China Direct Industries, Inc.
Form 10-K
December 23, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)

Form 10-K

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

For the year ended September 30, 2011

or

o TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____to _____

Commission file number: 001-33694

CHINA DIRECT INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Florida	13-3876100
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

431 Fairway Drive, Suite 200, Deerfield Beach, Florida 33441
(Address of principal executive offices) (Zip Code)
Registrant's telephone number, including area code: (954) 363-7333
Securities registered under Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common stock, par value $0.0001	Nasdaq Global Market

Securities registered under Section 12(g) of the Act:
None
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
oYes x No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. o Yes x No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. x Yes o No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). xYes o No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company:

Large accelerated filer	o	Accelerated filer	o
Non-accelerated filer (Do not check if a smaller reporting company)	o	Smaller reporting company	x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) o Yes x No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked prices of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. $40,463,624 on March 31, 2011.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. 40,614,416 shares of common stock are issued and outstanding as of December 16, 2011.

DOCUMENTS INCORPORATED BY REFERENCE

None.

TABLE OF CONTENTS

INDEX OF CERTAIN DEFINED TERMS USED IN THIS REPORT

We have defined various periods that are covered in this report as follows:

- “fiscal 2012” — October 1, 2011 through September 30, 2012.
- “fiscal 2011” — October 1, 2010 through September 30, 2011.
- “fiscal 2010” — October 1, 2009 through September 30, 2010.

When used in this report the terms:

- "China Direct Industries”, "we”, "us” or “our” refers to China Direct Industries, Inc., a Florida corporation, and our subsidiaries;
- “CDI China”, refers to CDI China, Inc., a Florida corporation, and a wholly owned subsidiary of China Direct; and
- “PRC” refers to the People’s Republic of China.

Magnesium Segment

- “Chang Magnesium", refers to Taiyuan Changxin Magnesium Co., Ltd., a company organized under the laws of the PRC and a 51% owned subsidiary of CDI China;
- “Chang Trading”, refers to Taiyuan Changxin YiWei Trading Co., Ltd., a company organized under the laws of the PRC and a wholly owned subsidiary of Chang Magnesium;
- “Excel Rise”, refers to Excel Rise Technology Co., Ltd., a Brunei company and a wholly owned subsidiary of Chang Magnesium;
- “CDI Magnesium”, refers to CDI Magnesium Co., Ltd., a Brunei company and a former 51% owned subsidiary of Capital One Resources;
- “Asia Magnesium”, refers to Asia Magnesium Corporation Limited, a company organized under the laws of Hong Kong and a wholly owned subsidiary of Capital One Resource;
- “Golden Magnesium" refers to Shanxi Gu County Golden Magnesium Co., Ltd., a company organized under the laws of the PRC and a 100% owned subsidiary of Asia Magnesium;
- “Pan Asia Magnesium”, refers to Pan Asia Magnesium Co., Ltd., a company organized under the laws of the PRC and a former 51% owned subsidiary of CDI China;
- “Baotou Changxin Magnesium”, refers to Baotou Changxin Magnesium Co., Ltd., a company organized under the laws of the PRC, a 51% owned subsidiary of CDI China, and a 39% owned subsidiary of Excel Rise. Effectively China Direct holds a 70.9% interest;
- “IMG” or “International Magnesium Group”, refers to International Magnesium Group, Inc., a Florida corporation and a 100% owned subsidiary of China Direct Industries;
- “IMTC” or “International Magnesium Trading”, refers to International Magnesium Trading Corp., a company organized under the laws of Brunei and a 100% owned subsidiary of IMG;
- “Ruiming Magnesium”, refers to Taiyuan Ruiming Yiwei Magnesium Co., Ltd., a company organized under the laws of the PRC and an 80% majority owned subsidiary of CDI China; and
- “Beauty East” refers to Beauty East International, Ltd., a Hong Kong company and a 100% subsidiary of CDI China.

