

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

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FILER

China Direct, Inc.

CIK: **1088787** | IRS No.: **133876100** | State of Incorporation: **FL** | Fiscal Year End: **1231**
Type: **8-K** | Act: **34** | File No.: **001-33694** | Film No.: **09544101**
SIC: **3330** Primary smelting & refining of nonferrous metals

Mailing Address

431 FAIRWAY DRIVE
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DEERFIELD BEACH FL 33441

Business Address

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SUITE 200
DEERFIELD BEACH FL 33441
(954) 363-7333

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) January 23, 2009

CHINA DIRECT, INC.

(Exact name of registrant as specified in its charter)

Florida
(State or other jurisdiction
of incorporation)

001-33694
(Commission
File Number)

13-3876100
(IRS 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

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement.**Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.*****Appointment of I. Andrew Weeraratne as Chief Financial Officer and Principal Financial and Accounting Officer***

Effective January 26, 2009, the Board of Directors of China Direct, Inc. (the "Company") approved the appointment of I. Andrew Weeraratne as its Chief Financial Officer and Principal Financial and Accounting Officer. Mr. Weeraratne succeeded Ms. Jenny Liu, the Company's Vice President of Finance. Ms. Liu will remain with the Company, supervising the expansion of its accounting staff in China.

From February 2000 to January 2009, Mr. Weeraratne was the investment officer for Passerelle Corp., a private investment company. From August 2005 to December 2008 Mr. Weeraratne acted as a financial consultant working in a variety of industries including work with the Embassy of the United States of America in Iraq as a financial advisor to form an Iraqi Accounting Association to introduce International Accounting Standards to Iraq as part of a plan to privatize State owned enterprises after the Iraq war. From December 1998 to February 2000, Mr. Weeraratne was the Chief Financial Officer of National Lampoon, Inc. (formerly known as J2 Communications), a provider of branded comedic content. From November 1996 to December 1998, Mr. Weeraratne was the Controller for Beachport Entertainment Corp., a provider of family entertainment and sporting events and television programming. Mr. Weeraratne received a Bachelors of Science Degree in Accounting from Jones College in 1980 and graduated in 1976 from Tottenham College in London, England. He is licensed as a Certified Public Accountant in Florida.

Mr. Weeraratne will receive a salary of \$50,000 per year in cash plus \$12,500 per month in shares of the Company's common stock, of which \$5,000 per month will be in the form of registered shares of common stock and \$7,500 will be in the form of restricted common stock (collectively referred to as the "Stock Award"). All shares comprising the Stock Award will be issued under the Company's 2008 Non-Executive Stock Incentive Plan and will be issued within 10 days of the end of each monthly period during the term of employment (the "Award Date"). The restricted common stock will vest 100% 12 months after each Award Date and will be subject to the terms and conditions of the Company's restricted stock award agreement as approved by the Company's Compensation Committee of the Board of Directors. The number of shares of the Company's common stock to be issued under the Stock Award will be computed by dividing \$12,500 by the closing price of the Company's common stock on the last business day of each full month over the 12 month period after the Effective Date. In addition, Mr. Weeraratne is entitled to participate in the Company's health benefit plan. Either the Company or Mr. Weeraratne may terminate Mr. Weeraratne's employment at will without penalty.

Appointment of Philip Y. Shen, Ph.D. as a Director

Effective January 26, 2009, the Company's Board of Directors, in accordance with its bylaws, appointed Philip Y. Shen, Ph.D. to the Board as an independent director to hold office until the next annual meeting of stockholders and until his successor is duly elected and qualified or until his resignation or removal.

Dr. Shen possesses three decades of high level experience in international sales and marketing, manufacturing, mergers/acquisitions, cross border investment, combined with his cultural background and fluency in Chinese dialects. Dr. Shen has held numerous positions with Leggett and Platt, Inc. ("Leggett and Platt"), a Fortune 500 Company, for more than the past 20 years until his retirement in 2008. Leggett and Platt is a diversified manufacturer of a broad variety of engineered components and products for customers worldwide. Prior to his retirement at Leggett and Platt, Dr. Shen held the position of president of its Asia Pacific operations where he was responsible for business development, sales and marketing, sourcing and manufacturing, mergers and acquisitions, licensing and cross-cultural negotiations in the company's Asia Pacific region. Since his retirement in 2008, Dr. Shen has been engaged in international consulting representing clients in the area of cross-border investment and marketing. In addition, since 2004, Dr. Shen has published a monthly publication, *China Insights*, which reports on a variety of topics important to business development and bi-directional trade. Dr. Shen earned a Ph.D. degree in biochemistry from Western Michigan University in 1971.

Dr. Shen will receive \$5,000 per quarter and \$750 for each Board meeting he attends in-person. Additionally, upon election to the Board effective on January 26, 2009, the Board granted Dr. Shen 4,000 shares of the Company's restricted common stock. The restricted common stock will vest on April 26, 2009 but only if Dr. Shen is still a director of the Company at the time of vesting. The shares of restricted stock are eligible for the payment of dividends, if the Board were to declare dividends on the Company's common stock. The grant of restricted stock is made in addition to Dr. Shen's cash retainer and meeting attendance fees.

Appointment of Mr. Yuwei Huang as a Director and Executive Vice President - Magnesium

Effective January 26, 2009, the Company's Board of Directors, in accordance with its bylaws, appointed Mr. Yuwei Huang as a director to hold office until the next annual meeting of stockholders and until his successor is duly elected and qualified or until his resignation or removal. In addition, Mr. Huang has been appointed as Executive Vice President of the Company's magnesium segment. The Company

believes that Mr. Huang's appointments will further strengthen its overall corporate decision making capabilities. Mr. Huang has substantial expertise in magnesium production and distribution and is a pioneer in the magnesium industry in China bringing a wealth of knowledge to the Company's senior management level.

Mr. Huang, has served as Chief Executive Officer of the Company's subsidiary, Taiyuan Changxin Magnesium Co., Ltd. ("Chang Magnesium") since June 2006. Mr. Huang also serves as General Manager of Taiyuan YiWei Magnesium Industry Co., Ltd. since founding the company in 1999 and serves in various positions with its affiliated entities including Vice Chairman of Shanxi Golden Trust YiWei Magnesium Industry Co., Ltd. since 2002, Vice Chairman of Taiyuan Qingcheng YiWei Magnesium Industry Co., Ltd. since 2001, Vice Chairman and General Manager of Taiyuan Minwei Magnesium Industry Co., Ltd. since 2000, General Manager of Taiyuan YiWei Magnesium Factory since 1998 and Chairman of Shangxi NiChiMen YiWei Magnesium Co., Ltd. since 1994. Taiyuan YiWei Magnesium Co., Ltd., a minority owner of Chang Magnesium, owns interests in seven subsidiary magnesium factories, a magnesium alloy factory and a magnesium powder desulphurization reagent factory, all located in China.

Mr. Haung, who is an executive officer of the Company, will not be paid any compensation for his services as a member of the Board of Directors.

Resignation of Marc Siegel as President and a Director

On January 23, 2009, in concert with the aforementioned additions, Mr. Marc Siegel resigned as president and a director of the Company. Mr. Siegel's resignation was not the result of any disagreement with the Company on any matter relating to the Company's operations, policies or practices.

On January 23, 2008, the Company entered into a consulting agreement with Mr. Siegel whereby Mr. Siegel will provide advice relating to the Company's client consulting companies regarding their capitalization; alternative financing structures and arrangements and potential sources of investment capital; assist in developing appropriate acquisition criteria and identifying target industries; identify, evaluate, structure and provide advice in connection with potential mergers and acquisitions, divestitures, spin-offs, joint ventures and other corporate transactions; assist in evaluating and make recommendations concerning their relationships among various lines of business and potential areas for business growth; and provide such other services upon which Mr. Siegel and the Company may mutually agree.

