

DRAGON CAPITAL GROUP, CORP.
(Formerly Dragon Venture)

QUARTERLY REPORT
(AMENDMENT NO. 1)
September 30, 2011

Item 1. Exact name of the issuer and address of its principal executive offices.

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.

The address of the issuer's principal executive offices is:

Dragon Capital Group, Corp.
335 Guoding Road
Building 2, Suite 2009
Shanghai, China
Telephone: 86-21-55522888
Facsimile: 86-21-55660988
Web: <http://www.dragoncapital.us>

Investor Relations for the issuer are performed by:

Dore Perler
Pearl Group Advisors Inc.
10871 N. W. 52nd St, Suite 2
Sunrise, FL 33351
Telephone: (954) 232-5363
Facsimile: (954) 726-2022
Email: Dore@PearlGroupAdvisors.com

Item 2. Shares Outstanding.

(i) Period ending September 30, 2011	
(ii) Common shares authorized:	500,000,000
(iii) Common shares outstanding:	342,735,578
(iv) Freely tradable shares (public float):	Approximately 148,149,358
(v) Total number of beneficial shareholders:	In excess of 305
(vi) Total number of shareholders of record:	142

Item 3. Interim Financial Statements.

TABLE OF CONTENTS

	<u>Page</u>
Consolidated Balance Sheets (Unaudited) As of September 30, 2011 and December 31, 2010	4
Consolidated Statements of Operations (Unaudited) For the Quarter Ended September 30, 2011 and 2010	5
Consolidated Statements of Cash Flows (Unaudited) For the Quarter Ended September 30, 2011 and 2010	6
Consolidated Statements of Stockholders' Equity (Unaudited) For the Quarter Ended September 30, 2011 and the Year Ended December 31, 2010	7
Notes to Consolidated Financial Statements (Unaudited)	8-25

Item 3. consolidated financial Statements

DRAGON CAPITAL GROUP, CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

(Unaudited)

ASSETS

	September 30, 2011	December, 31 2010
CURRENT ASSETS:		
Cash and cash equivalents	\$ 604,393	\$ 893,141
Accounts receivable, net of allowance for doubtful accounts of \$161,765 and \$157,358, respectively	683,824	677,247
Other receivables	1,591,974	1,377,152
Inventories	4,648,265	3,869,417
Investment in marketable securities	28,000	114,800
Prepaid expenses and other	155,036	234,366
Subsidiaries held for sale	-	8,726,552
Total Current Assets	7,711,492	15,892,675
DERIVATIVE RECEIVABLE	66,979	54,978
DUE FROM RELATED PARTY	75,816	73,751
PROPERTY AND EQUIPMENT - Net	165,799	193,906
Total Assets	\$ 8,020,086	\$ 16,215,310

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:		
Loans payable-related party	\$ 62,000	\$ 42,000
Accounts payable and accrued expenses	275,393	308,831
Other payable	930,435	970,157
Taxes payable	41,326	63,809
Advances from customers	1,609	1,566
Due to related party	43,498	110,240
Subsidiaries held for sale	-	5,144,142
Total Current Liabilities	1,354,261	6,640,745

EQUITY:

Dragon Capital Group, Corp.

Common Stock (\$0.001 Par Value; 500,000,000 Shares Authorized;

342,735,578 and 322,735,578 shares issued and outstanding

at September 30, 2011 and December 31, 2010, respectively)

	342,736	322,736
--	---------	---------

Additional paid-in capital	5,627,834	5,548,834
----------------------------	-----------	-----------

Accumulated retained earnings	(231,251)	1,299,439
-------------------------------	-----------	-----------

Accumulated comprehensive income	(123,882)	1,022,133
----------------------------------	-----------	-----------

Total Dragon Capital Group, Corp.	5,615,437	8,193,142
-----------------------------------	-----------	-----------

Noncontrolling interest	1,050,388	1,381,423
-------------------------	-----------	-----------

Total Equity	6,665,825	9,574,565
--------------	-----------	-----------

Total Liabilities and Equity	\$ 8,020,086	\$ 16,215,310
------------------------------	--------------	---------------

See notes to unaudited consolidated financial statements.

