

China Direct Industries, Inc.  
Form PRE 14A  
February 18, 2011

---

---

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934  
(Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under Rule 14a-12

China Direct Industries, Inc.

\_\_\_\_\_  
(Name of Registrant as Specified In Its Charter)

N/A

\_\_\_\_\_  
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

\_\_\_\_\_

Edgar Filing: China Direct Industries, Inc. - Form PRE 14A

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

\_\_\_\_\_  
(4) Proposed maximum aggregate value of transaction:

\_\_\_\_\_  
(5) Total fee paid:

\_\_\_\_\_  
 Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1. Amount Previously Paid:

\_\_\_\_\_  
2. Form, Schedule or Registration Statement No.:

\_\_\_\_\_  
3. Filing Party:

\_\_\_\_\_  
4. Date Filed:

March [\_\_], 2011

Dear Shareholders:

You are cordially invited to attend the 2010 annual meeting of the shareholders of China Direct Industries, Inc. on Friday, April 22, 2011, at 1:00 p.m., (Shanghai, China Time), at the Jin Jiang Hotel, 59 Maoming Road (S), Shanghai, 200020 China. We are holding our annual meeting in conjunction with our participation in the “Access to U.S. Capital Market Forum” that will feature several Chinese companies who are seeking access to capital in the U.S. public market will showcase their businesses to fund managers and investors. Matters on which action will be taken at the meeting are explained in detail in the attached Notice and Proxy Statement.

We are pleased to be furnishing our proxy materials through a “notice and access” model. Instead of mailing printed copies to each shareholder, on or about March [\_\_], 2011 we mailed a Notice of Internet Availability which contained instructions on how to access your proxy materials through the Internet, how each shareholder can receive a paper copy of the proxy materials, including our Proxy Statement, our 2010 Annual Report for the fiscal year ended September 30, 2010 on Form 10-K, Amendment No. 1 on Form 10-K/A and a form of proxy card, and how to access your proxy card to vote by mail, through the Internet or by fax. We believe this process will expedite your receipt of proxy materials, lower the cost of the annual meeting, and help to conserve natural resources.

We sincerely hope that you will be able to attend the meeting in person, and we look forward to seeing you. Whether or not you expect to be present, please promptly vote as your vote is important. Instructions regarding the various methods of voting are contained on the proxy card, including voting by mail, through the Internet and by fax. If you attend the annual meeting, you may revoke your proxy and vote your own shares.

Sincerely,

China Direct Industries, Inc.

/s/ Yuejian (James) Wang  
Yuejian (James) Wang, Ph.D.  
Chairman of the Board,  
Chief Executive Officer and President

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD ON APRIL 22, 2011

To the shareholders of China Direct Industries, Inc.

You are cordially invited to attend the annual meeting of shareholders of China Direct Industries, Inc. to be held at the Jin Jiang Hotel, 59 Maoming Road (S), Shanghai, China 200020 on Friday, April 22, 2011 at 1:00 p.m., (Shanghai, China Time). At the annual meeting you will be asked to vote on the following matters:

1. To elect a board of directors consisting of six members;
2. To approve under the applicable provisions of Nasdaq Marketplace Rule 5635 the issuance of our common stock in connection with the July 13, 2010 Equity Transfer Agreement we entered into to acquire an 80% interest in Taiyuan Ruiming Yiwei Magnesium Industry Co., Ltd. as this transaction is described in our proxy statement;
3. To consider and conduct a non-binding advisory vote regarding the compensation of named executive officers;
4. To consider and conduct a non-binding advisory vote upon the frequency of shareholder approval of compensation of named executive officers;
5. To ratify the appointment of Sherb & Co., LLP as our independent registered public accounting firm; and
6. To consider and act upon any other business as may properly come before the annual meeting or any adjournments thereof.

The board of directors recommends that you vote FOR Proposals 1, 2, 3, 4 and 5. These items of business are more fully described in the proxy statement that is attached to this Notice. The board of directors has fixed the close of business on February 28, 2011 as the Record Date for determining the shareholders that are entitled to notice of and to vote at the annual meeting and any adjournments thereof.