The term of the consulting agreement begins on January 23, 2009 and terminates on December 31, 2009. As compensation for his services, the Company will pay Mr. Siegel \$120,000 in either cash or shares of the Company's common stock, \$.0001 par value per share (the "Common Stock"), at the option of the Company (the "Consulting Shares"). The number of Consulting Shares, if issued in lieu of the cash amount, will be equal to the result of dividing \$120,000 by the per share closing price of the Common Stock on the business day immediately following the Company's filing of a public announcement disclosing the resignation of Mr. Siegel (the "Valuation Date"). The Consulting Shares will be payable in four equal installments payable on March 31, 2009, June 30, 2009, September 30, 2009 and December 31, 2009. The Severance Shares will be issued pursuant to the Company's 2008 Non-Executive Stock Incentive Plan and were approved by the Compensation Committee of the Company's Board of Directors. The award of the Severance Shares are intended to be exempt from Section 16(b) of the Securities Exchange Act of 1934 (the "Act") pursuant to Rule 16b-3 of the Act. In the event the Company elects to pay Mr. Siegel in cash, such cash payments will be made quarterly as follows: \$30,000 on March 31, 2009, \$30,000 on or before June 30, 2009, \$30,000 on or before September 30, 2009, and \$30,000 on or before December 31, 2009.

In addition, on January 23, 2008, the Company entered into a separation agreement with Mr. Siegel in connection with his resignation as President of the Company. Pursuant to the separation agreement, Mr. Siegel will receive a one-time award of \$165,000 in shares of the Company's common stock valued at the Valuation Date. Mr. Siegel waived his annual base salary provided for in his employment agreement from October 1, 2008 through January 23, 2009 and the incentive compensation including bonus, if any, due in 2008. In addition, Mr. Siegel will be entitled to benefits under the Company's health care and dental insurance plans (the "Benefit Plans") for a period of 12 months. The separation agreement also includes a mutual non-disparagement clause and a general release of any claims against the Company by Mr. Siegel. In addition, the Company agreed to purchase 1,500,000 shares of its Common Stock owned by Mr. Siegel at an aggregate purchase price of \$1,650,000 pursuant to the Company's stock repurchase program approved on September 10, 2008.

As part of the severance agreement, Mr. Siegel entered into a lock-up agreement whereby he agreed to limit the number of shares of Common Stock he may sell, offer to sell, make any short sale or otherwise dispose of any shares of the Common Stock he owns directly or indirectly as a custodian (the "Lock-Up Agreement") as follows: (i) for a 90 period from the date of the Lock-Up Agreement (the "Private Transaction Lock-Up Period"), he may offer and sell up to a maximum of 700,000 shares of the Company's Common Stock plus the shares of Common Stock he receives pursuant to the severance agreement (the "Private Transaction Shares") in one or more private transactions; and (ii) until Mr. Siegel no longer owns any shares of the Common Stock, a number of shares of the Common Stock owned by Mr. Siegel in amounts that do not exceed 10% of the daily trading volume of the Company's Common Stock at the Volume-Weighted Average Price ("VWAP") of the stock.

The Lock-Up Agreement provides that in the event of a breach of the agreement, the Company will be entitled to terminate the January 23, 2009 Consulting Agreement entered into by and among the Company and Mr. Siegel. In addition, in the event Mr. Siegel breaches any of the terms of the Lock-Up Agreement, and if requested by the Company, Mr. Siegel will pay to the Company an amount equal to 50% of the proceeds from such sales in violation of the Lock-Up Agreement as liquidated damages. The Lock-Up Agreement permits Mr. Siegel to transfer the Company's Common Stock he owns (i) as a bona fide gift or gifts, provided that the donee or donees thereof agree to be bound in writing by the restrictions set forth herein or (ii) to any trust for the direct or indirect benefit of Mr. Siegel or the immediate family of Mr. Siegel, provided that the trustee of the trust agrees to be bound in writing by the restrictions set forth in the Lock-Up Agreement.

This summary of the separation and severance agreement, consulting agreement, stock purchase agreement and lock-up agreement is qualified in its entirety by reference to these agreements which are attached as exhibits to this Form 8-K and incorporated herein by reference.

Amendment to Yuejian (James) Wang, Ph.D.'s Employment Agreement

On January 23, 2009, Yuejian (James) Wang, Ph.D, our Chief Executive Officer entered into an amendment to his August 7, 2008 employment agreement with the Company. The January 23, 2009 amendment waives the annual base salary provided for in the employment agreement from October 1, 2008 through December 31, 2008 and the incentive compensation including bonus, if any, due in 2008. All other terms and conditions of the employment agreement remains in full force and effect.

Item 7.01 Regulation FD Disclosure

On January 26, 2009, the Company issued a press release announcing the appointment of Dr. Shen and Mr. Huang as directors, the appointment of Mr. Weeraratne as Chief Financial Officer and the resignation of Mr. Siegel. A copy of the press release is attached hereto as Exhibit 99.1 and incorporated by reference herein.

The information in this item 7.01 of this Current Report on Form 8-K, including Exhibit 99.1, shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits:

- 10.1 Consulting Agreement dated January 23, 2006 between China Direct, Inc. and Marc Siegel.
- 10.2 Separation and Severance Agreement dated January 23, 2006 between China Direct, Inc. and Marc Siegel.
- 10.3 Stock Purchase Agreement dated January 23, 2006 between China Direct, Inc. and Marc Siegel.
- 10.4 Lock-Up Agreement dated January 23, 2006 between China Direct, Inc. and Marc Siegel.
- 99.1 Press release dated January 26, 2009 (furnished herewith).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CHINA DIRECT, INC.

Date: January 26, 2008

By: /s/ Yuejian Wang
Yuejian (James) Wang,
Chief Executive Officer

CONSULTING AGREEMENT

This Consulting Agreement ("Agreement") is made as of January 23, 2009 by and between China Direct, Inc., a Florida corporation ("Client") and Marc Siegel ("Consultant"). Client and Consultant may collectively be referred to as the "Parties".

WITNESSETH:

WHEREAS, the Client deems it advisable to retain the Consultant to provide consulting and advisory services, and the Consultant is willing to provide such services to the Client on the terms and conditions described herein.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained in this Agreement, the parties hereto agree as follows:

1. Consulting Services. Upon the terms and subject to the conditions contained in this Agreement, Consultant hereby agrees that it shall, during the term of this Agreement, undertake the performance of the following services for Client's consulting companies (the "Services"):
 - a. Upon request of Client, familiarize himself, to the extent appropriate and feasible, with the business, operations, properties, financial condition, management and prospects of Client and its client consulting companies;
 - a. Provide advice relating to their capitalization;
 - b. Evaluate alternative financing structures and arrangements and potential sources of investment capital;
 - c. Assist in developing appropriate acquisition criteria and identifying target industries;
 - d. Identify, evaluate, structure and provide advice in connection with potential mergers and acquisitions, divestitures, spin-offs, joint ventures and other corporate transactions;
 - b. Assist in evaluating and make recommendations concerning the relationships among Client's and its client consulting companies various lines of business and potential areas for business growth; and
 - c. Provide such other services upon which the Parties may mutually agree.

The services to be provided hereunder may be performed at Client's office located in Deerfield Beach, Florida. Consultant shall be provided with office accommodations located among the senior executive officers of Client.

