

ALLIANCEBERNSTEIN INCOME FUND INC
Form N-Q
November 25, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number: 811-05207

ALLIANCEBERNSTEIN INCOME FUND, INC.

(Exact name of registrant as specified in charter)

1345 Avenue of the Americas, New York, New York 10105

(Address of principal executive offices) (Zip code)

Joseph J. Mantineo

AllianceBernstein L.P.

1345 Avenue of the Americas

New York, New York 10105

(Name and address of agent for service)

Registrant's telephone number, including area code: (800) 221-5672

Date of fiscal year end: December 31, 2015

Date of reporting period: September 30, 2015

ITEM 1. SCHEDULE OF INVESTMENTS.

AB Income Fund**Portfolio of Investments****September 30, 2015 (unaudited)**

	Principal Amount (000)	U.S. \$ Value
GOVERNMENTS - TREASURIES - 106.7%		
Brazil - 1.9%		
Brazil Notas do Tesouro Nacional Series F		
10.00%, 1/01/17-1/01/25	BRL 148,570	\$ 33,370,047
United States - 104.8%		
U.S. Treasury Bonds		
3.125%, 8/15/44	U.S.\$ 76,388	79,948,827
5.375%, 2/15/31	1,961	2,721,552
6.25%, 5/15/30 (a)	250,000	371,438,750
6.375%, 8/15/27 (a)	260,000	374,596,300
6.50%, 11/15/26 (a)	183,000	262,419,072
8.00%, 11/15/21	27,000	37,049,427
8.75%, 8/15/20	39,500	53,236,520
U.S. Treasury Notes		
1.25%, 1/31/20	33,000	32,964,756
2.125%, 8/31/20 (a)	150,000	155,222,700
2.375%, 12/31/20	23,080	24,128,824
3.125%, 5/15/21 (a)	95,000	103,013,155
3.50%, 5/15/20	27,608	30,265,629
3.625%, 2/15/21 (a)(b)(c)	295,000	327,307,810
		1,854,313,322
Total Governments - Treasuries (cost \$1,811,301,435)		1,887,683,369
CORPORATES - NON-INVESTMENT GRADE - 13.0%		
Industrial - 10.6%		
Basic - 0.9%		
ArcelorMittal		
7.75%, 10/15/39	1,846	1,504,490
Arch Coal, Inc.		
7.00%, 6/15/19	2,100	157,500
Cliffs Natural Resources, Inc.		
8.25%, 3/31/20 (d)	1,759	1,543,522
Commercial Metals Co.		
7.35%, 8/15/18	2,644	2,796,030
Lundin Mining Corp.		
7.50%, 11/01/20 (d)	659	637,583
7.875%, 11/01/22 (d)	1,307	1,254,720
Magnetation LLC/Mag Finance Corp.		
11.00%, 5/15/28 (e)(f)	1,407	267,330
Novelis, Inc.		
8.75%, 12/15/20	837	805,780
Teck Resources Ltd.		

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4.50%, 1/15/21	3,550	2,392,700
Thompson Creek Metals Co., Inc.		
7.375%, 6/01/18	4,398	2,517,855
Univar USA, Inc.		
6.75%, 7/15/23 (d)	1,666	1,545,215
		15,422,725

