LARGO VISTA GROUP LTD
Form 10QSB
August 16, 2004

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10QSB

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

For the period ended June 30, 2004

COMMISSION FILE NUMBER 000-30426

LARGO VISTA GROUP, LTD

(Name of Small Business Issuer in Its Charter)

Nevada	76-0434540
(State of Incorporation)	(IRS Employer Identification No.)
4570 Campus Drive	Newport Beach, CA 92660

(Address of Principal Executive Offices)
(949) 252-2180

ISSUER'S TELEPHONE NUMBER

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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 269,963,856 shares of Common Stock ($.001 par value) as of August 13, 2004.

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LARGO VISTA GROUP, LTD.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

LARGO VISTA GROUP, LTD.
CONDENSED CONSOLIDATED BALANCE SHEETS

	(Unaudited) June 30, 2004	December 31, 2003
ASSETS		
Current assets:		
Cash and cash equivalent	$ 82,664	$ 7,874
Accounts receivable, net	-	53,291
Employee advances	5,837	49,091
Inventories, at cost (Note B)	7,430	11,990
Prepaid expenses and other	81,811	33,304
Total current assets	177,742	155,550
Property and equipment, at cost	16,221	16,221
Less: accumulated depreciation	7,749	6,226
Total property and equipment	8,472	9,995
Other deposits	755	755
Total assets	$ 186,969	$ 166,300
LIABILITIES AND DEFICIENCY IN STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 407,088	$ 392,694
Deferred revenue	21,715	5,888
Notes payable to related parties	449,782	449,782
Due to related parties	123,392	120,794
Total current liabilities	1,001,977	969,158
Commitment and contingencies	-	-
Deficiency in stockholders equity:		
Preferred stock, $0.001 par value; 25,000,000 shares authorized, none issued and outstanding at June 30, 2004 and December 31, 2003 (Note C)	-	-
Common stock, $0.001 par value; 400,000,000 shares authorized, 269,963,856 and 264,615,280 shares issued and outstanding at June 30, 2004 and December 31, 2003, respectively (Note C)	269,964	264,615
Additional paid-in capital	15,177,641	15,049,352
Accumulated deficit	(16,266,313)	(16,120,525)
Accumulated other comprehensive income:		

Foreign currency translation adjustment	3,700	3,700
Deficiency in stockholders' equity	(815,008)	(802,858)
Total liabilities and deficiency in stockholders' equity	$ 186,969	$ 166,300

See accompanying notes to the unaudited condensed consolidated financial information

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

	For the three months ended June 30,		For the six months ended June 30,	
	2004	2003	2004	2003
Revenue	$ 101,354	$ 271,734	$ 226,046	$ 284,121
Cost of sales	95,655	276,891	198,886	292,468
Gross profit (loss)	5,699	(5,157)	27,160	(8,347)
Operating expenses:				
Selling, general and administrative	77,406	177,174	166,636	324,890
Depreciation	761	779	1,523	1,559
	78,167	177,953	168,159	326,449
Loss from operations	(72,468)	(183,110)	(140,999)	(334,796)
Other income (expenses):				
Other income, net	4,391	-	10,953	-
Interest income (expense)	(7,871)	(6,603)	(15,742)	(16,588)
Total other income (expenses)	(3,480)	(6,603)	(4,789)	(16,588)
Loss from operations before income taxes	(75,948)	(189,713)	(145,788)	(351,384)
Income taxes	-	-	-	-
Net loss	$ (75,948)	$ (189,713)	$ (145,788)	$ (351,384)
Loss per common share (basic and assuming diluted)	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)
Weighted average shares outstanding (basic and diluted)	269,963,856	256,500,000	268,171,201	253,000,000

See accompanying notes to the unaudited condensed consolidated financial information