Basic Materials Segment

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“Lang Chemical”, refers to Shanghai Lang Chemical Co., Ltd. a company organized under the laws of the PRC and a 51% owned subsidiary of CDI China;

- “CDI Jingkun Zinc”, refers to CDI Jingkun Zinc Industry Co., Ltd., a company organized under the laws of the PRC and a 95% owned subsidiary of CDI Shanghai Management;
- “CDI Jixiang Metal”, refers to CDI Jixiang Metal Co., Ltd., a company organized under the laws of the PRC and a wholly owned subsidiary of CDI China;
- “CDI Metal”, refers to Shanghai CDI Metal Material Co., Ltd. (a/k/a Shanghai CDI Metal Recycling Co., Ltd.), a company organized under the laws of the PRC and a wholly owned subsidiary of CDI Shanghai Management; and
- “CDI Beijing” refers to CDI (Beijing) International Trading Co., Ltd., a company organized under the laws of the PRC and a 51% owned subsidiary of CDI Shanghai Management.
- “CDII Trading” refers to CDII Trading, Inc., a Florida corporation and a 100% owned subsidiary of China Direct Industries.

Consulting Segment

- “China Direct Investments”, refers to China Direct Investments, Inc., a Florida corporation, and a wholly owned subsidiary of China Direct;
- “CDI Shanghai Management”, refers to CDI Shanghai Management Co., Ltd., a company organized under the laws of the PRC and a wholly owned subsidiary of CDI China; and
- “Capital One Resource”, refers to Capital One Resource Co., Ltd., a Brunei company, and a wholly owned subsidiary of CDI Shanghai Management.

PART I

ITEM 1. BUSINESS.

Overview

We are a U.S. based company that sources, produces and distributes industrial products in China and the Americas. We also provide business and financial consulting services to public and private American and Chinese businesses. We operate in three identifiable business segments: Magnesium, Basic Materials and Consulting. Beginning in 2006, we established our Magnesium and Basic Materials segments which have grown through acquisitions of controlling interests of Chinese private companies. We consolidate these acquisitions as either our wholly or majority owned subsidiaries. Through our U.S. based industrial commodities business, established in 2009, we source, finance, manage logistics, and sell industrial commodities from North and South America for ultimate distribution in China. We are a U.S. company that manages a portfolio of Chinese entities and also provide consulting services to Chinese businesses.

In our Magnesium segment, our largest segment in revenues and total assets, we produce, sell and distribute pure magnesium ingots, magnesium powder and scraps.

In our Basic Materials segment, we sell and distribute a variety of products including industrial grade synthetic chemicals, steel products, non ferrous metals, recycled materials, and industrial commodities. This segment also includes our zinc ore mining property which has not commenced operations.

In our Consulting segment, we provide business and financial consulting services to U.S. public companies that operate primarily in China. The consulting fees we charge vary based upon the scope of the services to be rendered.

Our corporate headquarters are in Deerfield Beach, Florida which houses the U.S. executive and administrative team that guides our overall operations. Our U.S. office employs both English and Chinese speaking business and accounting staff and our legal and other executive management. These professionals focus on due diligence, business development, finance, accounting and compliance with the reporting requirements of the Securities and Exchange Commission (“SEC”) and other applicable laws in the U.S. and the PRC.

Corporate Initiatives

In fiscal 2011 management moved forward with several corporate initiatives to strengthen our Magnesium Segment in China and diversify our revenue base internationally. In our Magnesium Segment, we continued with management’s consolidation plan of magnesium facilities owned or controlled by Yuwei Huang, general manager of our Magnesium segment and member of our board of directors, in our effort to become the industry leader in the production and distribution of pure magnesium products. In May 2011 we acquired the remaining 48% non-controlling interest in Golden Magnesium, making it a wholly owned subsidiary of our company. In September of 2011 we entered into a definitive agreement, subject to shareholder approval, to acquire 100% of Golden Trust Magnesium Industry Co., Ltd. and 80% of Lingshi Xinghai Magnesium Industry Co., Ltd. Additionally, in September 2011, we sold our 51% interest in Pan Asia Magnesium, our only magnesium operation unaffiliated with Mr. Huang, for $3.05 million in cash. As a result of the implementation of our consolidation plan and improvements in demand for our magnesium products throughout fiscal 2011, we were able to achieve a 95% improvement in revenues in this segment as compared to fiscal 2010, including reaching profitability in the three month period ended September 30, 2011 where we recorded net income attributable to China Direct Industries of approximately $243,000. Management expects our annual magnesium ingot production capacity to reach 80,000 metric tons upon completion of these acquisitions and our annual magnesium powder production capacity to remain at 10,000 metric tons. Management intends to rationalize our overall magnesium operations to achieve effective utilization rates based on magnesium demand trends throughout the course of fiscal 2012.