DRAGON CAPITAL GROUP, CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS

(Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	September 30,		September 30,	
	2011	2010	2011	2010
NET REVENUES	\$ 5,505,074	\$ 11,335,354	\$ 15,689,323	\$ 39,123,826
COST OF SALES	5,222,756	10,743,203	14,898,618	37,079,454
GROSS PROFIT	<u>282,318</u>	<u>592,151</u>	<u>790,705</u>	<u>2,044,372</u>
OPERATING EXPENSES:				
Selling expenses	53,537	240,686	221,817	676,200
Loss on disposition of property and equipment	-	-	-	1,609
General and administrative	75,530	248,154	275,901	836,293
Total Operating Expenses	<u>129,067</u>	<u>488,840</u>	<u>497,718</u>	<u>1,514,102</u>
(Loss) INCOME FROM OPERATIONS	<u>153,251</u>	<u>103,311</u>	<u>292,987</u>	<u>530,270</u>
OTHER INCOME				
Other income (expense)	(30)	1,588	(3,002)	(6,174)
Interest income (expense)	3,743	(7,316)	(1,258)	(16,477)
Total Other Expense	<u>3,713</u>	<u>(5,728)</u>	<u>(4,260)</u>	<u>(22,651)</u>
(Loss) INCOME BEFORE DISCONTINUED OPERATIONS, INCOME TAXES AND NONCONTROLLING INTEREST	156,964	97,583	288,727	507,619
DISCONTINUED OPERATIONS:				
Loss on sale of Huice and Longri subsidiaries	-	-	(1,664,789)	-
Total loss from discontinued operations	<u>-</u>	<u>-</u>	<u>(1,664,789)</u>	<u>-</u>
(Loss) INCOME BEFORE INCOME TAXES AND NONCONTROLLING INTEREST	156,964	97,583	(1,376,062)	507,619
INCOME TAXES	<u>(39,466)</u>	<u>(61,802)</u>	<u>(118,101)</u>	<u>(248,948)</u>
NET (LOSS) INCOME	117,498	35,781	(1,494,163)	258,671
Less: Net (loss) income attributable to noncontrolling interest	-	(34,830)	(36,527)	(131,743)
NET INCOME (LOSS) ATTRIBUTABLE TO DRAGON CAPITAL GROUP, CORP.	<u>117,498</u>	<u>951</u>	<u>(1,530,690)</u>	<u>126,928</u>
NET INCOME (LOSS) PER COMMON SHARE:				
Net (loss) income from continuing operations and discontinued operations		\$ 0.00	\$ 0.00	\$ 0.00
Weighted common shares outstanding - basic and diluted	<u>342,735,578</u>	<u>310,344,274</u>	<u>336,764,882</u>	<u>295,222,640</u>
AMOUNTS ATTRIBUTABLE TO DRAGON CAPITAL GROUP, CORP.				
COMMON SHAREHOLDERS:				
(Loss) Income from continuing operations, net of tax	117,498	951	134,099	126,928
Loss from discontinued operations, net of tax	<u>-</u>	<u>-</u>	<u>(1,664,789)</u>	<u>-</u>
Net income (loss)	<u>117,498</u>	<u>951</u>	<u>(1,530,690)</u>	<u>126,928</u>

See notes to unaudited consolidated financial statements.