	Principal Amount (000)	U.S. \$ Value
Capital Goods - 0.6%		
Apex Tool Group LLC		
7.00%, 2/01/21 (d)	U.S.\$ 1,955	\$ 1,603,100
Berry Plastics Corp.		
5.125%, 7/15/23	1,536	1,447,680
Bombardier, Inc.		
4.75%, 4/15/19 (d)	3,450	2,777,250
7.50%, 3/15/25 (d)	2,438	1,828,500
Huntington Ingalls Industries, Inc.		
7.125%, 3/15/21	690	722,775
Owens-Brockway Glass Container, Inc.		
5.875%, 8/15/23 (d)	1,157	1,164,231
Sealed Air Corp.		
6.875%, 7/15/33 (d)	1,486	1,489,715
Summit Materials LLC/Summit Materials Finance Corp.		
10.50%, 1/31/20	394	421,580
		11,454,831
Communications - Media - 1.7%		
CCO Holdings LLC/CCO Holdings Capital Corp.		
5.25%, 9/30/22	2,079	1,949,062
Cumulus Media Holdings, Inc.		
7.75%, 5/01/19	497	356,598
DISH DBS Corp.		
5.875%, 11/15/24	3,303	2,805,486
Hughes Satellite Systems Corp.		
7.625%, 6/15/21	3,111	3,332,659
Intelsat Jackson Holdings SA		
7.25%, 4/01/19	4,231	3,966,562
Nielsen Co. Luxembourg SARL (The)		
5.50%, 10/01/21 (d)	3,243	3,226,785
Quebecor Media, Inc.		
5.75%, 1/15/23	2,145	2,112,825
Time, Inc.		
5.75%, 4/15/22 (d)	2,285	2,136,475
Unitymedia GmbH		
6.125%, 1/15/25 (d)	2,749	2,714,637
Univision Communications, Inc.		
5.125%, 5/15/23 (d)	3,295	3,130,250
UPCB Finance IV Ltd.		
5.375%, 1/15/25 (d)	2,700	2,538,000
Virgin Media Finance PLC		
5.25%, 2/15/22	2,246	2,077,550
		30,346,889
Communications - Telecommunications - 0.8%		
Altice Luxembourg SA		
7.75%, 5/15/22 (d)	1,342	1,221,220
Columbus International, Inc.		
7.375%, 3/30/21 (d)	3,872	3,992,003
Frontier Communications Corp.		
6.25%, 9/15/21	3,000	2,497,500

	Principal Amount (000)	U.S. \$ Value
Numericable-SFR SAS		
6.25%, 5/15/24 (d)	U.S.\$ 766	\$ 737,275
Sable International Finance Ltd.		
6.875%, 8/01/22 (d)	657	661,928
Sprint Corp.		
7.625%, 2/15/25	2,635	2,040,478
Windstream Services LLC		
7.50%, 4/01/23 (a)	2,000	1,480,000
7.75%, 10/01/21	1,070	829,250
		13,459,654
Consumer Cyclical - Automotive - 0.4%		
Affinia Group, Inc.		
7.75%, 5/01/21	238	249,900
Exide Technologies Series AI		
7.00%, 4/30/25 (g)(h)(i)(j)	2,249	1,722,555
11.00%, 4/30/20 (j)(k)	5,143	4,268,790
		6,241,245
Consumer Cyclical - Entertainment - 0.1%		
AMC Entertainment, Inc.		
5.75%, 6/15/25	1,692	1,645,470
Consumer Cyclical - Other - 0.5%		
International Game Technology PLC		
6.25%, 2/15/22 (d)	2,605	2,422,650
6.50%, 2/15/25 (d)	350	315,000
MGM Resorts International		
6.625%, 12/15/21	744	762,600
6.75%, 10/01/20	1,700	1,755,250
Shea Homes LP/Shea Homes Funding Corp.		
6.125%, 4/01/25 (d)	697	712,682
Taylor Morrison Communities, Inc./Monarch Communities, Inc.		
5.875%, 4/15/23 (d)	2,018	2,023,045
		7,991,227
Consumer Cyclical - Retailers - 0.6%		
American Tire Distributors, Inc.		
10.25%, 3/01/22 (d)	3,855	3,932,100
Dollar Tree, Inc.		
5.75%, 3/01/23 (d)	2,475	2,567,813
Dufry Finance SCA		
4.50%, 8/01/23 (d)	EUR 1,373	1,564,950
Men's Wearhouse, Inc. (The)		
7.00%, 7/01/22	U.S.\$ 1,870	1,926,343
Party City Holdings, Inc.		
6.125%, 8/15/23 (d)	1,090	1,098,175
		11,089,381