In our Basic Materials segment we commenced sales from our U.S. based industrial commodities business. We established operations in Mexico, Chili and Bolivia where we entered into contracts with local operators and producers to secure supplies of iron ore. Throughout the course of fiscal 2011 we have established domestic logistics and materials processing capabilities and a relationship with a leading European logistics and trading solutions company to sell our sourced iron ore for delivery into China. We have also worked with our suppliers and local governmental authorities to obtain the necessary permits and approvals to process and export iron ore on a continuous basis in these countries. We believe we are well positioned to progressively build revenue from these operations throughout fiscal 2012 and for the foreseeable future. We are also evaluating potential strategic alternatives for non-core assets in this segment including but not limited to possible sale.

In our Consulting segment we have increased our marketing efforts in the U.S. and in China. These efforts include our recently launched marketing initiative for our new One-Stop China ValueTM program. This program is designed to implement a broad range of strategies to enhance and maximize shareholder value for China-based U.S. listed companies. We primarily focus our marketing efforts on companies with good corporate governance, management integrity, and the potential for growth and profitability. Other marketing plans include sponsoring trade symposiums, investment forums, and forming strategic alliances with industry and trade associations under the auspices of the Chinese Government. We believe these efforts will lead to additional clients and create significant growth in this segment in the coming years.

Magnesium Segment

We operate four magnesium facilities in China that produce and/or distribute pure magnesium ingots, powders and scraps. In fiscal 2011 revenues from this segment were $99.9 million, including revenues of $6.6 million from related parties, and represented 53.2% of our total consolidated revenues. In fiscal 2010 revenues from this segment were $51.1 million, including revenues of $7.4 million from related parties, and represented 45.3% of our total consolidated revenues.

We produced, sold and distributed approximately 36,637 metric tons of magnesium products in fiscal 2011. Through our acquisition of Ruiming Magnesium we produced and sold 3,484 metric tons of magnesium powders. As of September 30, 2011, we have total annual magnesium ingot production capacity of 50,000 metric tons and annual magnesium powder production capacity of 10,000 metric tons. In fiscal 2011 our average selling price of magnesium was approximately $2,703 per metric ton as compared to $2,348 per metric ton in fiscal 2010.

Magnesium is the third most commonly used structural metal, following steel and aluminum. It is the lightest and strongest of the structural metals, it is one fourth the weight of steel, two fifths the weight of titanium and two thirds the weight of aluminum. Magnesium has multiple industrial and consumer applications. Magnesium ingots are a prime raw material input for the production of titanium and aluminum alloys and magnesium alloys. Magnesium powder and granules are used to remove sulfur in the production of steel. Due to their unique light weight and high strength properties, magnesium alloys are used in a variety of aircraft and automobile parts, as well as in electronic equipment such as computers, cameras and cellular phones.

Our magnesium production facilities are located in the Shanxi Province and Inner Mongolia, China. These regions are rich in natural resources such as dolomite and ferrosilicon, the primary raw materials used to produce our pure magnesium. In addition, these areas have vast deposits of coal. Our magnesium facilities in the Shanxi Province utilize waste gas to fuel their furnaces. Waste gas is a by-product in the processing of coal into coke. The utilization of waste gas as an energy source is less expensive than burning coal and provides a more environmentally friendly source of energy compared to magnesium producers who burn coal to fuel their furnaces.

The exploitation of waste gas as energy is an important element to our Magnesium segment in light of the regulations implemented by the PRC to control industrial pollution. In April 2008, the PRC amended the Energy Conservation Law, previously adopted in 1997 which regulates national standards on energy conservation. The amendment establishes per unit energy consumption quotas for magnesium smelting, effective as of June 2008. Companies failing to meet the new environmental protection standards may be subject to penalties, in the form of fines and/or suspension. Our facilities have obtained a license from the appropriate provincial environmental protection administrations permitting them to produce magnesium. In addition, on March 7, 2011, the Ministry of Industry and Information Technology (MIIT) of the People’s Republic of China published new conditions for the magnesium industry setting standards for the layout, production capacity and environmental protection for the industry and to accelerate industry restructuring, enhance environmental protection, regulate investment and prevent redundant construction. The new conditions require existing producers to have annual production capacity of at least 15,000 metric tons per year. If an existing producer wishes to apply for renovation or expansion of its production, it will need to have a production capacity of at least 20,000 metric tons per year. Any new magnesium producers must have a planned capacity of at least 50,000 metric tons per year. In addition, new magnesium refining projects will be prohibited in areas 1 kilometer from drinking water sources, basic farmland protection areas, natural reserves, scenic spots and other areas that require strict environmental quality. See Item 1. Business – Government Regulation – Environment.