It is important that your shares are represented and voted at the meeting. If you received the proxy materials by mail, you can vote your shares by completing, signing, dating, and returning your completed proxy card, by mail or voting over the Internet. If you received the proxy materials over the Internet, a proxy card was not sent to you, and you may vote your shares over the Internet. To vote by Internet, follow the instructions included in the proxy statement. You can revoke a proxy at any time prior to its exercise at the meeting by following the instructions in the proxy statement.

You may attend the annual meeting and vote in person even if you have previously voted by proxy in one of the two ways listed above. Your proxy is revocable in accordance with the procedures set forth in the proxy statement.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2010  
ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON APRIL 22, 2011.

The Notice of Annual Meeting, Proxy Statement, the proxy card and 2010 Annual Report for the fiscal year ended September 30, 2010 are available at <http://www.edocumentview.com/cdii>.

By Order of the Board of Directors

/s/ Lazarus Rothstein

Lazarus Rothstein,  
Secretary

Deerfield Beach, Florida  
March [\_\_], 2011

---

TABLE OF CONTENTS

	Page
General	1
Questions and Answers	1
Who Can Help Answer Your Questions?	5
Corporate Governance	5
Board Committees	6
Director Compensation	8
Audit Committee Report	10
Executive Compensation	12
Principal Shareholders	16
Certain Relationships and Related Transactions	17
Certain Defined Terms	20
Proposal 1 - Election of Directors	21
Proposal 2 – Approval of issuance of our common stock in connection with our acquisition of an 80% interest in Taiyuan Ruiming Yiwei Magnesium Industry Co., Ltd.	24
Proposal 3 - Non-binding advisory vote regarding the compensation of named executive officers	26
Proposal 4 - Non-binding advisory vote upon the frequency of shareholder approval of compensation of named executive officers	27
Proposal 5 - Ratification of the Appointment of Sherb & Co., LLP	28
Other Matters	28
Dissenter’s Rights	28
Proposals of Shareholders	28
2010 Form 10-K	28
Where You Can Find More Information	28
Appendix A – Equity Transfer Agreement, as amended	

---

Shareholders Should Read the Entire Proxy Statement Carefully Prior to Returning Their Proxies

---

PROXY STATEMENT

---

FOR

ANNUAL MEETING OF SHAREHOLDERS

GENERAL

The enclosed proxy is solicited on behalf of the board of directors of China Direct Industries, Inc. for use at our annual meeting of shareholders to be held on Friday, April 22, 2011 at 1:00 p.m., (Shanghai, China Time), and at any adjournments thereof. The annual meeting will be held at the Jin Jiang Hotel, 59 Maoming Road (S), Shanghai, 200020 China. Voting materials, including this proxy statement, the proxy card, our 2010 Annual Report on Form 10-K and Amendment No. 1 on Form 10-K/A for the fiscal year ended September 30, 2010, are being made available to all of our shareholders on or about March [\_\_\_], 2011.

QUESTIONS AND ANSWERS

Following are some commonly asked questions raised by our shareholders and answers to each of those questions.

What may I vote on at the annual meeting?

At the annual meeting, shareholders will consider and vote upon the following matters:

- to elect a board of directors consisting of six members;
- To approve under the applicable provisions of Nasdaq Marketplace Rule 5635 the issuance of our common stock in connection with the July 13, 2010 Equity Transfer Agreement we entered into to acquire an 80% interest in Taiyuan Ruiming Yiwei Magnesium Industry Co., Ltd. (“Ruiming Magnesium”) as this transaction is described in our proxy statement;
- To consider and conduct a non-binding advisory vote regarding the compensation of named executive officers;
- To consider and conduct a non-binding advisory vote upon the frequency of shareholder approval of compensation of named executive officers every three years;
- to ratify the appointment of Sherb & Co., LLP as our independent registered public accounting firm; and
- such other matters as may properly come before the annual meeting or any adjournments thereof.

How does the board of directors recommend that I vote on the proposals?

The board of directors recommends a vote “FOR” each of the nominees to the board of directors, “FOR” – the issuance of our common stock in connection with our acquisition of an 80% interest in Ruiming Magnesium, “FOR” the compensation of named executive officers, “FOR” consideration by our shareholders of the compensation of named executive officers every three years, and “FOR” the proposal ratifying the appointment of Sherb & Co., LLP.

