February 5, 2007
Bridge IR Group, Inc.

RESEARCH REPORT

China - Technology
Information Technology

DRAGON CAPITAL GROUP CORP. (OTC PK:DRGV)

Michael Grobler, CFA
info@bridgeir.com
(212) 518 8637

Website: http://www.dragoncapital.us
Exchange: US – OTC Pink Sheets
Contact: Jimmy Glickstein Tel:1-877-CHINA-57
info@dragoncapital.us Fax: 561-989-9206

Recent Price: $0.04
Target Price: $0.40
(12-month)

SPECULATIVE STRONG BUY RATING

Main Headquarters

Dragon Capital Group Corp.
335 Guoding Rd.
Building 2
Suite 2009
Shanghai, 200081
China

Tel: (86) 21 55522888
Fax: (86) 21 55660988

Dragon Capital Group

Dragon Capital Group Corp.
(all figures in Millions)

52 Week Hi/Lo Range	0.135/0.033
Fiscal Year End	31-Dec
Shares Outstanding (9/30/2006)	201.64
Float (approximately) (6/21/2006)	31.35
Share price (02/02/2007)	0.041
Market Capitalization	8.3
Average Volume (10-day)	1.892
Insider Ownership	NA
Institutional Ownership	NA
Enterprise Value	6.56
Total LT Debt	0.000
Total Cash (09/30/06)	1.707

	12/2005	12/2006
	pro-forma	pro-forma
	FY2005 A	FY2006 E
Earnings Per Share (EPS)	0.005	0.004
Book Value ($/share)	0.023	0.026
	pro-forma	pro-forma
	FY2005 A	FY2006 E
Total Revenue	28.070	42.200
Cost of Sales		39.246
Gross Profit/Loss		2.954
Operating expenditures		1.435
Operating Loss /Profit		1.519
Other income/expense		-0.149
Income continuing operations		1.370
Minority Interest Expense		0.249
Tax Expense		0.539
Net Income	0.982	0.582

NA = Not applicable/Not Available.
A = Actual Reported figures E = Estimates

Balance Sheet & Financial Statement Extracts(09/30/2006)

Current Assets	10.643
Current Liabilities	6.212
Total Assets	11.137
Total Accumulated Surplus	1.559
Total Shareholder's Equity	4.685

Capital Structure (as at 09-30-06)

Authorized Common Stock	500 000 000
Outstanding Stock Warrants	88 685 000

Asset-based Acquisition Strategy Evolving on Track

Company Overview

Dragon Capital Group Corp (OTC:PK DRGV) is a holding company of emerging Chinese companies, offering support in the critical functions of general business consulting, formation of joint ventures, access to capital markets, M&A, business valuation, financial management and revenue growth. DRGV currently holds a majority stake in seven technology companies in China and has a plan to expand through further acquisitions and organic growth. The company was established to cultivate business opportunities in China.

- Dragon Capital has developed **cutting-edge technology, such as 3G-based SMS technology applications** for lottery services and real estate transactions. They are in the mid-level stage of developing various mobile business solutions including mobile hotel reservations, mobile dating services, mobile police, and logistic operations.
- The company has engaged **Skybanc, Inc**, a full service investment-banking firm to act as placement agent for a **private offering of up to $650,000 of common stock and warrants** on a best-effort basis. This funding will help DRGV to **pursue its growth plan** to enhance cash flow of current operations and **acquire more promising young Chinese tech companies.**
- The company has successfully completed 2 of its **projected 4-5 acquisitions earmarked for both 2006 & 2007** as part of its asset-based acquisition strategy. DRGV is in late stage negotiations with the remaining potential acquisition candidates.
- The Company's **6 technology-related** subsidiaries **recorded record revenues of $42.29 million for the 12 months of FY2006.** This is **almost $4 million ahead of our prior estimate** published in our last report dated June 2006. Gross profits rose to $2.98 million in 2006 with income from only 6 subsidiaries reaching **$1.37 million.**
- The Company anticipates the **main driver of its expansion in 2007 will come from internal expansion coupled with the execution of select accretive acquisitions**. Management sees 2007 revenues from the current operations of its 7 Chinese subsidiaries in the range of **$55 to $60 million** with **net income in excess of $1.5 million** as **net margins continue to improve**.
- **China Mobile and China Unicom is expanding their 3G mobile data** services by launching the **Monternet and Uni-Info platforms**, respectively, further spurring growth of value-added wireless services that is **responsible for the favorable conditions and outlook for 3G value-added service providers such as DRGV.**
- One of the medium term goals of DRGV is the completion of an **AMEX listing as early as 2007**, which will likely follow a spin-off transaction involving the underlying assets.
- **Despite the fact that the shares have lost ground since our initiation report was released in June 2006, the financial performance has improved further and business momentum has accelerated. The company has raised its financial outlook for 2007. Our analysis of DRGV strongly suggest that it should be categorized within the growth stock universe, nevertheless the company is trading at a market valuation akin to that of an enterprise in the value-stock universe which is a rare case. Based on the distinct balance of probabilities that the valuation will begin to adjust, investors are presented with a value opportunity. These factors when taken together with the firm underlying economic trends in China likely to persist, we classify the shares in our SPECULATIVE STRONG BUY rating category. Our 12-month target price is set at 40c using our present value of earnings discount model. This target price implies a forward PE of 23.5x our FY 2007 EPS forecast of +1.7c.** **See INVESTMENT THESIS & RECOMMENDATION for more in-depth discussion (Page 13-16)**

See Appendix A-1 for Analyst Certification and Important Disclosures.

THE COMPANY

Dragon Capital Group Corp (OTC:PK – DRGV) is a holding company of emerging Chinese companies headquartered in Shanghai. DRGV currently holds a majority stake in 5 technology companies in China. The company was established to cultivate business opportunities in China. DRGV functions as a holding company of high-tech companies in China, offering support in the critical functions of **general business consulting, formation of joint ventures, access to capital markets, mergers & acquisitions, business valuation, financial management and revenue growth strategies**. The company was founded in October 2004 and incorporated in Florida and listed in May 2005.

DRGV is a US publicly trading incubator for small emerging high-tech companies in China. The current focus of DRGV is on the development of 3G-based mobile applications, business solutions and information technology. Dragon is positioned to emerge as a significant force in the high-tech sector of China. Employing its knowledge of Chinese and U.S. business practices, Dragon is establishing brand awareness by nurturing these Chinese companies. Dragon's organization is comprised of business professionals with experience in both the US and China. This knowledge is critical to the future success of Dragon. The principals of DRGV will explore specific opportunities within the following industries: **telecommunication, information technology, and wireless applications.**

Dragon has developed a portfolio of 7 high-tech companies operating throughout China, two of which **(Shanghai Longri & Shanghai Huice)** were acquired in the last 6 months following the release of our initiation report on the Company. **Effective May 1, 2006, Dragon Capital acquired both Shanghai Longri and Shanghai Huice.** Dragon's focus will be innovative technological applications, which are poised to alter the competitive landscape of the industry.

