

DRAGON CAPITAL GROUP, CORP.

(Formerly Dragon Venture)

ANNUAL REPORT

For the fiscal year ended December 31, 2012

8 Zhengyi Road, Suite 307
Shanghai, China
(Address of principal executive offices)

Telephone: 86-21-55522888
Facsimile: 86-21-55660988

Item 1) Name of the issuer and its predecessors (if any)

The name of the issuer is: Dragon Capital Group, Corp. On March 21, 2005, the issuer amended its Articles of Incorporation to change its name from Dragon Venture to its current name.

Item 2) Address of the issuer's principal executive offices

Company Headquarters
Dragon Capital Group, Corp.
8 Zhengyi Road, Suite 307
Shanghai, China
Telephone: 86-21-55522888
Facsimile: 86-21-55660988
Web: <http://www.dragoncapital.us>

Investor Relations
Dore Perler
Pearl Group Advisors Inc.
431 Fairway Drive, Suite 251
Deerfield Beach, FL 33441
Telephone: (954) 232-5363
Facsimile: (954)708-2377
Email: Dore@PearlGroupAdvisors.com

Item 3) Security Information

- Trading Symbol: DRGV

- The exact title and class of securities outstanding: Only common shares are authorized and outstanding
- CUSIP Number: 26144J100
- Par or Stated Value: Common Stock: \$.001 par value per share.

The issuer's authorized Common Stock presently consists of 1,000,000,000 shares, par value \$.001. The holders of the Common Stock have equal ratable rights to dividends from funds legally available therefore, when, as and if declared by the Board of Directors of the issuer and are entitled to share ratably in all of the assets of the issuer available for distribution to holders of Common Stock upon liquidation, dissolution, or winding up of the affairs of the issuer. Holders of the issuer's common stock are entitled to one (1) vote per share on all matters on which shareholders may vote at all meetings of shareholders. There are no conversion rights, subscription rights, preemptive rights, cumulative voting rights, or redemptive rights with respect to the Common Stock. All shares of Common Stock now outstanding are fully paid and non-assessable.

As of May 17, 2013, there were:

- Common Stock Authorized: 1,000,000,000
- Common Stock Outstanding: 492,735,578
- Freely Tradable Shares (public float): Approximately 151,576,713
- Total number of shareholders of record: 148

Name and address of the transfer agent.

Interwest Transfer Company, Inc.
 1981 East Murray Holladay Road, Suite 100
 P.O. Box 17136
 Salt Lake City, UT 84117
 Telephone: (801) 272-9294
 Facsimile: (801) 277-3147

Interwest Transfer Company, Inc. is registered under the Securities Exchange Act of 1934 and is regulated by the Securities and Exchange Commission.

There are no restrictions on the transfer of the issuer's securities; and the issuer has not been subject to any trading suspension orders issued by the SEC in the past 12 months.

Item 4) Issuance History

List of securities offerings and shares issued for services in the past two years.

The following events resulted in changes in total shares outstanding by the issuer in the past two year period ending on the last day of the issuer's most recent fiscal year and since the last day of the issuer's most recent fiscal year:

In December 21, 2012, we issued 130,000,000 shares to Hongzhu Xi, Feng Li, Fen Liu, Lei Chen and Zheng Cha in connection with the purchase by our subsidiary, Shanghai Yazheng, of 100% of the equity interest in Shanghai Zhiye, a Chinese limited liability company. The amount of shares each of the

above shareholders received is equal to 26,000,000. These shares were valued at \$0.003 per share for a total purchase price of \$390,000.

During fiscal 2011, we issued 20,000,000 shares valued at a total amount of \$20,000 to China Direct Investments for its services rendered in the consulting services that China Direct Investments, Inc. rendered between October 1, 2010 and March 31, 2011.

Each of the above securities offerings or transactions was made by officers and directors of the issuer and was not a registered offering. The offerings relied upon an exemption under Regulation S or Rule 4(2) of the Securities Act of 1933, as amended. The shares in these offerings or transactions were restricted (i.e., not freely tradable); and the certificates evidencing such shares contained a legend (1) stating that the shares have not been registered under the Securities Act of 1933, as amended, and (2) setting forth or referring to the restrictions on transferability and sale of the shares under the Securities Act of 1933, as amended.

Item 5) Financial information for the issuer's most recent fiscal period

The Company's unaudited financial statements for its fiscal year ended December 31, 2012 and 2011 are attached hereto as part of the Company's Annual Company Information and Disclosure Statement and filed herewith.

DRAGON CAPITAL GROUP, CORP. AND SUBSIDIARIES		
CONSOLIDATED BALANCE SHEET		
(Unaudited)		
ASSETS		
	December,31	December, 31
	2012	2011
CURRENT ASSETS:		
Cash and cash equivalents	\$ 540,423	\$ 706,885
Accounts receivable, net of allowance for doubtful accounts of \$165,452 and \$161,765 respectively	792,711	712,178
Other receivables	1,758,741	1,736,457
Inventories	5,198,169	4,665,940
Investment in marketable securities	-	28,000
Goodwill	267,964	-
Prepaid expenses and other current assets	253,785	163,102
Subsidiaries held for sale	-	-
Total Current Assets	8,811,794	8,012,562
DERIVATIVE RECEIVABLE	66,979	66,979
DUE FROM RELATED PARTY	77,680	77,137
PROPERTY AND EQUIPMENT - Net	133,237	159,013
Total Assets	\$ 9,089,690	\$ 8,315,691
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Loans payable-related party	\$ 62,000	\$ 62,000
Accounts payable and accrued expenses	252,079	207,353
Other payable	935,337	972,109
Taxes payable	43,537	56,682
Advances from customers	-	-
Due to related party	48,183	43,921
Subsidiaries held for sale	-	-
Total Current Liabilities	1,341,136	1,342,065
EQUITY:		
Dragon Capital Group, Corp.		
Common Stock (\$0.001 Par Value; 500,000,000 Shares Authorized; 492,735,578 and 342,735,578 shares issued and outstanding at December 31, 2012 and 2011 respectively)	492,736	342,736
Additional paid-in capital	5,810,493	5,627,834
Accumulated retained earnings	540,917	(40,724)
Accumulated comprehensive income	198,636	(7,039)
Total Dragon Capital Group, Corp.	7,042,782	5,922,807
Noncontrolling interest	705,773	1,050,819
Total Equity	7,748,555	6,973,626
Total Liabilities and Equity	\$ 9,089,690	\$ 8,315,691

See notes to unaudited consolidated financial statements.

DRAGON CAPITAL GROUP, CORP. AND SUBSIDIARIES		
CONSOLIDATED STATEMENT OF OPERATIONS		
(Unaudited)		
	For the Year Ended	
	December 31,	
	2012	2011
NET REVENUES	\$ 20,308,177	\$ 21,906,202
COST OF SALES	19,274,312	20,675,256
GROSS PROFIT	1,033,865	1,230,946
OPERATING EXPENSES:		
Selling expenses	220,766	279,393
General and administrative	320,977	430,485
Total Operating Expenses	541,743	709,878
(Loss) INCOME FROM OPERATIONS	492,121	521,068
OTHER INCOME		
Other income (expense)	(158)	4,038
Interest income (expense)	(3,895)	(1,681)
Total Other Expense	(4,053)	2,357
(Loss) INCOME BEFORE DISCONTINUED OPERATIONS, INCOME TAXES AND NONCONTROLLING INTEREST	488,068	523,425
DISCONTINUED OPERATIONS:		
Loss on sale of Huice and Longri subsidiaries	-	(1,664,789)
Total loss from discontinued operations	-	(1,664,789)
(Loss) INCOME BEFORE INCOME TAXES AND NONCONTROLLING INTEREST	488,068	(1,141,364)
INCOME TAXES	151,984	(161,841)
NET (LOSS) INCOME	640,052	(1,303,205)
Less: Net (loss) income attributable to noncontrolling interest	(59,504)	(36,958)
NET INCOME (LOSS) ATTRIBUTABLE TO DRAGON CAPITAL GROUP, CORP.	580,548	(1,340,163)
NET INCOME (LOSS) PER COMMON SHARE:		
Net (loss) income from continuing operations and discontinued operations	\$ 0.00	\$ 0.00
Weighted common shares outstanding - basic and diluted	492,735,578	336,764,882
AMOUNTS ATTRIBUTABLE TO DRAGON CAPITAL GROUP, CORP. COMMON SHAREHOLDERS:		
(Loss) Income from continuing operations, net of tax	580,548	324,626
Loss from discontinued operations, net of tax	-	(1,664,789)
Net income (loss)	580,548	(1,340,163)
See notes to unaudited consolidated financial statements.		