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

	For the six months ended June 30, 2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) from continuing operations	$ (145,788)	$ (351,384)
Adjustments to reconcile net (loss) to net cash used by operating activities		
Depreciation	1,523	1,559
Common stock issued for services	-	61,899
Changes in assets and liabilities:		
Accounts receivable	53,291	143,385
Inventories	4,560	(15,335)
Employee advances	43,254	-
Prepaid expenses and other	(48,507)	(5,260)
Accounts payable and other liabilities	96,795	124,658
Deferred revenue	15,827	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	20,955	(40,478)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	-	(250)
NET CASH (USED IN) INVESTING ACTIVITIES	-	(250)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital contributions from related parties	36,159	82,356
Proceeds from advances from related parties, net of repayments	17,676	31,138
NET CASH PROVIDED BY FINANCING ACTIVITIES	53,835	113,494
NET INCREASE IN CASH AND CASH EQUIVALENTS	74,790	72,766
Cash and cash equivalents at the beginning of the period	7,874	11,174
Cash and cash equivalents at the end of the period	$ 82,664	$ 83,940

Supplemental Disclosures of Cash Flow Information		
Cash paid during the period for interest	$ -	$ -
Income taxes paid	-	-
Common stock issued for services	-	61,899
Common stock issued for accrued service fees	82,400	113,500
Common stock issued in exchange for expenses paid by related parties	15,078	347

See accompanying notes to the unaudited condensed consolidated financial statements

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LARGO VISTA GROUP, LTD.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION
JUNE 30, 2004
(UNAUDITED)

NOTE A - SUMMARY OF ACCOUNTING POLICIES

General

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

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Accordingly, the results from operations for the six-month period ended June 30, 2004 are not necessarily indicative of the results that may be expected for the year ended December 31, 2004. The unaudited condensed consolidated financial statements should be read in conjunction with the consolidated December 31, 2003 financial statements and footnotes thereto included in the Company's SEC Form 10-KSB.

Business and Basis of Presentation

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

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

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

Stock Based Compensation

In December 2002, the FASB issued Statement of Financial Accounting Standards No. 148 (SFAS No. 148), "Accounting for Stock-Based Compensation-Transition and Disclosure-an amendment of SFAS 123." This statement amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this statement amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The Company has chosen to continue to account for stock-based compensation using the intrinsic value method prescribed in APB Opinion No. 25 and related interpretations. Accordingly, compensation expense for stock options is measured as the excess, if any, of the fair market value of the Company's stock at the date of the grant over the exercise price of the related option. The Company has adopted the annual disclosure provisions of SFAS No. 148 in its financial reports for the year ended December 31, 2003 and will adopt the interim disclosure provisions for its financial reports for the subsequent periods. The Company has no awards of stock-based employee compensation outstanding at June 30, 2004.

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LARGO VISTA GROUP, LTD.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION
JUNE 30, 2004
(UNAUDITED)

NOTE A - SUMMARY OF ACCOUNTING POLICIES (Continued)

Reclassification

Certain reclassifications have been made to conform to prior periods data to the current presentation. These reclassifications had no effect on reported losses.

NOTE B INVENTORIES

Inventories are stated at the lower of cost or market determined by the first-in, first-out (FIFO) method. Inventories consist primarily of liquid petroleum gas available for sale to contract clients and the public. Components of inventories as of June 30, 2004 and December 31, 2003 are as follows:

	June 30, 2004	December 31, 2003
Liquid petroleum gas	$ 3,050	$ 10,418
Packaging bottles	3,793	1,204
Supplies	587	368
	$ 7,430	$ 11,990

NOTE C CAPITAL STOCK

The Company has authorized 25,000,000 shares of Preferred Stock, with a par value of $.001 per share. As of June 30, 2004 and December 31, 2003, the Company has no Preferred Stock issued and outstanding. The company has authorized 400,000,000 shares of common stock, with a par value of $.001 per share. As of June 30, 2004 and December 31, 2003, the Company has 269,963,856 and 264,615,280 shares of common stock issued and outstanding, respectively.

For the six-month period ended June 30, 2004, the Company issued an aggregate of 4,343,582 shares of common stock to consultants in exchange for accrued service fees of $82,400. All valuations of common stock issued for services were based upon the value of the services rendered, which did not differ materially from the fair value of the Company's common stock during the period the services were rendered. The Company issued an aggregate of 1,004,994 shares of common stock to a consultant and former employee in exchange for $15,078 of expenses paid on behalf of the Company. In addition, during the period ended June 30, 2004, the Company Chairman and significant shareholders contributed cash of $36,159 to the Company as working capital.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

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

DESCRIPTION OF THE COMPANY

The Company is principally engaged in the resale and 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.

Through DBA agreements with Zunyi and Jiahong, the Company 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.