Why did I receive a one-page notice in the mail regarding the Internet availability of proxy materials instead of a full set of proxy materials?

In accordance with rules adopted by the U.S. Securities and Exchange Commission (SEC), rather than mailing a printed copy of our proxy materials to each shareholder of record, we will send each of our shareholders a Notice of Internet Availability of Proxy Materials "Notice", which indicates how our shareholders may:

- access their proxy materials over the Internet;
- make a one-time request to receive a printed set of proxy materials by mail; or
- make a permanent election to receive all of their proxy materials in printed form by mail or electronically by e-mail.

The Notice will also include your control number and instructions for voting your proxy over the Internet. If you no longer have your Notice and need to obtain your control number, you may contact us at 1-800-962-4284.



How can I get electronic access to the proxy materials?

The Notice provides you with instructions regarding how to:

- view our proxy materials for the annual meeting over the Internet; and
- instruct us to send our future proxy materials to you electronically by e-mail instead of sending you printed copies by mail.

Choosing to receive your future proxy materials by email will save us the cost of printing and mailing documents to you and will reduce the impact of our annual meetings of shareholders on the environment. If you choose to receive future proxy materials by email, you will receive an email next year with instructions containing a link to those materials and a link to the proxy voting site. Your election to receive proxy materials by email will remain in effect until you terminate it. Our 2010 Annual Report for the fiscal year ended September 30, 2010 on Form 10-K, as amended by Amendment No. 1 on Form 10-K/A (our “2010 Form 10-K”), accompanies these proxy materials but is not considered part of the proxy soliciting materials.

How do I vote?

You can vote either in person at the annual meeting or by proxy, by mail or over the Internet whether or not you attend the annual meeting. To obtain directions to attend the annual meeting, please call (954) 363-7333. If your shares are registered directly in your name with our transfer agent, Computershare Trust Co., Inc., you are considered the shareholder of record with respect to those shares and we are sending a Notice directly to you. As the shareholder of record, you have the right to vote in person at the annual meeting. If you choose to do so, you can bring the proxy card that is part of this proxy statement or vote at the annual meeting using the ballot provided at the meeting. Even if you plan to attend the annual meeting in person, we recommend that you vote your shares in advance as described below so that your vote will be counted if you later decide not to attend the annual meeting in person.

Most of our shareholders hold their shares in street name through a stockbroker, bank or other nominee rather than directly in their own name. In that case, you are considered the beneficial owner of shares held in street name, and the Notice is being forwarded to you. As the beneficial owner, you are also invited to attend the annual meeting. Because a beneficial owner is not the shareholder of record, you may not vote these shares in person at the annual meeting unless you obtain a “legal proxy” from the stockbroker, trustee or nominee that holds your shares, giving you the right to vote the shares at the meeting. You will need to contact your stockbroker, trustee or nominee to obtain a legal proxy, and you will need to bring it to the annual meeting in order to vote in person.

You can vote by proxy in two ways:

- by mail – If you received your proxy materials by mail, you can vote by mail by using the enclosed proxy card; and
- by Internet – You can vote by Internet by following the instructions on the Notice to access the proxy materials or on your proxy card if you received your materials by mail.

If you vote by proxy, your shares will be voted at the annual meeting in the manner you indicate.

The Internet voting system for shareholders of record will close at 11:59 p.m., Eastern Standard Time, on April 20, 2011. Please refer to the proxy card for details on all methods of voting.

What happens if additional matters are presented at the annual meeting?

Other than the election of directors, the ratification of the appointment of our auditor, the approval of the issuance of shares of our common stock in connection with the acquisition of Ruiming Magnesium, and the non-binding say on pay matters, we are not aware of any other business to be acted upon at the annual meeting. If you grant a proxy, the person named as proxy holder, Mr. Lazarus Rothstein, our Executive Vice President, General Counsel and Corporate Secretary, will have the discretion to vote your shares on any additional matters properly presented for a vote at the annual meeting.

What happens if I do not give specific voting instructions?