The seven subsidiaries are,

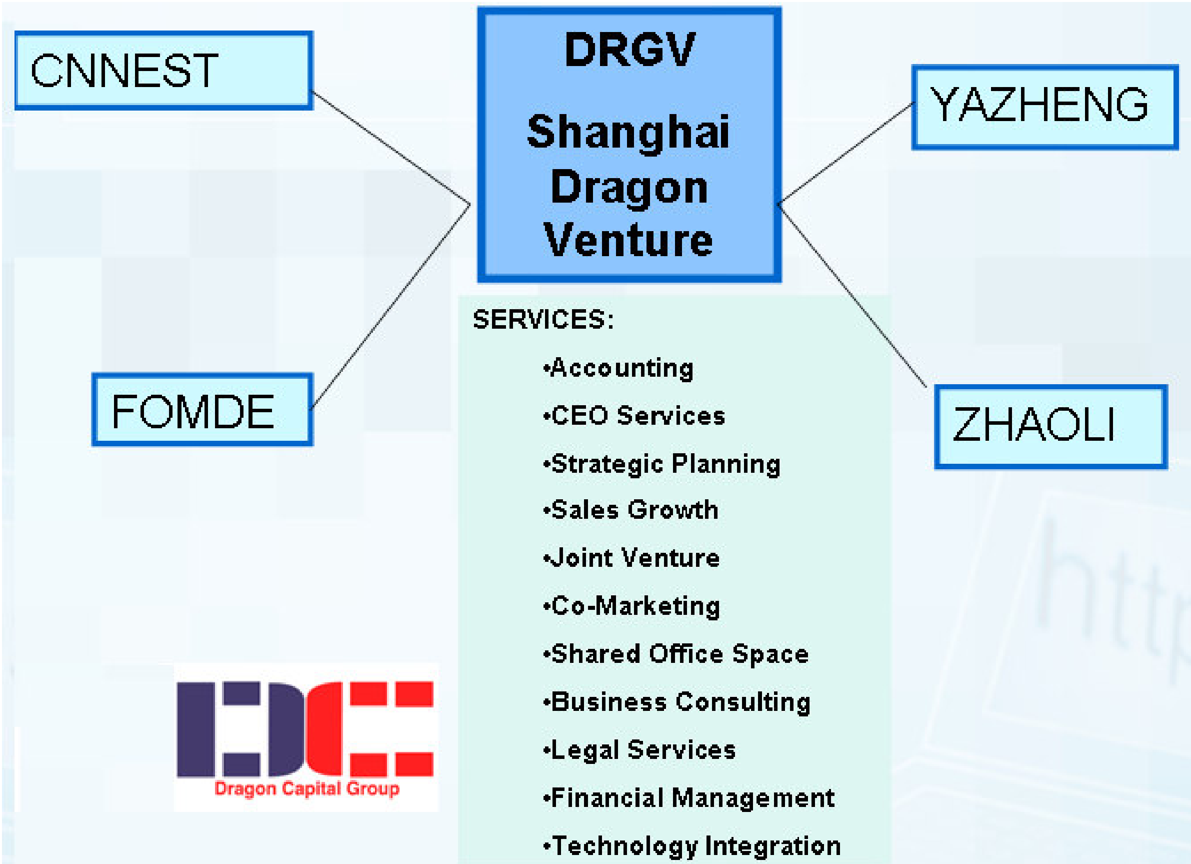
- **Shanghai Dragon Capital Management and Consulting Company, Limited**, Investment Management Firm (100% interest)
- **Shanghai Yazheng Information Technology Company, Limited**, Information Technology Firm (90% interest)
- **Shanghai Cnnest Technology Company, Limited**, 3-G Wireless Application Developer (55% interest)
- **Shanghai Fomde Information Technology Company**, Information System Integration Developer (51% interest)
- **Shanghai Zhaoli Technology Company, Limited**, Hardware Reseller, ERS Software Developer (80% interest)
- **Shanghai Huice Electronic System Integration Company, Limited,** Network Integration and the Distributor of information technology products (51% interest)
- **Shanghai Longri Technology Development Company, Limited** Network Integration, Network Service, and IT products Distribution (51% interest)

Dragon Capital Group Corp strategy relies on a structured approach of **identifying underlying technology market trends** in China, investing in promising business opportunities, either by acquisition or other venture capital arrangements, developing significant revenue streams and growth strategies, as well as continually operating subsidiaries until potential spin-off or divestiture.

By pulling together innovative companies from related high-tech segments, the **model optimizes resources and promotes opportunities for synergistic business relationships within the portfolio group**. The members of the company's corporate high-tech community **gain an immediate competitive advantage by having access to resources often unavailable to their stand-alone local counterparts in China**. At the same time, the controlled hands-on management of the investments provides credibility for western investors otherwise reluctant to assume business risks in uncharted environments. With seasoned on-site management, DRGV has **established and maintained effective work relations and contacts within various governmental agencies, public institutes and private industries in China** at both national and provincial levels, such as the **Ministry of Foreign Trade and Economic Cooperation, State Development Planning Commission, Ministry of Construction, Ministry of Agriculture, Ministry of Science and Technology, Chinese Academy of Agricultural Sciences, State Drug Administration, China National Federation of Textile Industries and China National Center for Biotechnology Development.** Currently, the Company continues to evaluate additional strategic acquisition opportunities in various information technology fields, including wireless applications, other telecommunications technologies and software development.

The company's Sino-American team has entrepreneurial spirit, decades of bi-cultural executive business experience, as well as the critical edge of high level contacts with China's policymakers and industry leaders, all of which bodes very well for the future prospects of DRGV. The total number of full-time employees currently stands at 315.

See Appendix A-1 for Analyst Certification and Important Disclosures.



SUBSIDIARIES

Dragon is positioning itself to emerge as a significant force in the high-tech sector of China. Employing its knowledge of Chinese and U.S. business practices, Dragon is establishing brand awareness by nurturing these Chinese companies that they add to their portfolio. Dragon's organization is comprised of business professionals with experience in the US and China. This knowledge will be critical to the success of Dragon. The principals of DRGV will explore specific opportunities within the following industries; telecommunication, information technology, and wireless applications and have already established majority stakes in the following companies:

Shanghai Dragon Capital Management Company, Limited

Shanghai Dragon Capital Management Company, Limited, founded in 2005 and wholly owned subsidiary of Dragon Capital Group, is a management firm located in Shanghai, China that offers specialized consulting services for various sectors including; corporate management, merger & acquisition, financial management, business development and valuation, public relations, human resources, accounting, corporate legal affairs, capital formation, as well as investment banking and investor relations activities, exchange listings, divestitures, spin-offs, introduction to NASD member firms and the Sarbanes-Oxley Act to establish suitable compliance, among others.

In addition to its ongoing business, Shanghai Dragon Capital management oversees all of the company's operations in China. Shanghai Dragon Capital Management Company, Ltd. will be a valuable resource for the company's' Chinese subsidiaries.

Shanghai Dragon Capital Services include:

- Providing small and medium private technology enterprises with consulting services for obtaining a listing on the US stock market.
- Consulting services for the US enterprises wishing to invest in China and introducing advanced U.S. techniques to Chinese enterprises.
- Offering consulting services for client's management of investments in the Shenzhen and Shanghai stock markets.
- Offering investment banking and investor relations.
- Providing agency services for business applying for regulatory approval in China.
- Offering consulting for human resources managers.
- Providing consulting for corporate asset evaluation.
- Offering consulting for corporate legal affairs.
- Providing consulting for mergers and acquisitions.

Shanghai Yazheng Information Technology Company, Limited

On December 31, 2004, DRGV acquired 90% ownership of Shanghai Yazheng Information Technology Company, Limited. Shanghai Yazheng Information Technology Company, Limited (Yazheng) is a multi tiered software consulting organization established in 2000. Yazheng operates two divisions;

1. **Software Development**
2. **Wireless Short Messaging Services ("SMS")**

Their services include network software development, e-business software development, financial and enterprise information management systems, design and programming of embedded system applications for digital controlled machines and family electronic appliances. The Software Development division designs and programs a variety of software applications for both domestic and foreign companies.

Yazheng employs a team of skilled system analysts, programmers and developers in Shanghai. Shanghai Yazheng personnel includes 10 software programmers, developers and system analysts with a combined 50 years experience in software programming and hardware integration. These developers and system analysts have extensive experience designing and producing various software applications compatible with either Windows or Linux operating systems. Shanghai Yazheng analysts, developers and programmers are capable of designing and programing a wide variety 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 JSP, ASP, PHP and related languages.

Since inception in 2000, **Yazheng has emerged as a significant force in the Chinese software development arena.** The Company also designs and programs embedded system applications for digitally controlled machines and electronic appliances, which can be integrated into solutions running under Windows or Linux operating systems. In the past the Company has completed numerous projects including Shanghai Blue Union Taxi Compliant Research System, Geographic Information System (GIS) Application for Shanghai GAS Transport System and Point-of-Sale (POS) system for Shanghai Xili Technology Company Limited, among numerous others.