	Principal Amount (000)	U.S. \$ Value
Consumer Non-Cyclical - 2.0%		
Air Medical Merger Sub Corp.		
6.375%, 5/15/23 (d)	U.S.\$ 2,965	\$ 2,690,738
CHS/Community Health Systems, Inc.		
6.875%, 2/01/22	3,286	3,355,696
ConvaTec Finance International SA		
8.25% (8.25% Cash or 9.00% PIK), 1/15/19 (d)(j)	3,860	3,792,450
Endo Ltd./Endo Finance LLC/Endo Finco, Inc.		
6.00%, 7/15/23 (d)	1,434	1,416,075
Hill-Rom Holdings, Inc.		
5.75%, 9/01/23 (d)	408	409,020
Holding Medi-Partenaires SAS		
7.00%, 5/15/20 (d)	EUR 1,750	2,060,613
Jaguar Holding Co. II/Pharmaceutical Product Development LLC		
6.375%, 8/01/23 (d)	U.S.\$ 1,200	1,167,000
Kinetic Concepts, Inc./KCI USA, Inc.		
10.50%, 11/01/18	4,000	4,187,000
Mallinckrodt International Finance SA/Mallinckrodt CB LLC		
5.50%, 4/15/25 (d)	653	581,986
Post Holdings, Inc.		
6.00%, 12/15/22 (d)	869	833,154
7.375%, 2/15/22	705	715,575
7.75%, 3/15/24 (d)	1,069	1,095,725
8.00%, 7/15/25 (d)	1,066	1,097,980
PRA Holdings, Inc.		
9.50%, 10/01/23 (d)	2,231	2,459,678
Smithfield Foods, Inc.		
5.875%, 8/01/21 (d)	2,597	2,661,925
Spectrum Brands, Inc.		
5.75%, 7/15/25 (d)	2,897	2,954,940
Sterigenics-Nordion Holdings LLC		
6.50%, 5/15/23 (d)	384	381,120
Valeant Pharmaceuticals International, Inc.		
5.875%, 5/15/23 (d)	1,130	1,079,150
6.125%, 4/15/25 (d)	3,277	3,121,342
		36,061,167
Energy - 1.9%		
Antero Resources Corp.		
5.375%, 11/01/21	792	696,960
Berry Petroleum Co. LLC		
6.375%, 9/15/22	3,107	930,174
Bonanza Creek Energy, Inc.		
6.75%, 4/15/21	320	223,200
BreitBurn Energy Partners LP/BreitBurn Finance Corp.		
7.875%, 4/15/22	1,374	491,205
Carrizo Oil & Gas, Inc.		
7.50%, 9/15/20	372	347,820

	Principal Amount (000)	U.S. \$ Value
Denbury Resources, Inc.		
4.625%, 7/15/23	U.S.\$ 2,591	\$ 1,399,140
5.50%, 5/01/22	2,257	1,342,915
Energy XXI Gulf Coast, Inc.		
11.00%, 3/15/20 (d)	2,102	987,940
EP Energy LLC/Everest Acquisition Finance, Inc.		
9.375%, 5/01/20	1,524	1,310,640
Golden Energy Offshore Services AS		
8.41%, 5/28/17 (e)(l)	NOK 8,451	362,322
Holly Energy Partners LP/Holly Energy Finance Corp.		
6.50%, 3/01/20	U.S.\$ 2,196	2,086,200
Hornbeck Offshore Services, Inc.		
5.875%, 4/01/20	2,737	2,128,018
Legacy Reserves LP/Legacy Reserves Finance Corp.		
6.625%, 12/01/21	3,090	2,101,200
Newfield Exploration Co.		
5.625%, 7/01/24	984	929,880
Northern Blizzard Resources, Inc.		
7.25%, 2/01/22 (d)	1,300	1,062,750
Offshore Group Investment Ltd.		
7.125%, 4/01/23	3,068	981,760
Paragon Offshore PLC		
6.75%, 7/15/22 (d)	849	110,370
7.25%, 8/15/24 (d)	3,230	419,900
Sabine Pass Liquefaction LLC		
5.625%, 3/01/25 (d)	3,686	3,248,287
SandRidge Energy, Inc.		
7.50%, 2/15/23	1,259	271,472
SM Energy Co.		
5.625%, 6/01/25	946	813,560
6.50%, 1/01/23	731	679,830
Southern Star Central Corp.		
5.125%, 7/15/22 (d)	2,000	1,920,000
Tervita Corp.		
8.00%, 11/15/18 (d)	3,547	2,660,250
Transocean, Inc.		
7.50%, 4/15/31	2,200	1,419,000
Whiting Petroleum Corp.		
5.75%, 3/15/21	1,940	1,679,070
6.25%, 4/01/23	2,947	2,549,155
WPX Energy, Inc.		
8.25%, 8/01/23	900	816,750
		33,969,768
Other Industrial - 0.2%		
Safway Group Holding LLC/Safway Finance Corp.		
7.00%, 5/15/18 (d)	3,300	3,378,375
Services - 0.2%		
Service Corp. International/US		
7.50%, 4/01/27	3,300	3,729,000