2. Term. This Agreement shall commence as of the effective date of this Agreement and terminate on December 31, 2009.
3. Compensation. Upon execution of this Agreement, the Client shall issue to Consultant
 - a. Client shall pay to Consultant \$120,000 in either cash or Common Stock, at the option of the Client (the "Consulting Shares"). The number of Consulting Shares, if issued in lieu of the cash amount,

shall be equal to the result of dividing \$120,000 by the per share closing price of the Common Stock on the business day immediately following the Company's filing of a public announcement disclosing the resignation of Marc Siegel. The Consulting Shares shall be payable in four equal installments payable on March 31, 2009, June 30, 2009, September 30, 2009 and December 31, 2009. The Severance Shares shall be issued pursuant to the Company's 2008 Non-Executive Stock Incentive Plan and are subject to approval of the Compensation Committee of the Company's board of directors. The award of the Severance Shares are intended to be exempt from Section 16(b) of the Securities Exchange Act of 1934 (the "Act") pursuant to Rule 16b-3 of the Act. In the event the Client elects to pay Consultant in cash, such cash payments shall be made quarterly as follows: \$30,000 on March 31, 2009, \$30,000 on or before June 30, 2009, \$30,000 on or before September 30, 2009, and \$30,000 on or before December 31, 2009.

4. Warranties. Consultant warrants that the Services to be provided under this Agreement shall be performed in a professional manner employing reasonable commercial efforts. This warranty shall be valid for a period of thirty (30) days from the performance of the Services. Except as specifically provided in this Section 4, Consultant disclaims any and all other warranties with respect to the services provided hereunder, including without limitation any implied warranty of merchantability or fitness for a particular purpose. Consultant does not warrant the results of any services. In addition, Client acknowledges and agrees that Consultant is not engaged in the practice of law or the provision of legal services, and that Client alone is completely and independently responsible for compliance with all state, federal and international laws applicable to Client and the operation of its business. Consultant's entire liability to Client (or any other person or entity) for any loss or damages resulting from any breach of this Agreement, claims, demands or actions arising out of or relating to the Services, whether in contract, tort (including negligence) or otherwise, shall not exceed the sum of \$5,000. Except for the intentional conduct of Consultant, Consultant will not be liable for any damages caused by the Client's action or inaction, or for any indirect, incidental, consequential, special, punitive or exemplary damages or lost profits, including, but not limited to, damages for loss of business profits, business interruption, loss of business information, data, goodwill or other pecuniary loss arising from Consultant's failure to provide the Services even if Consultant has been advised of the possibility of such damages.

5. Termination. This Agreement may be terminated by the Consultant upon at least 30 days' written notice to the Company to such effect or by the Company with "Cause" (as defined below). As used in this Agreement, "Cause" shall mean a termination of the Consulting Period based upon:

(i) misconduct by the Consultant or any of his employees to the material and demonstrable detriment of the Company;

(ii) the conviction (by a court of competent jurisdiction, not subject to further appeal) of, or pleading guilty to, a felony by the Consultant;

(iii) the Consultant's continued and ongoing gross negligence in the performance of his duties and responsibilities to the Company as described in this Agreement;

(iv) the Consultant's material failure to perform his duties and responsibilities to the Company as described in this Agreement (other than any such failure resulting from the Consultant's incapacity due to physical or mental illness), in either case after written notice from Client to the Consultant of the specific nature of such material failure and the failure of the Consultant to cure such material failure within thirty (30) days following receipt of such notice; or

(v) a breach by Consultant of the Lock-Up Agreement entered into between Consultant and the Company.

Upon termination of this Agreement pursuant to Section 5, the Consultant and the Company shall not have any further obligation under this Agreement, except for the obligations of the Consultant under Section 6 below.

6. Non-Compete and Confidential Information.

a. Non-Competition Covenant.

i. During the term of this Agreement, the Consultant shall not, directly or indirectly, become a consultant (including, but not limited to, through any entity of which the Consultant is an employee, officer, director or advisor), employee, director or advisor of, or otherwise affiliated with, any company (including such company's subsidiaries) that operates its business in the Peoples Republic of China (the "PRC").

ii. During the Consulting Period and for a period of two years thereafter, the Consultant shall not, directly or indirectly, solicit or hire or encourage the solicitation or hiring of any person who was an employee of Client at any time on or after the date of such termination, exclusive of David Stein, (unless more than six months shall have elapsed between the last day of such person's employment by Client and the first date of such solicitation or hiring).

b. Confidential Information. In the course of performing services under this Agreement, Client may disclose to Consultant, and Consultant may otherwise obtain knowledge of or access to, trade secrets and other proprietary and confidential information concerning the Client, the Client products, financial condition, services, research and development plans, and other matters pertaining to the Client's business ("Confidential Information"). Consultant agrees to treat and hold all Confidential Information as secret and confidential, and to apply strict standards of care to maintain the secrecy of the Confidential Information. In this regard, Consultant agrees not to copy or reproduce any Confidential Information and not to disclose the contents of any Confidential Information to any person or entity, other than officers and directors of the Client or with their written permission. Consultant further agrees to return to the Client written or other copies (including electronic media containing Confidential Information) of any and all Confidential Information in Consultant's possession. The provisions of this Section 6 shall not apply to any Confidential Information that Consultant is obligated by law to disclose to any court or any federal or state government agency; provided, however, that in the event disclosure is required by law Consultant shall provide the Client with prompt notice of such requirement so that the Client may seek an appropriate protective order prior to such required disclosure by Consultant. In addition, Consultant hereby acknowledges that he is aware that the United States securities laws may prohibit any person who has material, nonpublic information concerning Client from purchasing or selling securities of Client or from communicating such information to any other person under circumstances in which it is reasonably foreseeable that such person is likely to purchase or sell such securities.

7. Relationship. Consultant shall be an independent contractor within the meaning of all federal, state and local laws and regulations governing employment insurance, workers' compensation, industrial accident, labor and taxes. Consultant shall not, by reason of this Agreement, acquire any benefits, privileges or rights under any benefit plan operated by the Company or its subsidiaries or affiliates for the benefit of their employees, including, without limitation, (i) any pension or profit-sharing plans or (ii) any plans providing medical, dental, disability or life insurance protection.

8. Authority. Unless otherwise agreed by the Company and Consultant in writing, during the term of this Agreement, Consultant shall not have the power or authority to enter into, execute agreements or other documents that are binding upon the Company or have the authority to direct the operations of the Company, other than within the scope of the services provided for in this Agreement.

9. Modifications. This Agreement can only be modified by a written agreement duly signed by persons authorized to sign agreements on behalf of Client and Consultant, and variance from or addition to the terms and conditions of this Agreement or other written notification will be of no effect. The failure of any Party to enforce any right it is granted herein, or to require the performance by the other Party hereto of any provision of this Agreement, or the waiver by any Party of any breach of this Agreement, shall not prevent a subsequent exercise or enforcement of such provisions or be deemed a waiver of any subsequent breach of this Agreement.

10. Entire Understanding. This Agreement represents the entire understanding and agreement between the Parties with respect to the subject matter hereof, and merges all prior discussions between them and supersedes and replaces any and every other agreement or understanding which may have existed between the Parties to the extent that any such agreement or understanding relates to providing services to Client. To the extent, if any, that the terms and conditions of Client's orders or other correspondence are inconsistent with this Agreement, this Agreement shall control.

11. Force Majeure. No delay, failure or default in performance of any obligation by either Party, excepting all obligations to make payments hereunder, shall constitute a breach of this Agreement to the extent caused by, in whole or in part, the other Party (and within the other party's reasonable control) or an act of God, war, civil disturbance, terrorist act, court order, labor dispute, or other cause beyond its reasonable control, and such nonperformance will not be a default under this Agreement.