If you hold shares in your name, and you sign and return a proxy card without giving specific voting instructions, your shares will be voted as recommended by our board of directors on all matters and as the proxy holder may determine in his discretion with respect to any other matters properly presented for a vote before the annual meeting. If you hold your shares through a stockbroker, bank or other nominee and you do not provide instructions on how to vote, your stockbroker or other nominee may exercise their discretionary voting power with respect to the ratification of the appointment of Sherb & Co., LLP as our independent registered public accounting firm which is considered a routine matter. If the organization that holds your shares does not receive instructions from you on how to vote your shares on a non-routine matter, including the issuance of our common stock in connection with our acquisition of an 80% interest in Ruiming Magnesium, the non-binding advisory vote regarding the compensation of named executive officers, and consideration by our shareholders of the compensation of named executive officers every three years, the organization that holds your shares will inform us that it does not have the authority to vote on these matters with respect to your shares. This is generally referred to as a “broker non-vote.” When the vote is tabulated for any particular matter, broker non-votes will be counted for purposes of determining whether a quorum is present, but will not otherwise be counted. We encourage you to provide voting instructions to the organization that holds your shares by carefully following the instructions provided in the notice.

What is the quorum requirement for the annual meeting?

On February 28, 2011, the Record Date for determining which shareholders are entitled to vote, there were [\_\_\_\_\_] shares of our common stock outstanding which is our only class of voting securities. Each share of common stock entitles the holder to one vote on matters submitted to a vote of our shareholders. One-third of our outstanding common shares as of the Record Date must be present at the annual meeting (in person or represented by proxy) in order to hold the meeting and conduct business. This is called a quorum. Your shares will be counted for purposes of determining if there is a quorum, even if you wish to abstain from voting on some or all matters introduced at the annual meeting, if you are present and vote in person at the meeting or have properly submitted a proxy card or voted by using the Internet.

How can I change my vote after I return my proxy card?

You may revoke your proxy and change your vote at any time before the final vote at the annual meeting. You may do this by signing a new proxy card with a later date, by voting on a later date by using the Internet (only your latest Internet proxy submitted prior to the annual meeting will be counted), or by attending the annual meeting and voting in person. However, your attendance at the annual meeting will not automatically revoke your proxy unless you vote at the annual meeting or specifically request in writing that your prior proxy be revoked.

Is my vote confidential?

Proxy instructions, ballots and voting tabulations that identify individual shareholders are handled in a manner that protects your voting privacy. Your vote will not be disclosed either within our company or to third parties, except:

- as necessary to meet applicable legal requirements;
- to allow for the tabulation of votes and certification of the vote; and
- to facilitate a successful proxy solicitation.

Any written comments that a shareholder might include on the proxy card will be forwarded to our management.

Where can I find the voting results of the annual meeting?

The preliminary voting results will be announced at the annual meeting. The final voting results will be tallied by our transfer agent and Inspector of Elections and reported in a Current Report on Form 8-K which we will file with the SEC within four business days from the date of the annual meeting. We will also make the results available on our website, which is [www.cdii.net](http://www.cdii.net). We will identify a link to the results on the Investor Relations page of our website.

- 3 -

---

How can I obtain a separate set of voting materials?

To reduce the expense of delivering duplicate voting materials to our shareholders who may have more than one China Direct Industries stock account, we are delivering only one Notice to certain shareholders who share an address, unless otherwise requested. If you share an address with another shareholder and have received only one Notice, you may write or call us to request to receive a separate Notice. Similarly, if you share an address with another shareholder and have received multiple copies of the Notice, you may write or call us at the address and phone number below to request delivery of a single copy of this Notice. For future annual meetings, you may request separate Notices, or request that we send only one Notice to you if you are receiving multiple copies, by writing or calling us at:

China Direct Industries, Inc.  
Attention: Mr. Lazarus Rothstein,  
Executive Vice President and General Counsel  
431 Fairway Drive, Suite 200  
Deerfield Beach, Florida 33441  
Telephone: (954) 363-7333

Who pays for the cost of this proxy solicitation?

