

LARGO VISTA GROUP LTD  
Form 10KSB  
April 13, 2007

**U.S. SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

FORM 10-KSB

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

For the fiscal year ended December 31, 2006

Commission file number 000-30426

**LARGO VISTA GROUP, LTD.**  
(Name of Small Business Issuer in its charter)

**Nevada**

(State or other jurisdiction of incorporation or  
organization)

**76-0434540**

(I.R.S. Employer Identification No.)

**4570 Campus Drive**

**Newport Beach, California**

(Address of principal executive offices)

**92660**

(Zip Code)

Issuer's telephone number (949) 252-2180

Securities registered under Section 12(b) of the Act: None

Securities registered under Section 12(g) of the Act: Common Stock

Check whether the registrant (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

Check if there is no disclosure of delinquent filers pursuant to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.

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

The revenues for the year ended December 31, 2006 were \$701,727.

The market value of the voting and non-voting common stock held by non-affiliates of the registrant as April 12, 2007 was \$5,543,010.

The number of shares of Common Stock outstanding as of April 12, 2007 was 291,737,357.

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**PART I****Item 1.****DESCRIPTION OF BUSINESS****Business Development**

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 first with Zunyi Shilin Xinmao Petrochemical Industries Co. Ltd, ("Zunyi") and later with Jiahong Gas Co., Ltd. ("Jiahong"), both registered under the Chinese laws in the Peoples Republic of China, Guizhou Province.

**Business of the Issuer**

Through DBA agreement 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 720 customers. When natural gas becomes available to the area, these pipelines will be in place to deliver that commodity to the same customers.

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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 during fiscal year 2006. 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 completed during fiscal year 2006 will serve 74 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.

For pipeline agreements with private developers and all other LPG sales, the Company collects payments from developers and customers pursuant to sales agreements, and recognizes revenues when services was provided or products are delivered, as the collectibility can be reasonably assured.

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

In addition, Largo Vista had two representative offices in the Far East area, one in Wuhan, China and another in Ho Chi Minh City, Vietnam, to supervise LPG and gas oil trading operations in China and Vietnam respectively. Largo Vista closed its rep office in Vietnam at the end of December 2005.

**Arrangement 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 Asiatic Investment Holding Ltd. ("Asiacorp"), under which Shanghai Oil would purchase from Asiatic 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 metric tons (the "Asiacorp Contract"). The Agreement states that deliveries under the Asiatic Contract were to begin no later than May 18, 2005.

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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 receipt of payment 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 Largo Vista that it had not received any fuel oil under the Asiacorp Contract. As Largo Vista had not received any payments from Shanghai Oil, it did not release any of its shares of Common Stock to Shanghai Oil. On approximately July 1, 2005, Largo Vista 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 Largo Vista under the Agreement. Although Shanghai Oil has indicated to Largo Vista 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 the date of filing of this Amendment, Largo Vista 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 Largo Vista does not foresee any economic benefit materializing from the Agreement. While Largo Vista has reserved its rights to pursue all available remedies it may have against Shanghai Oil, actually pursuing these remedies may be prohibitively expensive. On December 22, 2005, Largo Vista's board of directors unanimously adopted a resolution to cancel the 97,364,597 shares that were issued Shanghai Oil under the Agreement and to return those shares to Largo Vista's reserve of authorized but unissued shares of capital stock.

**Affiliate and Subsidiary Relationships.**

Largo Vista Group, Ltd. has three wholly-owned subsidiaries, none of which have current operations. These are Largo Vista, Inc., Largo Vista International Corp, and Largo Vista Construction Inc. In addition, Largo Vista Group, Ltd has a controlling financial interest in Zunyi Jiahong Gas Co. Ltd through a "doing business agreement" which results in financial statement consolidation.

## Principal Products and Their Markets

### The Product

LPG is used by about 500 million people worldwide. As a form of energy, it is considered a very efficient fuel. Its liquid state provides a significant supply of energy in a comparatively small volume. LPG is recognized for its transportability and ease-of-use. It is a clean and environmentally friendly source of energy that has a variety of residential, commercial, industrial and transportation uses. It can be used at home for cooking and heating and can therefore replace wood, kerosene, coal and other environmentally unfriendly sources of energy. Environmental concerns have caused the outlaw of the use of coal in most of the larger cities in China. Since LPG is one of the only viable sources of energy for cooking and heating in Southern China, management believes the China LPG market is ripe for growth and expansion.

Most Chinese consumers have used wood and coal all their lives, primarily for cooking. They are, however, beginning to realize the ease and convenience of using LPG for cooking and heating water. Most consumers obtain LPG in 15kg. cylinders, very similar to those used for gas barbecues in the U.S. As LPG delivery systems, such as pipelines, make use more convenient and simple, LPG consumption per capita should increase significantly.

### Markets:

The China market is broken down in two ways for purposes of analysis:

The first way to view the market is through the distribution method; that is, either retail-direct or wholesale-indirect. Retail distribution is accomplished by the three major LPG companies that deal directly with the end user. In Zunyi, Largo Vista distributes to both retail and wholesale customers, and to both residential and commercial users. Retail customers, however, are far more profitable for the Company than wholesale because sales prices are higher and there are no middleman costs. The Company is implementing strategies to develop and expand the retail customer base.

The second way to view the market is through the method of delivery to the user; such as by bottle or cylinder, by pipeline, or by tank truck.

The bottle users may be either retail, purchasing directly from a major LPG company, or wholesale, purchasing from a distributor of a major LPG company. Bottle customers purchase LPG in 15 kg. cylinders or bottles that must, by law, be filled to a minimum of 13.5 kg, which is considered full. Bottle users include residential and commercial customers. Residential consumption is by far the largest, with commercial restaurants and caterers following second. There has been little industrial use of LPG to date.

Pipeline users are considered retail-direct users. LPG flows directly into household via pipes from a central storage tank that is replenished when necessary by a major LPG company. Pipeline users are billed according to usage based on a meter in their living unit. Management is pursuing a policy of expanding into this arena due to the fact that once the retail customer is captured via a pipeline connection, they will remain a profit center for the Company. Also, the usage by a pipeline customer is expected to be greater than a bottle retail customer because of the expanding uses of LPG, such as heating of the residence.

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Tank truck or bulk sales are made to wholesale distributors who operate small bottle filling stations. These distributors represent lower profit margins, but sheer volume of distribution makes-up some of the difference. Bulk sales are encouraged to cultivate the small wholesale distributors because of the potential of acquiring their customer base in the future.

During the 1990s, world LPG demand has risen on average nearly 3.6% per year, compared to 1.4% per year for the petroleum industry overall, as the world economy has grown. LPG demand is expanding worldwide but most dramatically in the developing countries of Asia. Demand in the region has been growing by an average of more than 6% per year, as per-capita consumption increases with the increasing standard of living in the region. For example, per-capita consumption of LPG in China in the 1990s increased from around 1 kg to more than 6 kg per-capita and expecting consumption to expand to more than 15 kg per-capita in the next century.

Asian markets are expanding rapidly, along with markets in other developing countries as population continues to grow along with demand for clean-burning LPG. It has been estimated that by 2020, Asia should account for more than 70 million metric tons per year of residential and commercial LPG demand, which represents more than 40% of total world LPG demand. China will account for the greatest percentage of the growth in overall LPG imports as a result of continued growth of the domestic Chinese economy and per-capita consumption of LPG.

The majority of dollars invested in the China LPG market have been invested in large "mega" depots by the major oil companies. Little to no focus has been placed on the retail end-user market. Put simply, the LPG "storage" infrastructure is in place, but it is overbuilt because the retail market has not been cultivated at the same pace. Management's primary objective is the development of this retail consumer base.

From the mega-depots on the east and southeast coast of China, LPG is shipped to smaller inland storage depots via railroad tank car. LPG is then pumped into large storage tanks until it is distributed in bottles, pipelines or tank trucks to end users and distributors.

Inland infrastructure development has not kept pace with coastal development. Inland depot storage capacity must be expanded to serve the customers waiting for LPG service. More efficient distribution methods are also needed. The bottle exchange system is labor intensive, a factor that currently does not significantly affect overhead; but will have greater future impact as salaries increase.

Distribution of LPG via pipelines directly to end-users is very efficient; but one drawback is the cost to install pipeline service to each household, which is approximately \$185.00 US per household. Some more affluent customers can afford to pay the installation fee up front; but most of these have already purchased pipeline service. Some new construction projects permit the cost of installation to be incorporated into the cost of the home. Most customers, however, cannot afford the up-front fee; but are willing and able to pay extra each month based on usage.

Largo Vista has a number of pipeline projects in various planning or construction phases and it is management's belief that this area is one of the most profitable in the long term. In November, 2002 Largo Vista's Pipeline Project Number 1 was completed



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and a long term service contract to maintain and supply LPG to its customers along the pipeline was signed. In December of 2004, Largo Vista's Pipeline Project Number 2 was substantially completed. Largo Vista has also signed contracts for Pipeline Projects Number 3 through Number 6 (terms and details of some of the contracts are not finalized), all in the same area, as discussed above under "Business of the Issuer." - Number 3 was completed during 2005 and Number 5 was completed during 2006.

**Distribution of LPG**

There are four primary levels of LPG distribution:

Major LPG Companies

Major LPG Distributors

Medium LPG Distributors

Small Independent LPG Distributors

The Major LPG companies are characterized by the following: They purchase LPG directly from refineries or major oil companies. They must be licensed. They have railroad tank cars and storage depots. They typically serve over 10,000 retail customers. These companies depend on distribution networks to get LPG to the consumers.

Major distributors are licensed by major LPG companies and generally serve more than 4,000 but less than 10,000 customers directly. They do not typically have any railroad tank cars, and have little or no storage capacity.

Medium distributors are also licensed by major LPG companies, generally serve more than 1,500 but less than 4,000 customers directly and do not have any storage capacity. At this time, Largo Vista would be considered as a medium distributor.

Small independent distributors are those who may or may not be licensed, do not have any relationship or loyalty to any major oil company or distributor and usually serve less than 1,500 customers.

Since all of these distributors serve a customer base, Zunyi is actively recruiting them on an ongoing basis.

The majority of Largo Vista's customer base is serviced with the help of agents and entity users. Largo Vista has a number of agents that are independent dealers who exclusively represent the Company in an outlying county area that is difficult for the Company to access on a regular basis. The consumers serviced by the agent pay retail prices. The Company pays the agent a fee for his services and the agent carries his own overhead expenses. As the LPG market was developing in the early 1990's, the Company was seeking to develop a customer base in the most efficient and effective manner possible, and, as a result, began to cultivate the "entity" user. Entity users were companies in other industries, already providing housing for their employees who also desired to provide a convenience to their workers by distributing LPG as an additional service. These entity users developed into distribution service to consumers who paid retail prices. As the market further developed, the entity user also began to be a distribution outlet to other consumers in the local area that were not affiliated with the entity company. Today, the Company is actively seeking to cultivate and develop additional entity users to expand the consumer base.