12. Laws, Severability, Venue, Waivers. The validity of this Agreement and the rights, obligations and relations of the Parties hereunder shall be construed and determined under and in accordance with the laws of the State of Florida, without regard to conflicts of law principles thereunder provided, however, that if any provision of this Agreement is determined by a court of competent jurisdiction to be in violation of any applicable law or otherwise invalid or unenforceable, such provision shall to such extent as it shall be determined to be illegal, invalid or unenforceable under such law be deemed null and void, but this Agreement shall otherwise remain in full force. Suit to enforce any provision of this Agreement, or any right, remedy or other matter arising therefrom, will be brought exclusively in the state or federal courts located in Broward County, Florida. Client agrees and consents to venue in Broward County, Florida and to the in personam jurisdiction of these courts and hereby irrevocably waives any right to a trial by jury.

13. Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed, shall constitute an original copy hereof, but all of which together shall consider but one and the same document.

14. Disclaimer. Consultant acknowledges that it has and will during the term of this Agreement, rely upon information provided by Client in connection with the performance of the Services and in accepting the Client's securities as full or partial payment of the Compensation under this Agreement.

15. Expenses. Client shall reimburse Consultant in cash for all pre-approved expenses incurred by Consultant in regard to the performance of services under this Agreement. Such reimbursement shall be made by Client within 5 days after Consultant submits a request for reimbursement for such expenses which request shall include receipts for such items.

16. Notices. All notices to be given hereunder shall be in writing by mail and/or and delivery to:

Consultant:

Marc Siegel
943 Lake Wyman Road
Boca Raton, Florida 33431

Client:

China Direct, Inc.
431 Fairway Drive
Deerfield Beach, FL 33411

17. Indemnification. Except for intentional acts of Consultant, Consultant shall not be liable to the Client or to any officer, director, employee, stockholders, or creditor of the Client, for any act or omission in the course of or in connection with the provision of advice or assistance hereunder. The Client agrees to and shall defend, indemnify and hold Consultant harmless from and against any and all suits, claims, demand, causes of action, judgment damages, expenses and liability, (including court costs and attorney's fees paid in the defense of Consultant) which may in any way result from services provided by Consultant pursuant to or in connection with this Agreement. The Client agrees that if Consultant is made a party, is threatened to be made a party, to any action, suit or proceeding, whether civil, criminal, administrative, or investigative (a "Proceeding"), by reason of the fact that Consultant is or was an employee of the Client, or is or was serving at the request of the Client as an employee or agent of another corporation, partnership, joint venture, trust, or other enterprise, including service with respect to clients of the Client, whether or not the basis of such Proceeding is Consultant's alleged action in an official capacity while serving as an employee or agent, Consultant shall be indemnified and held harmless by the Client, to the same extent as the officers and directors of the Client, to the fullest extent legally permitted against all cost, expense, liability, and loss (including, without limitation, attorney's fees, judgments, fines, ERISA excise taxes or other liabilities or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by Consultant in connection therewith, and such indemnification shall continue as to Consultant even if he has ceased to be an employee or agent of the Client or other entity and shall inure to the benefit of Consultant's heirs, executors, and administrators. In return for the above provision, Consultant promises to cooperate with the Client at its expense in his or the Client's defense of any actions taken by private parties and/or federal or state governmental bodies against the Consultant or the Client.

18. Other Activities. Except as provided for in Sections 6(a) and (b), nothing contained herein shall prevent Consultant from acquiring or participating in a transaction of any kind with any other entity.

19. Disclaimer. Consultant acknowledges that he has relied upon the information provided by Client. Consultant has in entering into this Amendment, relied on the warranties or representations made by Client, its officers, directors, agents, legal counsel or accountants concerning Client and/or its stock as to matters past, present or future.

20. Attorney's fees. The Client shall pay, as and when due, any and all attorneys' fees and costs incurred by Consultant in connection with any dispute or settlement arising from his affiliation with the Client, or as an employee or agent of another corporation, partnership, joint venture, trust, or other enterprise, including service with respect to clients of the Client, whether or not the basis of such Proceeding is Consultant's alleged action. Consultant shall be indemnified and held harmless by the Client, to the same extent as the officers and directors of the Client, to the fullest extent legally permitted.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date first above written.

Client:

China Direct, Inc.

By: /s/James Wang

Name: James Wang

Title: CEO, Chairman

Consultant

Marc Siegel

By: /s/ Marc Siegel

Name: Marc Siegel

SEPARATION AND SEVERANCE AGREEMENT

This Separation and Severance Agreement (“Agreement”) is made and entered into on January 23, 2009 by and between China Direct, Inc., a Florida corporation, and its various subsidiaries and affiliates, (hereafter collectively referred to as the “Company”), and Marc Siegel (“Siegel”).

RECITALS

- A. Siegel has been employed by the Company as its President.
- B. Siegel and the Company entered into an employment agreement on August 7, 2008, as amended (the “Employment Agreement”).
- C. Siegel holds the following securities of China Direct, Inc.

(i) Common Stock:

4,400,000 shares of China Direct, Inc. common stock, par value, \$.0001, (“Common Stock”)

(ii) Options to purchase Common Stock:

<u>Amount</u>	<u>Ex Price</u>	<u>Issued</u>	<u>Exp.</u>	<u>Vest</u>
400,000	\$ 5.00	1/1/05	1/1/2012	1/1/2007
500,000	\$ 7.50	1/1/05	1/1/2013	1/1/2008
500,000	\$ 10.00	1/1/05	1/1/2014	1/1/2009

- D. The parties desire to terminate their relationship on an amicable basis pursuant to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual promises, undertakings and releases, receipt of which is hereby acknowledged as sufficient consideration by both parties, the parties agree as follows:

1. **Recitals.** The above recitals are true, correct, and are herein incorporated by reference.
2. **Resignation of Employment.** Siegel hereby resigns as President and Director and from any and all other offices or positions he may have with the Company or any of its subsidiaries or affiliated companies, to be effective on the date hereof (“Termination Date”).
3. **Termination.** The Employment Agreement is permanently terminated effective on the Termination Date. The Company shall reimburse Siegel pursuant to section 4. D. of the August 7, 2008 Employment Agreement for expenses incurred up to and including the Termination Date. In addition Siegel hereby waives his right to receive all Base Salary, Incentive Compensation, performance bonus, if any, and additional forms of compensation provided for in the Employment Agreement whether due or accrued through the Termination Date.
4. **Severance and Benefits.** Subject to the conditions set forth herein, the Company and Siegel agree to the following.

(a) Siegel's obligations under this Agreement are conditioned upon Siegel entering into an agreement to sell an aggregate of 1,500,000 shares of Common Stock in exchange for \$1,650,000.

(b) On the Termination Date, the Company shall pay Siegel \$165,000 in either cash or Common Stock, at the option of the Company (the "Severance Shares"). The number of Severance Shares, if issued in lieu of the cash amount, shall be equal to the result of dividing \$165,000 by the per share closing price of the Common Stock on the business day immediately following the Company's filing of a public announcement disclosing the resignation of Marc Siegel. The Severance Shares can be sold by Siegel on a daily basis at no more than 10% of the daily trading volume of the Common Stock at the Volume-Weighted Average Price ("VWAP") of the Common Stock. The Severance Shares shall be issued pursuant to the Company's 2008 Non-Executive Stock Incentive Plan and are subject to approval of the Compensation Committee of the Company's board of directors. The award of the Severance Shares are intended to be exempt from Section 16(b) of the Securities Exchange Act of 1934 (the "Act") pursuant to Rule 16b-3 of the Act.

(c) The Company shall retain Siegel as a consultant pursuant to consulting agreement mutually agreeable to the Company and Siegel to be entered into upon execution of this Severance Agreement.