We utilize a production method for magnesium ingots known as the silicothermic manufacturing process, sometimes referred to as the ‘pidgeon process’. The pidgeon process, a common method employed in China, offers several advantages including reduced costs and production cycles. From an environmental perspective the process is beneficial when compared with alternative production methods. In addition, all of our facilities utilize high temperature air combustion technology, also known as flameless combustion in an attempt to further reduce production costs.

As of September 30, 2011, our available annual production capacity is approximately 50,000 metric tons of magnesium and 10,000 tons of magnesium powder as set forth in the table below:

	Capacity (In metric tons)	
Facility	Magnesium Ingot	Magnesium Powder
Baotou Changxin Magnesium	24,000	
Chang Magnesium	10,000	
Golden Magnesium	12,000	
Ruiming Magnesium	4,000	10,000
Totals	50,000	10,000

Sources and Availability of Raw Materials

We obtain dolomite and ferrosilicon, the primary raw materials used to produce pure magnesium and waste gas used to fuel our magnesium producing furnaces from a variety of sources including mining companies, coke refineries who produce waste gas as a by-product in the production of coke, washing coal, coal tar, sulfur, ammonium sulfate and benzene. We have a fixed price supply agreement for a specified quantity of waste gas for our Golden Magnesium facility which expires in August 2027. In fiscal 2011, Pine Capital Enterprise Inc., a related party accounted for over 10% of the purchases of finished goods for resale and raw materials used in our Magnesium segment. We purchase dolomite and ferrosilicon on a purchase order basis from local suppliers at market prices based on our production requirements.

Although we experienced short term shortages of electricity and coke gas during portions of fiscal 2010 and fiscal 2011 at some of our magnesium facilities due to government imposed power restrictions and the diversion of waste gas resources due to extreme cold weather conditions, we believe we will have access to sufficient electricity, dolomite, ferrosilicon and coke gas to meet our needs for the foreseeable future as the government imposed energy restrictions expire and demand for coke increases. See Item 1A – Risk Factors - Fluctuations in the cost or availability of electricity, coke, coal and/or natural gas would lead to higher manufacturing costs, thereby reducing our margins and limiting our cash flows from operations.

Proposed Acquisition of Golden Trust Magnesium and Lingshi Magnesium

In anticipation of continuing increases in worldwide demand for our magnesium products, in August 2011 we entered into a series of agreements (the “Transfer Agreements”) to acquire a 100% ownership interest in Golden Trust Magnesium Industry Co., Ltd. (“Golden Trust”) and an 80% ownership interest in Lingshi Xinghai Magnesium Industry Co., Ltd. (“Lingshi Magnesium”) from entities owned or controlled by Yuwei Huang, a director and executive officer of our company and Kong Tung, a director of our company. Golden Trust and Lingshi Magnesium have a combined pure magnesium production capacity of 32,000 metric tons per year. We agreed to pay an aggregate of $26,705,070 to acquire these companies payable $4,802,530 in cash or proceeds from repayment of our intercompany loans, $2,210,291 in cash or our common stock, $14,996,165 in shares of our common stock and $4,696,085 by way of assignment of our interest in a subsidiary of ours, Excel Rise. If all $17,206,456 of the purchase price is paid in shares of our common stock (18,188,642 shares), these shares will represent 31.1% of the total post closing shares of our company. Completion of this acquisition is subject to our shareholders’ approval of the issuance of our common stock under the Transfer Agreements. Although either party may terminate the Transfer Agreements if the transaction does not close by December 31, 2011, the parties are in discussions to extend the closing date while we seek the required regulatory and shareholder approval. In addition, in connection with our proposed acquisition of Golden Trust and Lingshi Magnesium, we plan on entering into a management agreement with Messrs. Huang and Tung to provide management services to the Golden Trust and Lingshi Magnesium and our other magnesium operations (the “Management Agreement”). The Management Agreement provides for the payment to Mr. Huang of an annual salary of RMB 2,400,000 (approximately US $375,000) and he and his management team are entitled to earn up to 960,000 shares of our common stock. Mr. Tung will be entitled to receive an annual salary of RMB 1,200,000 (approximately US $187,000) and he and his management team will be entitled to earn up to 480,000 Shares of the Company’s common stock. The shares of our common stock will be awarded by us upon achievement of the performance benchmark and other performance criteria set forth in the Management Agreement. The term of the Management Agreement will be three years.