## **Raw Materials**

The Chinese market is unique compared to other Asian countries. Japan and Korea seek security of supply through regular term contracts supported by long-term relationships, but in China, low price and bargaining is the driving force for LPG purchases.

When purchasing LPG, Largo Vista must weigh various factors including quality of LPG, price, and transportation costs. It generally purchases from domestic sources inside China where prices are very low, but transportation costs are higher.

Cost of goods can fluctuate widely and rapidly and can cause cash flow problems.

## **Competition**

The LPG industry in the city of Zunyi, Guizhou Province, consists of three major LPG companies with storage facilities that sell LPG in both the retail and wholesale markets. All three companies depend on a network of distributors to help reach and service the needs of their customers. Two are privately owned and operated and the other is state owned. Competition is based principally on price and service; however relationship and reputation are also important to consumers of LPG.

LPG retail market prices have been relatively unstable during recent years, characterized by oversupply and cutthroat competition.

In the residential wholesale market, many independent "black market" dealers have been operating without a license, and have ignored safety regulations. Another flagrant violation of consumer fairness is the practice of short-filling bottles. The "black market" dealer typically will fill a bottle with 10kg of LPG, representing that it has 13.5kg of LPG. Short filling has permitted the Company's competition to charge lower prices and unfairly compete with Largo Vista. This practice of cheating the consumer has been prevalent over the past several years. Largo Vista challenges customers to be aware of what they are paying for by implementing of a "weight comparison program." The program permits the consumer to weigh their bottles to expose the "short-fill" problem.

Largo Vista competes with others on both reputation and service. To differentiate itself from its competition, Largo Vista stresses a long-term relationship both with the residential user and with the distributor to help them bring in and keep new customers. Its reputation is excellent and is backed up by a record of good service, with the understanding that Largo Vista can be relied upon to deliver honest weights and measures.

## **Governmental Regulation**

Largo Vista's operations in China are regulated on a day-to-day basis by the Zunyi municipal government, which oversees all companies licensed to do business and enforces rules and regulations in the market place. The Zunyi government faces many problems in this rapidly emerging chaotic market including the existence of many unlicensed small distributors, violations of safety regulations and short filled bottles. Local government is working to correct some of these more flagrant violations.

## **Patents, Trademarks & Licenses**

The Company does not currently own any patents or trademarks.



**Employees**

Largo Vista has no employees in the United States and relies on outside consultants for legal, accounting and organizational services as needed. Operations in Zunyi and Wuhan have a total of 15 employees, including management, all of whom are full-time employees.

**Item CAUTIONARY STATEMENTS REGARDING FUTURE RESULTS, FORWARD-LOOKING  
1A. INFORMATION AND CERTAIN IMPORTANT FACTORS**

Largo Vista makes written and oral statements from time to time regarding its business and prospects, such as projections of future performance, statements of management's plans and objectives, forecasts of market trends, and other matters that are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933. Statements containing the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimates," "projects," "believes," "expects," "anticipates," "intends," "target," "goal," "plans," "objective," "should" or similar expressions identify forward-looking statements, which may appear in documents, reports, filings with the Securities and Exchange Commission, news releases, written or oral presentations made by officers or other representatives made by Largo Vista to analysts, stockholders, investors, news organizations and others, and discussions with management and other representatives of Largo Vista. For such statements, Largo Vista claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

Largo Vista's future results, including results related to forward-looking statements, involve a number of risks and uncertainties. No assurance can be given that the results reflected in any forward-looking statements will be achieved. Any forward-looking statement made by or on behalf of Largo Vista speaks only as of the date on which such statement is made. Largo Vista's forward-looking statements are based upon assumptions that are sometimes based upon estimates, data, communications and other information from suppliers, government agencies and other sources that may be subject to revision. Except as required by law, Largo Vista does not undertake any obligation to update or keep current either (i) any forward-looking statement to reflect events or circumstances arising after the date of such statement, or (ii) the important factors that could cause Largo Vista's future results to differ materially from historical results or trends, results anticipated or planned by Largo Vista, or which are reflected from time to time in any forward-looking statement which may be made by or on behalf of Largo Vista.

In addition to other matters identified or described by Largo Vista from time to time in filings with the SEC, there are several important factors that could cause Largo Vista's future results to differ materially from historical results or trends, results anticipated or planned by Largo Vista, or results that are reflected from time to time in any forward-looking statement that may be made by or on behalf of Largo Vista. Some of these important factors, but not necessarily all important factors, include the following:

**RISK FACTORS CONCERNING OUR BUSINESS**

Largo Vista has a history of losses, expects to incur additional losses and may never achieve profitability. During Largo Vista's fiscal year ended December 31, 2006, the Company generated only \$701,727 of revenue and realized a net loss \$240,948. Largo Vista has yet to generate profits from operations and consequently is unable to predict with any certainty whether its operations will become a commercially viable business. In order for Largo Vista to become profitable, it will need to generate and sustain a significant amount of revenue while maintaining reasonable cost and expense levels.

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Largo Vista may require additional capital in order to meet its projected operating costs and, if necessary, to finance future losses from operations as it endeavors to build revenue, but largo vista does not have any commitments to obtain such capital and cannot assure you that it will be able to obtain adequate capital as and when required. Should Largo Vista be required to sell additional equity securities or additional debt securities convertible into equity, there will be additional dilution to Largo Vista's shareholders.

Largo Vista is dependant on the stability of economic relations with the People's Republic of China for its current revenues. Nearly all of Largo Vista's current revenues are generated in China. Largo Vista cannot predict or guarantee the stability of economic relations with China; and, therefore the operations of Largo Vista are subject to disruption from a number of political and economic causes.

Largo Vista is owed a substantial portion of its accounts receivable from the single source of the government of the city of Zunyi, China. Pursuant to the its agreement with Largo Vista in February 2002, the government of Zunyi paid Largo Vista 50% of the total contracted installation price, or \$154,438. The Zunyi government also has an obligation to collect the remaining 50% of contract price from the households obtaining LPG from the pipeline on behalf of the Company. Management determined that the collectibility and length of time to collect the amount due can not be reasonably assured. Accordingly, revenues are recognized as collected for the project. In May 2003, the Company entered into its Second Agreement ("Second Agreement") with the government of Zunyi to design and install more LPG pipeline systems in residential areas in the city of Zunyi, China. Pursuant to the Second Agreement, the government of Zunyi is obligated to pay to the Company 50% of the total contract price, or \$87,258, which was paid during 2004. Management determined that the collectibility and length of time to collect the amount due cannot be reasonably assured. Accordingly, revenues are recognized as collected for the project.

Should Largo Vista choose to grow through acquisitions, it will experience the uncertainties associated with such a strategy. As part of Largo Vista's business strategy in the future, Largo Vista could acquire assets and businesses relating to or complementary to its operations. Any acquisitions by Largo Vista would involve risks commonly encountered in acquisitions of companies. These risks would include, among other things, the following: Largo Vista could be exposed to unknown liabilities of the acquired companies; Largo Vista could incur acquisition costs and expenses higher than it anticipated; fluctuations in Largo Vista's quarterly and annual operating results could occur due to the costs and expenses of acquiring and integrating new businesses or technologies; Largo Vista could experience difficulties and expenses in assimilating the operations and personnel of the acquired businesses; Largo Vista's ongoing business could be disrupted and its management's time and attention diverted; Largo Vista could be unable to integrate successfully.

**Item 2.**

**DESCRIPTION OF PROPERTY**

Our principal executive and administrative offices are located in Newport Beach, California which consist of 193 square feet. The offices are occupied on a month-to-month lease at a rate of \$755 per month. We believe these facilities are adequate and suitable to meet our needs for the foreseeable future.

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Largo Vista maintains a representative office in Wuhan, Hubei Province, China, which include three offices and access to common areas. The facilities are leased from Proton Enterprises.

Largo Vista, through a contract agreement with Jiahong Gas Co., Ltd., operated its primary service in the City of Zunyi, Guizhou Province. The Company also leases office facilities and four distribution stores in Zunyi City.

**Item 3.**

**LEGAL PROCEEDINGS**

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.

On March 20, 2007, Largo Vista Group, Ltd. (the "Company"), received a Wells Notice letter from the staff of the U.S. Securities and Exchange Commission (the "SEC" or "Commission") flowing from a formal investigation conducted by the SEC. The Company disclosed on August 22, 2005 that the SEC commenced a non-public, formal investigation against the Company.

The Wells Notice to the Company indicates that the staff is considering recommending that the Commission bring a civil injunctive action against the Company for alleged violations of Section 17(a) of the Securities Act of 1933 and Sections 10(b) and 13(a) of the Securities and Exchange Act of 1934 and Rules 10b-5, 12b-20, 13a-1, 13a-11, 13a-13, 13a-14 and 13b2-2 thereunder.

The Wells Notice also indicates that the Commission may seek injunction, civil penalty and disgorgement (including prejudgment interest) against the Company.

The Company has been informed that Shan Deng, a Director, President and Chief Executive Officer of the Company and Albert Figueroa, a Director and Secretary of the Company, have also received Wells Notice letters from the SEC indicating that the staff is considering recommending that the Commission bring a civil injunctive action against both of them for alleged violations of Section 17(a) of the Securities Act of 1933 and Sections 10(b) of the Securities and Exchange Act of 1934 and Rules 10b-5 thereunder and aiding and abetting violations of Section 13(a) and Rules 12b-20, 13a-1, 13a-11, 13a-13, 13a-14 and 13b2-2 thereunder. Mr. Deng's Wells Notice indicates that the Commission may seek a permanent injunction, disgorgement (with prejudgment interest) a civil penalty and an officer and director bar against Mr. Deng. Mr. Figueroa's Wells Notice indicates that the Commission may seek a permanent injunction, a civil penalty and an officer and director bar against Mr. Figueroa.

Under the SEC procedures, a Wells Notice from the SEC affords recipients an opportunity to present information and defenses in response to the SEC's Division of Enforcement staff prior to the staff making its formal recommendation to the Commission on whether any action should be authorized. There can be no assurance that the SEC will not bring a civil enforcement action against the Company or its officers.

The Company continues to cooperate fully with the SEC investigation relating to this matter. The Company is unable to predict the extent of its ultimate liability with respect to any and all future securities matters. The costs and other effects of any future litigation, government investigations, legal and administrative cases and proceedings, settlements, judgments and investigations, claims and changes in this matter could have a material adverse effect on the Company's financial condition and operating results.

**Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

No matters were submitted during the 4<sup>th</sup> quarter of the fiscal year covered by this report to a vote of our security holders.