DRAGON CAPITAL GROUP, CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Year Ended December 31, 2012 and 2011

Dragon Capital Group, Corp.								
	Common Stock, \$.001 Par Value		Additional	Accumulated	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Comprehensive Income	Total Equity
	Number of Shares	Amount	Paid-in Capital	Deficit				
Balance, December 31, 2011	342,735,578	342,736	5,627,834	(40,724)	\$ (7,039)	\$ 1,050,819	\$ (2,699,939)	6,973,626
Amortization of deferred compensation								-
Common stocks issued for services	20,000,000	20,000	8,000					28,000
Common stocks issued for acquisition	130,000,000	130,000	174,659					304,659
Adjustments for acquisition				1,092				1,092
Restricted stock award-employees and consultants		-						-
Comprehensive income:								-
Net income for the year				580,548		22,545	603,093	603,093
Other comprehensive income, net of tax:								-
Unrealized gain for marketable securities					(114,800)		(114,800)	(114,800)
Foreign currency translation adjustment					320,475	(367,591)	(47,116)	(47,116)
Other comprehensive income							(161,916)	(161,916)
Compressive income	-	-	-	-	-	-	\$ 441,177	441,177
Balance, December 31, 2012	492,735,578	492,736	5,810,493	540,916	\$ 198,636	\$ 705,773		\$ 7,748,555

DRAGON CAPITAL GROUP, CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

		For the Year Ended	
		December 31,	
		2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:			
	Net Income (loss)	\$ 640,052	\$ (1,303,205)
	Loss from discontinued operations	-	(1,664,789)
	Adjustments to reconcile (loss) income from operations to net cash provided by (used in) continuing operations:		
	Depreciation and amortization	4,000	47,410
	Stock based compensation	28,000	78,000
	Loss on disposition of property and equipment	-	-
	Changes in assets and liabilities:		
	Accounts receivable	(75,513)	12,261
	Other receivable	(10,068)	(173,340)
	Inventories	(499,339)	(663,440)
	Prepaid and other current assets	(89,526)	83,898
	Accounts payable and accrued expenses	(273,769)	264,160
	Other payable	(43,610)	(65,789)
	Taxes payable	(12,671)	(24,015)
	Advance from customers	-	-
	Prepaid taxes	-	-
	Net cash used in continuing operations	(332,445)	(79,271)
	NET CASH USED IN OPERATING ACTIVITIES	(332,445)	(79,271)
CASH FLOWS FROM INVESTING ACTIVITIES:			
	Proceeds from disposition of property and equipment	65,196	-
	Purchase of property and equipment	-	-
	NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	65,196	-
CASH FLOWS FROM FINANCING ACTIVITIES:			
	(Repayment of) proceed from loans	-	18,751
	Repayment of related party advance	4,262	(65,916)
	NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	4,262	(47,165)
	EFFECT OF EXCHANGE RATE ON CASH	96,525	28,646
	NET DECREASE IN CASH	(166,462)	(97,790)
	CASH - beginning of the year	706,885	893,141
	CASH - end of year	\$ 540,423	\$ 795,351
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		(0)	
	Cash paid for:		
	Interest	\$ 2,167	\$ 1,258
	Income taxes	\$ 100,557	\$ 118,101
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		-	
	Stock issued for acquisition	\$ 390,000	\$ -
	Assets acquired from acquisition	\$ 122,036	\$ -
	Goodwill	\$ 267,964	\$ -
See notes to unaudited consolidated financial statements.			

Notes to Consolidated Financial Statements

NOTE 1 – ORGANIZATION AND DESCRIPTION OF BUSINESS

Dragon Capital Group, Corp., a Nevada corporation, (formerly Dragon Venture) (“we”, the “Company” or “Dragon Capital”), is doing business in China through our subsidiaries. Dragon Capital serves as a holding company of emerging technology enterprises operating in China. We function as an incubator, offering support in the critical functions of general business consulting, formation of joint ventures, access to capital markets, consulting regarding potential merger & acquisition transactions, business valuation, and revenue growth strategies. Our primary focus is on innovative software solutions for businesses, as well as sale of computer and electronic component sales.

Our business is conducted entirely through our operating subsidiaries:

- i. Dragon Venture Corp., a Florida corporation, a wholly owned subsidiary, (“Dragon Florida”);
- ii. Shanghai Zhaoli Technology Development Co., Ltd. an 80% owned subsidiary of Dragon Nevada, (“Shanghai Zhaoli”);
- iii. Dragon Venture (Shanghai) New Energy Technology Development Co., Ltd., a wholly owned subsidiary of Dragon Florida, (“Dragon Shanghai”);
- iv. Chengdu Imaging Soft Co., Ltd, a 51% owned subsidiary of Dragon Shanghai, (“Chengdu ISoft”);
- v. Shanghai Yazheng Information Technology Co., Ltd., a 90% owned subsidiary of Dragon Florida, (“Shanghai Yazheng”);
- vi. Shanghai Yazheng, holds a 51% interest in the below entity:
Shanghai Cnnest Technology Development Co., Ltd., (“Cnnest”)
- vii. Shanghai Yazheng, holds a 100% interest in the below entity:
Shanghai Zhiye Computer Science and Technology Development Co., Ltd. (“Shanghai Zhiye”)

Dragon Venture (Shanghai) New Energy Technology Development Co., Ltd.

In September 2005, our wholly owned subsidiary, Dragon Florida, formed Dragon Shanghai, a Chinese limited liability company (“Dragon Shanghai”). Dragon Shanghai is a wholly owned subsidiary of Dragon Florida. In March 2010, Dragon Shanghai changed its name from Dragon Venture (Shanghai) Co., Ltd. to Dragon Venture (Shanghai) New Energy Technology Development Co., Ltd. to reflect its current business focus on new energy technology.

Shanghai Yazheng Information Technology Co., Ltd.

In December 2004, our wholly owned subsidiary, Dragon Florida, acquired a 90% interest in Shanghai Yazheng Information Technology Co., Ltd. (“Shanghai Yazheng”), a Chinese limited liability company, in exchange for 8,000,000 shares of common stock of Dragon Capital.

Shanghai Cnnest Technology Development Co., Ltd.

In December 2004, Dragon Florida’s 90% owned subsidiary, Shanghai Yazheng, acquired a 51% interest in Shanghai Cnnest Technology Development Co., Ltd. (“Cnnest”), a Chinese limited liability company, in exchange for Shanghai Yazheng’s assumption of Cnnest’s liabilities totaling \$24,284 as of December 31, 2004.

Shanghai Zhaoli Technology Development Co., Ltd.

In December 2004, Dragon Capital acquired an 80% interest in Shanghai Zhaoli Technology Development Co., Ltd. (“Shanghai Zhaoli”), a Chinese limited liability company, from Genesis Technology Group, Inc., a Florida corporation, in exchange for 18,825,000 shares of our common stock.

Chengdu Imaging Soft Co., Ltd.

In January 2008, Dragon Capital formed a new entity, Chengdu Imaging Soft Co., Ltd, (“Chengdu ISoft”) as a Chinese limited liability company. Chengdu ISoft was formed with an initial registered capital of \$285,714 (RMB 2 million). Dragon Capital contributed approximately \$145,714 (RMB 1.02 million) to obtain a 51% interest in Chengdu ISoft.