	Principal Amount (000)	U.S. \$ Value
Technology - 0.4%		
Avaya, Inc.		
10.50%, 3/01/21 (d)	U.S.\$ 1,196	\$ 550,160
Brightstar Corp.		
9.50%, 12/01/16 (d)	1,600	1,612,000
Energizer Holdings, Inc.		
5.50%, 6/15/25 (d)	1,163	1,132,471
Ensemble S Merger Sub, Inc.		
9.00%, 9/30/23 (d)	1,246	1,205,505
Infor Software Parent LLC/Infor Software Parent, Inc.		
7.125% (7.125% Cash or 7.875% PIK), 5/01/21 (d)(j)	3,278	2,884,640
		7,384,776
Transportation - Services - 0.3%		
Hertz Corp. (The)		
5.875%, 10/15/20	2,710	2,678,835
LBC Tank Terminals Holding Netherlands BV		
6.875%, 5/15/23 (d)	1,789	1,856,088
XPO Logistics, Inc.		
6.50%, 6/15/22 (d)	1,815	1,534,809
		6,069,732
		188,244,240
Financial Institutions - 1.6%		
Banking - 1.3%		
Barclays Bank PLC		
6.86%, 6/15/32 (d)(m)	656	744,560
7.625%, 11/21/22	654	732,889
Citigroup, Inc.		
5.95%, 1/30/23 (m)	2,055	1,994,634
Series P		
5.95%, 5/15/25 (m)	1,850	1,762,125
Commerzbank AG		
8.125%, 9/19/23 (d)	3,610	4,186,192
Credit Agricole SA		
7.589%, 1/30/20 (m)	GBP 1,150	1,891,882
7.875%, 1/23/24 (a)(d)(m)	U.S.\$ 549	545,569
Credit Suisse Group AG		
7.50%, 12/11/23 (d)(m)	2,066	2,153,805
Intesa Sanpaolo SpA		
5.017%, 6/26/24 (d)	2,922	2,883,424
Royal Bank of Scotland PLC (The)		
9.50%, 3/16/22 (d)	2,106	2,295,306
Societe Generale SA		
8.00%, 9/29/25 (d)(m)	3,750	3,692,040
		22,882,426

	Principal Amount (000)	U.S. \$ Value
Finance - 0.1%		
Creditcorp		
12.00%, 7/15/18 (d)	U.S.\$ 2,000	\$ 1,542,500
Other Finance - 0.1%		
ACE Cash Express, Inc.		
11.00%, 2/01/19 (d)	779	268,755
iPayment, Inc.		
9.50%, 12/15/19 (d)	88	87,191
Series AI		
9.50%, 12/15/19	1,763	1,745,803
		2,101,749
REITS - 0.1%		
FelCor Lodging LP		
6.00%, 6/01/25	1,018	1,018,000
		27,544,675
Utility - 0.8%		
Electric - 0.8%		
Calpine Corp.		
7.875%, 1/15/23 (d)	2,187	2,334,623
Dynegy, Inc.		
7.375%, 11/01/22	2,895	2,920,331
7.625%, 11/01/24	1,915	1,934,150
FirstEnergy Corp.		
Series C		
7.375%, 11/15/31	1,552	1,873,082
GenOn Energy, Inc.		
7.875%, 6/15/17	2,100	1,968,750
9.50%, 10/15/18	2,087	1,930,475
Talen Energy Supply LLC		
4.60%, 12/15/21	965	801,433
		13,762,844
Total Corporates - Non-Investment Grade (cost \$261,068,898)		229,551,759
COLLATERALIZED MORTGAGE OBLIGATIONS - 6.0%		
GSE Risk Share Floating Rate - 3.5%		
Bellemeade Re Ltd.		
Series 2015-1A, Class M1		
2.689%, 7/25/25 (d)(l)	6,300	6,296,063
Federal Home Loan Mortgage Corp. Structured Agency Credit Risk Debt Notes		
Series 2013-DN1, Class M2		
7.344%, 7/25/23 (l)	3,250	3,763,941
Series 2013-DN2, Class M2		
4.444%, 11/25/23 (l)	5,605	5,590,346
Series 2014-DN1, Class M2		
2.394%, 2/25/24 (l)	4,085	4,092,264
Series 2014-DN1, Class M3		
4.694%, 2/25/24 (l)	4,455	4,446,025