Recently, the Company signed three contracts to provide water control automation systems for Qidong Water Company, Nanhui Huinan Water Company, and Songjiang Jiuting Waste Water Treatment Company, tapping a lucrative emerging market in China. Given the vast area, large population and recurring water shortage problems in China, municipal water supply and treatment is a challenging task drawing increased attention from local government authorities. As concern for proper practice of environmental sciences accelerated, China devoted $85 billion to the Trans-Century Green Project from 2001 to 2005 to address various environmental problems. From 1998 to 2002, China has invested approximately $10 billion in city water supply, of which approximately $7.25 billion went to waste water treatment, resulting in 286 waste water treatment facilities. Supported by China's need to address its environmental problems as conditions of its World Trade Organization (WTO) membership, China's environmental market in major cities is expected to grow annually between 10-14% over the next decade. Valued at approximately $360,000, the systems encompassing raw water pre-processing and regular water treatment will employ the Company's proprietary software applications in conjunction with hardware developed by Schnide and Siemens.

The Wireless short messaging services (SMS) market represents a very exciting business opportunity. In December 2003, Shanghai Yazheng received a license to operate as a wireless content provider, aggregator and mobile marketing provider in Shanghai. Currently, Shanghai Yazheng operates two websites that offer short messaging services to the public and Yazheng provides gaming and lottery information to cell phone users of major wireless carriers in Shanghai for a monthly fee.

- **http://www.zc8888.com**
- **http://www.yastandsms.com**

Shanghai Cnnest Technology Development Company, Limited

In April 2005, DRGV acquired a 55% interest in Shanghai Cnnest Technology Development Company, Limited. Shanghai Cnnest Technology Development Co., Ltd. (Cnnest) is a wireless software development established in 2002. Cnnest is dedicated to commercial Third-Generation (3G) wireless applications and mobile business solutions.

Since inception Cnnest has emerged as a leader in the development of mobile Internet solutions and applications based on wireless 3G platforms. Cnnest's objective is to take advantage of a host of new mobile internet applications. The founders of Cnnest commenced 3G-application research and development based on wireless Internet in early 2002.

Cnnest is currently developing applications for the human resources, mobile banking, as well as the 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 major 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. Property owners can 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.

At the present stage, Cnnest has completed development on a wireless real estate application. In 2004, **Cnnest became a national partner of Tencent, Inc**. (Hong Kong stock exchange: 700) to offer 3G online vale-added products for China Mobile (NYSE: CHL) and China Unicom (NYSE: CHU). The comprehensive strategic partnership includes several existing applications and ongoing cooperation on 3G technology using BREW, KJAVA, WAP, and SMS. Cnnest's flagship **"Mobile Real Estate"** application offered to China Mobile's subscribers and Tencent's QQ customers is a primary component of the Cnnest Model, which **provides real estate market services, including listings and transaction data for approximately 800,000 registered users in June 2006.**

Cnnest also launched a mobile hotel reservations application in July 2005 based on 3G technology, allowing cell phone users access to hotel reservation systems to review price and availability, as well as book a room for a large percentage of hotels in China. Also in July, Cnnest launched two solutions based on 2.5G technology designed for utilization by various government agencies in China. "Mobile Environmental Protection Office System'' and "Mobile Administrative Office System,'' allow government officers or employees working in a remote location to access their own intranet by using their PDA's or cell phones to coordinate mobile assignment functions, enterprise information inquires, on-site duties and customer service issues.

Recently, Cnnest also entered into a partnership agreement with Shanghai Runyuan Logistics Company Limited (Runyuan), a reputable Chinese logistics leader, to form a joint venture dedicated to develop mobile internet solutions for the trucking and other freight industries. Under the agreement, Runyuan will provide funding for applications development and refinement in exchange for 75% of the joint venture. Other projects currently under development include human resources and mobile banking modules, as well as applications for the food, beverage, and entertainment industries.

In 2006, Cnnest will seek to cooperate with several of the top cell phone manufacturers such as Motorola and Nokia for imbedding their software applications. Cnnest operates one website **(http://www.cnnest.com)** and wireless 3G-based platform that offer real estate services through the mobile Internet.

Shanghai Fomde Information Technology Company, Limited

上海扶明泽信息技术有限公司
SHANGHAI FOMDE INFORMATION TECHNOLOGY CO.,LTD.

In July 2005, Dragon purchased 51% of Shanghai Fomde Information Technology Company, Limited, (Fomde). The closing of this transaction occurred on July 16, 2005. Fomde is engaged in the business of computerized **automation control for hotels, commercial, residential and school buildings.** The Company's IT department has created a wide variety of proprietary management applications to assist in creating valuable efficiencies in the performance of property management. These applications assist the management of various types of facilities with computerized climate control, access and security control, as well as additional management tools.

The systems provide complete management solutions encompassing wiring, computer network, climate, security and access control, multimedia communication and broadcasting systems as well as related databases and software applications. The company has also developed post-construction quality control software applications for product and supplier selections, design and technical support. **In 2004, Fomde generated approximately $3 million in sales with $0.6 million in net income**. In recent months, the Company already secured in excess of $5 million in work orders, including contracts from Jiangsu Province Jidong Middle School, Jiangsu Qidong County Education Bureau, Henan Province Hebi City Hotel and Shandong Zibo Xinhua Pharmaceutical Plant.

The Ministry of National Architecture of China and the Ministry of Information Technology have certified the company. It was certified ISO 9001 in December 2004. The company has also developed software applications pertaining to quality guarantee systems in product selections, supplier selections, technical support, and design, all involving post-construction services. Fomde's products and services include total management solutions for a wide variety of properties. Shanghai Fomde Information Technology Company, Limited utilizes BAS, SAS, FAS, CAS, OAS and IBMS.

The company's proprietary systems integration software solutions also include the design of multi-media conference needs including sound systems, digitalized campus information systems, as well as a host of other specialized industry control applications. The company website can be found at **http://www.fomde.com**

Shanghai Zhaoli Technology Development Company, Limited

昭/利/科/技
CHORRY TECHNOLOGY

Shanghai Zhaoli Technology Development Company, Limited (Zhaoli) is an information technology enterprise providing innovative technology solutions to enhance its customer's businesses, established in 1999 and is 80% owned by DRGV. Zhaoli's operates as a hardware reseller and provider of integrated enterprise information management systems.

Zhaoli sources electronic hardware, including laser printers, copiers, scanners, facsimile machines, multi-functional office equipment, module routers, switches, video telephones, computer supplies and network products, directly from a variety of leading global manufacturers.

Its **diverse clientele comprise over 5000 companies in China,** which include financial institutions, telecommunication companies, hospitals, supermarkets, airports, railway stations, and various government agencies. Zhaoli is an **authorized general agent and distributor for a wide array of manufacturers,** including *Epson, Cannon, Hewlett Packard, Ricoh, Brother, Star and Samsung and OKI products.*

Zhaoli has a wide-spread sales channel, with headquarters in Shanghai and nine additional branch locations. The locations range from an approximate 500 square foot mall location in the southwestern central business district to an approximately 30,000 square foot mall location near People's Square. Each of these branch locations is staffed with 5-6 employees. At each of the locations, Zhaoli sells laser printers, copiers, scanners, facsimile machines, multi-functional office equipment, module routers, switches, video telephones, computers supplies, and network products and network integration.

Zhaoli obtains these products directly from the manufacturers. 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. Zhaoli has also developed an ERS **software system for enterprises** to manage accounting, distribution, inventory and sales.

Zhaoli is the largest subsidiary as measured by revenue and **generated approximately $20 million in sales in 2004,** and **approximately $26 million in sales in 2005**.

Shanghai Longri Information Technology Company, Limited.

Shanghai Longri is engaged in network integration, network service, and IT products distribution. Shanghai Longri is an authorized agent for several prominent IT product suppliers, such as Epson, IBM, Hewlett Packard, Samsung, Legend and Toshiba. Shanghai Longri also provides network design, equipment installation, and after-sales services, including hardware and software integration and support, for various multi-national companies.

Shanghai Longri has established retail offices and service centers in Shanghai, Nanjing, and Hangzhou offering quality, professional network services for its customers throughout the eastern area of China. Just after closing this acquisition, Dragon Capital Group's Ceo said he expects Shanghai Longri is **generating approximately $15 million in gross sales with net income of $750,000 for 2006**. For more information about Shanghai Longri can be found at http://www.long-ri.com.

Shanghai Huice Electronic System Integration Company, Limited (Huice)

Shanghai Huice Electronic System Integration Company, Limited (Huice), founded in 2000 is an information technology company operating in China. Huice is engaged in network integration and the distribution of information technology products.