Basic Materials Segment

In our Basic Materials segment, our primary business focus is selling and distributing a variety of products in Asia including industrial grade synthetic chemicals, steel products, non ferrous metals, recycled materials and industrial commodities. This segment also includes our zinc mining property. In fiscal 2011 our Basic Materials segment generated revenues of $69.0 million, representing approximately 36.7% of our total consolidated revenues. In fiscal 2010 revenues from this segment were $58.8 million and represented 52% of our total consolidated revenues.

Distribution of Synthetic Chemicals and Basic Resources. Through our Lang Chemical subsidiary, we act as a third party agent in the sale and distribution of industrial chemicals which are employed as raw materials in the production of a variety of finished products such as paint, glue, plastics, textiles, leather goods as well as various medical products. We sell and distribute four primary product categories of industrial grade synthetic chemicals, glacial acetic acid and acetic acid derivatives, acrylic acid and acrylic ester, vinyl acetate-ethylene (“VAE”) and polyvinyl alcohol (“PVA”). Through our CDI Beijing subsidiary we also sell and distribute steel related products including reinforcing steel bars and other industrial related commodities.

In July 2009, we launched our industrial industrial commodities business to engage in the global purchase and sale of industrial commodities. These commodities include mineral ores, non-ferrous metals, scrap metals, rare metals, petrochemicals, and other related commodities. In fiscal 2011 we have entered into agreements with suppliers in Mexico and parts of South America for the ongoing supply of iron ore for sale to our customers in China. We also market products from our other business units as well as some of our consulting clients by leveraging our relationships with buyers in China and abroad with worldwide suppliers we source. In fiscal 2011, we have entered into supply agreements in three countries.

Zinc Ore Mining.   We are in the process of renewing our lease for the mining rights to approximately 51 acres located in the Yongshun Kaxi Lake Mining area which is known to hold zinc ore. The mining rights we obtained from the Ministry of Land and Resources in 2004 allow for the mining of an aggregate of 10,000 metric tons of zinc ore per year expired in October 2009. See Note 9 – Property Use Rights to our financial statements included in this report. We have not commenced amortization of the acquisition costs for the mining rights as it has not started operations. We have no other mining rights and consequently do not have any history, positive or negative, regarding renewals of mining rights.

Due to a number of factors including the global economic downturn beginning in 2008, we did not commence operations or establish a reserve on the property. Management believes that its resources can be better utilized in its other businesses and is currently evaluating strategic alternatives for its zinc ore mine including acquisition of additional rights to adjacent mining sites and the partial or full sale of its interest in this business. Presently we do not have a timetable for when or if this business will be expended or sold.

Sources and Availability of Raw Materials

We obtain the industrial chemicals and steel related products which we distribute primarily from a variety of sources including manufacturers in China. We purchase these chemicals and steel related products on a fixed price supply agreement for a specified quantity for a specified period of time and on a spot basis at market prices based on our orders we receive or anticipated demand. In fiscal 2011, we have one supplier that accounted for over 10% of the purchases of chemicals we resell, Shanghai Wujing Chemical Co., Ltd. and three suppliers of steel related products, Jiu Rui Long (Beijing) Trading Co., Ltd., Beijing Bo Xing Tong Da Material Trade, Co., Ltd., Beijing Jiu Ding Ao Ye

Trading Co., Ltd. We believe we will have access to sufficient supply of the chemicals and steel related products we sell for the foreseeable future.