DRAGON CAPITAL GROUP, CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	For the Nine Months Ended	
	September 30,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (1,494,163)	\$ 258,671
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	47,410	27,287
Stock based compensation	78,000	297,155
Loss on disposition of property and equipment	-	1,609
Changes in assets and liabilities:		
Accounts receivable	12,261	189,225
Other receivable	(173,340)	(215,572)
Inventories	(663,440)	(1,019,472)
Prepaid and other current assets	83,898	(84,013)
Accounts payable and accrued expenses	264,160	(268,091)
Other payable	(65,789)	143,806
Taxes payable	(24,015)	65,790
Prepaid taxes	-	(22,968)
Net cash used in continuing operations	(270,229)	(649,541)
NET CASH USED IN OPERATING ACTIVITIES	(270,229)	(649,541)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from disposition of property and equipment	-	11,973
Purchase of property and equipment	-	(36,834)
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	-	(24,861)
CASH FLOWS FROM FINANCING ACTIVITIES:		
(Repayment of) proceed from loans	18,751	(44,012)
Repayment of related party advance	(65,916)	(24,136)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(47,165)	(68,148)
EFFECT OF EXCHANGE RATE ON CASH	28,646	33,681
NET DECREASE IN CASH	(288,748)	(708,869)
CASH - beginning of the year	893,141	2,236,878
CASH - end of year	\$ 604,393	\$ 1,528,009
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for:		
Interest	\$ 1,258	\$ 15,814
Income taxes	\$ 118,101	\$ 120,470

See notes to unaudited consolidated financial statements.

DRAGON CAPITAL GROUP, CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Nine Months Ended September 30, 2011 and 2010

Dragon Capital Group, Corp.									
	Common Stock, \$.001 Par Value		Additional		Accumulated	Other	Noncontrolling	Comprehensive	Total
	Number of	Amount	Paid-in	Accumulated	Comprehensive	Comprehensive	Interest	Income	Equity
	Shares		Capital	Deficit	Loss				
Balance, December 31, 2008	259,644,578	259,645	6,108,800	2,569,941	245,235		1,058,105		10,241,726
Amortization of deferred compensation									-
Common stocks issued for services	40,000,000	40,000	305,000						345,000
Restricted stock award-employees and consultants	23,091,000	23,091	(936)						22,155
Comprehensive income:									
Net income for the year				152,955			200,339	353,294	353,294
Other comprehensive income, net of tax:									
Foreign currency translation adjustment					262,041			262,041	262,041
Other comprehensive income								262,041	262,041
Compressive income	-	-	-	-	-	-	-	\$ 615,335	615,335
Balance, December 31, 2010	<u>322,735,578</u>	<u>\$ 322,736</u>	<u>\$ 5,548,834</u>	<u>\$ 1,299,439</u>	<u>\$ 1,022,133</u>		<u>\$ 1,381,423</u>		<u>\$ 9,574,565</u>
Amortization of deferred compensation									-
Common stocks issued for services	20,000,000	20,000	79,000						99,000
Restricted stock award-employees and consultants			-						-
Comprehensive income:									
Net income for the year				(1,530,690)			(367,562)	(1,898,252)	(1,898,252)
Other comprehensive income, net of tax:									
Unrealized gain for marketable securities					(86,800)			(86,800)	(86,800)
Foreign currency translation adjustment					(1,059,215)		36,527	(1,022,688)	(1,022,688)
Other comprehensive income								(1,109,488)	(1,109,488)
Compressive income	-	-	-	-	-	-	-	\$ (3,007,740)	(3,007,740)
Balance, September 30, 2011	<u>342,735,578</u>	<u>342,736</u>	<u>5,627,834</u>	<u>(231,251)</u>	<u>\$ (123,882)</u>		<u>\$ 1,050,388</u>		<u>\$ 6,665,825</u>
				-			1,050,388		

See notes to unaudited consolidated financial statements.

DRAGON CAPITAL GROUP, CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2011

(Unaudited)

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 Capital Group 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 following entities;
 - a. Shanghai Cnnest Technology Development Co., Ltd., (“Cnnest”)

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.

DRAGON CAPITAL GROUP, CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2011
(Unaudited)

NOTE 1 – ORGANIZATION AND DESCRIPTION OF BUSINESS (CONTINUED)

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.