We will pay the costs of the solicitation of proxies. We may also reimburse brokerage firms and other persons representing beneficial owners of shares for expenses incurred in forwarding the voting materials to their customers who are beneficial owners and obtaining their voting instructions. In addition to soliciting proxies by mail, our board members, officers, and employees may solicit proxies on our behalf, without additional compensation, personally or by telephone.

How can I obtain a copy of China Direct Industries' 2010 Annual Report on Form 10-K?

You may obtain a copy of our 2010 Form 10-K for the fiscal year ended September 30, 2010, by sending a written request to the address listed above under "How can I obtain a separate set of voting materials". We will furnish the 2010 Form 10-K without exhibits at no charge. If you prefer a copy of the 2010 Form 10-K including exhibits, you will be charged a fee (which will be limited to our reasonable expenses in furnishing such exhibits). Our 2010 Annual Report on Form 10-K is available in PDF format from the Investor Relations page of our website at [www.cdii.net](http://www.cdii.net) and our 2010 Form 10-K with exhibits is available on the website of the SEC at [www.sec.gov](http://www.sec.gov).

What is the voting requirement to approve the proposals?

In the election of directors, the six persons receiving the highest number of (or plurality) "FOR" votes at the annual meeting will be elected. There will be no cumulative voting in the election of directors. The proposal to approve the issuance of our common stock in connection with our acquisition of an 80% interest in Ruiming Magnesium, the non-binding advisory vote regarding the proposal to approve the compensation of named executive officers, the non-binding proposal to approve the frequency of shareholder approval for the compensation of named executive officers, and ratify the appointment of Sherb & Co., LLP as our independent registered public accounting firm will be approved if the votes cast "FOR" each of the proposals exceed those cast against each of the respective proposals. Abstentions and broker non-votes will be treated as shares that are present, or represented and entitled to vote for purposes of determining the presence of a quorum at the annual meeting. Broker non-votes will not be counted as a vote cast on any matter presented at the annual meeting. Abstentions will not be counted in determining the number of votes cast in connection with any matter presented at the annual meeting.

Why is the company seeking shareholder approval for the issuance of its common stock in connection with our acquisition of an 80% interest in Ruiming Magnesium?

Nasdaq Listing Rule 5635(a) requires shareholder approval of a transaction involving the issuance of securities in connection with the acquisition of stock or assets of another company if any director, officer or Substantial Shareholder (as defined by Rule 5635(e)(3)) of our company has a 5% or greater interest (or such persons collectively have a 10% or greater interest), directly or indirectly, in the company or assets to be acquired or in the consideration to be paid in the transaction or series of related transactions and the present or potential issuance of common stock, or securities convertible into or exercisable for common stock, could result in an increase in our outstanding common shares or voting power of 5% or more (the "5% Share Limitation"). We are seeking approval under this rule because 622,172 shares we may be obligated to issue to Pine Capital Enterprises, Inc. ("Pine Capital") pursuant to the terms of the Equity Transfer Agreement (the "Equity Transfer Agreement") we entered into with Pine Capital and Taiyuan Yiwei Magnesium Industry Co., Ltd., a Chinese company ("Yiwei Magnesium") to acquire an 80% interest in Taiyuan Ruiming Yiwei Magnesium Industry Co., Ltd. exceeded 5% of our outstanding shares as of July 1, 2010. Yuwei Huang, our executive vice president of Ruiming Magnesium and member of our board of directors, owns or controls Pine Capital and Yiwei Magnesium. See Proposal No. 2 - Approval of the issuance of our common stock in connection with the Equity Transfer Agreement to acquire an 80% interest in Taiyuan Ruiming Yiwei Magnesium Industry Co., Ltd.

How can I communicate with the non-employee directors on China Direct Industries' board of directors?

The board of directors encourages shareholders who are interested in communicating directly with the non-employee directors as a group to do so by writing to the non-employee directors in care of our corporate secretary. Shareholders can send communications by mail to:

Mr. Lazarus Rothstein,  
Executive Vice President, General Counsel  
and Corporate Secretary  
China Direct Industries, Inc.  
431 Fairway Drive, Suite 200  
Deerfield Beach, Florida 33441

Correspondence received that is addressed to the non-employee directors will be reviewed by our corporate secretary or his designee, who will regularly forward to the non-employee directors a summary of all such correspondence and copies of all correspondence that, in the opinion of our corporate secretary, deals with the functions of the board of directors or committees thereof or that our corporate secretary otherwise determines requires their attention. Directors may at any time review a log of all correspondence received by us that is addressed to the non-employee members of the board of directors and request copies of any such correspondence.