In 2005, Huice attained ISO90001 certification issued by Moody International ISO Certification Registrar**. Huice has over 2,000 clients with its own service center.** Huice partners with a diverse range of information technology companies, such as Microsoft, Oracle, Hewlett Packard, IBM, Cisco Systems, Sun-Micro, Lucent, 3Com, APC, Polycom, Epson, Samsung, Panasonic, NEC, Toshiba, Lenovo, and Acer. Combining advanced technologies and dedicated services, Huice fulfills a variety of product support functions. More importantly, Huice provides customers with high quality products at a competitive price.

In 2005, **Huice generated approximately $9 million in gross revenues with approximately $850,000 in net income** (un-audited). Huice forecasts to generate approximately 30% growth rate in both gross revenues and net income for 2006. As part of the acquisition agreement, Dragon Capital Group Corp. issued approximately 6 million shares of common stock, or the equivalent of $480,000 in value, to acquire 51% ownership of Huice via a stock exchange on the basis of shareholder equity of Huice as of April 30, 2006.

ACQUISITIONS STRATEGY & STRATEGIC PARTNERING

Having successfully completed four acquisitions in 2005, **DRGV core competencies include the development of wireless internet applications and mobile business solutions, enterprise management and computerized automation systems integration,** as well as other **customized IT products and services.**

Two companies that Dragon has acquired are among of the **leading providers of mobile Internet applications and business solutions in China**. In July 2005, the Company signed two letters of intent to acquire 51% of Beijing Dejiqingyuan Environment Technology Company Limited and 51% of Shanghai Dejiqingyuan Environment Technology Company Limited, business engaged in wastewater treatment.

The two companies utilize a patented proprietary treatment system that uses biotech and ecological technologies to treat residential wastewater, regarded as one of the leading technologies by the Ministry of Construction of China and approved for use by governmental agencies in China since December 2003. In 2004, the two companies had combined revenues of approximately $2.5 million with profit margins of approximately 20%.

The company is strategically partnering with Tencent Holdings Limited (HSE: 700) to offer third generation (3G) wireless services for two top-tier Chinese telecommunications companies, China Mobile Hong Kong Ltd (NYSE: CHL) and China Unicom Ltd (NYSE: CHU), as well as with Nokia Corp. (NYSE: NOK) and Microsoft Corp. (NASDAQ: MSFT). The Company is also an authorized agent for Epson, Cannon, Hewlett Packard and OKI products.

Following upon its rapid M&A pace set in 2005, the company has plans in place to continue with this strategy and has outlined objectives in 2007. Two letters of Intent was signed for 2006, which is expected to add $3.5 million in Revenues and $525,000 in net income for FY 2006. **In June 2006 the company projected 4-5 acquisitions to be completed for both 2006 & 2007 as part of an asset-based acquisition strategy**. Following these detailed projections outlined below, the Company successfully closed its acquisitions of Shanghai Longri Technology Development Company, Ltd. and of Shanghai Huice Electronic System Integration Company, Ltd.

On April 30, 2006, the Company entered into Purchase Agreement with Shanghai Longri Technology Development Company, Limited (Shanghai Longri). Under the Purchase Agreement, the Company acquired **51% ownership of Shanghai Longri in consideration for 7 million restricted shares, valued at $560,000.** The shares were not issued as of September 30, 2006. On the same date, the Company further entered into a second Purchase Agreement with Shanghai Huice Electronic System Integration Company, Limited (Huice), Under the Purchase Agreement, **the Company acquired 51% ownership of Huice in consideration for 6 million restricted shares, valued at $480,000.** The shares have not been issued as of September 30, 2006.

Dragon Capital Group finds itself in a unique and favourable landscape, which presents more opportunities in China relative to other markets due to the lack of capital markets available to emerging companies to raise capital.

The table below outlines the expected financial impact on earnings and revenues as a result of the targeted acquisitions.

Revenues from New Acquisitions

($-millions)	(estimated) FY2006	(estimated) FY2007
Acquisition 1	1.500	2.225
Acquisition 2	2.000	3.000
Acquisition 3	NA	2.000
Acquisition 4	NA	6.500
Total	3.500	13.725

Earnings from New Acquisitions

Earnings Forecast ($-millions)	(estimated) FY2006	(estimated) FY2007
Acquisition 1	0.225	0.254
Acquisition 2	0.300	0.550
Acquisition 3	NA	0.300
Acquisition 4	NA	0.650
Total	0.525	1.754

Acquisition 1 and Acquisition 2 in the tables refer to the 2 acquired companies effective April 30, 2006.

The 51% stakes in these two additional Chinese high-tech companies, extended its technological capabilities within IT network integration and management sector, as well as complementing its hardware equipment distribution operations, **which provides an excellent opportunity to cross-sell among over 10,000 combined nationwide clients of Zhaoli and the two new subsidiaries**.

FINANCIALS

To date, the Company has not filed any reports with the Securities and Exchange Commission (SEC), but announced that it intends to voluntarily publish quarterly financial statements within 45 days of each quarter end, starting with the quarter ended March 31, 2006.

Following the acquisitions made in 2005, the company disclosed un-audited consolidated pro-forma revenue and earnings figures for FY2005 of $28.07 million and nearly $1 million, respectively. DRGV announced its financial performance (un-audited) for first quarter ended March 31, 2006 on May 23, 2006. Dragon Capital Group achieved consolidated revenues of approximately $7.685 million in sales for the first quarter of 2006 (Q1 FY2006) with $464,897 in gross profit and $233,466 in net income. The shareholder equity was approximately $3.375 million as of March 31, 2006 with over $1 million in cash.

The Company recorded revenues of approximately $**29.76 million for the first nine months of 2006**. Income from operations was approximately $982,493 for the first nine months of 2006. Net Income was approximately $386,662. **The net income was negatively affected by a one-time charge of approximately $206,900 that was associated with financing, integration, and acquisition.** Shareholder equity increased to $6.212 million from $5,5 million at the end of Q2 FY2006.

Based on its portfolio holdings of Cnnest, Yazheng, Fomde, Zhaoli and Dragon Venture, DRGV initially guided investors that it will generate $35 to $40 million in revenues and $1.5 to $2 million in earnings for FY2006 and between $45 and $50 million with $2.5 to $3 million in earnings during FY2007, when it issued such statement in late Q2 FY2006. Since that date the company has issued additional stock (now 201 million shares outstanding) and completed 2 acquisitions.

Revenue Forecast ($-millions)	(pro-forma) FY2005	(estimated) FY2006	(estimated) FY2007
Dragon Venture	0.000	0.200	0.500
Cnnest	0.063	0.230	0.920
Yazheng	0.245	0.620	1.250
Fomde	1.200	2.000	4.200
Zhaoli	26.500	32.000	38.000
Total	28.008	35.050	44.870

Earnings Forecast ($-millions)	(pro-forma) FY2005	(estimated) FY2006	(estimated) FY2007
Dragon Venture	0.000	0.082	0.28
Cnnest	-0.015	0.115	0.38
Yazheng	0.067	0.275	0.51
Fomde	0.180	0.450	1.00
Zhaoli	0.750	1.150	1.65
Total	0.982	2.072	3.812

On January 23, 2007 the Company today announced its preliminary un-audited operating results of its 6 subsidiaries for the 12 months ended December 31, 2006. The results may be subject to adjustment and the Company expects to report consolidated results in February of 2007.

The Company issued preliminary FY2006 revenues for six technology-related subsidiaries in China. They **recorded record revenues of approximately $42.29 million for the 12 months of 2006.** This is **almost 4 million ahead of what we estimated the Company would generate for the full year FY2006 in our last report published in June 2006**. The net income and EPS numbes however has fallen slightly short of our prior forecasts set for FY2006, mainly as a result of taxation and higher share count. Gross profits rose to approximately $2.98 million in 2006 with income from the six subsidiaries reaching approximately $1.37 million. Net income after taxes for 2006 was approximately $831,000. The Company sees consolidated net income to be between $500 and $600 thousand which will be reported in the Company's financial statements with financial notes, expected to be published in February and available for public viewing via http://www.pinksheets.com.