**PART II**

**Item MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS AND SMALL  
5. BUSINESS ISSUER PURCHASES OF EQUITY SECURITIES**

MARKET INFORMATION

The Company's Common Stock is quoted on the OTC Bulletin Board under the symbol LGOV.

The following table sets forth the range of high and low bid information for the Company's Common Stock for each quarterly period in 2006 and 2005. These quotations are believed to be representative inter-dealer prices, without retail mark-up, markdown or commission, and may not represent actual transactions.

|                  | <b>Bid</b>  |            |
|------------------|-------------|------------|
|                  | <b>High</b> | <b>Low</b> |
| 4th Quarter 2006 | \$ 0.04     | \$ 0.02    |
| 3rd Quarter 2006 | \$ 0.05     | \$ 0.03    |
| 2nd Quarter 2006 | \$ 0.05     | \$ 0.03    |
| 1st Quarter 2006 | \$ 0.08     | \$ 0.03    |
| 4th Quarter 2005 | \$0.05      | \$ 0.03    |
| 3rd Quarter 2005 | \$ 0.11     | \$ 0.04    |
| 2nd Quarter 2005 | \$ 0.20     | \$ 0.10    |
| 1st Quarter 2005 | \$ 0.33     | \$ 0.05    |

As of March 16, 2007, the Company had approximately 677 shareholders on record.

We have never paid a cash dividend and do not anticipate doing so in the foreseeable future.

#### RECENT SALES OF UNREGISTERED SECURITIES:

On April 8, 2006, we issued an aggregate of 821,613 shares of Common Stock to Albert Figueroa, Corporate Secretary and a Director for 2005 consulting services valued at \$60,000.

On April 8, 2006, we issued an aggregate of 68,634 shares of Common Stock to Albert Figueroa, Corporate Secretary and a Director in exchange for \$4,804 of 2005 expenses paid on behalf of the Company.

On April 8, 2006, we issued an aggregate of 710,532 shares of Common Stock, for consulting services starting July, 2005 to March, 2006 valued at \$27,000.

On April 8, 2006, we issued an aggregate of 2,091,666 shares of Common Stock to several private investors, valued at \$42,650.

On April 8, 2006, we issued an aggregate of 992,632 shares of Common Stock for attorney services from August 21, 2005 to December 31, 2006 valued at \$28,290.

On April 18, 2006, we issued an aggregate of 4,371,428 shares of Common Stock to several private investors, valued at \$76,500.

On July 11, 2006, we issued an aggregate of 256,081 shares of Common Stock, for 2006 consulting services valued at \$9,000.

On August 30, 2006, we issued an aggregate of 1,601,871 shares of Common Stock to several private investors, valued at \$24,000.

On October 6, 2006, we issued an aggregate of 279,494 shares of Common Stock, for 2006 consulting services valued at \$9,000.



All stock issuances were conducted pursuant to section 4(2) under the 1933 Act without the involvement of underwriters. Stock issuances other than for cash were valued at market, generally determined by the low bid quotation.

**Item 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION**

**Cautionary Statement Regarding Forward-Looking Information**

The following is a discussion of the financial condition and results of operations of the Company as of the date of this Annual Report. This discussion and analysis should be read in conjunction with the accompanying audited Consolidated Financial Statements of the Company including the Notes thereto which are included elsewhere in this Form 10-KSB.

**Overview**

Largo Vista is in the business of supplying liquid petroleum gas (LPG) through pipelines and in bottles to consumers in the People's Republic of China. Largo Vista constructs and operates LPG pipelines in the City on Zunyi, China. Almost all of Largo Vista's current pipeline projects are under exclusive 40-year supply contracts.

**Arrangement 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 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 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 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 receipt of payment 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 Largo Vista that it had not received any fuel oil under the Asiacorp Contract. As Largo Vista had not received any payments from Shanghai Oil, it did not release any of its shares of Common Stock to Shanghai Oil. On approximately July 1, 2005, Largo Vista 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 Largo Vista under the Agreement. Although Shanghai Oil has indicated to Largo Vista 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 the date of this annual report, Largo Vista 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 Largo Vista -does not foresee any economic benefit materializing from the Agreement. While Largo Vista has reserved its rights to pursue all available remedies it may have against Shanghai Oil, actually pursuing these remedies may be prohibitively expensive. On December 22, 2005, Largo Vista's board of directors unanimously adopted a resolution to cancel the 97,364,597 shares that were issued Shanghai Oil under the Agreement and to return those shares to Largo Vista's reserve of authorized but unissued shares of capital stock.

## **Basis of Presentation**

The accompanying consolidated financial statements, included elsewhere in this Annual Report on Form 10-KSB, have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation as a going concern. Largo Vista has incurred a net loss of \$240,948 for the year ended December 31, 2006 and as of December 31, 2006, had a working capital deficiency of \$1,048,576.

These conditions raise substantial doubt as to Largo Vista's ability to continue as a going concern. These financial statements do not include any adjustments that might result from the outcome of this uncertainty. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classification of liabilities that might be necessary should Largo Vista be unable to continue as a going concern.

## **Critical Accounting Policies and Estimates**

The preparation of our financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and judgments that affect our reported assets, liabilities, revenues, and expenses, and the disclosure of contingent assets and liabilities. We base our estimates and judgments on historical experience and on various other assumptions we believe to be reasonable under the circumstances. Future events, however, may differ markedly from our current expectations and assumptions. While there are a number of significant accounting policies affecting our consolidated financial statements; we believe the following critical accounting policies involve the most complex, difficult and subjective estimates and judgments.

## **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.

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.

**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.

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. The Company substantially completed the installation of the LPG pipeline as of December 31, 2002. Pursuant to the Agreement, Government

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had paid to the Company 50% of the total contracted installation price, and the Company has to collect the remaining 50% of contract price directly from the customers. The Company's management has determined that the collectibility and length of time to collect the amount due from customers cannot 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. 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 are recognized as collected in connection with the portion of contracted price to be collected from customers.

**Results of Operations**

The following selected financial information has been derived from the Company's consolidated financial statements. The information set forth below is not necessarily indicative of results of future operations and cash flows and should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this Form 10-KSB.

The Company's 2006 revenues of \$701,727 are attributable to liquid petroleum gas sales and pipeline projects at its Zunyi facility located in South China. This is a 91% increase from the revenues of \$367,108 in 2005. This is mainly attributable to pipeline project number 5 and number 7 completed during the fiscal year 2006. There was no business of big wholesales of LPG in the year 2006.

The following table shows the revenues reported by the Company for fiscal years 2005 and 2006 broken down by LPG Sales, Pipeline Projects and Pipeline Operations, in U. S. Dollars:

| <b>Fiscal Year</b> | <b>LPG Sales</b> | <b>Pipeline Projects</b> | <b>Pipeline Operations</b> | <b>TOTAL</b> |
|--------------------|------------------|--------------------------|----------------------------|--------------|
| 2005               | \$ 308,505       | \$ 28,567                | \$ 30,036                  | \$ 367,108   |
| 2006               | \$ 375,758       | \$ 295,698               | \$ 30,271                  | \$ 701,727   |

The Company incurred costs of sales of \$586,906, or 83.6% of sales in connection with the LPG revenues during 2006, compared to \$341,235, or 93.0% in 2005. This increase can be attributed to fluctuation in the cost of pipeline projects. This resulted in an increase in gross profit to 16% in 2006 from 7% in 2005.

Selling and administrative expenses decreased from \$334,382 during 2005 to \$313,883 during 2006, a decrease of 6.1%. This decrease was due primarily to lowered attorney, consulting and other professional fees.

Interest expense was \$38,783 for 2006 compared to \$37,623 in 2005.

The net loss from operations decreased to \$240,948, or 39.9% in 2006 from \$345,208, or 94.0%, in 2005.

**Currency Consideration**

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.

## Liquidity and Capital Resources

As of December 31, 2006, the Company had a working capital deficit of \$1,048,576. We generated a negative cash flow of \$116,838 from operating activities during 2006. This was a result of our net loss of \$240,948, adjusted principally for \$3,103 of depreciation, common stock issued in exchange for \$38,140 of services, \$72,645 of increases in assets, and \$155,512 of increase in accrued and other liabilities. We met our cash requirements during the year primarily through the sale of \$148,149 of private placement stock purchases. We repaid \$56,473 of related party loans.

The Company has experienced significant operating losses from inception and has financed its activities to date through cash advances from affiliates and sales of its Common Stock. Availability, source, amount and terms of any additional financing are uncertain at this time, and by no means assured.

The Company believes it will require at least an additional \$1,000,000 of new capital in order to fund its plan of operations over the next 12 months. The Company expects to fund its working capital requirements over the next 12 months from additional advances from its affiliates and the sale of its Common Stock.

The Company's independent certified public accountants have stated in their report included in the Company's December 31, 2006 Form 10-KSB, that the Company has incurred operating losses and that the Company is dependent upon management's ability to develop profitable operations. These factors among others may raise substantial doubt about the Company's ability to continue as a going concern.

## Recent accounting pronouncements

In February 2006, the FASB issued SFAS No. 155. "*Accounting for certain Hybrid Financial Instruments an amendment of FASB Statements No. 133 and 140,*" or SFAS No. 155. SFAS No. 155 permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation, clarifies which interest-only strips and principal-only strips are not subject to the requirements of Statement No. 133, establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation, clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives, and amends SFAS No. 140 to eliminate the prohibition on a qualifying special purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. SFAS 155 is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. We do not expect the adoption of SFAS 155 to have a material impact on our consolidated financial position, results of operations or cash flows.

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 adoption of SFAS No.156 did not have a material impact on the Company's financial position and results of operations.

In July 2006, the FASB issued Interpretation No. 48 (FIN 48). "*Accounting for uncertainty in Income Taxes*". FIN 48 clarifies the accounting for Income Taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. It also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition and clearly scopes income taxes out of SFAS 5, "*Accounting for Contingencies*". FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company does not expect adoption of this standard will have a material impact on its financial position, operations or cash flows.



In September 2006 the Financial Account Standards Board (the “FASB”) issued its Statement of Financial Accounting Standards 157, Fair Value Measurements. This Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, the Board having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. However, for some entities, the application of this Statement will change current practice. FAS 157 effective date is for fiscal years beginning after November 15, 2007. The Company does not expect adoption of this standard will have a material impact on its financial position, operations or cash flows.

In September 2006 the FASB issued its Statement of Financial Accounting Standards 158 “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans”. This Statement improves financial reporting by requiring an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income of a business entity or changes in unrestricted net assets of a not-for-profit organization. This Statement also improves financial reporting by requiring an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions. The effective date for an employer with publicly traded equity securities is as of the end of the fiscal year ending after December 15, 2006. The Company does not expect adoption of this standard will have a material impact on its financial position, operations or cash flows

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In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities.” SFAS 159 permits entities to choose to measure many financial instruments, and certain other items, at fair value. SFAS 159 applies to reporting periods beginning after November 15, 2007. The adoption of SFAS 159 is not expected to have a material impact on the Company’s financial condition or results of operations.