#### WHO CAN HELP ANSWER YOUR QUESTIONS?

You may seek answers to your questions by writing, calling or emailing China Direct Industries at:

Mr. Lazarus Rothstein  
Executive Vice President, General Counsel  
and Corporate Secretary  
China Direct Industries, Inc.  
431 Fairway Drive  
Deerfield Beach, Florida 33441  
Telephone: (954) 363-7333  
Telecopier: (954) 363-7320  
generalcounsel@cdii.net

#### CORPORATE GOVERNANCE

##### Board of Directors

The board of directors oversees our business affairs and monitors the performance of management. In accordance with our corporate governance principles, the board of directors does not involve itself in day-to-day operations. The directors keep themselves informed through discussions with the Chief Executive Officer, other key executives and by reading the reports and other materials that we send them and by participating in board of directors and committee meetings. Our directors hold office until their successors have been elected and duly qualified unless the director resigns or by reason of death or other cause is unable to serve in the capacity of director. Biographical information about our directors is provided in "Election of Directors – Proposal No. 1" on page [\_\_].

##### Director Independence

We are required to have a majority of independent directors within the meaning of applicable NASDAQ Stock Market Rules. The board of directors has determined four of the six directors and nominees who would serve after April 22, 2011 are independent, which excludes Dr. Yuejian (James) Wang, our Chief Executive Officer, and Mr. Yuwei Huang, our Executive Vice President - Magnesium. The board of directors' determinations of independence was made in accordance with applicable SEC and NASDAQ Stock Market Rules.

#### Board of Directors Meetings and Attendance

During fiscal 2010, the board of directors held five meetings and acted by unanimous written consent four times. No incumbent director attended during their term, either in person or via telephone, fewer than 75% of the total meetings of the board of directors and at least 75% of the total meetings of the committees of the board of directors on which such director served. It is our policy that directors should make every effort to attend the annual meeting of shareholders. Drs. Wang and Shen and Messrs. Barnes, Steiner and Wasserman were present at our last annual shareholders meeting held on March 15, 2010.



### Code of Business Conduct and Ethics

We adopted a Code of Business Conduct and Ethics that applies to all of our directors, officers and employees, including our principal executive officer, principal financial and accounting officer. A copy of the Code of Business Conduct and Ethics is available on the Investor Relations page of our website at [www.cdii.net](http://www.cdii.net). We will post on our website any amendment to our Code of Business Conduct and Ethics or waivers of our Code of Business Conduct and Ethics for directors and executive officers.

### Complaints Regarding Accounting Matters

The audit committee has established procedures for:

- the receipt, retention and treatment of complaints regarding accounting, internal accounting controls, or auditing matters; and
- the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters.

### Communications with Directors

The board of directors has approved procedures for shareholders to send communications to individual directors or the non-employee directors as a group. Written correspondence should be addressed to the director or directors in care of Mr. Lazarus Rothstein, corporate secretary of China Direct Industries, Inc., at our primary address. Correspondence received that is addressed to the non-employee directors will be reviewed by our corporate secretary or his designee, who will regularly forward to the non-employee directors a summary of all such correspondence and copies of all correspondence that, in the opinion of our corporate secretary, deals with the functions of the board of directors or committees thereof or that the corporate secretary otherwise determines requires their attention. Directors may at any time review a log of all correspondence received by China Direct Industries that is addressed to the non-employee members of the board of directors and request copies of any such correspondence. You may also contact individual directors by calling our principal executive offices at (954) 363-7333.

### Legal Proceedings

There are no legal proceedings to which any director, director nominee, officer or affiliate of our company, any owner of record or beneficially of more than 5% of common stock, or any associate of any such director, officer, affiliate of our company or security holder that is a party adverse to our company or any of our subsidiaries or has a material interest adverse to us.

### Compliance With Section 16(a) of the Exchange Act