(d) Commencing on the Termination Date and continuing until January 31, 2010, the Company shall pay for all insurance premiums for Siegel to participate in the Company's health care and dental insurance plans (the "Benefit Plans"). Should Siegel elect not to participate in the Benefit Plans, the Company will reimburse Siegel in cash for the expense incurred in participating in another health care and dental insurance plan procured by Siegel. The Company's obligation to reimburse Siegel is limited to the Company's cost of providing benefits to Siegel under the Benefit Plans.

(e) Commencing on the Termination Date, Siegel will enter into the Lock-Up Agreement attached to this Severance Agreement as Exhibit A (the "Lock-Up Agreement"). Siegel hereby agrees to forfeit the following options to purchase shares of the Company's Common Stock:

Options to purchase Common Stock:

Amount	Ex Price	Issued	Exp.	Vest
400,000	\$ 5.00	1/1/05	1/1/2012	1/1/2007
500,000	\$ 7.50	1/1/05	1/1/2013	1/1/2008
500,000	\$ 10.00	1/1/05	1/1/2014	1/1/2009

(f) So long as the Company is a reporting company under the Act, the Company agrees to maintain a current registration statement covering the resale of the Severance Shares. The Company shall maintain the effectiveness of the current registration statement covering the shares of Common Stock issuable pursuant to the stock options to be retained by Siegel. Following the issuance of shares pursuant to the exercise of such stock options, the Company will have no obligation to maintain a registration statement covering those shares.

(g) At the request of the Company, Siegel, during normal business hours, will reasonably assist the Company in furnishing, to the extent he has or can ascertain, documents and information for any filings required by the Company with the state or federal authorities and in responding to other inquiries on matters handled during his employment with the Company. The

Company shall reimburse Siegel in cash for all preapproved expenses incurred by Siegel in the performance of this Section 4 (i).

(h) The Company agrees that if Siegel is made a party, is threatened to be made a party, to any action, suit or proceeding, whether civil, criminal, administrative, or investigative (a "Proceeding"), by reason of the fact that Siegel is or was an employee of the Company, is or was a consultant to the Company, or is or was serving at the request of the Company as an employee or agent of another corporation, partnership, joint venture, trust, or other enterprise, including service with respect to clients of the Company, whether or not the basis of such Proceeding is Siegel's alleged action in an official capacity while serving as an employee, agent or consultant, Siegel shall be indemnified and held harmless by the Company, to the same extent as the officers and directors of the Company, to the fullest extent legally permitted against all cost, expense, liability, and loss (including, without limitation, attorney's fees, judgments, fines, ERISA excise taxes or other liabilities or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by Siegel in connection therewith, and such indemnification shall continue as to Siegel even if he has ceased to be an employee or agent of the Company or other entity and shall inure to the benefit of Siegel's heirs, executors, and administrators. In return for the above provision, Siegel promises to cooperate with the Company at its expense in his or the Company's defense of any actions taken by private parties and/or federal or state governmental bodies against the Company. Such cooperation includes, but is not limited to, travel to the State of Florida at the Company's expense, for purposes of deposition and/or trial, if necessary.

(i) The Company shall pay in cash, as and when due, any and all attorneys' fees and costs incurred by Siegel in connection with any dispute or settlement arising from his affiliation with the Company, as an employee or as a consultant, or as an employee or agent of another corporation, partnership, joint venture, trust, or other enterprise, including service with respect to clients of the Company, whether or not the basis of such Proceeding is Siegel's alleged action. Siegel shall be indemnified and held harmless by the Company, to the same extent as the officers and directors of the Company, to the fullest extent legally permitted.

(j) Siegel acknowledges that, in consideration of the terms of this Agreement, the Company is not obligated to pay him any other severance pay and Siegel agrees that the amounts set forth above are all Siegel is to receive from the Company. Such severance pay is full and complete satisfaction of all of the Company's obligations to Siegel, including all obligations under the Employment Agreement and constitutes consideration for the releases of Siegel in this Agreement.

5. Return of Property. Company acknowledges that Siegel has returned to the Company, in good condition, all property, documentation and materials of the Company in Siegel's possession. Siegel will return to the Company, upon request from the Company, any property, documentation and materials as may be requested by the Company.

6. Non-Disparagement. The Company and Siegel further agree that they shall not make any disparaging, denigrating, critical or untrue statements (public or private) about the Company, its management or about any other employee of the Company, its technology, products, customers, suppliers, business or prospects or about Siegel. In addition, Siegel shall not make any public statements about the Company, its management or about any other employee of the Company, its technology, products, customers, suppliers, business or prospects or about Siegel. It is agreed and understood that any breach of this paragraph by Siegel or the Company would be material to the other.

7. General Releases and Voluntary Waiver of Rights.

(a) Except for the obligations created by or arising out of this Agreement or any future consulting agreement between the Company and Siegel, effective on or after the Termination Date, Siegel (and his heirs, successors and assigns) waives, and releases and forever discharges Company and

its shareholders, directors, officers, successors, assigns, transferees, employees, representatives and agents, both current and former (the "Company Indemnitees") from all claims, rights, and causes of action, in law or in equity, or any kind whatsoever, which has or may have against the Company Indemnitees, as of this date whether such claims, right or causes of action are known or later discovered. The claims, rights and causes of action covered by this waiver and release include, but are expressly not limited to, any claim, right or cause of action based on any federal, state or local law, constitution, statute or ordinance, including without limitation, Title VII of the Civil Rights Act of 1964, as amended; the Civil Rights Acts of 1866 and 1871, the Equal Pay Act of 1963, as amended; the Fair Labor Standards Act of 1938, as amended; the Family and Medical Leave Act of 1993, as amended; the Age Discrimination in Employment Act of 1967, as amended; the Rehabilitation Act of 1973, as amended; Employee Retirement Income Security Act of 1974, as amended; the Americans With Disabilities Act of 1990; as amended; the Older Workers Benefit Protection Act; the Occupational Safety and Health Act of 1970, as amended; the National Labor Relations Act of 1935, as amended (including the Labor Management Relations Act of 1947, as amended); the Uniformed Services Employment and Re-employment Rights Act, as amended; the Immigration Reform and Control Act of 1986; the Fair Credit Reporting Act, as amended; the Employee Polygraph Protection Act of 1988; the Florida Civil Rights Act of 1992, as amended; Fla. Stat. Section 112.3187, 440.15, 440.205, 760.50, and 540.08; Fla. Stat. Ch. 295, 447, 448, 768 and 770; and any other claim right or cause of action found in tort (including negligence), contract, public, policy, estoppel or any other common law or equitable basis of action except those which may not lawfully be waived. Siegel specifically acknowledges that he has been advised that he should consult with an attorney concerning his rights and the signing of this Release and has done so.

(b) Except for the obligations created by or arising out of this Agreement or any future consulting agreement between the Company and Siegel, effective on the Termination Date, the Company, and the Company's subsidiaries and affiliated companies, do hereby release, acquit, satisfy and forever discharge and covenant not to sue Siegel or Siegel's descendants, heirs, successors and assigns, and each of them, past or present, from any and all manner of action, causes of action, rights, liens, agreements, contracts, covenants, obligations, suits, claims, debts, dues, sums of monies, costs, expenses, attorneys' fees, judgments, orders and liabilities, accounts, covenants, controversies, promises, damages, of whatever kind and nature in law or equity or otherwise whether now known or unknown, including specifically but not limited to, any and all claims arising out of such employment relationship Siegel had with the Company and the transactions and relationships described herein.

(c) Siegel does not and will not seek reinstatement, future employment or return to active employment status at Company and further acknowledges that he has no rights to such reinstatement, future employment or return to active status, unless formally requested by the Company or the Board of Directors.