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 and 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

DRAGON CAPITAL GROUP, CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2011
(Unaudited)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 September 30, 2011 and December 31, 2010, the Company has established, based on a review of its outstanding balances, an allowance for doubtful accounts in the amount of \$161,765 and \$157,358, 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. At September 30, 2011, we have unrealized gain on investments in marketable securities of \$86,800.

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 September 30, 2011 and December 31, 2010, inventory balances of \$4,648,265 and \$3,869,417, 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 \$1,609 and \$1,566 at September 30, 2011 and December 31, 2010, 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.

DRAGON CAPITAL GROUP, CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2011
(Unaudited)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 nine month periods ended September 30, 2011 and 2010.

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 September 30, 2011, bank deposits in the United States did not exceed federally insured limits. On September 30, 2011, the Company had approximately \$ 604,393 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 September 30, 2011, 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 September 30, 2011 and December 31, 2010, our bank deposits, by geographic area, were as follows:

	<u>September 30, 2011</u>		<u>December 31, 2010</u>	
United States	\$ 20,335	3.4%	\$ 3,207	0.3%
China	<u>584,058</u>	<u>96.6%</u>	<u>889,934</u>	<u>99.7%</u>
Total cash and cash equivalent	\$ 604,393	100%	\$ 893,141	100%

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.

DRAGON CAPITAL GROUP, CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2011
(Unaudited)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$1,059,215 for the third quarter of fiscal 2011

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 is comprised of net income and other comprehensive income or loss. Other comprehensive income or loss refers to revenues, expenses, gains and losses that under accounting principles generally accepted in the United States are included in comprehensive income but excluded from net income as these 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 nine month periods ended September 30, 2011 and 2010 respectively.

DRAGON CAPITAL GROUP, CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2011
(Unaudited)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

	For Nine Months Ended	
	September 30,	
	2011	2010
	Unaudited	Unaudited
Net income (loss)	\$ (1,494,163)	\$ 258,671
Other comprehensive (loss) income, net of tax		
Foreign currency translation gain (loss)	(1,059,215)	187,549
Unrealized gain (loss) on marketable securities held for sale	(86,800)	(44,800)
Total other comprehensive income (loss), net of tax	(2,640,178)	401,420
Comprehensive income (loss)		
Less: Comprehensive income attributable to the noncontrolling interests	(36,527)	(131,743)
Comprehensive income (loss) attributable to Dragon Capital Group, Corp.	\$ (2,676,705)	\$ 269,677

NOTE 3 – 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 September 30, 2011 and December 31, 2010.

	September 30,	December 31,
	2011	2010
	Unaudited	Unaudited
Furniture and equipment -China	\$ 345,763	\$ 405,841
Work in progress	84,044	71,829
	429,807	477,670
Accumulated depreciation	(264,008)	(283,764)
	\$ 165,799	\$ 193,906

Depreciation expense totaled \$47,410 and \$27,287 for the nine month periods ended September 30, 2011 and 2010, respectively.

NOTE 4 – LOANS PAYABLE-RELATED PARTIES

Loans payable of \$62,000 and \$42,000 at September 30, 2011 and December 31, 2010, 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.

DRAGON CAPITAL GROUP, CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2011

(Unaudited)

NOTE 5 – DUE TO RELATED PARTIES AND SIGNIFICANT HOLDERS

At September 30, 2011, we reflected \$43,498 due to China Direct Industries, Inc. comprised of the following:

	<u>September 30, 2011</u>
Interest payable	\$ 2,506
Professional fee	40,992
	<u>\$ 43,498</u>

The interest payable of \$2,506 reflects the interest expense for \$20,000 promissory note due to China Direct Industries, Inc., a significant shareholder of the Company. The professional fees payable represent legal, public and investor relations fees that have been paid by China Direct Industries, Inc. on behalf of the Company. We have an oral agreement with China Direct Industries, Inc. to pay them for the amounts it advances on our behalf. These amounts are payable to China Direct Industries, Inc. on demand and accrue no interest.