**Off-Balance Sheet Arrangements**

Largo Vista currently has no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on its financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FINANCIAL STATEMENTS AND SCHEDULES**

**DECEMBER 31, 2006 AND 2005**

**FORMING A PART OF ANNUAL REPORT  
PURSUANT TO THE SECURITIES EXCHANGE ACT OF 1934**

**LARGO VISTA GROUP, LTD.**

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**LARGO VISTA GROUP, LTD.**

**Index to Financial Statements**

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**RUSSELL BEDFORD STEFANOU MIRCHANDANI LLP**  
**Certified Public Accountants**

**REPORT OF INDEPENDENT REGISTERED CERTIFIED PUBLIC ACCOUNTING FIRM**

To the Board of Directors  
Largo Vista Group, Ltd.  
Newport Beach, California

We have audited the accompanying consolidated balance sheets of Largo Vista Group, Ltd. and its wholly-owned subsidiaries (the "Company") as of December 31, 2006 and 2005 and the related consolidated statements of operations, deficiency in stockholders' equity, and cash flows for each of the two years in the period ended December 31, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based upon our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2006 and 2005, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2006 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note A to the consolidated financial statements, the Company adopted the provisions of Statement of Financial Accounting Standards No. 123(R), "Share-Based Payment", effective January 1, 2006.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note M, the Company is experiencing difficulty in generating sufficient cash flow to meet its obligations and sustain its operations, which raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to this matter are described in Note M. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/S/ RUSSELL BEDFORD STEFANOU MIRCHANDANI  
LLP

Russell Bedford Stefanou Mirchandani LLP  
Certified Public Accountants

McLean, Virginia  
March 19, 2007, except as to Note K(e) and  
N, which is as of March 30, 2007

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**LARGO VISTA GROUP, LTD.  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2006 AND 2005**

|  | 2006         | 2005         |
|--|--------------|--------------|
| <b>ASSETS</b>  |              |              |
| Current assets:  |              |              |
| Cash and cash equivalent   | \$ 53,992    | \$ 75,642    |
| Accounts receivable, net of allowance for doubtful account of \$0 at December 31, 2006 and 2005  | 187,965      | 287          |
| Employee advances  | 10,734       | 11,064       |
| Inventories, at cost (Note C)  | 21,078       | 17,689       |
| Prepaid expenses and other   | 11,672       | 129,764      |
| Total current assets   | 285,441      | 234,446      |
| Property and equipment, at cost (Note D)   | 17,017       | 16,636       |
| Less: accumulated depreciation   | 15,703       | 12,635       |
|  | 1,314        | 4,001        |
| Deposits   | 755          | 755          |
| Total assets   | \$ 287,510   | \$ 239,202   |
| <b>LIABILITIES AND DEFICIENCY IN STOCKHOLDERS' EQUITY</b>  |              |              |
| Current Liabilities:   |              |              |
| Accounts payable and accrued liabilities (Note E)  | \$ 606,927   | \$ 546,565   |
| Notes payable to related parties (Notes F)   | 529,473      | 595,546      |
| Due to related parties (Notes G)   | 197,617      | 194,432      |
| Total Current Liabilities  | 1,334,017    | 1,336,543    |
| Commitment and contingencies (Note K)  | -            | -            |
| <b>DEFICIENCY IN STOCKHOLDERS' EQUITY</b>  |              |              |
| Preferred stock, \$0.001 par value; 25,000,000 shares authorized, none issued and outstanding at December 31, 2006 and 2005 (Note H)   | -            | -            |
| Common Stock, \$0.001 par value; 400,000,000 shares authorized, 288,829,354 and 277,635,403 shares issued and outstanding at December 31, 2006 and 2005, respectively (Note H) | 288,829      | 277,635      |
| Additional paid-in capital   | 15,614,393   | 15,344,344   |
| Subscription payable (Note H)  | 30,000       | 25,000       |
| Accumulated deficit  | (16,983,232) | (16,742,284) |
| Accumulated other comprehensive income:  |              |              |

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|  |             |             |
|--|-------------|-------------|
| Foreign currency translation adjustment                  | 3,503       | (2,036)     |
| Deficiency in stockholders' equity                       | (1,046,507) | (1,097,341) |
| Total liabilities and deficiency in stockholders' equity | \$ 287,510  | \$ 239,202  |

See the accompanying notes to the consolidated financial statements

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**LARGO VISTA GROUP, LTD.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005**

|  | 2006         | 2005         |
|--|--------------|--------------|
| Revenue  | \$ 701,727   | \$ 367,108   |
| Cost of sales  | 586,906      | 341,235      |
| Gross profit   | 114,821      | 25,873       |
| Operating expenses:  |              |              |
| Selling general and administrative   | 313,883      | 334,382      |
| Depreciation   | 3,103        | 3,076        |
|  | 316,986      | 337,458      |
| Loss from operations   | (202,165)    | (311,585)    |
| Other income (expenses):   |              |              |
| Other income, net  | -            | 4,000        |
| Interest (expense), net  | (38,783)     | (37,623)     |
| Total other income (expenses)  | (38,783)     | (33,623)     |
| Loss from operations before income taxes   | (240,948)    | (345,208)    |
| Provision for income taxes (Note I)  | -            | -            |
| Net loss   | (240,948)    | (345,208)    |
| Other comprehensive income (loss): foreign<br>currency translation income (loss) |              |              |
|  | 5,539        | (5,736)      |
| Comprehensive (loss)   | \$ (235,409) | \$ (350,944) |
| Loss per common share (basic and assuming<br>diluted) (Note J)                   | \$ (0.00)    | \$ (0.00)    |
| Weighted average shares outstanding (Note J)                                     | 283,727,030  | 277,362,170  |

See the accompanying notes to the consolidated financial statements

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**LARGO VISTA GROUP, LTD.**  
**CONSOLIDATED STATEMENTS OF DEFICIENCY IN STOCKHOLDERS' EQUITY**  
**YEARS ENDED DECEMBER 31, 2006 AND 2005**

|  | Common<br>Shares | Stock<br>Amount | Additional<br>Paid-In<br>Capital | Stock<br>Subscription<br>Payable | Foreign<br>Currency<br>Translation<br>Adjustment | Accumulated<br>Deficit | Total        |
|--|------------------|-----------------|----------------------------------|----------------------------------|--|------------------------|--------------|
| Balance, January 1,<br>2005  | 269,963,856      | \$ 269,964      | \$ 15,184,356                    | \$ 18,458                        | \$ 3,700   | \$ (16,397,076)        | \$ (920,598) |
| Shares issued to<br>consultants in<br>exchange for<br>accrued service<br>fees  | 4,923,963        | 4,924           | 79,076                           | -                                | -  | -                      | 84,000       |
| Shares issued in<br>exchange for<br>expenses paid by<br>shareholders           | 1,517,038        | 1,517           | 22,705                           | -                                | -  | -                      | 24,222       |
| Shares issued for<br>stock subscribed in<br>prior year                         | 1,230,546        | 1,230           | 17,228                           | (18,458)                         | -  | -                      | -            |
| Common Stock<br>subscribed   | -                | -               | -                                | 25,000                           | -  | -                      | 25,000       |
| Capital contributed<br>by related parties                                      | -                | -               | 40,979                           | -                                | -  | -                      | 40,979       |
| Foreign currency<br>translation<br>adjustment                                  | -                | -               | -                                | -                                | (5,736)  | -                      | (5,736)      |
| Net loss   | -                | -               | -                                | -                                | -  | (345,208)              | (345,208)    |
| Balance at<br>December 31, 2005  | 277,635,403      | 277,635         | 15,344,344                       | 25,000                           | (2,036)  | (16,742,284)           | (1,097,341)  |
| Common Stock<br>issued for services<br>rendered and<br>accrued service<br>fees | 3,060,352        | 3,060           | 130,230                          | -                                | -  | -                      | 133,290      |
| Common Stock<br>issued for payment<br>for expenses paid                        | 68,634           | 69              | 4,735                            | -                                | -  | -                      | 4,804        |
| Common Stock<br>issued for cash and<br>stock subscribed in<br>prior year       | 8,064,965        | 8,065           | 135,084                          | (25,000)                         | -  | -                      | 118,149      |
| Common Stock<br>subscribed   | -                | -               | -                                | 30,000                           | -  | -                      | 30,000       |
| Foreign currency<br>translation  |                  |                 |                                  |                                  | 5,539  |                        | 5,539        |

adjustment

|                                 |             |            |               |           |          |                 |                |
|---------------------------------|-------------|------------|---------------|-----------|----------|-----------------|----------------|
| Net loss                        | -           | -          | -             | -         | -        | (240,948)       | (240,948)      |
| Balance at<br>December 31, 2006 | 288,829,354 | \$ 288,829 | \$ 15,614,393 | \$ 30,000 | \$ 3,503 | \$ (16,983,232) | \$ (1,046,507) |

See the accompanying notes to the consolidated financial statements

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**LARGO VISTA GROUP, LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

|   | 2006             | 2005             |
|---|------------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                  |                  |                  |
| Net (loss)  | \$ (240,948)     | \$ (345,208)     |
| Adjustments to reconcile net (loss) to net cash used in operating activities: |                  |                  |
| Depreciation  | 3,103            | 3,076            |
| Common Stock issued in exchange for services rendered (Note H)                | 38,140           | -                |
| Changes in assets and liabilities:  |                  |                  |
| Accounts receivable   | (187,678)        | 6,585            |
| Inventories   | (3,389)          | (8,413)          |
| Employee advances   | 330              | 2,744            |
| Prepaid expenses and other  | 118,092          | (29,985)         |
| Accounts payable and other liabilities  | 155,512          | 77,626           |
| Customer Deposits   | -                | (4,707)          |
| <b>NET CASH USED IN OPERATING ACTIVITIES</b>                                  | <b>(116,838)</b> | <b>(298,282)</b> |
| <b>NET CASH FROM INVESTING ACTIVITIES:</b>                                    |                  |                  |
| Purchase of property and equipment  | (381)            | -                |
| <b>NET CASH USED IN INVESTING ACTIVITIES:</b>                                 | <b>(381)</b>     |                  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                  |                  |                  |
| Sale of commons stock and Common Stock subscription (Note H)                  | 148,149          | 25,000           |
| Capital contributions from related parties (Note G)                           | -                | 40,979           |
| Proceeds from related parties, net of repayments                              | (56,473)         | 211,727          |
| <b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>                              | <b>91,676</b>    | <b>277,706</b>   |
| Effect of exchange rates on cash  | 3,893            | 1,653            |
| <b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                            | <b>(21,650)</b>  | <b>(18,923)</b>  |
| Cash and cash equivalents at the beginning of the year                        | 75,642           | 94,565           |
| Cash and cash equivalents at the end of the year                              | \$ 53,992        | \$ 75,642        |

Supplemental Disclosures of Cash Flow Information

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|  |    |        |    |        |
|--|----|--------|----|--------|
| Cash paid during the period for interest   | \$ | 731    | \$ | -      |
| Income taxes paid  |    | -      |    | -      |
| Common Stock issued in exchange for accrued service fees (Note H)                  |    | 95,150 |    | 84,000 |
| Common Stock issued in exchange for services rendered (Note H)                     |    | 38,140 |    | -      |
| Common Stock issued in exchange for due to related parties (Note H)                |    | 4,804  |    | 24,222 |
| Common Stock issued in exchange for Common Stock subscribed in prior year (Note H) |    | 25,000 |    | 18,458 |

See the accompanying notes to the consolidated financial statements

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**LARGO VISTA GROUP, LTD.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of the significant accounting policies applied in the preparation of the accompanying consolidated financial statements follows.