On January 30, 2007, Dragon Capital Group Corp. announced its financial forecast for FY2007. The Company's management anticipates the **main driver of its expansion in 2007 will come from internal expansion of its current subsidiaries coupled with the execution of select accretive acquisitions**. Management sees 2007 revenues from the current operations of its 7 Chinese subsidiaries in the range of **$55 to $60 million** with **net income in excess of $1.5 million** as net margins continue to improve. We have set our own independent EPS forecast for FY2007 of $3.5 million or $0.017 EPS for FY2006 using average weighted shares outstanding of 201 million shares. **We believe DRGV will have a much better profit margin in FY2007, as it completes its integration of its new acquisitions completed in FY2006 into its operations.**

Other noteworthy financial and per share statistics are listed in the table found on page 1 of this report.

RISK FACTORS / CONCERNS

The various operating units have inherent risk. The company's future is largely dependent upon the success in the adoption and rollout of all of its mobile solutions to enterprises in China and executing its business plan. DRGV's business development is substantially dependent on the expertise of its management team and directors, the loss of which could materially adversely affect future anticipated results. The company is still considered to be early in its life cycle and has modest reported revenues and short financial history. The company may not be able to generate or obtain sufficient funds to operate its business, which, could harm results, and force the company to curtail or cease plans for expanding operations. There can be **no assurance the company will be successful in its effort to secure additional financing** to support operations that will necessitate achievement of near and medium term goals.

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 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, albeit unlikely, could have a material adverse effect on the Company's financial condition. 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. These US companies may be able to offer products at a lower price. There can be no assurance that the Company will remain competitive should this occur.

The Company can not 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.

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

There are additional risks associated with doing business in China. Changes in the political leadership of the PRC may have a significant effect on laws and policies related to the current economic reforms program, other policies affecting business and the general political, economic and social environment in the PRC, including the introduction of measures to control inflation, changes in the rate or method of taxation, the imposition of additional restrictions on currency conversion and remittances abroad, and foreign investment. These effects could substantially impair DRGV business, profits or prospects in China.

The company may not be able to generate or obtain sufficient funds to operate its business. There can be no assurance the company will be successful in its effort to secure additional financing for acquisition based expansion that lie ahead. Trading in the shares will continue to be subject to major fluctuations for the foreseeable future. The stock is thinly traded at prices below $0.15 and selling of small positions could have a negative impact on the share price in absence of sufficient liquidity. The reverse is true if one or more large investors decide to acquire a block of DRGV shares that would result in demand outstripping supply and result in an upward squeeze in the price given the scant liquidity and daily trading volume.

We caution that historical volume activity on DRGV has been noticeably light, **and we are unable to forecast the direction of trading volumes in the coming months.** Major dilution of common stock can occur if company issues large blocks of common stock or convertible debt are converted/warrants exercised into common stock, that can negatively impact on the value of the shares either theoretically or if sold in the open market.

NASD and SEC Regulations covering rules on Penny Stocks apply for DRGV. All of the company's operations, revenues and assets are generated in and located in China. **Revaluation of the Chinese Renminbi** by authorities to allow the currency to strengthen can occur in 2006 that may provide a boost to financial numbers since the reporting currency is in US dollars. Likewise a risk exists that more flexibility introduced and more steps are announced to liberalize Chinese Yuan market could have an adverse affect if capital is reallocated on predominantly redeployed in the US.

Regulatory risk of doing business in China remains high and should be considered by investors. Policy changes by the Chinese Government is part and parcel of doing business in the PRC and any changes affecting the mobile and telecoms industry pose risk to the business outlook. Further policy changes and unexpected regulatory actions the Government and/or MII (Ministry of Information Industry) deem fit to protect the Chinese economy and new requirements may result in failure to earn revenues and profits that could disappoint investors. The company may from time to time be parties to various legal **actions, litigation or legal claims**.

<u>For further elaboration we advise readers to refer to the discussion on risk factors included in future upcoming filings with the SEC or published in other sources such as Pink Sheets website.</u>

MANAGEMENT & BOARD OF DIRECTORS

The Company's Sino-American team has entrepreneurial spirit, decades of bi-cultural executive business experience, solid technology backgrounds, as well as the critical edge of high level contacts with China's policymakers and industry leaders.

Their unique combination of professionals with experience in both China and the US represents a powerful resource critical to the success of Dragon Capital. Their seasoned professionals have actual experience with both the laws and business practices of China. This experience will serve as a competitive advantage for their portfolio companies.

Lawrence Wang – Chairman, CEO & General Manager of Shanghai Yazheng Information Technology Co., Ltd.

Lawrence Wang is one of founders of Shanghai Yazheng, where he has held its General Manager position since inception in 2000. For a decade prior to founding Yazheng, Mr. Wang was first an Assistant Professor and then an Associate Professor at of Department of Computer Science at Tongji University in Shanghai, China. During his career, Mr. Wang gained extensive experience in data warehousing and excavation, embedded computer systems and networking. Mr. Wang earned his Bachelor of Science in Computer Sciences at Jiaotong University, Shanghai, China in 1983. Since April 2005, Mr. Wang has been Chairman and CEO of Dragon Capital Group.

Wuzhang Wang – Director and General Manager of Shanghai Zhaoli Technology

Wuzhang Wang now serves as a director of the company and started his tenure on the board of directors in December 2005. He founded Shanghai Zhaoli Technology Development Company, Limited and has held the position of General Manager since its inception in 2000, growing annual sales to $26 million in 2005. Mr. Wang has extensive experience in distribution and marketing in China.

Mr. Wang graduated from Shanghai University of Engineering Science, majored in computer & application science at the Department of Electronic Engineering. Mr. Wang received the bachelor degree in computer science in 1993. In the past several years, he has created an extensive sale network for IT products. In addition, Mr. Wang developed the advanced ERP sales management software system. In December 2005, Mr. Wang became a director of Dragon Capital Group.

Hidy Cheng – Vice President of Dragon Capital & General Management of Shanghai Cnnest Technology Co., Ltd.

Hidy Cheng, Vice President, is a seasoned technology executive, who prior to joining Dragon Capital Group, held the CEO position at Shanghai Xinchao Technology Development Co. Ltd since 2004, a General Manger of Shanghai JiuNeng Computer Information Technology Co. Ltd which he founded in 2003 and is Vice President of Shanghai Zhongyu Telecommunication Technology Co. Ltd since 2002.

From Jul 2002 to Mar 2003, when he was vice president of Shanghai Zhongyu telecommunication technology Co. Ltd, he successfully extended the market in wireless businesses such as mobile real estate, mobile lottery and wireless matchmaker. From Aug 2000 to May 2002, when he worked as manager of market and sales department in Shanghai TIANNOU technology development Co. Ltd., their customers included Shanghai Shi Mao Plaza, Hanzhou Tianduo City, Sichuan New Hope Group and so on.

Mr. Cheng also founded Shanghai AOBEI Technology Co. Ltd, which collaborated with HUAWei Development to develop the Chinese domain name system. In his career, Mr. Cheng also worked as manager of market and sales department in Shanghai TIANNOU Technology Development Co. Ltd and a salesman in Nanning branch of the Legend Computer System Ltd. Mr. Chen graduated from GuangXi University in 1995.

Daniel Gi – Director and General Manager of Shanghai Fomde Information Technology Co., Ltd.

Mr. Gi received the master degree from TongjiUniversity, majored in Computer Science in 1993. From 1993 to 2000, he worked at the Department of Computer Science as the director of artificial intelligence laboratory at TongjiUniversity. Mr. Gi founded Shanghai Fomde Information Technology Company, Limited in 2000. Since then, Mr. Gi has been working as General Manager of Shanghai Fomde Information Technology Company, Limited. Over more than 10 years, he has completed many significant scientific research projects while he has published many research papers. In December 2005, he became a director or Dragon Capital Group.

The Company also has an active advisory board of members with extensive investment banking, financial and management experience over and above these persons mentioned above.

ADVISORY BOARD

James Wang, PhD – CEO of China Direct Investments, Inc.

From 2001 to 2004 Dr. Wang was President and Chairman of the Board of Directors of Genesis Technology Group, Inc. (OTC BB: GTEC), from 2000 until 2001 was President, Chief Operating Officer and Director of China Net & Technologies, Inc., and Vice President and Chief Operating Officer of Tensleep Corporation, a California-based integrated internet business that acquired development stage technology and service companies.