Shanghai Zhiye Computer Science and Technology Development Co., Ltd.

In December 21, 2012, our wholly owned subsidiary, Shanghai Yazheng, acquired a 100% interest in Shanghai Zhiye Technology Development Co., Ltd. (“ Shanghai Zhiye”), a Chinese limited liability company, in exchange for 130,000,000 shares of our common stock.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (“US GAAP”). The accompanying consolidated financial statements for the interim periods are unaudited and reflect all adjustment (consisting only of normal recurring adjustments), which are, in the opinion of management, necessary for a fair presentation of the financial position and operating results for the periods presented.

The consolidated financial statements of the Company include the accounts of our wholly-owned and majority owned subsidiaries. All significant inter-company balances and transactions have been eliminated.

Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates in 2011 and 2010 include the allowance for doubtful accounts which is based on an evaluation of our outstanding accounts receivable including the age of amounts due, the financial condition of our specific customers, knowledge of our industry segment in Asia, and historical bad debt experience, also the useful life of property and equipment.

Cash and cash equivalents

For purposes of the consolidated statements of cash flows, the Company considers all highly liquid instruments purchased with a maturity of three months or less and money market accounts to be cash equivalents.

Accounts receivable

The Company has a policy of reserving for uncollectible accounts based on its best estimate of the amount of probable credit losses in its existing accounts receivable. The Company periodically reviews its accounts receivable to determine whether an allowance is necessary based on an analysis of past due accounts and other factors that may indicate that the realization of an account may be in doubt. Account balances deemed to be uncollectible are charged to the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. At December 31, 2012 and December 31, 2011, the Company has established, based on a review of its outstanding balances, an allowance for doubtful accounts in the amount of \$165,743 and \$161,765, respectively.

Investment in marketable securities

The investment in marketable securities represents 56 million shares held in a publicly traded company, which shares had a fair value of \$0.02 per share at December 31, 2007, the date of issuance. These shares were received as a placement fee for a transaction completed as of December 31, 2007. The shares are carried as available-for-sale for purposes of accounting recognition. On March 11, 2008, these shares affected a one for 40 reverse stock splits of its issued and outstanding common stock. On December 31, 2010, the investment in marketable securities represents 1.4 million shares valued at \$0.08 per share. Unrealized gains or losses on marketable securities available for sale are recognized on a quarterly basis as an element of comprehensive income based on changes in the fair value of the security. Once liquidated, realized gains or losses on the sale of marketable securities available for sale are reflected in our net income for the period in which the security was liquidated.

The realized loss on investments in marketable securities at the year ended December 31, 2012 and December 31, 2011 was \$114,800 and \$86,800, respectively. This loss related to our assessment of other than temporary impairment for marketable securities available for sale at December 31, 2011 under the guidance of ASC 325. The Company does not have the same loss in 2010.

Inventories

Inventories, consisting of finished goods, related to the Company's products are stated at the lower of cost or market utilizing the weighted average method. At December 31, 2012 and December 31, 2011, inventory balances of \$5,198,169 and \$4,665,940, respectively, were comprised of finished goods consisting of electronic merchandise and salable components.

Property and equipment

Property and equipment are carried at cost. The cost of repairs and maintenance is expensed as incurred; major replacements and improvements are capitalized. When assets are retired or disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gains or losses are included in income in the year of disposition. In accordance with SFAS No. 144, "*Accounting for the Impairment or Disposal of Long-Lived Assets*," the Company examines the possibility of decreases in the value of fixed assets when events or changes in circumstances reflect the fact that their recorded value may not be recoverable.

Advances from customers

Advances from customers totaled \$0 and \$0 at December 31, 2012 and December 31, 2011, respectively. Advances from customers consist of prepayments from third party customers to the Company for merchandise that had not yet shipped or services not yet provided. We will recognize the deposits as revenue as customers take delivery of the goods or services are provided, in compliance with our revenue recognition policy.

Impairment of long-lived assets

In accordance with ASC 360, "Property, Plant, and Equipment", we periodically review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. We recognize an impairment loss when the sum of expected undiscounted future cash flows is less than the carrying amount of the asset. The amount of impairment is measured as the difference between the estimated fair value and the book value of the underlying asset. We did not record any impairment charges during the year ended December 31, 2012 and 2011.

Concentration of Credit Risks

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash and trade accounts receivable. The Company places its cash with high credit quality financial institutions in the United States and China. As of December 31, 2012, bank deposits in the United States did not exceed federally insured limits. On December 31, 2012, the Company had approximately \$540,076 in China

bank deposits, which cannot be insured. In China, there is no equivalent to Federal Deposit Insurance Corporation (“FDIC”) insurance as in the United States. Through December 31, 2012, we have not experienced any losses of funds maintained in our Chinese based accounts. To reduce our risk associated with the failure of financial institutions; both in China and the United States, we periodically evaluate the credit quality of the financial institutions in which we hold deposits.

At December 31, 2012 and December 31, 2011, our bank deposits, by geographic area, were as follows:

	2012		2011	
United States	\$ 347	0.1%	\$ 5,933	0.8%
China	540,076	99.9%	700,952	99.2%
Total cash and cash equivalent	\$ 540,423		\$ 706,885	

Fair Value of financial Instruments

The carrying value of cash and cash equivalents, prepaid expenses, accounts payable and accrued expenses and other payable approximate their fair value due to their short-term maturities.

Revenue recognition

The Company follows the guidance of the Securities and Exchange Commission’s Staff Accounting Bulletin 104 for revenue recognition. In general, we record revenue when persuasive evidence of an arrangement exists, services have been rendered or product delivery has occurred, the sales price to the customer is fixed or determinable, and collectability is reasonably assured.

Foreign currency translation

Transactions and balances originally denominated in U.S. dollars are presented at their original amounts. Transactions and balances in other currencies are converted into U.S. dollars in accordance with ASC Section 830-20-35 and are included in determining net income or loss.

Our reporting currency is the U.S. dollar. The functional currency of our Chinese subsidiaries is the local currency; the Chinese dollar or Renminbi (“RMB”). The financial statements of the subsidiaries are translated into United States dollars using year-end rates of exchange for assets and liabilities, and average rates of exchange for the period for revenues, costs, and expenses. Net gains and losses resulting from foreign exchange transactions are included in the consolidated statements of operations. Translation adjustments resulting from the process of translating the local currency financial statements into U.S. dollars are included in determining comprehensive income or loss. The translation adjustments were an unrealized gain of \$96,525 for fiscal year 2012.

Income (loss) per common share

Pursuant to ASC Section 260-10-45, basic income (loss) per common share is computed by dividing income (loss) available to common shareholders by the weighted average number of shares of common stock outstanding for the periods presented. Diluted income (loss) per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that would then share in the income, subject to anti-dilution limitations.

Comprehensive income (loss)

Comprehensive income (loss) is comprised of net income and other comprehensive income (loss). Other comprehensive income (loss) refers to revenue, expenses, gains and losses that under accounting principles generally accepted in the United States and included on comprehensive income (loss) but are excluded from net income (loss) as their amounts are recorded directly as an adjustment to stockholders’ equity.

Our other comprehensive income consists of currency translation adjustments and unrealized loss on marketable securities held for sale. The following table sets forth the computation of comprehensive income for the years ended December 31, 2012 and 2011 respectively.