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Series 2014-DN2, Class M3

3.794%, 4/25/24 (1)

4,170

3,916,005

	Principal Amount (000)	U.S. \$ Value
Series 2014-DN3, Class M3		
4.194%, 8/25/24 (l)	U.S.\$ 5,065	\$ 4,926,557
Series 2014-DN4, Class M3		
4.744%, 10/25/24 (l)	700	700,838
Series 2014-HQ2, Class M3		
3.944%, 9/25/24 (l)	1,010	944,842
Series 2015-DNA1, Class M3		
3.494%, 10/25/27 (l)	505	476,435
Series 2015-DNA2, Class M2		
2.794%, 12/25/27 (l)	5,920	5,943,587
Series 2015-HQA1, Class B		
8.994%, 3/25/28 (l)	1,590	1,584,005
Series 2015-HQA1, Class M3		
4.894%, 3/25/28 (l)	1,845	1,842,100
Federal National Mortgage Association Connecticut Avenue Securities		
Series 2014-C01, Class M2		
4.594%, 1/25/24 (l)	1,606	1,608,504
Series 2014-C04, Class 1M2		
5.094%, 11/25/24 (l)	6,100	6,116,498
Series 2015-C01, Class 1M2		
4.494%, 2/25/25 (l)	4,520	4,392,753
Series 2015-C03, Class 1M2		
5.194%, 7/25/25 (l)	1,221	1,217,662
Series 2015-C03, Class 2M2		
5.194%, 7/25/25 (l)	2,720	2,716,709
JP Morgan Madison Avenue Securities Trust		
Series 2015-1		
Series 2015-CH1, Class M2		
5.696%, 10/25/25 (d)(l)	2,230	2,207,700
		62,782,834
Non-Agency Fixed Rate - 1.7%		
BCAP LLC Trust		
Series 2009-RR13, Class 17A3		
6.056%, 4/26/37 (d)	806	673,304
BNPP Mortgage Securities LLC Trust		
Series 2009-1, Class B1		
6.00%, 8/27/37 (d)	1,219	1,033,513
CHL Mortgage Pass-Through Trust		
Series 2007-16, Class A1		
6.50%, 10/25/37	1,493	1,387,583
Series 2007-3, Class A30		
5.75%, 4/25/37	1,581	1,447,161
Series 2007-HY4, Class 1A1		
2.674%, 9/25/47	863	770,582
Citigroup Mortgage Loan Trust		
Series 2006-4, Class 2A1A		
6.00%, 12/25/35	4,226	3,918,448
Series 2007-AR4, Class 1A1A		
5.377%, 3/25/37	646	613,485
Series 2010-3, Class 2A2		
7.063%, 8/25/37 (d)	731	641,636