From 1998 until August 2001, Dr. Wang was President of Master Financial Group, Inc., a St. Paul, Minnesota based company, which was a wholly owned subsidiary of Tensleep Corporation that provided consulting services for small private and public companies in the area of corporate finance, investor relations and business management.

Between 1997 and 2000, Dr. Wang was a research scientist and Assistant Professor, Lab Director at the University of Minnesota's School of Medicine. Dr. Wang received a Bachelor of Science degree from the University of Science and Technology of China in Hefei, China in 1985, a Master of Science Degree from the Shanghai Second Medical University, Shanghai, China in 1988, and a Ph.D. degree from the University of Arizona in 1994, Tucson, Arizona.

James Wang, PhD – CEO of China Direct Investments, Inc.

Marc Siegel is Managing Director of China Direct Investments, Inc. and Chairman of CIIC Investment Banking and Services (Shanghai) Company Limited and serves as general partner of Edge Capital Partners, Ltd., a private investment fund. Previously Mr. Siegel served as President of vFinance Investments, Inc., an NASD member and full service financial services organization, and founded and served as CEO of First Level Capital, Inc., an NASD member merchant banking company later acquired by vFinance, Inc.

Prior to establishing First Level Capital, Inc., Mr. Siegel was a partner of Grady & Hatch & Co., Inc. where he served as President and Managing Director. In his career, Mr. Siegel also managed sales activities at Commonwealth Associates and Lehman Brothers, Inc. Mr. Siegel received a Bachelor of Arts degree from Tulane University in 1981 and holds a series of NASD licenses.

Professor Tingting Shan – General Manager of CII Investment Banking & Services (Shanghai) Company Ltd.

Prof Tingting Shan has over three decades of experience in enterprise management and is a General Manager of CIIC Investment Banking and Services (Shanghai) Company. Since 1995 he has been Executive Vice General Manager of CIIC Investment Corporation Limited in Shanghai, a leading state-owned enterprise funded by the State Council, where he headed four merger projects for various enterprises and created strategic development plans for the Yangtze River Delta, which resulted in the establishment of Yangtze River Delta Investment & Development Ltd. Professor Shan was also Chief Economist, Commercial Consultancy Center of Pudong New Area of Shanghai and from 1983 to 1992 he was Supervisor in Planning and Budget Industry Division of the Shanghai Bureau of Public Utility Management and Chief Economist and Manager of the Shanghai Business Manufacturing Corporation. Since 1986 Professor Shan has served as Executive Director of the Association of Shanghai Marketing and Researching and has lectured at various academic institutions in China.

INDUSTRY

China is the **world's most populous country with 1.3 billion people** 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 120–150 million people or 40–50 million households, up five-fold from 8 million households in 1978. Household purchasing power is between $9,000–12,000 and household wealth is approximately $36,000. The combination of massive capital investment, low cost labor, re-admission to the WTO in 2001 and a blossoming domestic consumer economy presents a rare opportunity to invest in a nation becoming a major economic superpower, to surpass even the United States.

Given the country's size and its demographics**, telecommunications currently clearly play one of the major roles in the Chinese economy.** Over the last decade, the Chinese telecommunication service sector has gone through key reforms that substantially deregulated the market previously dominated by the monopolistic China Telecom**. Today, the mobile telecom segment is dominated by China Mobile Hong Kong Ltd (NYSE: CHL) and China Unicom (NYSE:CHU)**, who currently rank as the **number one and number three mobile carriers in the world**. China surpassed the U.S. as the number one mobile market in the world already in 2002. No country in the world comes close to the **400 million cell phone users currently in China.** 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's largest foreign investor and overall exporter is Motorola, Inc., the world's second largest mobile phone producer, which has invested a total of $3.7 billion in China over the past few years. Still, according to figures quoted by Michael Tatelman, general manager of Motorola's Mobile Devices North Asia, the **handset penetration rate is still less than 40% in China.** In a recent presentation the company **cited robust industry data** illustrating that the **demand for IT Products/Services is booming in China. The Hardware Sales market in** China is estimated at **$45 billion growing at 40% annually, while software and IT service sales** was estimated at **$25 billion** and **$20 billion,** growing at annual rates of **75% and 100%** respectively.

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**. The Short Messaging Services (SMS) telecom niche is an Asian phenomenon, with Chinese SMS usage of over 500 billion text messages transmitted over 350 million cellular phone users in 2004 accounting for one-third of the world's traffic, according to the Ministry of Information Technology of China. **The China Industry Report in 2004 projected levels of cell phone use to be over 500 million by 2006.**

The Chinese refer to this SMS boom as the 'thumb economy', which generated over $2 billion in revenues in 2003, an increase of 15 times from $248 million in 2003. Yet, compared to mobile voice communications, mobile data communications is still at an early stage in China, accounting for only 9.4% of total mobile revenues in 2002, according to Pyramid Research. However, Strategy Analytics reports that cellular data services will become more important in the future and will account for approximately 36% of global mobile revenue in 2010.

See Appendix A-1 for Analyst Certification and Important Disclosures.

But with the technology moving into 3G wireless technology, allowing increased bandwidth and speed, **China Mobile and China Unicom expanded their mobile data services by launching the Monternet and Uni-Info platforms, respectively, further spurring growth of value-added wireless services.** Both companies adopted similar business models of partnering with Internet content and service providers who developed mobile content and data services while mobile operators provide the transmission network, billing systems, and fee collection services for the service providers based on revenue sharing arrangements. To encourage third party content providers to develop more MMS content, China Mobile raised the revenue share ratio, and now 85% of the MMS revenue goes to the service providers, while the carrier takes the remaining 15%, favoring service developers in comparison to the 80/20 revenue share ratio for plain-text SMS services.

The Chinese telecom industry is facing great opportunities in 2006. **One of the major drivers lies in the 3G licenses.** The Chinese government has been delaying issuing 3G licenses, keeping the global telecommunication industry in a state of suspense. It finally showed some certainty in December. Minister of Information Industry, Wang Xudong, said on December 27, 2005, China would "finish formulating policies for the development of 3G technology and business" in 2006. He also laid out plans for 3G deployment in detail.

3G Technology **presents great profitability potential after the initial two to three years, due to rising number of subscribers and increasing high-margin services. Therefore, who's going to get the license and who's not will make a big difference in the industry competitive landscape**. However, 3G technologies require enormous initial capital investment, which introduces huge operating risks at the beginning phase. Therefore, obtaining the 3G license itself does not guarantee a success, the ability to implement and operate it via a correct strategy will remain crucial. In a word, 2006 will be a critical year for the Chinese telecom industry, when the major players will fight for their share in the new arena.

The company's management team believes that the company has a **significant opportunity in the SMS business-user marketplace,** a segment of the niche market that offers a substantial amount of growth potential over the consumer marketplace for a company like Dragon Capital.

INVESTMENT THESIS AND RECOMMENDATION

Our analysis suggests Dragon Capital Group Corp. is an interesting speculative play among nano-cap companies offering exposure to the investor on the economic boom and the rapidly growing technology and telecom markets in the People's Republic of China. For stone-cold and patient investors, the obvious play here is to tag along by taking early strategic positions in foreign and domestic companies supplying to or benefiting from the Chinese juggernaut. China is the latest and greatest investment frontier for growth-oriented investors. The combination of China's massive size and rapid modernization is creating one of the greatest investment opportunities of the 21st Century. Trading over the counter on the Pink Sheets under the symbol DRGV since May 2005, the Company is positioned to become a diversified company with innovative technologies poised to alter the competitive landscape of the rapidly growing high-tech industry and a leader in 3G-based wireless applications in China.

The Chinese government is increasingly encouraging entrepreneurship in the nation of 1.3 billion people, with promising initial results. Numerous startups and high growth companies have hit the ground running, contributing and as a direct result of China's rapid GDP growth. It's clear that China is the place to consider investing in, both now and in the years ahead. The profits will be stunning and stock performance of Chinese related growth companies could very well mirror that of the US technology industry during the late 1990's.

Dragon Capital Group Corp is a 100% pure play opportunity with regards to Chinese technology advancement since all of its subsidiaries conduct business in China. Dragon was established to serves as a conduit between Chinese high-growth companies and Western investors. As China emerges as a growing force on the global stage, DRGV's professionals will provide invaluable services for Western investors seeking to gain access to the Chinese high-tech economy. In addition, DRGV functions as an incubator of high-tech companies in China, offering support in the critical functions of general business consulting, formation of joint ventures, access of capital, merger & acquisition, business valuation, and revenue growth strategies.