(d) This Agreement may not be revoked. In the event that either party initiates a legal proceeding and/or arbitration against the other party which arises from or relates to this Agreement and/or Siegel's employment by the Company, the prevailing party shall be entitled to recover reasonable attorneys fees.

8. Non-Admissions. The Company and Siegel agree that neither this Agreement nor the consideration given shall be construed as an admission of any wrongdoing or liability by the Company or Siegel, and that all such liability or wrongdoing is expressly denied.

9. Confidentiality. In the course of serving as an employee of the Company, the Company has disclosed to Siegel, and Siegel may otherwise have obtained knowledge of or access to, trade secrets and other proprietary and confidential information concerning the Company, the Company products, financial condition, services, research and development plans, and other matters pertaining to the Company's business ("Confidential Information"). Siegel agrees to treat and hold all Confidential

Information as secret and confidential, and to apply strict standards of care to maintain the secrecy of the Confidential Information. In this regard, Siegel agrees not to copy or reproduce any Confidential Information and not to disclose the contents of any Confidential Information to any person or entity, other than officers and directors of the Company or with their written permission. Siegel further agrees to return to the Company written or other copies (including electronic media containing Confidential Information) of any and all Confidential Information in Siegel's possession. Further, Siegel and Company shall not directly or indirectly disclose, or cause to be disclosed, any information whatsoever regarding the terms of this Agreement to anyone except to each party's immediate family members, accountants, legal or tax advisor(s), or as required by law. This Agreement shall not be used as evidence in any proceeding, except a proceeding to enforce the terms of this Agreement. The provisions of this Section 9 shall not apply to any Confidential Information that Siegel is obligated by law to disclose to any court or any federal or state government agency; provided, however, that in the event disclosure is required by law Siegel shall provide the Company with prompt notice of such requirement so that the Company may seek an appropriate protective order prior to such required disclosure by Siegel.

10. Anti-Coercion. Each of the Parties hereto has entered into this Agreement without undue influence, fraud, coercion, duress, misrepresentation, or restraint having been imposed upon them by any other party, and further acknowledges that each party had the opportunity to be represented by counsel of their own selection.

11. Interpretation of Release. For the purposes of interpretation and construction of this Agreement, this Agreement shall be deemed to have been drafted by the Company and by Siegel.

12. Notices. Any notice required or permitted to be given under the terms of this Agreement shall be sufficient if in writing and if sent postage prepaid by registered or certified mail, return receipt requested; by overnight delivery; by courier; or by confirmed telecopy, in the case of Siegel to the business or residence as shown on the records of the Company, or in the case of the Company to its principal office or at such other place as it may designate.

13. Entire Agreement. This Agreement constitutes the entire agreement between the parties and shall not be modified, altered, or discharged, except by a writing signed by each of the parties hereto.

14. Governing Law, Jurisdiction and Venue. This Agreement shall be governed by the laws of the State of Florida. The Parties acknowledge that this Agreement contains provisions, which are enforceable in the State of Florida, and all Parties consent to the personal jurisdiction of the State of Florida and County of Broward. However, both parties agree to waive any and all rights to trial or litigation of any dispute arising out of this agreement, and to submit to final and binding arbitration any and all claims, controversies and/or disputes of any nature arising out of or related in any way to this Agreement or its enforcement. Said arbitration shall be conducted pursuant to the Employment Arbitration and Mediation Procedures currently in effect with the American Arbitration Association, the designated arbitral forum.

15. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same Agreement.

16. Waiver of Breach - Effect. No waiver or any breach of any term or provision of this Agreement shall be construed to be, nor shall be, a waiver of any other breach of this Agreement. No waiver shall be binding unless in writing and signed by the Party waiving the breach.

17. Full Understanding and Voluntary Acceptance. In entering into this Agreement, the parties represent that they have relied upon the advice of their attorneys or have chosen to enter into this Agreement without the assistance of counsel based upon their understanding of the terms hereof. The terms of this Agreement have been completely read and explained to them by their attorneys and/or they have reviewed the terms hereof in complete detail and that the terms are fully understood and voluntarily accepted by them.

18. **Headings.** The headings in this Agreement are for convenience only and shall not be used to interpret or construe its provisions.

SIEGEL ACKNOWLEDGES THAT HE HAS READ THIS AGREEMENT, THAT HE HAS BEEN GIVEN AMPLE OPPORTUNITY TO REVIEW IT AND TO CONSULT WITH A REPRESENTATIVE OR ATTORNEY OF SIEGEL'S CHOOSING CONCERNING ITS TERMS. SIEGEL FURTHER ACKNOWLEDGES THAT HE UNDERSTANDS THE TERMS AND CONDITIONS OF THIS AGREEMENT AND IS VOLUNTARILY ENTERING INTO IT WITH THE COMPANY.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

China Direct, Inc.

By: /s/James Wang

Yuejian (James) Wang, Chief Executive Officer,
Chairman of the Board of Directors

Dated: January 23, 2009

/s/ Marc Siegel

Marc Siegel

Dated: January 23, 2009

Exhibit A
Lock-Up Agreement

- 7 -

STOCK PURCHASE AGREEMENT

Seller:

Marc Siegel
943 Lake Wyman Road
Boca Raton, FL 33431

THIS STOCK PURCHASE AGREEMENT (the "Agreement") is made this January 23, 2009 between Marc Siegel (the "Seller" or "Siegel"), and China Direct, Inc., referred to as the (the "Purchaser").

WITNESSETH:

WHEREAS, Seller owns directly 4,400,000 shares of China Direct, Inc. common stock, par value \$0.0001 per share (the "Common Stock"); and

WHEREAS, the Purchaser desire to purchase an aggregate of 1,500,000 shares of Common Stock of China Direct, Inc. (the "Shares") from the Seller on the terms and conditions set forth in this Agreement; and

WHEREAS, the Seller desires to sell the Shares to the Purchaser on the terms and conditions set forth in this Agreement; and

NOW, THEREFORE, in consideration of the mutual promises and covenants herein contained, and other good and valuable consideration, the receipt of which is hereby acknowledged, the Seller and the Purchaser hereby agree as follows:

1. Incorporation by reference. The above recitals are herein incorporated by reference.
2. Purchase and Sale. The Purchaser shall purchase from Seller, and the Seller shall sell to the Purchaser, the Shares on the terms and conditions of this Agreement.
3. Consideration/Purchase Price. In consideration of the transfer by Seller of the Shares to the Purchaser, the Purchaser shall deliver to the Seller the purchase price of One Million Six Hundred Fifty Thousand Dollars (\$1,650,000) (\$1.10 per Share) representing payment for the Shares which shall be transferred on the date hereof.
4. Obligations of Seller. Upon the date hereof, Seller shall deliver to the Purchaser or its designees, the Shares.
5. Obligations of the Purchaser. Upon the date hereof, the Purchaser shall deliver to the Seller the Purchase Price pursuant to the terms of Section 3 of this Agreement.
6. Closing and Condition to Closing. Closing. The closing of the transactions contemplated by this Agreement (the "Closing") shall take place on or before January 23, 2009 (the "Closing Date").
7. Representations and Warranties of the Purchaser.

A. Authority of the Purchaser; Execution of Agreement. The Purchaser have all requisite power, authority, and capacity to enter into this Agreement and to perform the transactions and obligations to be performed by them hereunder. No consent, authorization, approval, license, permit or order of, or filing with, any person or governmental authority is required in connection with the execution of the transactions and obligations to be performed by them hereunder. This Agreement has been duly executed and delivered by the Purchaser and constitutes a valid and legally binding obligation of the Purchaser, enforceable in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws.