	For the Year Ended	
	December 31,	
	2012	2011
	Unaudited	Unaudited
Net (loss) income	\$ 640,052	\$ (1,303,205)
Other comprehensive (loss) income, net of tax		
Foreign currency translation gain	(47,116)	(942,372)
Reclassification of unrealized loss for marketable securities held for sale	(114,800)	(86,800)
Total other comprehensive income, net of tax	478,136	(2,332,377)
Comprehensive income (loss)		
Less: Comprehensive income attributable to the noncontrolling interests	(345,046)	(330,604)
Comprehensive (loss) income attributable to Dragon Capital Group, Corp.	\$ 133,090	\$ (2,662,981)

NOTE 3- ACQUISITION

As further discussed in Note 1, on December 21, 2012, our wholly owned subsidiary, Shanghai Yazheng, acquired a 100% interest in Shanghai Zhiye Technology Development Co., Ltd. (“Shanghai Zhiye”), a Chinese limited liability company, in exchange for 130,000,000 shares of our common stock as per the Shanghai Zhiye Stock Sales and Purchase Agreement (“Purchase Agreement”). The fair value of our common stock at the date of transaction was \$0.003.

The transaction has been accounted for as a purchase acquisition, the purchase price of \$390,000 was allocated to the assets acquired and liabilities assumed at their fair values as of the acquisition date as follows:

Cash and cash equivalents	464.19
Other accounts receivable	121,571.43
Total Assets	122,035.62
Goodwill	\$ 267,964.38

The following unaudited pro forma consolidated results of operations have been prepared as if the acquisition of Shanghai Zhiye had occurred as of January 1, 2012, the beginning of the 2012 fiscal year:

NET REVENUES	\$	20,308,177
COST OF SALES		19,274,312
GROSS PROFIT		1,033,865
OPERATING EXPENSES:		
Selling expenses		220,766
Loss on disposition of property and equipment		-
General and administrative		320,997
Total Operating Expenses		541,763
(Loss) INCOME FROM OPERATIONS		492,102
OTHER INCOME		
Other income (expense)		(158)
Interest income (expense)		(3,992)
Realized loss on other than temporary impairment		-
Total Other Expense		(4,150)
(Loss) INCOME BEFORE INCOME TAXES AND NONCONTROLLING INTEREST		487,951
INCOME TAXES		151,984
NET (LOSS) INCOME		639,935
Less: Net (loss) income attributable to noncontrolling interest		(59,504)
NET INCOME (LOSS) ATTRIBUTABLE TO DRAGON CAPITAL GROUP, CORP.		580,431
NET INCOME (LOSS) PER COMMON SHARE:		
Net (loss) income from continuing operations and discontinued operations	\$	0.00
Weighted common shares outstanding - basic and diluted		492,735,578
AMOUNTS ATTRIBUTABLE TO DRAGON CAPITAL GROUP, CORP.		
COMMON SHAREHOLDERS:		
(Loss) Income from continuing operations, net of tax		580,431
Loss from discontinued operations, net of tax		-
Net income (loss)		580,431

The unaudited pro forma information does not purport to be indicative of the results that would have been obtained had these events actually occurred at the beginning of the period presented and is not intended to be indicative of future results.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost and are depreciated on a straight-line basis over their estimated useful lives ranging from three to five years. Maintenance and repairs are charged to expense as incurred. Significant renewals and betterments are capitalized.

Property and equipment consist of the following as of December 31, 2012 and December 31, 2011.

	December 31,	
	2012	2011
	Unaudited	Unaudited
Furniture and equipment -China	\$ 318,327	\$ 338,837
Work in progress	86,110	85,509
	404,437	424,346
Accumulated depreciation	(271,200)	(265,333)
	\$ 133,237	\$ 159,013

Depreciation expense totaled \$5,867 and \$1,757 for the year ended December 31, 2012 and 2011, respectively.

NOTE 5 – LOANS PAYABLE

Loans payable of \$62,000 at December 31, 2012 and December 31, 2011, respectively, reflected loans made for general working capital purposes. The Chief Executive Officer of China Direct Industries, Inc., James Wang, is the brother of the Company's president, Lawrence Wang.

NOTE 6 – DUE TO RELATED PARTIES AND SIGNIFICANT HOLDERS

At December 31, 2012, we reflected \$43,991.38 due to CD International Enterprises, Inc. (f/k/a China Direct Industries, Inc.) comprised of the following:

Interest payable	\$ 1,261
Professional fee	14,730
Consulting services	28,000
	\$ 43,991

The interest payable of \$1,261 reflects the interest expense for \$42,000 promissory note due to CD International Enterprises, Inc. (f/k/a China Direct Industries, Inc.), a significant shareholder of the Company. See Note 7 – Loan Payable – Related Party. The professional fees payable represent legal, public and investor relations fees that have been paid by CD International Enterprises on behalf of the Company. We have an oral agreement with CD International Enterprises, Inc. (f/k/a China Direct Industries, Inc.) to pay them for the amounts it advances on our behalf. These amounts are payable to CD International Enterprises, Inc. (f/k/a China Direct Industries, Inc.) on demand and accrue no interest.

NOTE 7 – STOCKHOLDERS' EQUITY

Common Stock Issued For Services

In July 2009 we entered into a consulting and management agreement with China Direct Investments Inc., a subsidiary of CD International Enterprises, Inc. (formerly known as China Direct Industries, Inc.). The agreement is for a term of 25 months from October 1, 2009 to December 31, 2011. We engaged the services of the consultant as our representative in the United States. The provided services include but are not limited to general business consulting, management of professional resources, coordination of preparation and filing of public disclosures, assistance in financial management and the implementation of internal controls, managing investor road show/investment conferences, assisting in the implementation of acquisition deals, etc. Under the term of the agreement, we agreed to issue China Direct Investments Inc. a total of 90,000,000 shares of our common stock. 10,000,000 shares are payable by the end of each quarter ending December 31, March 31, June 30,

and September 30 starting October 1, 2009, and will be fair valued using the average stock price over the quarter the services were earned. This agreement also provides for the payment of discretionary award fees to be paid to the consultant and (or) its designees. Upon the mutual agreement of the parties, the fees can be paid either in cash or marketable securities.

During fiscal 2011, we issued 20,000,000 shares to China Direct Investment with a total amount of \$20,000. Starting April 1, 2011, China Direct Investments, Inc. has waived the compensation payable to it, including the stock payments referenced above, pursuant to its consulting and management agreement with the Company, for the period beginning on April 1, 2011 through December 31, 2011.

In June 2012, we entered into a consulting agreement with Mingyu Cheng. The agreement is for a term of 36 months from June 13, 2012 to June 13, 2015. We engaged the service of the consultant as our representative to market the software of the company. The provided services include but are not limited to develop marketing strategies, conduct promotional communications with clients, governmental authorities, and public, and advise the marketing and sales team of the company in pursuing purchase orders, and other functions related to the marketing of the Software as shall reasonably be requested by the company. Under the term of the agreement, we agreed to issue Mingyu Cheng, a total of 20,000,000 shares of our common stock. Shares are payable on the 5th business days after the signing date of this agreement, and will be fair valued using the trading price of June 19th, 2012.

Common Stock Issued For Acquisition

In December 21, 2012, we issued 130,000,000 shares to Hongzhu Xi, Feng Li, Fen Liu, Lei Chen and Zheng Cha in connection with the purchase by our subsidiary, Shanghai Yazheng, of 100% of the equity interest in Shanghai Zhiye, a Chinese limited liability company. The amount of shares each of the above shareholders received is equal to 26,000,000. These shares were valued at \$0.003 per share for a total purchase price of \$390,000.

Common Stock Warrants

Stock warrant activity for the quarter ended December 31, 2012 is summarized as follows:

Outstanding at January 1, 2010	88,685,000	\$	0.036
Granted	-		-
Exercised	-		-
Forfeited	(88,685,000)		-
Outstanding at December 31, 2011	-		0.036
Granted	-		-
Exercised	-		-
Forfeited	-		-
Outstanding at December 31, 2011	-	\$	0.036

NOTE 8 – OPERATING RISK

Country risk

Currently, the Company's revenues are primarily derived from the sales in the Peoples Republic of China ("PRC"). The Company hopes to expand its operations to countries outside the PRC; however, such expansion has not been commenced and there are no assurances that the Company will be able to achieve such an expansion successfully. Therefore, a downturn or stagnation in the economic environment of the PRC could have a material adverse effect on the Company's financial condition.