DRGV is developing a portfolio of high-tech companies operating in China. Its focus will be on innovative technological applications, which are poised to alter the competitive landscape of the industry. The Company's core competencies include the development of wireless internet applications and mobile business solutions, enterprise management and computerized automation systems integration, as well as other customized IT products and services.

The Company is strategically partnering with Tencent Holdings Limited to offer third generation (3G) wireless services for two top-tier Chinese telecommunications companies, such as China Mobile, and China Unicom Ltd. The Company is also an authorized agent for Epson, Cannon, Hewlett Packard and OKI products.

Both operating and financial risk involved in investing in a young technology company are typically high and should be considered by investors. In this case the risks are tied to the uncertainty surrounding competition and the speed and success of its 3G value added service and other technology related product and service rollout. Due to the business model that uses innovative and new solutions involving emerging technologies that are offered to customers, there is a risk to overcome the prevailing consumer resistance to new technologies, which if not achieved will raise marketing costs and to concentrate selling efforts. SG&A costs and capital expenditures need to be managed well in order to achieve consistent profitability. Readers should understand that there can be no assurance that the company will be able to fast-track its intended path towards diversifying the emerging technology portfolio of companies and the underlying client base, that will flow through directly to the top and or bottom line to build a consistent longer term profitable track record to enrich shareholder value.

We therefore only recommend investors that have a high tolerance for risk that are able and willing to forfeit either most or all of their capital in search for extraordinary returns, to consider investing in the shares. Also, in our view investors willing to commit capital to DRGV should do so with absolute minimum 2 year investment horizon, but preferably longer, to allow ample opportunity for growth to emerge until broader price discovery can materialize within the investment community that will allow the value behind the current acquisitions to be unlocked as new cutting-edge emerging value added technology is brought to the rapidly evolving Chinese corporate and retail consumer market(s). We also believe the shares can enjoy stellar upside if the Company can engage in cost savings and unlock synergies that will lead to improved margins. Short term we expect an upward price bias in DRGV stock.

We believe that the company will be able to continue to build a consistent track record upon its solid and impressive early foundations that will ultimately lead to a re-rating of the stock which will better reflect what we believe is a more realistic reflection of the true worth of the company. The goal of all publicly traded companies is to pay dividends and/or attempt to increase the value of their stock price. One of the core reasons which is pivotal to our bullish argument for upside in DRGV, results from our interpretation of the financial data and developments for Dragon Capital and added potential of its spin-off strategy for incubator companies that implies future equity dividend events or separate listings.

We see a value opportunity in DRGV stock for prospective and existing shareholders that can make tactical investment decisions, since management contemplates and targets spinning off the incubated companies from the main concern when the timing is right. This is the "the sum of its parts is worth more than the whole" argument. Based on recent outlook provided by management for FY 2006 for each of the respective units of the company, we expect financial performance to continue to show an improvement. Under the assumption that any further capital raising activity is well managed to contain any further major I/O increases and positive cash flow from operations to be generated in FY 2007 as more progress is made to consolidate and synergize recent acquisitions and cross-selling opportunities are seized, we are of the opinion that <u>DRGV stock has compelling upside potential.</u>

Given managements and our own independent forecasts, we are of the opinion that revenue potential of $61.5 million is achievable for FY 2007. Using our gross margin and operating cost assumptions we estimate a net pre-tax profit from operations of $5.39 million for FY 2007, and forecast FY 2007 EPS of 1.7c (assuming 201 million weighted number of shares outstanding). We have made any allowance for a 30% effective tax rate or tax expense.

Our view is that DRGV shares are beginning to reflect the expected positive financial improvements we expect in FY 2006 and which can accelerate into FY2007, but given the current low PE and Price to book multiples, we argue that the market is still assigning a low probability to the fact that high growth rates can be maintained off a larger revenue base.

We believe that a general lack of knowledge and exposure of the company in the investor community and/or other concerns that may be present on the marketplace are exaggerated and that this negative dampening effect on the low rating of the shares will be reversed once the company is listed on the AMEX (Peer companies trading at 1.5 to 2 times P/S value), more institutional interest, investor relations campaign and position taking occurs in DRGV. Using our FY 2007 EPS forecasts and applying a forward 12 month PE multiples of 25x, we arrive at forward share value of 43c going out 12 months.

The PE ratio chosen are based on a blend of peer telecom and IT services comparatives and as a function of the expected growth rate, or PEG methodology. We have chosen a discount rate (k) of 13%, which is a function of the stocks beta measure, which is typically high for telecom issues relative to other sectors.

{**k=Risk-free rate + (Market risk premium) * Beta**}

		Forward PE multiple	EPS Growth	PEG Multiple	Forward Price	Discount Rate (k)	Present Value
FY 2006 EPS	0.007	21.0	105%	0.27	0.16	12.5%	
FY 2007 EPS	0.017	25.0	133%	0.32	0.43	12.5%	0.3865
							0.3865

Price to Book	1.57
Price to Sales	0.29
Current PE	11.3
Forward PE	2.4
(FY 2007 EPS)	
EV	6.56
EBITDA*	1.52
EV/EBITDA	4.3
Debt/Equity	0.000
Current Ratio	1.713

Assumptions		
	Beta	2.20
	R_f	4.3%
	R_m	8.0%
	k	12.5%

$k=R_f+(R_m-R_f)*Beta$

We compute a present value of this future value (forward price) by discounting (SEE TABLE ABOVE). This process yields a result of 38.65c, which is our mathematical estimate of the value of DRGV under these assumptions. Given these calculations and our bottom up analysis, which is more qualitative in nature, we set a 12-month target price for the security of $0.40. All factors considered, we anticipate a stake in DRGV still has compelling upside potential in the coming 12 months. Our 12 month price target also implies a forward Price to Sales ratio (FY2006 revenues) of close to 0.29x our FY 2006 Revenue forecast of at least $42.2 million, which is still well below that of with the average listed telecom services sector names price to sales multiples of 1.64x.

We HIGHLIGHT to the reader that this forecast is made under the assumption that the company can attain our FY2007 revenue expectation of $61.5 million and a minimum of +1.7c EPS in FY2007. Moreover, we believe that the present market for DRGV shares is far from efficient, does not fully reflect the leverage possible from the future acquisitions that will bolster revenue and earnings growth. To summarize, we view that the share price and corresponding market capitalization does not adequately reflect the company's progress or potential. The dynamics of the OTCPK is unlikely to consistently support true valuations based on financial performance. Financial performance similar to that of Dragon Capital is supporting better share price to sales, price to earnings performance on national exchanges.

Comparing to its closest competitor, Pacificnet, Inc. (NASDAQ: PACT), a more advanced and larger conglomerate of Chinese technology companies the shares appear undervalued based on standard valuation metrics. With market capitalization of approximately $81 million, Pacificnet, Inc.'s 12-month trailing price to sales and price to earnings ratios are 1.43x and 53.74x, respectively. Compared to DRGV un-audited FY2006 revenues of $42.2 million and earnings of approximately $0.582 million, the same ratio values with the stock priced at $0.041 yield figures of just 0.29x and 11.3x. Alternatively, applying the Pacificnet, Inc. ratios and more particularly its forward PE multiple using FY2007 EPS estimates of 23.5x values to the company's financial results, would command a DRGV stock price of $0.29 based on the revenue metric and $0.40 based on PE. If FY 2006 and FY2007 growth assumptions and recent earnings and revenue forecasts are taken into account these comparative share price numbers for DRGV appear even more conservative. At a forward PE of 11.3x on FY 2006 EPS and a mere 2.4x FY2007 EPS of +1.7c, the reader will appreciate the relative and absolute undervaluation of Dragon Capital Group Corp. A second comparative Company is TOM Online, Inc. (NASDAQ:TOMO), a wireless internet company offering multimedia content to subscribers in China, with revenues of $185.7 million, which has a market cap of $751.3 million and a historic 12 month historic PE multiple of 19.6x and forward PE multiple on FY2007 EPS consensus estimates of 29.47x.