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 a controlling financial interest in Zunyi Jiahong Gas Co., Ltd. ("Jiahong") through a DBA (Doing Business As) agreement that results in consolidation (see Note K). 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.

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.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Company considers all highly liquid debt instruments purchased with a maturity date of three months or less to be cash equivalents.

Property and Equipment

Property and equipment are stated at cost. When retired or otherwise disposed, the related carrying value and accumulated depreciation are removed from the respective accounts and the net difference less any amount realized from disposition, is reflected in earnings. For financial statement purposes, property and equipment are recorded at cost and depreciated using the straight-line method over their estimated useful lives (Note D).

Long-Lived Assets

The Company has adopted Statement of Financial Accounting Standards No. 144 ("SFAS 144"). The Statement requires that long-lived assets and certain identifiable intangibles held and used by the Company be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Events relating to recoverability may include significant unfavorable changes in business conditions, recurring losses, or a forecasted inability to achieve break-even operating results over an extended period. The Company evaluates the recoverability of long-lived assets based upon forecasted undiscounted cash flows. Should an impairment in value be indicated, the carrying value of intangible assets will be adjusted, based on estimates of future discounted cash flows resulting from the use and ultimate disposition of the asset. SFAS No. 144 also requires assets to be disposed of be reported at the lower of the carrying amount or the fair value less costs to sell.

#### Income Taxes

The Company has implemented the provisions on Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109"). SFAS 109 requires that income tax accounts be computed using the liability method. Deferred taxes are determined based upon the estimated future tax effects of differences between the financial reporting and tax reporting bases of assets and liabilities given the provisions of currently enacted tax laws.

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**LARGO VISTA GROUP, LTD.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Net Earnings (Losses) Per Common Share

The Company computes earnings per share under Statement of Financial Accounting Standards No. 128, "Earnings Per Share" ("SFAS 128"). Net earnings (losses) per common share is computed by dividing net income (loss) by the weighted average number of shares of Common Stock and dilutive Common Stock equivalents outstanding during the year. Dilutive Common Stock equivalents consist of shares issuable upon conversion of convertible preferred shares and the exercise of the Company's stock options and warrants (calculated using the treasury stock method). During the year ended December 31, 2006 and 2005, Common Stock equivalents are not considered in the calculation of the weighted average number of common shares outstanding because they would be anti-dilutive, thereby decreasing the net loss per common share.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value of Financial Instruments

Statement of Financial Accounting Standards No. 107, "Disclosures About Fair Value of Financial Instruments," requires disclosure of the fair value of certain financial instruments. The carrying value of cash and cash equivalents, accounts receivable, accounts payable and short-term borrowings, as reflected in the balance sheets, approximate fair value because of the short-term maturity of these instruments.

Inventories

Inventories consist primarily of LPG. Cost is determined by the first-in, first-out method for retail operations and specific identification method for wholesale operations (Note C). Inventories are stated at the lower of cost or market.

Reclassifications

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

Revenue Recognition

For revenue from product sales, the Company recognizes revenue in accordance with Staff Accounting Bulletin No. 104, REVENUE RECOGNITION ("SAB104"), which superceded 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.

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**LARGO VISTA GROUP, LTD.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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. The Company substantially completed the installation of the LPG pipeline as of December 31, 2002. Pursuant to the Agreement, Government had paid to the Company 50% of the total contracted installation price, and the Company has to collect the remaining 50% of contract price directly from the customers. 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. 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 are recognized as collected in connection with the portion of contracted price to be collected from customers.

Advertising

The Company follows the policy of charging the costs of advertising to expenses as incurred. The Company incurred no advertising costs during the years ended December 31, 2006 and 2005.

Research and Development

The Company accounts for research and development costs in accordance with the Financial Accounting Standards Board’s Statement of Financial Accounting Standards No. 2 (“SFAS 2”), “Accounting for Research and Development Costs.” Under SFAS 2, all research and development costs must be charged to expense as incurred. Accordingly, internal research and development costs are expensed as incurred. Third-party research and developments costs are expensed when the contracted work has been performed or as milestone results have been achieved. Company-sponsored research and development costs related to both present and future products are expensed in the period incurred. The Company incurred no expenditures on research and product development for 2006 and 2005.

Liquidity

As shown in the accompanying financial statements, the Company incurred a net loss from operations of \$240,948 and \$345,208 during the year ended December 31, 2006 and 2005, respectively. The Company's current liabilities exceeded its current assets by \$1,048,576 as of December 31, 2006.

Concentrations of Credit Risk

Financial instruments and related items, which potentially subject the Company to concentrations of credit risk, consist primarily of cash, cash equivalents and related party receivables. The Company places its cash and temporary

cash investments with credit quality institutions. At times, such investments may be in excess of the FDIC insurance limit. The Company periodically reviews its trade receivables in determining its allowance for doubtful accounts. The allowance for doubtful accounts was \$0 at December 31, 2006 and 2005.

Comprehensive Income (Loss)

The Company adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income". SFAS No. 130 establishes standards for the reporting and displaying of comprehensive income and its components. Comprehensive income is defined as the change in equity of a business during a period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. SFAS No. 130 requires other comprehensive income (loss) to include foreign currency translation adjustments and unrealized gains and losses on available-for-sale securities.

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**LARGO VISTA GROUP, LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006 AND 2005**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**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.

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 years ended December 31, 2005, in accordance with SFAS 123, as amended by SFAS No. 148 “Accounting for Stock-Based Compensation - Transition and Disclosure:

|   | December 31,<br>2005 |
|---|----------------------|
| Net loss  | \$ (345,208)         |
| Deduct: stock-based compensation expense, net of tax,<br>fair value | -                    |
|   | -                    |

Add: stock-based compensation expense, net of tax,  
intrinsic value

|                    |    |           |
|--------------------|----|-----------|
| Pro forma net loss | \$ | (345,208) |
|--------------------|----|-----------|

Net loss per common share — basic (and assuming  
dilution):

|             |    |        |
|-------------|----|--------|
| As reported | \$ | (0.00) |
| Pro forma   | \$ | (0.00) |

The Company had no employee stock options issued and outstanding at December 31, 2006. All prior awards of stock options were vested at the time of issuance in prior years.

**LARGO VISTA GROUP, LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006 AND 2005**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Segment Information

Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS 131") establishes standards for reporting information regarding operating segments in annual financial statements and requires selected information for those segments to be presented in interim financial reports issued to stockholders. SFAS 131 also establishes standards for related disclosures about products and services and geographic areas. Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision maker, or decision-making group, in making decisions how to allocate resources and assess performance. The information disclosed herein materially represents all of the financial information related to the Company's principal operating segment.

New Accounting Pronouncements

In February 2006, the FASB issued SFAS No. 155, "*Accounting for certain Hybrid Financial Instruments an amendment of FASB Statements No. 133 and 140,*" or SFAS No. 155. SFAS No. 155 permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation, clarifies which interest-only strips and principal-only strips are not subject to the requirements of Statement No. 133, establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation, clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives, and amends SFAS No. 140 to eliminate the prohibition on a qualifying special purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. SFAS 155 is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. We do not expect the adoption of SFAS 155 to have a material impact on our consolidated financial position, results of operations or cash flows.

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 adoption of SFAS No.156 did not have a material impact on the Company's financial position and results of operations.

In July 2006, the FASB issued Interpretation No. 48 (FIN 48). "*Accounting for uncertainty in Income Taxes*". FIN 48 clarifies the accounting for Income Taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. It also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition and clearly scopes income taxes out of SFAS 5, "*Accounting for Contingencies*". FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company does not expect adoption of this standard will have a material impact on its financial position, operations or cash flows.

In September 2006 the Financial Account Standards Board (the "FASB") issued its Statement of Financial Accounting Standards 157, Fair Value Measurements. This Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value

measurements, the Board having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. However, for some entities, the application of this Statement will change current practice. FAS 157 effective date is for fiscal years beginning after November 15, 2007. The Company does not expect adoption of this standard will have a material impact on its financial position, operations or cash flows.

In September 2006 the FASB issued its Statement of Financial Accounting Standards 158 “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans”. This Statement improves financial reporting by requiring an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income of a business entity or changes in unrestricted net assets of a not-for-profit organization. This Statement also improves financial reporting by requiring an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions. The effective date for an employer with publicly traded equity securities is as of the end of the fiscal year ending after December 15, 2006. The Company does not expect adoption of this standard will have a material impact on its financial position, operations or cash flows

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities.” SFAS 159 permits entities to choose to measure many financial instruments, and certain other items, at fair value. SFAS 159 applies to reporting periods beginning after November 15, 2007. The adoption of SFAS 159 is not expected to have a material impact on the Company’s financial condition or results of operations.

**LARGO VISTA GROUP, LTD.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**NOTE B - 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, 2006, 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.

**NOTE C - 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 December 31, 2006 and 2005 are as follows:

|                      | 2006      |    | 2005   |
|----------------------|-----------|----|--------|
| Liquid petroleum gas | \$ 9,545  | \$ | 6,670  |
| Packaging bottles    | 10,511    |    | 10,417 |
| Supplies             | 1,022     |    | 602    |
|                      | \$ 21,078 | \$ | 17,689 |

#### **NOTE D - PROPERTY, PLANT AND EQUIPMENT**

Property and equipment are stated at cost. For financial statement purposes, property and equipment are recorded at cost and depreciated using the straight-line method over their estimated useful lives of 5 years. The Company's property and equipment at December 31, 2006 and 2005 consists of the following:

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**LARGO VISTA GROUP, LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006 AND 2005**

**NOTE D - PROPERTY, PLANT AND EQUIPMENT (Continued)**

|                                | 2006     | 2005     |
|--------------------------------|----------|----------|
| Office furniture and equipment | \$ 4,013 | \$ 3,632 |
| Transportation equipment       | 13,004   | 13,004   |
| Total                          | 17,017   | 16,636   |
| Accumulated depreciation       | (15,703) | (12,635) |
|                                | \$ 1,314 | \$ 4,001 |

Depreciation expense included as a charge to income amounted to \$3,103 and \$3,076 for the year ended December 31, 2006 and 2005, respectively.