Product risk

In addition to competing with other manufacturers of product offerings, the Company competes with larger US companies who have greater funds available for expansion, marketing, research and development and the ability to attract more qualified personnel. The US companies may be able to offer products at a lower price or under better competitive terms, which would adversely affect our operations.

Exchange risk

The Company cannot guarantee that the current exchange rate will remain steady; therefore, there is a possibility that the Company could post the same amount of profit for two comparable periods and, because of a fluctuating exchange rate, actually post higher or lower profit depending on exchange rate of Renminbi converted to US dollars on that date. The exchange rate could fluctuate depending on changes in the political and economic environments without notice.

Political risk

Currently, the PRC is in a period of growth and is openly promoting business development in order to bring more business into the PRC. Additionally, the PRC allows a Chinese corporation to be owned by a United States corporation. If the laws or regulations are changed by the PRC government, our ability to effectively operate our PRC subsidiaries could be negatively affected.

NOTE 9 – FOREIGN OPERATIONS

For the year ended December 31, 2012 and year ended December 31, 2011, we derived all of our revenue from our subsidiaries located in the People’s Republic of China. Identifiable assets by geographic areas as of December 31, 2012 and December 31, 2011 are as follows:

	Identifiable Assets at	
	December 31, 2012	December 31, 2011
United States	\$ 446,399	\$ 61,985
China	19,142,832	8,253,706
Total	<u>\$ 19,589,231</u>	<u>\$ 8,315,691</u>

NOTE 10 – DISCONTINUED OPERATIONS

On January 2, 2011, we entered into a disposition agreement with Wei Lu, the minority owner of both Shanghai Longri Information Technology Co., Ltd (“Shanghai Longri”) and Shanghai Huice Electronic System Integration Co., Ltd (“Shanghai Huice”). Pursuant to the agreement, we transferred all of our rights, title and 51% interest in Shanghai Longri and Shanghai Huice to Mr. Lu in exchange for an aggregate of 2,000,000 shares of our common stock held by Mr. Lu. As a result, a total of 2,000,000 shares of the Company’s common stock held by Mr. Lu were to be cancelled, and Shanghai Longri and Shanghai Huice were discontinued as of January 2, 2011 and were sold effective as of that date.

In April 2006, we acquired a 51% interest in Shanghai Longri, a Chinese limited liability company, in exchange for 10,000,000 shares of common stock of Dragon Capital. In April 2006, we acquired a 51% interest in Shanghai Huice, a Chinese limited liability company, in exchange for 8,000,000 shares of common stock of Dragon Capital.

NOTE 11- SUBSEQUENT EVENTS

On March 12, 2013, the Company filed a Certificate of Amendment with the Nevada Secretary of State whereby the Articles of Incorporation of Dragon Capital Group, Corp. were amended to increase its number of authorized common shares for issuance to 1,000,000,000 shares. The amendment was approved by unanimous consent of the board of directors and by majority consent of the shareholders.

We have evaluated all other events that occurred after the balance sheet date but before financial statements were available to be issued through December 31, 2012 and determined no other significant subsequent events occurred that would require disclosure.

Item 6) Describe the Issuer's Business, Products and Services

A. A description of the issuer and its business operations

Dragon Capital Group, Corp., a Nevada corporation (formerly Dragon Venture) (“we”, the “Company”, “Issuer”, or “Dragon Capital”) that was originally incorporated in 1997, is doing business in China through our subsidiaries. Dragon Capital serves as a holding company of emerging technology enterprises operating in China. Dragon Capital and its subsidiaries invest in, develop and integrate various software applications. Dragon Capital offers its clients a wide variety of software applications, including: network software, gas pipeline risk assessment system, e-business software development, financial and enterprise information management systems, computerized automation control applications for commercial and residential buildings, commercial Third-Generation (“3G”) wireless applications and mobile business solutions, and multi imaging applications. Dragon Capital offers support in general business consulting, formation of joint ventures, access to capital markets, consulting regarding potential merger & acquisition transactions, business valuation, and revenue growth strategies. Our primary focus is on innovative software solutions for businesses, as well as sale of computer and electronic component sales.

Dragon Capital's fiscal year end is December 31; its primary SIC Code is 3577—Computer peripheral equipment, misc.; it has not been in bankruptcy, receivership or any other similar proceeding; and currently is not a “shell company” pursuant to Securities Act Rule 405, nor has it ever been a “shell company.” The number of full time employees is 105 and we have 10 part-time employees. The issuer's business is not highly regulated and the issuer doesn't believe that existing or probable government regulations will have a material effect on its business operations; nor does it believe any costs and effects of compliance with any environmental laws will have a material effect on its business operations.

B. The nature and distribution of products and services offered.

Dragon Capital conducts its businesses through the following operating subsidiaries:

- i. Dragon Venture Corporation, a Florida corporation, a wholly owned subsidiary, (“Dragon Florida”);
- ii. Shanghai Zhaoli Technology Development Co., Ltd. an 80% owned subsidiary of Dragon Nevada, (“Shanghai Zhaoli”);

- iii. Dragon Venture (Shanghai) New Energy Technology Development Co., Ltd., a wholly owned subsidiary of Dragon Florida, (“Dragon Shanghai”);
- iv. Chengdu Imaging Soft Co., Ltd, a 51% owned subsidiary of Dragon Shanghai, (“Chengdu ISoft”);
- v. Shanghai Yazheng Information Technology Co., Ltd., a 100% owned subsidiary of Dragon Florida, (“Shanghai Yazheng”);
- vi. Shanghai Yazheng, holds a 51% interest in the following entity;
 - a. Shanghai Cnnest Technology Development Co., Ltd., (“Cnnest”)
- vii. Shanghai Yazheng, holds a 100% interest in the following entity;
 - a. Shanghai Zhiye Computer Science and Technology Development Co., Ltd. (“Shanghai Zhiye”)

While we operate through various entities, we manage and identify our products under one product segment.

Dragon Venture (Shanghai) New Energy Technology Development Co., Ltd.

Dragon Shanghai provides operational support for the operating entities that we, or our subsidiaries, have formed, or acquired. Typical services provided by Dragon Shanghai include, but are not limited to, general business consulting, translation services, financial management, accounting support, strategic relationships, investment capital and mergers and acquisitions. In March 2010, Dragon Shanghai changed its name from Dragon Venture (Shanghai) Co., Ltd. To Dragon Venture (Shanghai) New Energy Technology Development Co., Ltd to reflect its current business focus on new energy technology.

Shanghai Yazheng Information Technology Co., Ltd.

Shanghai Yazheng provides services for software development projects in China. Shanghai Yazheng’s capabilities include network software, e-business software development, financial and enterprise information management systems, and other related technologies.

Shanghai Yazheng utilizes skilled software development personnel, including 10 software programmers, developers and system analysts with strong experience in software programming and hardware integration. These developers and system analysts have extensive experience designing and producing various software applications compatible with either the Windows or Linux operating systems. Shanghai Yazheng analysts, developers and programmers are capable of designing and programming a wide variety of e-business and database projects utilizing programming languages such as C/C++, VB, Dephi, Java and Perl. Additionally, they are capable of developing Internet projects with ISP, ASP, PHP and related languages.

In December 2010, Shanghai Yazheng received the software enterprise registration certificate from Shanghai Economic and Information Technology Commission for its newly developed risk assessment system software platform for China’s gas pipeline system, one of the first of its kind in China. Shanghai Yazheng is currently in collaboration with North Shanghai Gas Sales Co., Ltd to monitor the gas pipelines in a northern region of Shanghai. In 2011, Shanghai Yazheng started to promote the gas risk assessment system software nationwide. By 2012, the software series has covered about 6,000 kilometers of pipelines that serve 5.76 million households and nearly 17 million users in Shanghai. In 2013, Shanghai Yazheng will continue to make improvements to the performance of the Gas Network software series and promote the product to municipal gas supply companies located in second and third tier cities in the northwestern and southeastern part of China. In December 21, 2012, Shanghai Yazheng completed the acquisition of a 100% equity interest of Shanghai Zhiye Software Development Company through a stock exchange. Shanghai Zhiye was founded in 2008 by a group of software

engineers engaged in application development of mobile solutions for Android, Windows Mobile and Apple's iOS. Shanghai Zhiye has developed a mobile solution platform that allows numerous applications such as game, utility, and payment for a wide variety of smart phones.