In February 2002 and May 2003, the Company entered into agreements ("Agreements") 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 Agreements provide for the Company to be the sole LPG supplier for those households.

FORWARD LOOKING STATEMENTS

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

RESULTS OF OPERATIONS

REVENUE

During the quarter ended June 30, 2004 the Company realized $101,354 of revenue compared to $271,734 for the same period in the prior year, a 62.7% decrease. For the six months ended June 30, 2004, revenues from operations were $226,046, as compared to $284,121 for the same period in the prior year, a decrease of 20.0%. These decreases were largely due to the discontinuation of storage depot operations in the City of Zunyi, China, which also decreased operating expenses, as noted below.

COSTS AND EXPENSES

During the quarter ended June 30, 2004 the Company incurred $78,167 of operating expenses compared to $177,953 for the same period in the prior year, a 56.0% decrease. During the six months ended June 30, 2004, operating expenses decreased to $168,159 from $326,449 during the same period in the prior year, a decrease of 48.5%. These decreases also were largely due to the discontinuation of storage depot operations in the City of Zunyi, China.

LOSS FROM OPERATIONS

The decrease in operating expenses resulted in the reduction in the loss from operations to a loss of $72,468 for the three months ended June 30, 2004 from a loss of $183,110 for the same period in the prior year, a 60.4% decrease; and a loss of $140,999 for the six months ended June 30, 2004 from a loss of $334,796 for the same period in the prior year, a decrease in the loss of 57.9%.

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2004, the Company had a deficiency in working capital of $824,235. During the first six months of 2004, the operating activities of the Company provided a cash flow of $20,955. During the six months ended June 30, 2004, we received $53,835 in the form of capital contributions and advanced from our Company s principal shareholders.

While we have raised capital to meet our working capital and financing needs in the past, additional financing remains to be required in order to meet our current and projected cash flow deficits from operations and development. While we continue to seek financing in the form of equity in order to provide the necessary working capital; we currently have no commitments for such financing. Therefore, there is no guarantee that we will be successful in raising the funds required.

By adjusting its operations and development to the level of capitalization , management belives it has suffucient capital resources to meet projected cash flow deficits through the next twelve months. However, if thereafter, we are not successful in generating sufficient liquidity from operations or in raising sufficient capital resources, on terms acceptable to us, this could have a material adverse effect on our business, results of operations , liquidity and financial condition.

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

The Company's independent certified public accountant has stated in his report included in the Company's December 31, 2003 Form 10-KSB, that the Company has incurred operating losses in the last two years, and that the Company is dependent upon management's ability to develop profitable operations. These factors among others raise substantial doubt about the Company's ability to continue as a going concern.

CAUTIONARY FACTORS THAT MAY AFFECT FUTURE RESULTS

Our annual report on Form 10-KSB for the year ended December 31, 2003 includes a detailed list of cautionary factors that may affect future results. Management believes that there have been no material changes to the factors so listed, however other factors besides those listed could adversely affect us. That annual report can be accessed on EDGAR.

ITEM 3. CONTROLS AND PROCEDURES

The Company's management including the Chief Executive Officer, President and Chief Financial Officer, have evaluated, within 90 days prior to the filing of this quarterly report, the effectiveness of the design, maintenance and operation of the Company's disclosure controls and procedures. Management determined that the Company's disclosure controls and procedures were effective in ensuring that the information required to be disclosed by the Company in the reports that it files under the Exchange Act is accurate and is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and regulations.

Disclosure controls and procedures, no matter how well designed and implemented, can provide only reasonable assurance of achieving an entity's disclosure objectives. The likelihood of achieving such objectives is affected by limitations inherent in disclosure controls and procedures. These include the fact that human judgment in decision-making can be fully faulty and that breakdowns in internal control can occur because of human failures such as errors or mistakes or intentional circumvention of the established process.

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

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

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

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

31.1 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Chief Executive Officer.

31.2 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Chief Financial Officer

32.1 Certification of Deng Shan Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Albert Figueroa Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K filed during the quarter ended March 31, 2004

None

SIGNATURES

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

DATE: August 16, 2004 LARGO VISTA GROUP, LTD.

/S/ DENG SHAN

DENG SHAN
CHIEF EXECUTIVE OFFICER