**NOTE E - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities at December 31, 2006 and 2005 are as follows:

|                  | 2006       | 2005       |
|------------------|------------|------------|
| Accrued expenses | \$ 407,838 | \$ 385,518 |
| Accrued interest | 199,089    | 161,047    |
|                  | \$ 606,927 | \$ 546,565 |

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

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

|  | 2006       | 2005       |
|--|------------|------------|
| Notes payable on demand to Company's Chairman; interest payable monthly at 7% per annum; unsecured                 | \$ 463,328 | \$ 537,401 |
| Notes payable on demand to Company's shareholder (former CFO); 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              | 10,000     | 12,000     |
| Notes payable on demand to Company shareholders; interest payable monthly at 7% per annum; unsecured               | 46,745     | 36,745     |
| Total  | 529,473    | 595,546    |
| Less: current portion  | (529,473)  | (595,546)  |
|  | \$ -       | \$ -       |

**NOTE G - RELATED PARTY TRANSACTIONS**

In addition to notes payable to related parties described in Note F, 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 December 31, 2006 and 2005 was \$29,081.

The Company's former 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 former Chief Financial Officer at December 31, 2006 and 2005 was \$1,875 and \$4,804, respectively. The Company issued Common Stock in exchange for \$4,804 of due to the related party during the year ended December 31, 2006 (Note H).

The Company's Chief Executive Officer 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 December 31, 2006 and 2005 was \$166,661 and \$160,547, respectively.

During the year ended December 31, 2005, the Company's Chief Executive Officer and significant shareholders contributed cash of \$40,979 to the Company as working capital.

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**LARGO VISTA GROUP, LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE H - 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 December 31, 2006 and 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 December 31, 2006 and 2005, the Company has 288,829,354 and 277,635,403 shares of Common Stock issued and outstanding, respectively.

In December 2004, one of the Company's significant shareholders agreed to subscribe 1,230,546 shares of Common Stock in exchange for \$15,000 of notes payable and \$3,458 of accrued interest due to the shareholder. The common shares were issued in January 2005.

During the year ended December 31, 2005, the Company issued an aggregate of 4,923,963 shares of Common Stock to consultants in exchange for accrued service fees of \$84,000. 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. Additionally, the Company issued an aggregate of 1,517,038 shares of Common Stock to officers and consultants in exchange for \$24,222 of expenses paid on behalf of the Company.

During the year ended December 31, 2005, the Company Chief Executive Officer significant shareholders contributed cash of \$40,979 to the Company's working capital. The Company also received proceeds of \$25,000 in exchange for 1,166,666 shares of Common Stock subscribed. The Company has accounted for the \$25,000 as Common Stock subscription payable at December 31, 2005. The common shares subscribed were issued in fiscal year 2006.

During the year ended December 31, 2006, the Company issued an aggregate of 8,064,965 shares of common stock in exchange for \$118,149 of proceeds, net of costs and fees, and the \$25,000 of common stock subscribed in prior year. The Company issued an aggregate of 3,060,352 shares of common stock to consultants in exchange for services fees of \$38,140 and accrued service fees of \$95,150. 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. Additionally, the Company issued an aggregate of 68,634 shares of common stock to officers and consultants in exchange for \$4,804 of expenses paid on behalf of the Company. The Company also received proceeds of \$30,000 in exchange for 2,400,000 shares of common stock subscribed. The Company has accounted for the \$30,000 as common stock subscription payable at December 31, 2006.

**NOTE I - INCOME TAXES**

The Company has adopted Financial Accounting Standards No. 109, which requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statement or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between financial statements and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Temporary differences between taxable income reported for financial reporting purposes and income tax purposes are insignificant.

At December 31, 2006, the Company has available for federal income tax purposes a net operating loss carryforward of approximately \$17,000,000, expiring in the year 2026, that may be used to offset future taxable income. The Company has provided a valuation reserve against the full amount of the net operating loss benefit, since in the

opinion of management based upon the earnings history of the Company, it is more likely than not that the benefits will not be realized.

Components of deferred tax assets as of December 31, 2006 are as follows:

|                                 |    |             |
|---------------------------------|----|-------------|
| Non Current:                    |    |             |
| Net operating loss carryforward | \$ | 5,910,000   |
| Valuation allowance             |    | (5,910,000) |
| Net deferred tax asset          | \$ | -           |

**NOTE J - EARNINGS (LOSSES) PER SHARE**

Basic and fully diluted losses per share are calculated by dividing net income (loss) available to common shareholders by the weighted average of common shares outstanding during the year. The Company has no potentially dilutive securities, options, warrants or other rights outstanding. The following table sets forth the computation of basic and diluted earnings (losses) per share:

**LARGO VISTA GROUP, LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006 AND 2005**

**NOTE J - EARNINGS (LOSSES) PER SHARE (Continued)**

|  | 2006         | 2005         |
|--|--------------|--------------|
| Net loss available to Common Stockholders                              | \$ (240,948) | \$ (345,208) |
| Basic and diluted loss per share                                       | \$ (0.00)    | \$ (0.00)    |
| Basic and diluted weighted average number of common shares outstanding | 283,727,030  | 277,362,170  |

**NOTE K - COMMITMENTS AND CONTINGENCIES**a) Lease Commitments

The Company leases office space on a month-to-month basis at base rent of \$755 per month in Newport Beach, California for its corporate offices. The Company leases distribution and office facilities in Zunyi City, Province of Guizhou, China and office facilities in Wuhan, China. Commitments for minimum rentals under non-cancelable leases at the end of 2006 are as follows.

| Year:          | Amount:  |
|----------------|----------|
| 2007           | \$ 4,558 |
| 2008 and after | -        |

Rental expense charged to operations was \$15,504 and \$12,929 for the year ended December 31, 2006 and 2005, respectively.

b) Sublease Agreement

The Company leased an office suite on a month-to-month basis at base rent of \$590 per month in Newport Beach, California and subleases the office to a third party for \$2,000 per month starting May 2003 ending February, 2005. During the year ended December 31, 2005, the Company recorded \$4,000 of rentals received as other income, net of costs and expenses.

c) Consulting Agreements

The Company has several agreements with outside contractors to provide organizational services, business development in China and Vietnam, international petroleum, and other products trading consultation services. The agreements are generally for a term of 12 months from inception and renewable from year to year unless either the Company or Consultant terminates such engagement with written notice

d) DBA Agreement

The Company has a controlling financial interest in Zunyi Jiahong Gas Co., Ltd. ("Jiahong") through a DBA (Doing Business As) agreement that results in consolidation. The original agreement was entered into in August 2002 and subsequent to the date of the financial statements, the Company and Jiahong extended the DBA agreement through August 2017. The agreement is not terminable by Jiahong and the Company has exclusive authority of all

decision-making of ongoing operations of Jiahong. The Company agreed to pay Jiahong annual fees, at the option of the Company, in the amount of RMB 50,000 (approximately US\$6,300), or 20% of the distributable net profit generated from Jiahong operations. At December 31, 2006 and 2005, no fees were due Jiahing in connection with the DBA agreement.

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e) Litigation

In August 2005, the staff of the Los Angeles office of the Securities and Exchange Commission advised the Company that it had initiated a formal, non-public inquiry. The Company and its officers have received document subpoenas seeking documents related to the previously announced contract between the Company and Shanghai Oil (Note B) and trading in the securities of the Company, 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 hereunder. 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.

On March 20, 2007, Largo Vista Group, Ltd. (the "Company"), received a Wells Notice letter from the staff of the U.S. Securities and Exchange Commission (the "SEC" or "Commission") flowing from a formal investigation conducted by the SEC. The Company disclosed on August 22, 2005 that the SEC commenced a non-public, formal investigation against the Company.

The Wells Notice to the Company indicates that the staff is considering recommending that the Commission bring a civil injunctive action against the Company for alleged violations of Section 17(a) of the Securities Act of 1933 and Sections 10(b) and 13(a) of the Securities and Exchange Act of 1934 and Rules 10b-5, 12b-20, 13a-1, 13a-11, 13a-13, 13a-14 and 13b2-2 thereunder.

The Wells Notice also indicates that the Commission may seek injunction, civil penalty and disgorgement (including prejudgment interest) against the Company.

The Company has been informed that Shan Deng, a Director, President and Chief Executive Officer of the Company and Albert Figueroa, a Director and Secretary of the Company, have also received Wells Notice letters from the SEC indicating that the staff is considering recommending that the Commission bring a civil injunctive action against both of them for alleged violations of Section 17(a) of the Securities Act of 1933 and Sections 10(b) of the Securities and Exchange Act of 1934 and Rules 10b-5 thereunder and aiding and abetting violations of Section 13(a) and Rules 12b-20, 13a-1, 13a-11, 13a-13, 13a-14 and 13b2-2 thereunder. Mr. Deng's Wells Notice indicates that the Commission may seek a permanent injunction, disgorgement (with prejudgment interest) a civil penalty and an officer and director bar against Mr. Deng. Mr. Figueroa's Wells Notice indicates that the Commission may seek a permanent injunction, a civil penalty and an officer and director bar against Mr. Figueroa.

Under the SEC procedures, a Wells Notice from the SEC affords recipients an opportunity to present information and defenses in response to the SEC's Division of Enforcement staff prior to the staff making its formal recommendation to the Commission on whether any action should be authorized. There can be no assurance that the SEC will not bring a civil enforcement action against the Company or its officers.

The Company continues to cooperate fully with the SEC investigation relating to this matter. The Company is unable to predict the extent of its ultimate liability with respect to any and all future securities matters. The costs and other effects of any future litigation, government investigations, legal and administrative cases and proceedings, settlements, judgments and investigations, claims and changes in this matter could have a material adverse effect on the Company's financial condition and operating results.



The Company is subject to other legal proceedings and claims, which arise in the ordinary course of its business. Although occasional adverse decisions or settlements may occur, the Company believes that the final disposition of such matters will not have a material adverse effect on its financial position, results of operations, or liquidity.

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**LARGO VISTA GROUP, LTD.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

Country Risk

As the Company's principal operations are conducted in the PRC, the Company is subject to special considerations and significant risks not typically associated with companies in North America and Western Europe. These risks include, among others, risks associated with the political, economic and legal environments and foreign currency exchange limitations encountered in the PRC. The Company's results of operations may be adversely affected by changes in the political and social conditions in the PRC, and by changes in governmental policies with respect to laws and regulations, among other things.