Shanghai Cnnest Technology Development Co., Ltd.

Cnnest is a wireless software development company established in 2002, dedicated to developing commercial Third-Generation ("3G") wireless applications and mobile business solutions based on 3G platforms.

Cnnest is currently developing applications for the human resources, mobile banking, food and beverage, and entertainment industries. Cnnest has worked to produce an application called "Mobile Real Estate", a consumer end program that is compatible with China Mobile and China Unicom, two wireless companies in China. This proprietary application combines internet, cell phone mobile internet, newspapers and call centers to form a multimedia platform of real estate services. With this application, the seller, landlord, buyer and tenant can access market information through a variety of devices including computers and smart phones as well as through telephone, newspaper and sub-stations. The product offers detailed information, including property description and data related to the surrounding environment. The system enables a user to send detailed requirements through mobile devices so that sellers and landlords can contact the user directly. The system permits property owners to publish listings and specific information through Mobile Real Estate Shanghai. Cnnest populated the application with data for 10 of the largest cities in China, including Shanghai, Beijing and Guangzhou, for the implementation of its real estate service solutions.

Shanghai Zhaoli Technology Development Co., Ltd.

Founded in 1999, Shanghai Zhaoli is an information technology enterprise providing electronic equipment and innovative technology solutions to enhance its customer's businesses. Shanghai Zhaoli customers include financial institutions, telecommunication companies, hospitals, supermarkets, airports, railway stations and various government agencies. Shanghai Zhaoli is an authorized general agent and distributor for a wide array of manufacturers, including Epson, Canon, Hewlett Packard, Ricoh, Brother, Star and Samsung. Shanghai Zhaoli has a widespread sales channel, with headquarters in Shanghai and nine additional branch locations. The locations range from an approximate 50 square foot mall location in the southwestern central business district to an approximately 330 square foot mall location near People's Square in Shanghai. Each of these branch locations is staffed with five to six employees. At each of the locations, Shanghai Zhaoli is also qualified as a technical service center for Epson, Canon, Hewlett-Packard and OKI products and provides equipment repair services for its customers. Shanghai Zhaoli has also developed an ERS software system for enterprises to manage accounting, distribution, inventory and sales.

Chengdu Imaging Soft Co., Ltd.

Chengdu ISoft develops multi imaging applications and on-line e-business solutions. Chengdu ISoft designs and programs imaging products, such as 3D imaging, full extended images, videos and virtual reality environments. Chengdu ISoft assists its clients in creating valuable efficiencies in marketing products and services by computerizing the physical features of their current or future products, the process of production, and by generating simulations of an environment. In addition, Chengdu ISoft is providing on-line e-business solutions and developing e-business platforms for its customers to enhance their businesses. These applications combine Internet, realistic display and call centers to form a consolidated platform for our customers' business applications.

Shanghai Zhiye Computer Science and Technology Development Co., Ltd.

Shanghai Zhiye was founded in 2008 by a group of software engineers and is engaged in the application development of mobile solutions for devices running on Android, iOS, Windows Mobile and Apple's operating systems. Shanghai Zhiye has been working to develop a mobile programming solutions platform to enable application developers in China to easily and efficiently develop and modify applications to work across the most popular mobile operating systems in China. This solution platform would cover numerous applications such as games, utility and payment for different types of smart phones.

The Company's business plan entails acquiring a majority interest in companies operating within the technology industry in the Peoples Republic of China. The Company has adopted a strategy of seeking opportunities to realize gains through the selective acquisition of subsidiaries. The Company believes this strategy provides the ability to create shareholder value. Our plan is to provide capital to support the growth in the Company's subsidiaries.

Competitive business conditions, the issuer's competitive position in the industry and methods of competition.

Industry

China is the world's most populous country with 1.3 billion citizens and in the midst of a steady transition to a free market economy that is transforming global trade. According to the Chinese Academy of Social Science the middle class is estimated between 200-300 million people or 70-100 million households. Household purchasing power is between \$9,000 and \$12,000 and household wealth is approximately \$36,000. The combination of massive capital investment, low cost labor, re-admission to the World Trade Organization in 2001 and a blossoming domestic consumer economy presents a rare opportunity to invest in a nation becoming a major economic superpower.

Given the country's size and its demographics, telecommunications currently clearly plays one of the major roles in the Chinese industry landscape. Over the last decade, the Chinese telecommunications service sector has gone through key reforms that substantially deregulated the market previously dominated by the monopolistic China Telecom. China surpassed the U.S. as the number one mobile market in the world in 2002. According to data released by China's Ministry of Industry and Information Technology in December 2012, the number of mobile phone users in the country is 1.10 billion at the end of November 2012, of which 220 million are 3G users.

As the market grows, mobile subscribers in China are increasingly using their wireless handsets to access a wider range of value-added services, including instant message, information services and games applications.

In the mobile equipment market, the multinational firms that had an early presence in China, such as Motorola, Nokia Corp., Ericsson, Siemens AG, Sony Corp., Toshiba Corp. and Matsushita Electric Corp. have made China an important base for manufacturing, purchasing and research and development.

China Mobile Communications Corp., parent of the world's most valuable phone carrier, built a trial 4G mobile network for the 2010 Shanghai Expo, and won the

government approval in December 2010 to expand the test to six cities including Shenzhen and Nanjing in 2011. The expansion of 4G telecommunication technology in China represents a substantial opportunity for newly developed application software and value-added services that the Company now offers.

With year over year growth of 85% in 2012, China is the fastest-growing smartphone market by far according to recent research from Informa Telecoms & Media. Additionally, this growth is being driven by the explosive demand for Android phones. Sales in China of devices powered by this OS exceeded 50% penetration in the first half of 2012 and Informa estimates that two in every three handsets sold in China in 2012 are powered by Android. China also represented one third of all Android devices sold throughout the world in 2012. Industry experts estimate that more than 200 million additional devices operating on Android will be sold in China in 2013. The mobile application development market for the Android devices in particular is in its early stages of growth in China and represents a vast opportunity for Chinese applications developers.

Sources and availability of raw materials and the names of principal suppliers.

Our electronic equipments and devices are supplied by the primary distributors of the brands including but not limited to Hewlett-Packard, Canon, EPSON, Brother, Fujixerox, Samsung, OKI, Ricoh, Minolta, Siemens, Schneider, Rockwell, Omron, and ABB. We do not directly order from the factories of the brands.

Dependence on one or a few major customers.

In fiscal year 2012, sales made by Shanghai Zhaoli to the Shanghai Government accounted for approximately 60% percent of our total revenues. The products supplied were mainly HP products include PCs, Laptops, printers, and related accessories.

Patents, trademarks, license, franchises, concessions, royalty agreements or labor contracts.

We are a secondary distributor of electronic equipment and devices of a number of major brands including but not limited to Hewlett-Packard, Canon, EPSON, Brother, Fujixerox, Samsung, OKI, Ricoh, Minolta, Siemens, Schneider, Rockwell, Omron, and ABB. We are recognized by these brands as one of their distributors in China market. Though we do not have formal distribution contracts with these brands, we place purchase orders with brands' primary distributors for the products. When our sales hit certain benchmarks, the brands generally compensate us with an additional bonus for performance.

In December 2010, Shanghai Yazheng received the software enterprise registration certificate from Shanghai Economic and Information Technology Commission for its newly developed risk assessment system software platform for gas pipeline systems in China.