NOTE 6 – 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 China Direct Industries, Inc. The agreement is for a term of 25 months from October 1, 2009 to December 31, 2011. The agreement may be extended for an additional 12 months upon mutual agreement of the parties. 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.

Starting April 1, 2011, China Direct Investments 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.

Common Stock Warrants

Stock warrant activity for the quarter ended September 30, 2011 is summarized as follows:

DRAGON CAPITAL GROUP, CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2011

(Unaudited)

	Number of Shares	Weighted Average Exercise Price
Outstanding at January 1, 2009	88,685,000	\$0.036
Granted	-	-
Exercised	-	-
Outstanding at January 1, 2010	88,685,000	0.036
Granted	-	-
Exercised	-	-
Forfeited	(88,685,000)	0.036
Outstanding at September 30, 2011	-	-

NOTE 7 – 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.

DRAGON CAPITAL GROUP, CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2011

(Unaudited)

NOTE 8 – FOREIGN OPERATIONS

For the nine month periods ended September 30, 2011 and year ended December 31, 2010, we derived all of our revenue from our subsidiaries located in the People’s Republic of China. Identifiable assets by geographic areas as of September 30, 2011 and December 31, 2010 are as follows:

	Identifiable Assets at	
	<u>September 30, 2011</u>	<u>December 31, 2010</u>
United States	\$ 76,387	\$ 59,259
China	7,943,699	16,156,051
Total	<u>\$ 8,020,086</u>	<u>\$ 16,215,310</u>

NOTE 9 – 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.

Item 4. Management’s discussion and analysis of financial condition and results of operations

OVERVIEW

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. 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, 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.

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 2011, the Company will continue to develop and refine the products and services of its businesses, with the goal of increasing revenue. Furthermore we continue to seek to identify new acquisition candidates.

Our business is conducted entirely through our operating subsidiaries:

- i. Dragon Capital Group 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 following entities;
 - a. Shanghai Cnnest Technology Development Co., Ltd., (“Cnnest”)

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 over 50 years combined 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, Delphi, Java and Perl. Additionally, they are capable of developing Internet projects with 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. By April 2011, Shanghai Yazheng has successfully monitored nearly 6,000 kilometers of pipelines, affecting close to 5.76 million households and nearly 17 million users. In 2011, Shanghai Yazheng has started to promote the gas risk assessment system software nationwide.

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, beverage and entertainment industries. Cnnest helped 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 the computer, wireless phones, 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 cell phones 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 the future products, the process of production, and generating a simulation 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 forming a consolidated platform for our customers' business applications.

DISCONTINUED OPERATIONS

On January 2, 2011, we entered into a disposition agreement with Wei Lu, the minority owner of both Shanghai Longri and Shanghai Huice. Pursuant to the agreement, we transferred all of our rights, title and 51% interest in Shanghai Longri and Shanghai Huice to Mr. Liu 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.

FOREIGN EXCHANGE CONSIDERATIONS

As revenues from our operations in the PRC accounted for 100% of our net revenues for the quarters ended September 30, 2011 and 2010, how we report net revenues from our PRC-based operations is of particular importance to understanding our financial statements. Transactions and balances originally denominated in US dollars are presented at their original amounts. Transactions and balances in other currencies are converted into US dollars in accordance with Statement of Financial Accounting Standards ("SFAS") No. 52, "*Foreign Currency Translation*", and are included in determining net income or loss. For foreign operations with the local currency as the functional currency, assets and liabilities are translated from the local currencies into US dollars at the prevailing exchange rate on the respective balance sheet date.

Revenues and expenses are translated at weighted average exchange rates for the period to approximate translation at the exchange rates prevailing at the dates those elements are recognized in the

financial statements. Translation adjustments resulting from the process of translating the local currency financial statements into US dollars are included in determining comprehensive loss.

