

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 Asiacorp 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 4th 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.

Th