In addition, the Company's transactions undertaken in the PRC are denominated in Chinese Yuan Renminbi (CNY), which must be converted into other currencies before remittance out of the PRC may be considered. Both the conversion of CNY into foreign currencies and the remittance of foreign currencies abroad require the approval of the PRC government.

**NOTE L - BUSINESS CONCENTRATION**

During the year ended December 31, 2006, sales to one major customer amounted \$267,747, or 38.16% of total sale. Accounts receivable from this customer amounted \$181,261. There were no customers accounted for greater than 10% of sales during the year ended December 31, 2005.

During the year ended December 31, 2006, purchases from one major LPG vendor amounted \$383,760, or 99% of total purchases. Accounts payable to these vendors amounted \$598. During the year ended December 31, 2005, purchases from one major LPG vendor amounted \$350,704, or 99% of total purchases. Accounts payable to these vendors amounted \$12,731.

**LARGO VISTA GROUP, LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006 AND 2005**

**NOTE M - 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 years ended December 31, 2006 and 2005, the Company incurred losses from operations of \$240,948 and \$345,208, respectively. The Company's current liabilities exceeded its current assets by \$1,048,576 as of December 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.

**NOTE N - SUBSEQUENT EVENTS**

On March 20, 2007, Largo Vista Group, Ltd. (the "Company"), received a Wells Notice letter from the staff of the U.S. Securities and Exchange Commission (the "SEC" or "Commission") flowing from a formal investigation conducted by the SEC. The Company disclosed on August 22, 2005 that the SEC commenced a non-public, formal investigation against the Company.

The Wells Notice to the Company indicates that the staff is considering recommending that the Commission bring a civil injunctive action against the Company for alleged violations of Section 17(a) of the Securities Act of 1933 and Sections 10(b) and 13(a) of the Securities and Exchange Act of 1934 and Rules 10b-5, 12b-20, 13a-1, 13a-11, 13a-13, 13a-14 and 13b2-2 thereunder.

The Wells Notice also indicates that the Commission may seek injunction, civil penalty and disgorgement (including prejudgment interest) against the Company.

The Company has been informed that Shan Deng, a Director, President and Chief Executive Officer of the Company and Albert Figueroa, a Director and Secretary of the Company, have also received Wells Notice letters from the SEC indicating that the staff is considering recommending that the Commission bring a civil injunctive action against both of them for alleged violations of Section 17(a) of the Securities Act of 1933 and Sections 10(b) of the Securities and Exchange Act of 1934 and Rules 10b-5 thereunder and aiding and abetting violations of Section 13(a) and Rules 12b-20, 13a-1, 13a-11, 13a-13, 13a-14 and 13b2-2 thereunder. Mr. Deng's Wells Notice indicates that the Commission may seek a permanent injunction, disgorgement (with prejudgment interest) a civil penalty and an officer and director bar against Mr. Deng. Mr. Figueroa's Wells Notice indicates that the Commission may seek a permanent injunction, a

civil penalty and an officer and director bar against Mr. Figueroa.

Under the SEC procedures, a Wells Notice from the SEC affords recipients an opportunity to present information and defenses in response to the SEC's Division of Enforcement staff prior to the staff making its formal recommendation to the Commission on whether any action should be authorized. There can be no assurance that the SEC will not bring a civil enforcement action against the Company or its officers.

The Company continues to cooperate fully with the SEC investigation relating to this matter. The Company is unable to predict the extent of its ultimate liability with respect to any and all future securities matters. The costs and other effects of any future litigation, government investigations, legal and administrative cases and proceedings, settlements, judgments and investigations, claims and changes in this matter could have a material adverse effect on the Company's financial condition and operating results.

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**Item CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND  
8. FINANCIAL DISCLOSURE**

There have been no changes in or disagreements with our accountants on accounting and financial disclosure

**Item 8A. CONTROLS AND PROCEDURES**

As of December 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.

**PART III****Item DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS, COMPLIANCE  
9. WITH SECTION 16(a) OF THE EXCHANGE ACT**

| Name               | Age | Position   |
|--------------------|-----|--|
| Albert N. Figueroa | 40  | Director; Secretary  |
| Deng Shan          | 55  | Interim Chief Executive officer and Chairman of the Board of Directors |
| Denise Deng        | 31  | Chief Financial Officer  |

Directors serve until the next annual meeting of shareholders, or until their successors are elected.

Albert N. Figueroa, Secretary and Director, is in charge of day-to-day business operations of Largo Vista in the United States, as well as being a liaison with all outside service providers, and generally maintains the consistency of information within the Company. Mr. Figueroa joined the Company in July 1991.

Deng Shan, Chairman of the Board of Directors, is well versed in the business practices of China. Early in his career Mr. Deng was a lecturer in Wuhan Chemical Engineering School. Later he advanced to associate professor at Huazhong University of Science and Technology. In 1989, Mr. Deng became the Director, Science and Technology Commission, Nanshan District Government, China. In 1994, Mr. Deng was appointed Chief Executive Officer/Chairman of the Board of four commercial companies. Mr. Deng joined the Company in April 1997.

Ms. Denise Deng, registrant's new Chief Financial Officer, has over nine (9) years of diverse financial management experience. For the nine (9) years, she has held a variety of financial planning and analysis, accounting. Ms. Deng majored in accounting and obtained the qualification of accounting profession from Henan Finance Institute in China. She graduated from Normal University of Center of China as a Major in Enterprises Management. Ms. Deng has been involved with Largo Vista Group, Ltd. since 1999 and started working as Financial Manager of Kunming Xinmao Petrochemical Industry Co., Ltd. and created the accounting system. Currently, Ms. Deng is the General Manager of Zunyi Jiahong Gas Company, Ltd. (for Largo Vista Group) and has created a new management system for the business.

The Company does not have an audit committee and consequently the entire Board of Directors serves in that capacity. The Board's pre-approval policy regarding professional services provided by the Company's principal accountant is to pre-approve the engagement of the principal accountant for the performance of all professional services. The policy does provide a waiver of pre-approval in the event that such services, in the aggregate, will be less than 5% of the audit fee, such services are not recognized as non-audit fees at the time of the engagement, and pre-approval is obtained from a designated member of the Board prior to the engagement. Until such time as an audit committee is appointed, the designated individual is the Principal Executive Officer, currently the President of the Company. 100% of the 2003 non-audit fees were pre-approved by the designated Board member and subsequently approved by the Board.

Section 16(a) of the Securities Exchange Act of 1934, as amended, and the rules thereunder require the Company's officers and directors, and persons who own more than 10% of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission and to furnish the Company with copies. Based solely on its review of the copies of the Section 16(a) forms received by it, or written representations from certain reporting persons, the Company believes that, during the last fiscal year, all Section 16(a) filing requirements applicable to its officers, directors and greater than 10% beneficial owners were complied with.

The Company has adopted a Policy Statement on Business Ethics and Conflicts of Interest, which was approved by the Board of Directors, applicable to all employees, which is attached as an exhibit to this report.

### Item 10. EXECUTIVE COMPENSATION

The following table sets forth all compensation paid or accrued by the Company during the last three years to its executive officers.

**Summary Compensation Table**

| Name and Principal Position (a)   | Year (b) | Salary (\$)(c) | Bonus (\$)(d) | Stock Awards (\$)(e) | Option Awards (\$)(f) | Non-Equity Incentive Plan Compensation (\$)(g) | Nonqualified Deferred Compensation Earnings (\$)(h) | All Other Compensation (\$)(i) | Total (\$)(j) |
|-----------------------------------|----------|----------------|---------------|----------------------|-----------------------|--|---|--------------------------------|---------------|
| D e n g Shan<br>CEO               | 2006     | 84,000         |               | 0                    |                       |  |   |                                |               |
|                                   | 2005     | 0              |               | 0                    |                       |  |   |                                |               |
|                                   | 2004     | 0              |               | 0                    |                       |  |   |                                |               |
| A l b e r t Figuerao<br>Secretary | 2006     | 0              |               | 60,000               |                       |  |   |                                |               |
|                                   | 2005     | 0              |               | 54,000               |                       |  |   |                                |               |
|                                   | 2004     | 0              |               | 12,500               |                       |  |   |                                |               |
| D e n i s e Deng<br>CFO           | 2006     | 4,500          |               | 0                    |                       |  |   |                                |               |
|                                   | 2005     | 0              |               | 0                    |                       |  |   |                                |               |
|                                   | 2004     | 0              |               | 0                    |                       |  |   |                                |               |

#### Notes:

The officers listed above were paid their salary in a combination of stock options, Common Stock and/or cash. Any issuance of Common Stock was valued at market, generally determined by the closing price on the first day of trading of the following month.

Albert Figuerao, serves under a semi- annual consulting contract renewed effective January 1, 2006 at annualized compensation of \$60,000 that may be terminated upon 30 days written notice of either party.

On April 8, 2006, we issued an aggregate of 821,613 shares of Common Stock to Albert Figuerao, for 2005 consulting services valued at \$60,000.

On January 13, 2005, we issued an aggregate of 3,165,404 shares of Common Stock to Albert Figuerao, for 2004 consulting services valued at \$54,000.

On March 2, 2004, we issued an aggregate of 664,187 shares of Common Stock to Albert Figuerao, for August to December 2003 consulting services valued at \$12,500.

Deng Shan, CEO, serves under a semi- annual Agreement for Services renewed effective January 1, 2006 at annualized compensation of \$84,000 that may be terminated upon 30 days written notice of either party. Mr. Deng agreed to waive the unpaid salary during the year ended December 31, 2005 and 2004. Salary during 2006 was unpaid and accrued.

Denise Deng, Chief Financial Officer serves for an initial term of one (1) year, subject to automatic renewal from year to year thereafter unless either party gives notice of termination at least ninety (90) days prior to the automatic renewal date, at a base salary of \$18,000 per year. Ms. Deng was appointed as the Company's CFO on September 15, 2006.

The members of the Company's Board of Directors receive no additional compensation for serving as directors.



**Item 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The following table sets forth information regarding beneficial ownership as of March 16, 2007 of the Company's Common Stock by any person who is known to the Company to be the beneficial owner of more than 5% of the Company's voting securities and by each director and officer of the Company.

| <b>Title of Class</b>                             | <b>Name of Beneficial Owner</b> | <b>Amount and Nature of Beneficial Ownership</b> | <b>Percent of Class</b> |
|---|---------------------------------|--|-------------------------|
| Common Stock                                      | Albert Figueroa                 | 3,945,134 (a)                                    | 1.36%                   |
| Common Stock                                      | Deng Shan                       | 80,377,285 (b)                                   | 27.80%                  |
| All Officers and Directors as a group (2 persons) |                                 | 84,322,419                                       | 29.16%                  |

(a) Mr. Figueroa owns 3,945,134 shares personally and his spouse owns 100,000 shares, which may be deemed to be beneficially owned by Mr. Figueroa. Mr. Figueroa disclaims beneficial ownership of such shares.