In fiscal year 2010, Shanghai Zhaoli received an Outstanding Achievement in Sales award from Hewlett-Packard. In fiscal year 2012, Shanghai Zhaoli was awarded by Hewlett-Packard as its Elite Foreign Distributor.

C. Management's Discussion and Analysis or Plan of Operation.

1. Plan of Operation.

Our business plan entails acquiring a majority interest in companies operating within the technology industry in the Peoples Republic of China. The Company has adopted a strategy of seeking opportunities to realize gains through the selective acquisition of subsidiaries. The Company believes this strategy provides the ability to create shareholder value. Our plan is to provide capital to support the growth in the Company's subsidiaries.

In December 2010, Shanghai Yazheng received the software enterprise registration certificate from Shanghai Economic and Information Technology Commission for its newly developed risk assessment system software platform for China's gas pipeline system, one of the first of its kind in China. During 2011, Shanghai Yazheng continued to launch three more software applications for the Gas Network System including Emergency Recovery System, Geographic Information System (GIS), and Patrol Inspection System. Since 2010, the software series has continuously been applied in the Gas Network of North Shanghai Gas Business Co., Ltd, a state-owned company focus on Shanghai municipal gas supply, distribution, and transmission. By 2011, the software series has covered about 6,000 kilometers of pipelines that serves 5.76 million households and nearly 17 million users in Shanghai. In 2012, Shanghai Yazheng began making enhancements to improve the performance of Gas Network software series and started promoting the product to the municipal gas supply companies located in the second and third tier cities in northwestern and southeastern part of China. In 2013, Shanghai Yazheng will add new functions to the GIS system and anticipates initiating new projects covering more than 1000 kilometers of new gas lines.

2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Revenues for the year ended December 31, 2012 totaled \$20,308,177, reflecting a decrease of 7.3% over the prior year. The decrease of \$1.6 million was mainly attributable to the decrease in revenues of Dragon Shanghai.

A summary comparison between the years ended December 31, 2012 and 2011 is as follows:

	Years Ended December 31,			
	2012	2011	\$ Change	% Change
Net Revenues	\$ 20,308,177	\$ 21,906,202	\$ (1,598,025)	-7.3%
Cost of sales	19,274,312	20,675,256	(1,400,944)	-6.8%
Gross profit	1,033,865	1,230,946	(197,081)	-16.0%
Total operating expenses	541,743	709,878	(168,135)	-23.7%
Net income (loss)	\$ 640,052	\$ (1,303,205)	\$ 1,943,257	149.1%

Other key indicators between the years:

	Years Ended December 31,		
	2012	2011	% Change
Cost of revenues as a percentage of revenues	94.9%	94.4%	0.5%
Gross profit margin	5.1%	5.6%	-0.5%
Selling expense as a percentage of revenues	1.1%	1.3%	-0.2%
General and administrative expenses as a percentage of revenues	1.4%	2.0%	-0.6%
Total operating costs as a percentage of revenues	2.6%	3.2%	-0.6%

Cost of sales, as a percentage of revenues totaled 94.9% in 2012, slightly changed compared to 94.4% in 2011.

Our selling expense as a percentage of revenues for the year ended December 31, 2012 decreased by 0.2% compared to fiscal 2011. This decrease was primarily due to decrease in marketing expense and commission expense.

General and administrative expenses as a percentage of revenues slightly decreased by 0.6% compared to the same period of 2011. General and administrative expenses amounted to \$284,551 in the year ended December 31, 2012 compared to \$375,845 in 2011. This decrease of \$91,294 was mainly attributable to lower travel expenses.

For the year ended December 31, 2012, we recorded net income from continuing operations of \$0.64 million, compared to a net loss of \$1.3 million recorded in fiscal 2011. The increase in net income was mainly attributable to the discontinuance of the Company's Shanghai Huice and Shanghai Longri subsidiaries.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity is the ability of a company to generate funds to support its current and future operations, satisfy its obligations and otherwise operate on an ongoing basis. The following table provides selected financial information from our balance sheets at December 31, 2012 and 2011.

	December 31, 2012	December 31, 2011	Increase (Decrease)	%
Working capital	\$ 7,470,658	\$ 6,670,497	800,161	12.0%
Cash	540,423	706,885	(166,462)	-23.5%
Total current assets	8,811,794	8,012,562	799,232	10.0%
Total assets	9,089,690	8,315,691	773,999	9.3%
Total current liabilities	\$ 1,341,136	\$ 1,342,065	(929)	-0.1%

At December 31, 2012 and 2011, our cash is located in the following geographic areas:

	2012		2011	
United States	\$ 347	0.1%	\$ 5,933	0.8%
China	540,076	99.9%	700,952	99.2%
Total cash and cash equivalent	\$ 540,423		\$ 706,885	

Cash on deposit in China is subject to the regulations of the PRC which restricts the transfer of cash from that country, except under certain specific circumstances. Accordingly, such funds may not be readily available to us to satisfy obligations which have been incurred outside the PRC.

At December 31, 2012, our working capital totaled \$7.5 million, a 12.0% increase compared to working capital of \$6.7 million at December 31, 2011.

Cash and cash equivalents totaled \$0.54 million at December 31, 2012, a decrease of \$0.17 million compared to December 31, 2011. Cash used in operating activities totaled \$332,445 for 2012, primarily as a result of an increase in accounts receivable. Cash used in operating activities in fiscal 2011 of \$239,471 was primarily the result of decrease in decrease in accounts payable and accrued expenses and increase in inventory.

Cash provided by investing activities totaled \$65,196 during 2012 resulted from disposal of property and equipment. Cash used in investing activities totaled \$0 during 2011.

Cash provided by financing activities of \$4,262 was comprised of \$4,262 proceeds from a related party advance in 2012. During 2011, we had cash used in financing activities of \$46,319.

3. Off-Balance Sheet Arrangements.

As of the date of this report, we do not have any off-balance sheet arrangements that are likely to have a current or future effect on our financial condition material to our shareholders. In the ordinary course of business, we enter into operating lease commitments, purchase commitments and other contractual obligations. These transactions are recognized in our financial statements in accordance with generally accepted accounting principles in the United States.

Cautionary Note Regarding Forward-Looking Information and Factors That May Affect Future Results:

This unaudited report contains forward-looking statements. The Securities and Exchange Commission encourages companies to disclose forward-looking information so that investors can better understand a company's future prospects and make informed investment decisions. This report and other written and oral statements that we make from time to time contain such forward-looking statements that set out anticipated results based on management's plans and assumptions regarding future events or performance. We have tried, wherever possible, to identify such statements by using words such as "anticipate", "estimate", "expect", "project", "intend", "plan", "believe", "will" and similar expressions in connection with any discussion of future operating or financial performance. In particular, these include statements relating to future actions, future performance or results of current and anticipated sales efforts, expenses, the outcome of contingencies, such as legal proceedings and financial results. A list of factors that could cause our actual results of operations and financial condition to differ materially is set forth below.

The loss of the services of any of our executive officers or the loss of services of any of our key persons responsible for the management, sales, marketing and operations efforts of our subsidiaries; our ability to successfully transition the internal operations of companies which we acquired in the PRC from their prior status as privately held Chinese companies to their current status as subsidiaries of a publicly-held U.S. company; our acquisition efforts in the future may result in significant dilution to existing holders of our securities; our ability to effectively integrate our acquisitions and manage our growth; the lack of various legal protections customary in certain agreements to which we are party and which are material to our operations which are customarily contained in similar contracts prepared in the United States; our dependence upon advisory services provided by a U.S. company due to our management's location in the Peoples Republic of China ("PRC"); intense competition in the computer software and electronic merchandise industries in the PRC; the impact of an economic downturn in the PRC on our revenues from our operations in the PRC; the impact of changes in the political and economic policies and reforms of the Chinese government; fluctuations in the exchange rate between the U.S. dollars and Chinese Renminbi; the limitation on our ability to receive and use our revenue effectively as a result of restrictions on currency exchange in China; the impact of changes to the tax structure in the PRC; our inability to enforce our legal rights in China due to policies regarding the regulation of foreign investments; the existence of extended payment terms which are customary in China; and uncertainties related to PRC regulations relating to acquisitions of PRC companies by foreign entities that could restrict or limit our ability to operate and could negatively affect our acquisition strategy.