B. The Purchaser is an experienced and sophisticated investors, able to fend for itself in the transactions contemplated by this Agreement, and has such knowledge and experience in financial and business matters that it is capable of evaluating the risks and merits of acquiring the Shares.

8. Notices. All notices or other communications required or permitted hereunder shall be in writing and shall be deemed to have been duly given if physically delivered; delivered by overnight delivery, confirmed telecopy, telegram or courier; or three days after having been deposited in the United States Mail, as certified mail with return receipt requested and with postage prepaid, addressed to the recipient at the address listed at the top of the first page of this Agreement. Any of the foregoing addresses may be changed by giving notice of such change in the foregoing manner, except that notices for changes of address will be effective only upon receipt.

9. Miscellaneous.

A. Assurances. All parties hereto shall execute and deliver such other instruments and do such other acts as may be necessary to carry out the intent and purposes of this Agreement.

B. Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof. It supersedes all prior negotiations, letters and understandings relating to the subject matter hereof.

C. Amendment. This Agreement may not be amended, supplemented or modified in whole or in part except by an instrument in writing signed by the party or parties against whom enforcement of any such amendment, supplement or modification is sought.

D. Choice of Law. This Agreement will be interpreted, construed and enforced in accordance with the laws of the State of Florida.

E. Effect of Waiver. The failure of any party at any time or times to require performance of any provision of this Agreement will in no manner affect the right to enforce the same. The waiver by any party of any breach of any provision of this Agreement will not be construed to be a waiver by any such party of any succeeding breach of that provision or a waiver by such party of any breach of any other provision.

F. Non-Public Information. China Direct, Inc. represents that neither it nor any other person acting on its behalf has provided Siegel with any information that it believes constitutes material non-public information. China Direct, Inc. agrees that neither it nor any other person acting on its behalf will provide Siegel with any information that it believes constitutes material non-public information, unless prior thereto Siegel shall have agreed in writing to receive such information.

G. Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

H. Enforcement. Should it become necessary for any party to institute legal action to enforce the terms and conditions of this Agreement, the successful party will be awarded reasonable attorneys' fees at all trial and appellate levels, expenses and costs. Venue for any such action, in addition to any other venue permitted by statute, will be in Broward County, Florida.

I. Binding Nature. This Agreement will be binding upon and will inure to the benefit of any successor or successors of the parties to this Agreement.

J. Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed an original and all of which together will constitute one and the same instrument.

K. Construction. This Agreement shall be construed within the fair meaning of each of its terms and not against the party drafting the document.

The parties, as evidenced by their signatures below, acknowledge that this Agreement has been presented to their attorneys and that their attorneys have had the opportunity to review and explain to them the terms and provisions of the Agreement, and that they fully understand those terms and provisions.

IN WITNESS WHEREOF, the parties have respectively caused this Agreement to be executed on January 23, 2009.

Purchaser:

China Direct, Inc.
(Purchaser)

Authorized Officer

By: Yuejian Wang, Ph.D., Chief Executive Officer
(print name)

/s/ Yuejian Wang
(sign name)

431 Fairway Drive
Deerfield Beach, FL 33411
954.363.7333 Phone
954.363.7320 Fax

Seller: Marc Siegel

Marc Siegel
(print name)

/s/ Marc Siegel
(sign name)

943 Lake Wyman Road
Boca Raton, FL 33431

CHINA DIRECT, INC.
Lock-Up Agreement

January 23, 2009

China Direct, Inc.
431 Fairway Drive, Suite 200
Deerfield Beach, FL 33441

Re: Marc Siegel/China Direct, Inc. – Lock-Up Agreement

Dear Sirs:

This Lock-Up Agreement (“Lock-Up Agreement”) is dated as of January 23, 2009 by and among China Direct, Inc. (the “Company”) and Marc Siegel (“Siegel”) with respect to the sale of the Company’s common stock, \$.0001 par value per share (the “Common Stock”) owned by Siegel.

In connection with the January 23, 2009 Separation and Severance Agreement entered into by and between the Company and Siegel (the “Separation Agreement”), Siegel agrees that, commencing on the date hereof and ending when Siegel no longer owns any shares of the Company’s Common Stock (the “Lock-Up Period”), except for Excepted Sales, as defined herein, Siegel will not sell, offer to sell, make any short sale or otherwise dispose of any shares of the Common Stock owned by Siegel (including Common Stock held indirectly or as a custodian by Siegel).

The term “Excepted Sales” for purposes of this Lock-Up Agreement shall mean the following:

(i) For a period commencing on the date hereof and concluding on the 90 day anniversary of this Lock-Up Agreement (the “Private Transaction Lock-Up Period”), Siegel may offer and sell up to a maximum of 700,000 shares of Common Stock plus the Severance Shares as that term is defined in the Separation Agreement (the “Private Transaction Shares”) in one or more private transactions. Siegel agrees not to remove the restrictive legend on the Private Transaction Shares pursuant to Rule 144 under the Securities Act of 1933 or any other applicable rule or regulation until a definitive and binding agreement to sell those shares in a private transaction has been entered into between Siegel and the buyer of such shares; and

(ii) A number of shares of the Common Stock owned by Siegel in amounts that do not exceed 10% of the daily trading volume of the Company’s Common Stock at the Volume-Weighted Average Price (VWAP) of the Common Stock.

Siegel agrees that any breach of this Lock-Up agreement will entitle the Company to terminate the January 23, 2009 Consulting Agreement entered into by and among the Company and Siegel. In addition, in the event Siegel breaches any of the terms of this Lock-Up Agreement, and if requested by the Company, Siegel shall pay to the Company an amount equal to 50% of the proceeds from such sales in violation of this Lock-Up Agreement as liquidated damages. If legal and collection actions are required to enforce the terms of this Lock-Up Agreement, Siegel shall be liable for legal fees and collections fees incurred by the Company in connection with such action. In no event shall the Company exercising its rights under this section be precluded by the exercise of such rights from pursuing, subject to the terms of this Agreement and applicable law, any cause of action or other claim it may then or at any time thereafter have against Siegel in respect of any breach or default by Siegel hereunder.

Notwithstanding the foregoing, Siegel may transfer the Common Stock he owns (i) as a *bona fide* gift or gifts, provided that the donee or donees thereof agree to be bound in writing by the restrictions set forth herein or (ii) to any trust for the direct or indirect benefit of Siegel or the immediate family of Siegel, provided that the trustee of the trust agrees to be bound in writing by the restrictions set forth herein, and provided further that any such transfer shall not involve a disposition for value. For purposes of this Lock-Up Agreement, "immediate family" shall mean any relationship by blood, marriage or adoption, not more remote than first cousin. Siegel now has, and, except as contemplated by clauses (i) and (ii) above, for the duration of this Lock-Up Agreement will have, good and marketable title to the Common Stock, free and clear of all liens, encumbrances, and claims whatsoever. Siegel also agrees and consents to the entry of stop transfer instructions with the Company's transfer agent and registrar against the transfer of Common Stock owned by Siegel except in compliance with the foregoing restrictions. In addition, Siegel may sell such additional shares of the Common Stock he owns as may be approved in writing by the Company from time to time in the Company's absolute discretion.

Siegel understands and agrees that this Lock-Up Agreement is irrevocable and shall be binding upon Siegel's heirs, legal representatives, successors, and assigns.

This Lock-Up Agreement may be executed in two counterparts, each of which shall be deemed an original but both of which shall be considered one and the same instrument.

This Lock-Up Agreement will be governed by and construed in accordance with the laws of the State of Florida, without giving effect to any choice of law or conflicting provision or rule that would cause the laws of any jurisdiction other than the State of Florida to be applied. In furtherance of the foregoing, the internal laws of the State of Florida will control the interpretation and construction of this Lock-Up Agreement, even if under such jurisdiction's choice of law or conflict of law analysis, the substantive law of some other jurisdiction would ordinarily apply.