Consulting Segment

In our Consulting segment, we provide a suite of consulting services to U.S. public companies that operate primarily in China. We currently have service contracts with clients who conduct business in China or seek to conduct business within China. We generate revenues by providing consulting services in the areas of financing structures and arrangements, mergers, acquisitions and other business transactions, identifying potential areas of growth, translation services, managing and coordinating all necessary government approvals and licenses in the PRC, marketing services, investor relations services, and coordination of the preparation of required SEC filings.

Our consulting fees vary based upon the scope of the services to be rendered. Historically, a significant portion of the fees we earned have been paid in the form of our clients' securities. We classify these securities as investments in marketable securities available-for-sale or investment in marketable securities available for sale-related party. We value these securities at fair market value at the time of receipt for the purposes of our revenue recognition. Primarily all of the securities we receive as compensation are from small public companies and are typically restricted as to resale under Federal securities laws.

We have been actively marketing our advisory services in China and expect to add new consulting clients and complete additional transactions through these enhanced marketing efforts coupled with increasing demand from PRC companies seeking to list, or currently trading on, U.S. equity markets. We have and will continue to focus our efforts on those companies with potential for growth and profitability which are in need of business development and public relations expertise and capital. These efforts include sponsoring trade symposiums, investment forums, formation of strategic alliances with the industry and trade associations under the auspices of the Chinese government and our recently launched One-Stop China ValueTM program to help enhance shareholder value and provide essential corporate services.

In addition to potential transaction fees, we also anticipate receiving additional client fees generated from our ongoing annual service contracts. Management expects that revenues from transactional and activity–based fees from our existing clients and our current pipeline of prospects will be sufficient to support our advisory operations in the U.S. throughout the remainder of fiscal 2011 and beyond. Overall, management foresees our Consulting segment will remain an important revenue and earnings driver for our future growth in the years to come.

EMPLOYEES

As of November 30, 2011 we have approximately 1,578 full time employees, including 18 employees in the United States and 1,560 employees in the PRC. We believe we have good working relationships with our employees. We are currently not a party to any collective bargaining agreements.

For our employees in the PRC, we are required to contribute a portion of their total salaries to the Chinese government's social insurance funds, including medical insurance, unemployment insurance and job injuries insurance, as well as a housing assistance fund, in accordance with relevant regulations. We expect the amount of our contribution to the government's social insurance funds to increase in the future as we expand our workforce and operations.

Executive Officers of the Company

The following sets forth the names and ages of each of our executive officers as of September 30, 2011 and the positions they hold:

Name	Age	Position with the Company
Yuejian (James) Wang, Ph.D	49	Chairman, President and Chief Executive Officer
Andrew X. Wang	49	Executive Vice President and Chief Financial Officer
Yuwei Huang	57	Executive Vice President - Magnesium
Lazarus Rothstein	53	Executive Vice President, General Counsel and Secretary

Each of our executive officers holds office for such term as may be determined by our board of directors. Set forth below is a brief description of the business experience of each of our executive officers.

Yuejian (James) Wang, Ph.D. has served as our CEO and Chairman of the board of directors since August 2006. Dr. Wang, a co-founder of China Direct Investments, has served as its CEO and Chairman of its board of directors since its inception in January 2005. Dr. Wang has also been a member of the board of directors of CIIC Investment Banking Services (Shanghai) Company Limited from since June 2004 to 2007. From 2001 to 2004, he was President and Chairman of the board of directors of Genesis Pharmaceuticals, Inc. (formerly Genesis Technology Group, Inc.). From 2000 until 2001, Dr. Wang was President, Chief Operating Officer and director of China Net & Technologies, Inc., a technology firm. From 2000 until 2001, Dr. Wang was Vice President, Chief Operating Officer and director of Ten Sleep Corporation, a California-based integrated Internet company that acquired and licensed technology, identified, acquired and developed development-stage technology and service entities and focused on the internet infrastructure market-PC, application-ready devices. From January 2000 until November 2000, Dr. Wang was President of Master Financial Group, Inc., a St. Paul, Minnesota-based company which was a wholly-owned subsidiary of Ten Sleep Corporation that provided consulting services for small private and public entities 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, School of Medicine. Dr. Wang received a Bachelor of Science degree from the University of Science and Technology of China in He Fei, China in 1985, a Master of Science Degree from the Shanghai Second Medical University, Shanghai, China in 1988, and his Ph.D. degree from the University of Arizona in 1994.