	Principal Amount (000)	U.S. \$ Value
Countrywide Alternative Loan Trust		
Series 2006-19CB, Class A15		
6.00%, 8/25/36	U.S.\$ 245	\$ 222,943
Series 2006-19CB, Class A24		
6.00%, 8/25/36	157	144,587
Series 2006-24CB, Class A15		
5.75%, 6/25/36	2,312	2,072,530
Series 2006-41CB, Class 2A13		
5.75%, 1/25/37	1,919	1,723,451
Series 2007-13, Class A2		
6.00%, 6/25/47	2,778	2,331,895
Credit Suisse Mortgage Trust		
Series 2009-8R, Class 6A2		
6.00%, 1/26/38 (d)	173	129,751
Series 2010-13R, Class 1A2		
5.50%, 12/26/35 (d)	67	63,847
Series 2010-9R, Class 1A5		
4.00%, 8/27/37 (d)	938	920,362
CSMC Mortgage-Backed Trust		
Series 2006-7, Class 3A12		
6.25%, 8/25/36	1,543	1,344,260
First Horizon Alternative Mortgage Securities Trust		
Series 2006-AA5, Class A1		
2.232%, 9/25/36	2,269	1,849,830
Morgan Stanley Mortgage Loan Trust		
Series 2005-10, Class 4A1		
5.50%, 12/25/35	993	908,311
Series 2007-10XS, Class A2		
6.25%, 7/25/47	1,192	871,771
Nomura Resecuritization Trust		
Series 2010-5RA, Class 1A7		
6.50%, 10/26/37 (d)	1,902	1,676,031
Wells Fargo Mortgage Backed Securities Trust		
Series 2007-AR7, Class A1		
2.641%, 12/28/37	4,164	3,847,734
Series 2007-AR8, Class A1		
2.721%, 11/25/37	1,679	1,477,816
		30,070,831
Non-Agency Floating Rate - 0.7%		
First Horizon Alternative Mortgage Securities Trust		
Series 2007-FA2, Class 1A10		
0.444%, 4/25/37 (l)	898	478,235
Series 2007-FA2, Class 1A5		
0.494%, 4/25/37 (l)	1,017	545,424
Lehman XS Trust		
Series 2007-10H, Class 2A1O		
6.802%, 7/25/37 (l)(n)	1,140	316,794
Residential Accredit Loans, Inc. Trust		
Series 2006-QA4, Class A		
0.374%, 5/25/36 (l)	3,435	2,779,805
Washington Mutual Mortgage Pass-Through Certificates		
Series 2007-OA1, Class A1A		
0.899%, 2/25/47 (l)	4,325	3,449,288
Series 2007-OA4, Class A1A		

	Principal Amount (000)	U.S. \$ Value
0.959%, 4/25/47 (l)	U.S.\$ 5,200	\$ 3,926,031
		11,495,577
Agency Fixed Rate - 0.1%		
Federal National Mortgage Association REMICs		
Series 2013-87, Class KI		
3.00%, 12/25/37 (n)	13,724	1,113,756
Government National Mortgage Association		
Series 2013-170, Class MI		
4.50%, 11/20/43 (n)	9,791	1,476,540
		2,590,296
Total Collateralized Mortgage Obligations (cost \$106,406,930)		106,939,538
CORPORATES - INVESTMENT GRADE - 4.6%		
Industrial - 2.4%		
Basic - 0.5%		
Braskem Finance Ltd.		
6.45%, 2/03/24	1,204	993,300
GTL Trade Finance, Inc.		
5.893%, 4/29/24 (d)	2,711	2,250,130
7.25%, 4/16/44 (d)	274	206,870
Minsur SA		
6.25%, 2/07/24 (d)	285	285,942
Southern Copper Corp.		
7.50%, 7/27/35	5,107	4,956,037
		8,692,279
Capital Goods - 0.3%		
Odebrecht Finance Ltd.		
4.375%, 4/25/25 (d)	6,760	3,718,000
5.25%, 6/27/29 (d)	2,103	1,114,331
		4,832,331
Communications - Telecommunications - 0.7%		
Qwest Corp.		
6.875%, 9/15/33	1,275	1,230,969
Telefonica Emisiones SAU		
7.045%, 6/20/36	5,000	5,863,605
Verizon Communications, Inc.		
4.522%, 9/15/48	6,159	5,412,456
		12,507,030
Consumer Cyclical - Retailers - 0.1%		
Kohl's Corp.		
4.25%, 7/17/25	2,522	2,526,411
Consumer Non-Cyclical - 0.3%		
Kraft Heinz Foods Co.		