(b) Mr. Deng Shan owns 2,119,396 shares personally, and 78,257,889 shares through his majority owned corporation, Proton Technology Corporation Limited.

**Item 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE**

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

|  | 2006       | 2005       |
|--|------------|------------|
| Notes payable on demand to Deng Shan Company's Chairman; interest payable monthly at 7% per annum; unsecured | \$ 463,328 | \$ 537,401 |
| Notes payable on demand to Albert Figueroa; 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        | 10,000     | 12,000     |
| Notes payable on demand to Company shareholders; interest payable monthly at 7% per annum; unsecured         | 46,745     | 36,745     |

|                       |           |           |
|-----------------------|-----------|-----------|
| Total                 | 529,473   | 595,546   |
| Less: current portion | (529,473) | (595,546) |
|                       | \$ -      | \$ -      |

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 December 31, 2006 and 2005 was \$29,081.

The Company's former Chief Financial Officer Albert Figueroa has advanced funds to the Company for working capital purpose. No formal repayment terms or arrangements exist. The net amount of advances due the former Chief Financial Officer at December 31, 2006 and 2005 was \$1,875 and \$4,804, respectively. The Company issued Common Stock in exchange for \$4,804 of due to the related party during the year ended December 31, 2006.

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The Company's Chief Executive Officer Deng Shan 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 December 31, 2006 and 2005 was \$166,661 and \$160,547, respectively.

During the year ended December 31, 2005, the Company's Chief Executive Officer and significant shareholders contributed cash of \$40,979 to the Company as working capital.

**Item 13.****EXHIBITS**

|        |  |
|--------|--|
| 3.1*   | Articles of Incorporation of Largo Vista Group, Limited (filed Form 10SB, 11/2/99)   |
| 3.2*   | Bylaws of Largo Vista Group, Limited (filed Form 10SB, 11/2/99)  |
| 3.3*   | Articles of Incorporation of Largo Vista Inc. (filed Form 10SB, 11/2/99)   |
| 3.4*   | Bylaws of Largo Vista Inc. (filed Form 10SB, 11/2/99)  |
| 3.5*   | Articles of Incorporation of Everlasting International Limited (filed Form 10SB, 11/2/99)  |
| 3.6*   | Bylaws of Everlasting International Limited (filed Form 10SB, 11/2/99)   |
| 3.7*   | Articles of Incorporation of Kunming Xinmao Petrochemical Industry Co., Ltd. (filed Form 10SB, 11/2/99)  |
|        |  |
| 10     | Material Contracts   |
|        |  |
| 10.1*  | Contract. Largo Vista Group, Ltd. and Sentio Corporation, December 28, 1998, (filed Form 10SB, 11/2/99)  |
| 10.2*  | Contract. Hong Kong De Xiang Tuo Yi Industrial Company, August 28, 1992 (filed Form 10SB, 11/2/99)   |
| 10.3*  | Plan and Agreement of Reorganization between Largo Vista Group, Ltd., Proton Technology Corporation, Ltd. and Everlasting International, December 21, 1996 (filed Form 10SB, 11/2/99)  |
| 10.4*  | Joint Venture Agreement of Kunming Xinmao Petrochemical Industry Co., Ltd., August 8, 1992 (filed Form 10SB, 11/2/99)  |
| 10.5*  | Approval Certificate of Enterprise with Foreign Investment in the People's Republic of China (filed Form 10SB, 11/2/99)  |
| 10.6*  | Business License of Enterprise in the Peoples Republic of China (filed Form 10SB, 11/2/99)   |
| 10.7*  | Business Permit to Engage in LPG Business in Yunnan Province (filed Form 10SB, 11/2/99)  |
| 10.8*  | Notice of Subsidiaries of the Agriculture Bank of China, Yunnan Provincial Branch, Acting as Agents for Collection and Receipt of Payment for Kunming Xinmao Petrochemical Industry Co., Ltd. (filed Form 10SB, 11/2/99)                             |
| 10.9*  | Agreement of Supply of Liquefied Petroleum Gas, March 18, 1996 (filed Form 10SB, 11/2/99)  |
| 10.10* | Method of Insurance for LPG Credit, August 26, 1997 (filed Form 10SB, 11/2/99)   |
| 10.11* | Memorandum of Understanding Kunming Xinmao Petrochemical Industry Co., Ltd. and Wuhan Minyi Fuel Gas Petrochemical Company Limited, March 14, 1999 (filed Form 10SB, 11/2/99)  |
| 10.12* | Memorandum of Understanding Kunming Xinmao Petrochemical Industry Co., Ltd. and Guilin Municipal Garden Fuel Gas Pipelines Limited, March 29, 1999 (filed Form 10SB, 11/2/99)  |
| 10.13* | Approval Certificate of Enterprises with Foreign Investment in the Peoples Republic of China, August 21, 1992 (filed Form 10SB, 11/2/99)   |
| 10.14* | Contract. Enterprise Ownership Transfer Agreement "Ten Year Leasing Contract", Seller Chen Mao Tak, Purchaser Everlasting International, Ltd., third party Kunming Fuel General Company, November 8, 1995 (filed Form 10SB-A1, 1/14/2000 as EX-10.D) |
| 10.15* | Joint Venture Agreement. , Largo Vista with the United Arab Petroleum Corporation ("UAPC"), known as Largo Vista/UAPC Partners (filed Form 10SB-A1, 1/14/2000 as EX-10.F)  |



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|--------|--|
| 10.16* | Memorandum of Association Limited Liability Company. Largo Vista Group, Ltd., LLC, Dubai, UAE, October 12, 1999, Largo Vista Group, Ltd., UAPC, and Sheik Al Shabani, named Largo Vista Group Limited, Limited Liability Company of the UAE (filed Form 10SB-A1, 1/14/2000 as EX-10.G) |
| 10.17* | Contract: Mekong Petroleum Joint Venture Co., Ltd. (PETROMEKONG) Buyer, and United Arab Petroleum Corporation Seller, November 25, 1999 (filed Form 10SB-A1, 1/14/2000 as EX-10.H)   |
| 10.18* | Contract: Mekong Petroleum Joint Venture Co., Ltd. (PETROMEKONG), Buyer, and United Arab Petroleum Corporation Seller, December 18, 1999 (filed Form 10SB-A1, 1/14/2000 as EX-10.H)  |
| 10.19* | Employment Agreement Daniel J. Mendez 1999 (filed Form 10SB-A1 as Ex-3.iv, 1/14/2000)  |
| 10.20* | Consultant Agreement Deng Shan 1999 (filed Form 10SB-A1, as Ex-3.v 1/14/2000)  |
| 10.21* | Contract. "Enterprise Ownership Transfer Agreement", November 8, 1995, new translation (filed Form 10SB-A2, 3/20/2000 as EX-10.E.1)  |
| 10.22* | Contract. "Agreement on Payment", November 8, 1995 (filed Form 10SB-A2, 3/20/2000 as EX-10.E.2)  |
| 10.23* | Contract. "Agreement on Supply of Liquefied Petroleum Gas", March 18, 1996 (filed Form 10SB-A2, 3/20/2000 as EX-10.E.3)  |
| 10.24* | Employment Agreement Albert N. Figueroa 1999 (filed as Ex-3.vi 3/21/2000)  |
| 10.25* | Agreement on Zunyi Pipeline Project No.1 Largo Vista Group, Ltd - Proton Enterprise (Wuhan) LTD., China (Agent Agreement)  |
| 10.26* | Zunyi Pipeline #1 Contract Proton Enterprise (Wuhan) LTD. & Construction Headquarters of Zunyi Municipal Government, Dated February 2, 2002  |
| 10.27* | Gas Supply Contract Between Proton Enterprise (Wuhan) LTD. and Zunyi Government Administration Construction Team, Dated October 15, 2002 40 Years Exclusive Right  |
| 10.28* | Zunyi Jiahong Gas Co., Ltd. & Largo Vista Group, Ltd. Lease Agreement No.JHLGOV0802 Dated August 27, 2002  |
| 10.29* | Policy Statement on Business Ethics and Conflicts of Interest  |
| 10.30* | Agreement and Assignment of Certain Contractual Rights and Benefits between Largo Vista Group, Ltd. and Shanghai Offshore Oil Group (HK) Co., Ltd.   |
| 21**   | <u>Subsidiaries of Largo Vista Group, Ltd.</u>   |
| 31.1** | <u>Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Chief Executive Officer.</u>  |
| 31.2** | <u>Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Chief Financial Officer</u>   |
| 32.1** | <u>Certification of Deng Shan Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>   |
| 32.2** | <u>Certification of Denise Deng Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>  |

\* Previously filed with the Securities and Exchange Commission

\*\*Filed herewith

#### ITEM 14.

#### PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth fees billed to the Company by our auditors during the fiscal years ended December 31, 2006 and 2005:

|                       | DECEMBER 31, DECEMBER 31, |            |
|-----------------------|---------------------------|------------|
|                       | 2006                      | 2005       |
| 1. Audit Fees         | \$ 58,174                 | \$ 106,104 |
| 2. Audit Related Fees | --                        | --         |
| 3. Tax Fees           | 900                       | --         |
| 4. All Other Fees     | --                        | --         |
| Total Fees            | \$ 59,074                 | \$ 106,104 |

Audit fees consist of fees billed for professional services rendered for the audit of the Company's consolidated financial statements and review of the interim consolidated financial statements included in quarterly reports and services that are normally provided by Russell Bedford Stefanou Mirchandani LLP in connection with statutory and regulatory filings or engagements.

Audit-related fees consists of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's consolidated financial statements, which are not reported under "Audit Fees." There were no Audit-Related services provided in fiscal 2006 or 2005.

Tax fees consists of fees billed for professional services for tax compliance, tax advice and tax planning.

All other fees consist of fees for products and services other than the services reported above. There were no management consulting services provided in fiscal 2006 or 2005.

### **Audit Committee's Pre-Approval Policies and Procedures**

The Company currently does not have a designated Audit Committee, and accordingly, the Company's Board of Directors' policy is to pre-approve all audit and permissible non-audit services provided by the independent auditors. These services may include audit services, audit-related services, tax services and other services. Pre-approval is generally provided for up to one year and any pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. The independent auditors and management are required to periodically report to the Company's Board of Directors regarding the extent of services provided by the independent auditors in accordance with this pre-approval, and the fees for the services performed to date. The Board of Directors may also pre-approve particular services on a case-by-case basis.

### **SIGNATURES**

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LARGO VISTA GROUP, LTD.

| <u>Signature</u>                     | <u>Title</u>            | <u>Date</u>    |
|--------------------------------------|-------------------------|----------------|
| <u>/s/Denise Deng</u><br>Denise Deng | Chief Financial Officer | April 13, 2007 |
| <u>/s/Deng Shan</u><br>Deng Shan     | Interim CEO             | April 13, 2007 |