The functional currency of our Chinese subsidiaries is the local currency, the Renminbi or the Chinese dollar, ("RMB"). The financial statements of our subsidiaries are translated into US dollars using period 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. Since 1994, the value of the Renminbi relative to the US dollar has remained relatively stable; appreciating slightly against the US dollar. On July 21, 2005, the PRC announced that the Renminbi would be pegged to a basket of currencies rather than tied to a fixed exchange rate to the US dollar.

If any devaluation of the Renminbi were to occur in the future, returns on our operations in China, which are expected to be in the form of Renminbi, will be negatively impacted upon conversion to US dollars. Although we attempt to have most future payments, mainly repayments of loans and capital contributions denominated in US dollars, if any decrease in the value of the Renminbi were to occur in the future, our product sales in China and in other countries may be negatively affected.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates in 2009 and 2008 include inventory valuation, the allowance for doubtful accounts, and the valuation of equity instruments and the useful life of property, plant and equipment.

Inventories, consisting of finished goods related to our products are comprised of electronic merchandise and salable components and are stated at the lower of cost or market utilizing the weighted average method.

Our financial instruments at September 30, 2011 and December 31, 2010 contain accounts receivable, other receivables, loans payable and accounts payable. The fair values of financial instruments approximate their recorded values.

We review the carrying value of property and equipment for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by comparison of its carrying amount to the undiscounted cash flows that the asset or asset group is expected to generate. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the property, if any, exceeds its fair market value.

During the quarter ended September 30, 2011 and 2010, there have been no material changes to our critical accounting policies that impacted our unaudited consolidated financial condition or results of operations.

REVENUE RECOGNITION

We follow 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.

RESULTS OF OPERATIONS

A summary comparison between the nine months ended September 30, 2011 and 2010 are as follows:

	Nine Months Ended September 30,			
	2011	2010	\$ Change	% Change
Net Revenues	\$ 15,689,323	\$ 39,123,826	\$ (23,434,503)	-59.9%
Cost of sales	14,898,618	37,079,454	(22,180,836)	-59.8%
Gross profit	790,705	2,044,372	(1,253,667)	-61.3%
Total operating expenses	497,718	1,514,102	(1,016,384)	-67.1%
Net income (loss)	(1,494,163)	258,671	(1,752,834)	-677.6%

Other key indicators between the periods:

	2011	2010	% Change
Cost of revenues as a percentage of revenues	95.0%	94.8%	0.2%
Gross profit margin	5.0%	5.2%	-0.2%
Selling expense as a percentage of revenues	1.4%	1.7%	-0.3%
General and administrative expenses as a percentage of revenues	1.8%	2.1%	-0.3%
Total operating costs as a percentage of revenues	3.2%	3.8%	-0.6%

Cost of sales, as a percentage of revenues totaled 95.0% in 2011, remained stable between periods, slightly increased 0.2% from 94.8% recorded in the same period prior year.

Selling expenses as a percentage of revenues totaled 1.4% in 2011, decreased 0.3% from 1.7% recorded in the same period prior year.

General and administrative expenses amounted to \$275,901 in nine months ended September 30, 2011 compared to \$836,293 same period in 2010, decreased 0.3% as a percentage of revenue. This decrease, totaling approximately \$560,392, was mainly attributable to a decrease in consulting expense and stock reward to employee and consultants.

We reported a loss of \$1,664,789 and \$0 from discontinued operation for the nine months ended September 30, 2011 and 2010 respectively.

For nine months ended September 30, 2011, we recorded net income of \$288,727 from continued operations, a decrease of approximately \$218,892 compares to \$507,619 in the same period of 2010.

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 September 30, 2011 and December 31, 2010.