Very truly yours,

/s/ Marc Siegel

Marc Siegel

Agreed to and Acknowledged:

China Direct, Inc.

By: /s/James Wang

Name: Yuejian (James) Wang

Title: Chief Executive Officer, Chairman of the Board of Directors

CHINA DIRECT INDUSTRIES, INC. ANNOUNCES MANAGEMENT RESTRUCTURING AS THE COMPANY FOCUSES ON ITS CHINA OPERATIONS

Deerfield Beach, FL – January 26, 2009 - China Direct, Inc., d/b/a China Direct Industries, Inc. (NASDAQ: CDII), a U.S. company that manages a portfolio of Chinese entities, announced today it has undertaken a management restructuring including several important changes to its senior management and board of directors as it focuses on operating its magnesium and basic industry segments in China. China Direct Industries believes these changes strengthen its ability to effectively grow its businesses in China in a challenging worldwide economic environment as it seeks to become the global leader in the production and distribution of pure magnesium.

Management of China Direct Industries is pleased to announce the addition of Andrew Weeraratne as its Chief Financial Officer. China Direct Industries has added 10 operating subsidiaries since the fourth quarter of 2006 and has invested a substantial portion of its personnel and financial resources in both the U.S. and China in the area of financial management. Mr. Weeraratne will help to provide a renewed focus and leadership for China Direct Industries as it seeks to expand its operations in China and improve operating results. Mr. Weeraratne has over 25 years experience in public and corporate accounting. In addition to almost a decade of experience running his own private CPA firm in Washington D.C., he has served as the CFO of National Lampoon, Inc. and as controller for Beachport Entertainment. Mr. Weeraratne worked with the Embassy of the United States of America in Iraq as a financial advisor to form an Iraqi Accounting Association and introduced International Accounting Standards to Iraq as part of a plan to privatize State owned enterprises after the Iraq war. Mr. Weeraratne is experienced in all phases of accounting, finance and investment, including internal controls, financial management, securities analysis and international business management.

Commenting on his hire, Mr. Weeraratne stated “With an extensive knowledge in accounting and global investments, I am taking on the role of CFO with an eye toward significant growth potential. I believe China Direct Industries, with its unique and timely business model coupled with a prudent and experienced management team is poised to become the leading player in pure magnesium and further strengthen its place in other basic industry groups in China as the country continues to emerge in the global marketplace. China Direct Industries has solid internal controls and intelligent financial management in place, which is critical to our success. I believe the coming years will be pivotal as uncertain times create significant opportunities. Our goal is to prepare China Direct Industries to be a major player as we enter the next expansion phase of the global economy.”

In an effort to further strengthen its overall corporate decision making capabilities, China Direct Industries has named Yuwei Huang as Executive Vice President for its magnesium segment and has been appointed as a member of its board of directors. Mr. Huang, who has substantial expertise in magnesium production and distribution, has served as General Manager of China Direct Industries’ Chang Magnesium subsidiary since June 2006. Mr. Huang is a pioneer in the magnesium industry in China bringing a wealth of knowledge to the senior management level. Mr. Huang also serves as General Manager of Taiyuan Yiwei Magnesium Industry Co., Ltd. since founding the company in 1999 and serves in various positions with its affiliated entities. Mr. Huang owns interests in seven magnesium facilities, a magnesium alloy facility and a magnesium powder desulphurization reagent facility, all located in China.

Additionally, China Direct Industries has named Philip Shen, Ph.D. as an independent member of the board of directors. Dr. Shen, born and raised in China, is a twenty year veteran of Leggett & Platt, a Fortune 500 company listed on the New York Stock Exchange. Dr. Shen most recently served as president of Leggett & Platt’s Asia Pacific operations. Leggett & Platt is a diversified manufacturer that conceives, designs and produces a broad variety of engineered components and products for customers worldwide. Dr. Shen possesses three decades of high level experience in international sales and marketing, manufacturing, mergers/acquisitions, cross border investment, combined with his cultural background and fluency in Chinese dialects. China Direct Industries believes Dr. Shen’s unique qualifications will make him a valuable addition to the board of directors.

China Direct Industries also accepted the resignation of Marc Siegel as President and as a member of its board of directors. Mr. Siegel co-founded China Direct Industries in 2005 and was responsible for its U.S. based consulting operations. Mr. Siegel will remain with China Direct Industries in 2009 as a consultant assisting its client companies in matters relating to financing, mergers and acquisitions and business development. The move will result in a significant cost savings for China Direct Industries in 2009 and beyond.

Commenting on the management changes, Dr. Wang, Chairman and CEO of China Direct Industries stated “We are entering a new phase of our corporate evolution and I am excited to welcome Yuwei and Andrew to our senior management team as well as Yuwei and Philip to our board of directors which now consists of four independent directors and two inside directors. Understanding the intricacies of operating Chinese businesses is crucial to our long term success and I am confident their wealth of experience in business operations in China will provide the company with strong leadership as we position the company for the future. Management intends to continue its efforts on a strategy of a controlled and prudent expansionary policy while building a foundation of solid internal controls and efficient accounting and financial management procedures.”

Dr. Wang continued, “I would also like to take this opportunity to thank Marc Siegel for his service and dedication to the company. His tireless efforts enabled us to achieve great success and helped place us on a strong financial footing. I am confident his commitment to our company will continue as he assists our client companies with their financing and business development needs. As a major stockholder of the company, I believe Marc’s new role will enable him to focus on those areas where his abilities can make the greatest contribution to the long term benefit of our company and that Marc took this into consideration in making this timely decision. Marc has consistently worked in the best interest of our company and its shareholders and I look forward to continuing working with him in this important role.” Dr. Wang concluded, “I remain firmly committed to fulfilling our goal of being the leading producer of magnesium in China.”

About China Direct, Inc. d/b/a China Direct Industries, Inc.

China Direct, Inc., d/b/a China Direct Industries, Inc. (NASDAQ: CDII), is a U.S. owned, rapidly growing holding company operating in China in two core business segments, pure magnesium production and distribution and distribution of basic material production in China. The Company also provides advisory services to China based companies in competing in the global economy. Headquartered in Deerfield Beach, Florida, China Direct operates 10 subsidiaries throughout China. This infrastructure creates a platform to expand business opportunities globally while effectively and efficiently accessing the U.S. capital markets. For more information about China Direct, please visit <http://www.cdii.net>.

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DISCLOSURE NOTICE:

In connection with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, China Direct Industries, Inc., is hereby providing cautionary statements identifying important factors that could cause our actual results to differ materially from those projected in forward-looking statements (as defined in such act). Any statements that are not historical facts and that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, indicated through the use of words or phrases such as “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimated,” “intends,” “plans,” “believes” and “projects”) may be forward-looking and may involve estimates and uncertainties which could cause actual results to differ materially from those expressed in the forward-looking statements. These statements include, but are not limited to, our expectations about our future success, the success of financing, and our ability to identify and close acquisitions of operating companies in China in a cost effective manner that enhance our financial condition. We caution that the factors described herein could cause actual results to differ materially from those expressed in any forward-looking statements we make and that investors should not place undue reliance on any such forward-looking statements. Further, any forward-looking statement speaks only as of the date on which such statement is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of anticipated or unanticipated events or circumstances. New factors emerge from time to time, and it is not possible for us to predict all of such factors. Further, we cannot assess the impact of each such factor on our results of operations or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. This press release is qualified in its entirety by the cautionary statements and risk factor disclosure contained in our Securities and Exchange Commission filings, including our Annual Report on Form 10-K for the year ended December 31, 2007 and our reports on Form 10-Q.

