1,080	287
Employee advances	24,563	11,064
Inventories, at cost (Note B)	16,726	17,689
Prepaid expenses and other	145,744	129,764
Total current assets	223,967	234,446
Property and equipment, at cost	16,715	16,636
Less: accumulated depreciation	13,480	12,635
	3,235	4,001
Deposits	755	755
Total assets	\$ 227,957	\$ 239,202
 <b>LIABILITIES AND DEFICIENCY IN STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 601,618	\$ 546,565
Customer deposits	62,226	-
Notes payable to related parties (Note E)	523,082	595,546
Due to related parties (Note F)	199,301	194,432
Total Current Liabilities	1,386,227	1,336,543
Commitment and contingencies	-	-
<b>Deficiency In Stockholders' Equity:</b>		
Preferred stock, \$0.001 par value; 25,000,000 shares authorized, none issued and outstanding at March 31, 2006 and December 31, 2005 (Note C)	-	-
Common stock, \$0.001 par value; 400,000,000 shares authorized, 277,635,403 shares issued and outstanding at March 31, 2006 and December 31, 2005 (Note C)	277,635	277,635
Additional paid-in capital	15,344,344	15,344,344
Subscription payable	42,650	25,000
Accumulated deficit	(16,820,154)	(16,742,284)
Accumulated other comprehensive income:		
Foreign currency translation adjustment	(2,745)	(2,036)
Deficiency in stockholders' equity	(1,158,270)	(1,097,341)
Total liabilities and deficiency in stockholders' equity	\$ 227,957	\$ 239,202

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 March 31,	
	2006	2005
Revenue	\$ 106,846	\$ 54,611
Cost of sales	100,525	66,066
Gross profit (loss)	6,321	(11,455)
Operating expenses:		
Selling general and administrative	74,660	68,554
Depreciation	783	762
	75,443	69,316
Loss from operations	(69,122)	(80,771)
Other income (expenses):		
Other income, net	-	-
Interest income (expense)	(8,748)	(7,609)
Total other income (expenses)	(8,748)	(7,609)
Loss from operations before income taxes	(77,870)	(88,380)
Provision for income taxes	-	-
Net loss	(77,870)	(88,380)
Other comprehensive income: foreign currency translation loss	(709)	-
Comprehensive (loss)	\$ (78,579)	\$ (88,380)
Loss per common share (basic and assuming diluted)	\$ (0.00)	\$ (0.00)
Weighted average shares outstanding	277,635,403	276,612,530

See accompanying notes to the unaudited condensed consolidated financial information



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

For the three months ended March 31,

2006

2005

**CASH FLOWS FROM OPERATING  
ACTIVITIES:**

Net (loss) from operations	\$ (77,870)	\$ (88,380)
Accumulated other comprehensive income:		
Foreign currency translation adjustment		-
Adjustments to reconcile net (loss) to net cash provided by (used in) operating activities:		
Depreciation	783	762
Common stock issued in exchange for debt and expenses paid by shareholder		-
Changes in assets and liabilities:		
Accounts receivable	(788)	6,865
Inventories	1,043	(2,396)
Employee advances	(13,383)	(5,472)
Prepaid expenses and other	(15,290)	(32,555)
Accounts payable and other liabilities	54,986	17,618
Customer Deposits	62,226	-
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>11,707</b>	<b>(103,558)</b>

**CASH FLOWS FROM FINANCING  
ACTIVITIES:**

Sale of commons stock subscription	17,650	-
Capital contributions from related parties (Note C)	-	40,979
Proceeds from related parties, net of repayments	(69,203)	9,416
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>(51,553)</b>	<b>50,395</b>
Effect of exchange rates on cash	58	-

**NET (DECREASE) IN CASH AND CASH  
EQUIVALENTS**

	(39,788)	(53,163)
Cash and cash equivalents at the beginning of the period	75,642	94,565
Cash and cash equivalents at the end of the period	\$ 35,854	\$ 41,402

**Supplemental Disclosures of Cash Flow  
Information**

Cash paid during the period for interest	\$ -	\$ -
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Income taxes paid	-	-
Common stock issued for accrued service fees	-	84,000
Common stock issued in exchange for due to related parties	-	24,222
Common stock issued in exchange for common stock subscription	-	18,458

See accompanying notes to the unaudited condensed consolidated financial information

**LARGO VISTA GROUP, LTD.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION**  
**MARCH 31, 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 month period ended March 31, 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

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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**  
**MARCH 31, 2006**  
**(UNAUDITED)**

**NOTE A - SUMMARY OF ACCOUNTING POLICIES (Continued)**

Stock Based Compensation (Continued)  
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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 three months ended March 31, 2005, in accordance with SFAS 123, as amended by SFAS No. 148 "Accounting for Stock-Based Compensation - Transition and Disclosure:

<i>Quarter Ended</i>	March 31, 2005
Net loss	\$ (88,380)
Deduct: stock-based compensation expense, net of tax	-
Pro forma net loss	\$ (88,380)

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 March 31, 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**  
**MARCH 31, 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**  
**MARCG 31, 2006**  
**(UNAUDITED)**

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

New Accounting Pronouncements  
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In March 2006, the FASB issued FASB Statement No. 156, Accounting for Servicing of Financial Assets - an amendment to FASB Statement No. 140. Statement 156 requires that an entity recognize a servicing asset or servicing liability each time it undertakes an obligation to service a financial asset by entering into a service contract under certain situations. The new standard is effective for fiscal years beginning after September 15, 2006. The Company does not expect its adoption of this new standard to have a material impact on its financial position, results of operations or cash flows.

Reclassifications  
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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 March 31, 2006 and December 31, 2005 are as follows:

	March 31, 2006	December 31, 2005
Liquid petroleum gas	\$ 5,655	\$ 6,670
Packaging bottles	10,466	10,417
Supplies	605	602
	-----	-----
Total	\$ 16,726	\$ 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 March 31, 2006 and December 31, 2005, the Company has no Series A Preferred Stock issued and outstanding. The



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company has authorized 400,000,000 shares of common stock, with a par value of \$.001 per share. As of March 31, 2006 and December 31, 2005, the Company has 277,635,403 shares of common stock issued and outstanding.

During the quarter ended March 31, 2006, the Company received proceeds of \$17,650 in exchange for 925,000 shares of common stock subscribed. The Company has included the \$17,650 of proceeds received in its common stock subscription payable at March 31, 2006.

**LARGO VISTA GROUP, LTD.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION**  
**MARCH 31, 2006**  
**(UNAUDITED)**

**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 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.

**LARGO VISTA GROUP, LTD.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION**  
**MARCH 31, 2006**  
**(UNAUDITED)**

**NOTE E - NOTES PAYABLE TO RELATED PARTIES**

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

	March 31, 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	36,745	36,745
<b>Total:</b>	<b>523,082</b>	<b>595,546</b>
<b>Less:</b>		
<b>Current portion</b>	<b>(523,082)</b>	<b>(595,546)</b>
<b>Long term portion</b>	<b>\$ -</b>	<b>\$ -</b>

**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 March 31, 2006 and December 31, 2005 was \$39,080 and \$29,082, respectively.

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 March 31, 2006 and December 31, 2005 was \$5,551 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 March 31, 2006 and December 31, 2005 was \$154,670 and \$160,547, respectively.

**LARGO VISTA GROUP, LTD.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION**  
**MARCH 31, 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 quarter ended March 31, 2006 and 2005, the Company incurred net losses of \$77,870 and \$88,380, respectively. The Company had accumulated deficit of \$16,820,154 as of March 31, 2006. The Company's current liabilities exceeded its current assets by \$1,162,260 as of March 31, 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 four 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 16<sup>th</sup> building of 73 residences. Pipeline Number 6 will serve 5,000 condominiums but the developer is slow in civil engineering. 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 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, 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 March 31, 2006 the Company realized \$106,846 of revenue compared to \$54,611 for the same period in the prior year, a 95.65% increase. This 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 \$100,525 in connection with the LPG revenues during three months ended March 31, 2006, compared to \$66,066 for the three months ended March 31, 2005. This is attributable to the increase of 95.65% increase in sales revenue. Margins increased from a loss of \$(11,455) to \$6,321, an increase of \$17,776.

During the quarter ended March 31, 2006 the Company incurred \$75,443 of operating expenses compared to \$69,316 for the same period in the prior year. The increase was due primarily to increased service costs associated with increased operations.

### **LIQUIDITY AND CAPITAL RESOURCES**

As of March 31, 2006, we had a deficiency in working capital of \$1,162,260. As result of our net loss of \$77,870, adjusted principally of \$54,986 in accounts payable and accrued liabilities and an increase of \$62,225 increase in customer deposits, our cash flow from operations was \$11,707 during the three months ended March 31, 2006. Additionally, we raised funds through sales of common stock subscriptions of \$17,650. We used \$69,203 to pay down notes payable from related parties. Our net cash decreased from \$75,642 at December 31, 2005 to \$35,854 at March 31, 2006, a net decrease of \$39,788.

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 March 31, 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 March 31, 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.**

None

#### **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: May 23, 2006	LARGO VISTA GROUP, LTD.
	/S/ DENG SHAN
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	DENG SHAN
	CHIEF EXECUTIVE OFFICER