	<u>September 30, 2011</u>	<u>December 31, 2010</u>	<u>Increase (Decrease)</u>	<u>%</u>
Working capital	\$ 6,357,230	\$ 9,251,930	(2,894,700)	-31.3%
Cash	604,393	893,141	(288,748)	-32.3%
Total current assets	7,711,492	15,892,675	(8,181,183)	-51.5%
Total assets	8,020,086	16,215,310	(8,195,224)	-50.5%
Total current liabilities	\$ 1,354,262	\$ 6,640,745	(5,286,483)	-79.6%

At September 30, 2011 and December 31, 2010, our cash is located in the following geographic areas:

	<u>September 30, 2011</u>		<u>December 31, 2010</u>	
United States	\$ 20,335	3.4%	\$ 3,207	0.3%
China	584,058	96.6%	889,934	99.7%
Total cash and cash equivalent	\$ 604,393	100%	\$ 893,141	100%

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.

The following table provides selected information on the changes in our assets and liabilities at September 30, 2011 from December 31, 2010

	<u>September 30, 2011</u>	<u>December 31, 2010</u>	<u>Increase (Decrease)</u>	<u>%</u>
Accounts receivable, net	\$ 683,824	\$ 677,247	6,577	1.0%
Other receivables	1,591,974	1,377,152	214,822	15.6%
Inventories	4,648,265	3,869,417	778,848	20.1%
Prepaid expenses and other	155,036	234,366	(79,330)	-33.8%
Property and equipment, net	165,799	193,906	(28,107)	-14.5%
Accounts payable and accrued expenses	275,393	308,831	(33,438)	-10.8%
Other payable	930,435	970,157	(39,722)	-4.1%
Due to related party	\$ 43,498	\$ 110,240	(66,742)	-60.5%

At September 30, 2011, our working capital totaled \$6.4 million, a 31.3% decrease compared to our prior year-end balance of \$9.2 million.

Accounts receivable remained stable between the periods.

Cash and cash equivalents totaled \$0.6 million at September 30, 2011, a decrease of approximately \$288,748 over prior year. Cash used in operating activities totaled \$270,229 for the nine

months ended September 30, 2011 and was mainly comprised of our net loss from discontinuing operations of \$1.7 million, decrease in accounts receivable of \$12,261, tax payable of \$24,015, other payable of \$65,789. These were partially offset by increase in other receivable of \$173,340, inventories of \$663,440, also accounts payable and accrued expenses of \$264,160 and decrease in prepaid and other current assets of \$83,898

Cash used in operating activities totaled \$626,573 for the nine months ended September 30, 2010 and was mainly comprised of our net income from continuing operations of \$258,671, decrease in accounts receivable of \$189,225, increase in other payable of \$143,806, taxes payable of \$65,790 and total non cash adjustment of \$326,051. These were partially offset by increase in inventories of \$1 million, increase in other receivable of \$215,272, prepaid and other current assets of \$84,013 and decrease in accounts payable and accrued expense of \$268,091.

Cash used in investing activities totaled \$0 during the period ending September 30, 2011. There were no proceeds from disposition of property and equipment during the period.

Cash used in investing activities totaled \$24,861 during the period ended September 30, 2010 was attributable to the purchase of property and equipment of \$36,834, which was partially offset by proceeds from disposition of property and equipment of \$11,973.

Cash used in financing activities of \$47,165 for the nine months ended September 30, 2011 was attributable to the repayment of related party advance of \$65,916 and proceed from loans of \$18,751.

Cash used in financing activities of \$68,148 for the nine months ended September 30, 2010 was attributable to the repayment of related party advance of \$24,136 and repayment of proceed from loans of \$44,012.

OFF BALANCE SHEET ARRANGEMENT

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 quarterly report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. 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 summary 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 US 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 US 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 5. Legal proceedings.

None

Item 6. Defaults upon senior securities.

None

Item 7. Other information.

On January 2, 2011, we entered into a disposition agreement with Wei Lu, the minority owner of both of our subsidiaries, Shanghai Longri and 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.

Starting April 1, 2011, China Direct Investments 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.

Item 8. Exhibits.

None

Item 9. Certifications.

I, Lawrence Wang, certify that:

1. I have reviewed this quarterly disclosure statement for the quarter ended September 30, 2011 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: December 5, 2011



/s/ Lawrence Wang

Lawrence Wang
President and Chief Financial Officer