We caution that the factors described herein and other factors could cause our actual results of operations and financial condition to differ materially from those expressed in any forward-looking statements we make and that investors should not place undue reliance on any such forward-looking statements. Further, any forward-looking statement speaks only as of the date on which such statement is made and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of anticipated or unanticipated events or circumstances. New factors emerge from time to time and it is not possible for us to predict all of such factors. Further, we cannot assess the impact of each such factor on our results of operations or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Item 7) Describe the issuer's facilities

Dragon Capital's main offices are located at 8 Zhengyi Road, Suite 307, Shanghai, China. The offices occupy a space of 1722.2 square feet. Dragon Capital shares the offices with Shanghai Yazheng at no cost. Shanghai Yazheng leases the office space for an annual cost of \$31,746 under a lease agreement that expires on December 31, 2015.

Dragon Venture Shanghai leases an office located at 2188 Pudong Avenue, Suite 315, Pudong New District, Shanghai, China. Dragon Shanghai occupies a 582 square foot office space for an annual cost of \$5,515 under a lease agreement that expires September 24, 2014.

Cnnest leases an office located at Tomson Centre Building B, Suite 905, 188 Zhangyang Road, Shanghai, China. Cnnest leases the space for an annual cost of \$35,493 under a lease agreement that expired on May 10, 2013. Cnnest has extended this lease agreement for an indefinite period after it expired.

Cnnest leases an additional office located at Universal Mansion Building A, Suite 804, 172 Yuyuan Road, Jiang'an District, Shanghai, China. The office has 1,722 square feet for an annual cost of \$38,569 under a lease agreement that expires on March 31st 2013. Cnnest has extended this lease agreement for an indefinite period after it expired.

Chengdu ISoft leases an office located at 21 Section 4 South Renmin Road, Suite 2-803, Chengdu, Sichuan Province, China. The lease is for a term of one year that expires on February 15, 2014. The lease waives rents but charges a property maintenance fee that adds up to \$928 annually.

Shanghai Zhaoli leases an office space located at 839 Anyuan Road, Suites 216-218, Shanghai, China. Shanghai Zhaoli occupies a 5,769 square foot office space for an annual cost of \$54,407 under a lease agreement that expires February 28, 2014.

Shanghai Zhiye leases an office space located at 8 Zhengyi Road, Suite 307, Shanghai, China occupies a 150 square foot office space for an annual cost of \$1,985 under a lease agreement that expires on December 31, 2014.

Item 8) Officers, Directors, and Control Persons

A. Names of Officers, Directors and Control Persons

Lawrence Wang

**Chairman of the Board, CEO, Treasurer, Dragon Capital Group, Corp.
General Manager, Shanghai Yazheng Information Technology Co., Ltd.**

Mr. Wang has been Chairman of the Board of Directors and CEO of Dragon Capital Group, Corp. since April 2005. Mr. Wang is one of the founders of Yazheng and has been its General Manager since inception in 2000. From 1996 to 2000, he was an associate professor of the Department of Computer Science at Tongjin University, Shanghai, China. From 1991 to 1996, he was an assistant professor of the Department of Computer Science at Tongjin University, Shanghai, China. Mr. Wang has extensive

experience in computer systems. Mr. Wang earned his Bachelor of Science in Computer Sciences at Jiaotong University, Shanghai China, in 1983.

The business address of Mr. Wang is 8 Zhengyi Road, Suite 307, Shanghai, China, 200437. Mr. Wang has an annual cash compensation of \$87,163 and holds an equity ownership of 2,200,000 shares of the company's common stock as of May 17, 2013.

Wuzhang Wang
Director, Dragon Capital Group, Corp.
General Manager, Shanghai Zhaoli Technology Development Co., Ltd.

Mr. Wang has been a director of Dragon Capital since December 2005. Mr. Wang started Shanghai Zhaoli Technology Development Co., Ltd. in 1999. Over the past several years, he has created an extensive sales network for IT products. In addition, Mr. Wang developed the advanced ERP sales management software system. Mr. Wang holds a bachelor's degree in Computer & Application Science from Shanghai University of Engineering Science. The business address of Mr. Wang is Anyuan Road Lane 1-839, Building 4 Suit 216-218, Shanghai, China, 200042. Mr. Wang does not own any company common stock as of May 17, 2013.

Hidy Cheng
Vice President, Dragon Capital Group, Corp.
General Manager, Shanghai Cnnest Technology Co., Ltd.

Mr. Cheng has been Vice President of Dragon Capital since May 2005 and CEO of Shanghai Cnnest Technology Development Co., Ltd. since 2004. Mr. Cheng founded the Shanghai JiuNeng Computer Information Technology Co., Ltd. in 2003. From July 2002 to March 2003, he was vice president of Shanghai Zhongyu Telecommunication Technology Co., Ltd. From August 2000 to May 2002, he worked as manager of market and sales department in Shanghai TianNou Technology Development Co., Ltd. From January 1999 to June 2000, he established Shanghai AoBei Technology Co., Ltd. with HuaWei Development. From January 1995 to June 1998, he was a salesman for legend Computer System, Ltd., Nanning Branch. Mr. Cheng graduated from GuangXi University in 1995. The business address of Hidy Cheng is Universal Mansion Building A Suite 804, 172 Yuyuan Road, Jing'an District, Shanghai, China, 200040. Mr. Cheng owns 190,000 shares of the company's common stock as of May 17, 2013.

None of the issuer's directors receive compensation from the issuer for serving on its board of directors.

The Company has six owners of greater than 5% but less than 10% of any class of the issuer's equity:

- Shaoyin Wang 9.50%
- China Diract Investments, Inc. 9.05%
- Hongzhu Xi 5.42%
- Feng Li 5.40%
- Fen Liu 5.28%
- Lei Chen 5.28%
- Zheng Cha 5.28%

B. Legal/Disciplinary History.

None of the issuer's officers, directors or control persons has, within the last five years, been subject to any conviction, order, judgment, decree, or finding required to be disclosed by the Pink Sheets Guidelines for Providing Adequate Current Information.

C. Beneficial Shareholders.

The Company does not have any 10% or more beneficial shareholders.

Item 9) Third Party Providers

1. Investment Banker:

Currently the Company has no investment banking agreements in place.

2. Promoters:

None

3. Legal Counsel:

Law Offices of Gary L. Blum
3278 Wilshire Boulevard
Suite 603
Los Angeles, CA 90010
Phone: 213.381.7450
Fax: 213.384.1035
Email: gblum@gblumlaw.com

4. Accountant or Auditor:

The Company's internal accountant/controller is:
Xi, Hongzhu
335 Guoding Road, Building 2, Suite 2008-9, Shanghai, China
Phone: 86-21-55522888
Email: xhz@yastand.com

The Company's financial statements are not audited, prepared, or reviewed by an outside accounting firm.

5. Public Relations Consultant(s):

None

6. Investor Relations Consultant:

Dore Perler
Pearl Group Advisors Inc.
431 Fairway Drive, Suite 251
Deerfield Beach, FL 33441
Telephone: (954) 232-5363

Facsimile: (954)708-2377
Email: Dore@PearlGroupAdvisors.com

7. Other Advisors:

China Direct Investments, Inc.
431 Fairway Drive, Suite 200
Deerfield Beach, FL 33441
Phone 954-363-7333
Fax: 954-363-7320
Email: info@cdii.net

Item 10) Issuer's Certification

I, Lawrence Wang, certify that:

1. I have reviewed this annual disclosure statement of Dragon Capital Group, Corp.
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: May 27, 2013



/s/ Lawrence Wang
Lawrence Wang
President and Chief financial Officer