Finally, in addition to the expected 35-45% organic sales growth we expect to see in the coming 12 months, DRGV is actively pursuing its aggressive acquisition strategy to add new revenue streams. While appearing to offer considerable potential for substantial capital gains, this is a highly speculative security, which should only be considered by investors with a high-risk tolerance. General business risks include competitive nature of the high-tech business, uncertainties related to the foreign domicile, limited capital resources at this early stage and potential for significant dilution from further stock issuance, private placement deals etc.

See Appendix A-1 for Analyst Certification and Important Disclosures.

Other evident risk factors involving compliance issues and the nature of the penny stock regulatory environment include limited financial information due to lack of SEC reporting, low liquidity, high price volatility and other risks associated with the general lack of broker interest in pink sheet listings. However, notwithstanding the above risks, DRGV appears to offer very attractive opportunities to speculators willing to assume such higher risks for the potential rewards. The strong background of the management team and the very early major accomplishments against the backdrop of solid industry and domestic Chinese economic growth, augur well for the company's long term success.

DRGV's market capitalization value is currently less than a third the average market capitalization value of peer technology service companies. Once the company can achieve a listing on the AMEX exchange, which it has stated is part of its future objectives, investor awareness and visibility of DRGV will increase which can raise the rating of the stock beyond our target price goal.

With seasoned on-site management, the Company has established and maintained effective work relations and contacts within various governmental agencies, public institutes and private industries in China at both national and provincial levels, such as the Ministry of Foreign Trade and Economic Cooperation, State Development Planning Commission, Ministry of Construction, Ministry of Agriculture, Ministry of Science and Technology, Chinese Academy of Agricultural Sciences, State Drug Administration, China National Federation of Textile Industries and China National Center for Biotechnology Development.

In the past eighteen months, the Company has been strengthening its market position and shareholder value by acquiring attractively priced targets strategically fitting into its portfolio of companies, in a way to maximize cross-marketing opportunities and optimize respective cost structures. Currently, the Company continues to evaluate additional strategic acquisition opportunities in various information technology fields, including wireless applications, other telecommunications technologies and software development, and anticipates completing more acquisitions in the next year.

Under these assumptions we initiate coverage on DRGV with a SPECULATIVE STRONG BUY rating, which is our highest category rating.

Risk to our recommendation include amongst other: failure of new marketing campaign(s) to its Chinese retail and corporate customer base and landing of additional contracts, a slowdown in growth of current contract, service and product revenue streams that will lead to a contraction in revenue, earnings and forward PE multiple assumptions (PE compression). New competition in regional markets, any stringent or bold regulatory changes impacting adversely on the Chinese domestic technology and related telecom services and enterprise system integration markets, any inability to obtain necessary financing from capital markets when needed, to continue its business projects and/or major share dilution that can occur, if large quantities of shares are issued to extinguish debt or paid for services, are some additional factors that will counteract price appreciation potential or cause shares to decline in value.

Any failure to obtain adequate distribution of DRGV products/services to a large number of intended end users, the inability to achieve revenues in the future that depends in significant part upon Dragon Capital's ability to build upon existing relationships with, and provide support to, several large customers can hamper share price performance. As a result, any cancellation, reduction or delay in technology and IT spending may materially adversely affect the business, financial condition and results of operations and additional risk factors that could adversely affect the attainment of our share price target include:

Market acceptance of DRGV's products or services; consumer demand for, and acceptance of, products, services and follow-on products; the company's ability to create user-friendly applications and its unproven and evolving business model. Revenues and gross margins will depend significantly on the overall demand for SMS and 3G related products and services. Reduced capital spending budgets by DRGV customers caused by the ongoing industry downturn can lead to continued soft demand for products and services, which can resulted in decreased revenues, earnings levels or growth rates.

We would caution that given the size of the company (nano-cap) and risks involved, overall we advise private client positions be limited below 5% of the client's total portfolio size.

See Appendix A-1 for Analyst Certification and Important Disclosures.

Our rating system, for stocks we rate, is divided into four main classifications: **Buy**, **Positive, Neutral**, and **Sell/Avoid**. Our Buy rating is divided into sub classifications by our analysts to reflect the degree to which the analyst believes the shares are undervalued in relation to the market and its peers, and the degree of financial risk represented by an investment in the shares. These Buy sub classifications include: **SPECULATIVE BUY** and **SPECULATIVE STRONG BUY.** The analyst will comment in the company reports on any of the perceived risk factors underlying the assigned rating.

Classification	Sub Classification	Description
BUY RATINGS	**Speculative Strong Buy** **Speculative Buy**	*The current price of the company reflects a substantial discount from the market and from the valuation accorded its peers. The analyst believes the stock at current levels represents a compelling opportunity for capital gains over the time period to its target price.* ***Speculative*** *means the company does have significant financial or other risks, while the* ***Strong Buy*** *category means* ***at least 100% gain indicated over 12 months*** *between current and analyst target price. Speculative Buy means at* ***least a 50% appreciation*** *indicated over 12 months between current and analysts' target price.*
POSITIVE	**Speculative Positive**	*The current price reflects a discount from the market, and from its peers. The analyst believes the stock at current levels will provide an opportunity for capital gains over the period of its target price. Speculative means the company does have significant financial or other risks.* ***Speculative Positive means 0% up to 50% appreciation indicated over 12 months*** *between current and analysts' target price.*
NEUTRAL	**Neutral Rating**	*The analyst is* ***unable to assign a speculative buy/positive rating*** *due to a number of specified factors noted in the report. These include the stock being fairly valued relative to its peers and the market, or the company may have risks that make it potentially unsuitable for investment. Finally, there may be actions or financings the company must accomplish before being considered for raising the investment rating or* ***alternatively the stock has little or no recent financial disclosure or delinquent in SEC filings.***
SELL/AVOID	**Avoid**	*The analyst believes that the risks of investment in the company are too severe, and an investment in the company has a substantial probability for loss of all invested capital.*
	Sell	*We believe that the Company may be fairly valued or overvalued based on its current price, and that an investment in the company should produce below market returns.*

The table below contains a summary of ratings awarded by Bridge IR to covered companies in its universe during the past 12-18 months:

RATINGS Universe Distribution		SPECULATIVE NEUTRAL	SPECULATIVE POSITIVE	SPECULATIVE BUY	SPECULATIVE STRONG BUY
Percentage:	100%	16%	40%	22%	22%
TOTAL COMPANIES	55	9	22	12	12

See Appendix A-1 for Analyst Certification and Important Disclosures.

ANALYST CERTIFICATIONS APPENDIX A-1

The research analyst, who upon request wrote this report, certifies that the views expressed in this research report, accurately reflects his personal view about the subject company. The analyst also certifies that he does not own or have any beneficial interest in shares of the covered company, also that no part of his compensation was, is or will be directly or indirectly related to the specific recommendation or view expressed in this report. Bridge IR received $7,000 in compensation for work on the subject company from a third party.

Based on the facts that were provided, the industry trends present and sources of information used to produce this report, it is my best opinion and reflection of what the companys rating and share appreciation potential could be once research coverage is widely adopted. Investors are urged to consider this report as only a single factor in making their investment decision. Information, opinions or recommendations contained in this report or research note are submitted solely for advisory and information purposes and we also do not accept any obligation to provide updates to this report in future.

Clients of the analyst firm collectively own less than 1 percent of total shares outstanding of the issuer. For securities recommended in this report the firm is not a market maker, but may from time to time provide bids and offers and may act as principal in connection with such transactions to facilitate trading liquidity or execution. The firm of the analyst does not actively seek to do investment banking business with the company covered in this research report. This independent analysis and judgment relies on material supplied by the subject company and other sources, such as SEC filings believed to be reliable. The analyst that prepared this report cannot guarantee the information contained herein for accuracy or completeness.

All information contained in this report is subject to change without notification. The information contained in this report is not intended to be, and shall not constitute, an offer to sell, nor solicitation of any offer to buy, any security. Investors are advised to consult their personal broker or investment advisor before making any decision concerning the subject company. Investors are also urged to do their own due diligence. In our opinion, only high risk-oriented investors who can risk the loss of their entire investment should even consider a commitment to the covered company.

All readers are urged to peruse SEC documents relative to the subject company before making any investment decision. No reproduction of this report is permissible without the consent of the writing analyst. All rights reserved.

BRIDGE IR Group, Inc. Copyright. 2007.