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2.80%, 7/02/20 (d)	2,700	2,717,690
3.50%, 7/15/22 (d)	2,294	2,343,362

	Principal Amount (000)	U.S. \$ Value
Reynolds American, Inc. 5.70%, 8/15/35	U.S.\$ 650	\$ 706,336
		5,767,388
Energy - 0.4%		
Noble Energy, Inc. 5.875%, 6/01/24	1,322	1,315,390
Reliance Holding USA, Inc. 5.40%, 2/14/22 (d)	3,568	3,898,208
Weatherford International Ltd./Bermuda 7.00%, 3/15/38	2,900	2,313,948
		7,527,546
Transportation - Airlines - 0.1%		
Delta Air Lines Pass-Through Trust Series 2007-1A 6.821%, 8/10/22	1,284	1,489,086
		43,342,071
Financial Institutions - 2.0%		
Banking - 0.5%		
Credit Suisse AG 6.50%, 8/08/23 (d)	3,900	4,312,710
HSBC Capital Funding LP/Jersey 10.176%, 6/30/30 (d)(m)	884	1,330,420
JPMorgan Chase & Co. Series S 6.75%, 2/01/24 (m)	2,998	3,121,667
Nordea Bank AB 6.125%, 9/23/24 (d)(m)	596	587,060
		9,351,857
Insurance - 1.5%		
AIG Life Holdings, Inc. 8.125%, 3/15/46 (d)	509	671,880
American International Group, Inc. 8.175%, 5/15/58	2,525	3,339,312
Fairfax Financial Holdings Ltd. 8.30%, 4/15/26	5,000	6,176,060
Great-West Life & Annuity Insurance Capital LP II 7.153%, 5/16/46 (d)	2,707	2,734,341
Humana, Inc. 8.15%, 6/15/38	1,650	2,350,742
MetLife, Inc. 6.40%, 12/15/36	3,345	3,646,050
Series C 5.25%, 6/15/20 (m)	1,799	1,781,010
Pacific Life Insurance Co. 9.25%, 6/15/39 (d)	1,500	2,236,005

	Principal Amount (000)	U.S. \$ Value
Transatlantic Holdings, Inc. 8.00%, 11/30/39	U.S.\$ 2,122	\$ 2,835,917
		25,771,317
		35,123,174
Utility - 0.2%		
Electric - 0.2%		
ComEd Financing III 6.35%, 3/15/33	3,462	3,636,350
Total Corporates - Investment Grade (cost \$81,330,653)		82,101,595
AGENCIES - 4.0%		
Agency Debentures - 4.0%		
Federal Home Loan Banks 5.50%, 7/15/36	8,695	11,497,381
Federal Home Loan Mortgage Corp. 6.25%, 7/15/32	15,000	21,191,625
Residual Funding Corp. Principal Strip Zero Coupon, 7/15/20	42,045	38,681,274
Total Agencies (cost \$68,322,755)		71,370,280
COMMERCIAL MORTGAGE-BACKED SECURITIES - 3.3%		
Non-Agency Fixed Rate CMBS - 3.1%		
Banc of America Commercial Mortgage Trust Series 2007-3, Class AJ 5.734%, 6/10/49	1,517	1,562,578
Citigroup Commercial Mortgage Trust Series 2013-GC17, Class D 5.261%, 11/10/46 (d)	6,525	6,107,811
Series 2014-GC21, Class D 4.996%, 5/10/47 (d)	6,052	5,527,303
Series 2014-GC23, Class D 4.658%, 7/10/47 (d)	1,323	1,191,817
Commercial Mortgage Trust Series 2014-LC17, Class D 3.687%, 10/10/47 (d)	3,549	2,904,587
Series 2014-UBS5, Class D 3.495%, 9/10/47 (d)	1,041	834,755
Series 2015-DC1, Class D 4.499%, 2/10/48 (d)	2,730	2,310,581
Csail Commercial Mortgage Trust Series 2015-C2, Class D 4.353%, 6/15/57	4,091	3,571,772
GS Mortgage Securities Trust Series 2013-GC13, Class D 4.205%, 7/10/46 (d)	9,440	8,493,857
LB-UBS Commercial Mortgage Trust Series 2007-C7, Class AJ 6.455%, 9/15/45	1,750	1,822,243

	Principal Amount (000)	U.S. \$ Value
Merrill Lynch/Countrywide Commercial Mortgage Trust		
Series 2006-4, Class AJ		
5.239%, 12/12/49	U.S.\$ 6,667	\$ 6,694,259
Morgan Stanley Bank of America Merrill Lynch Trust		
Series 2014-C19, Class D		
3.25%, 12/15/47 (d)	1,194	973,134
Wells Fargo Commercial Mortgage Trust		
Series 2014-LC18, Class D		
3.957%, 12/15/47 (d)	3,781	3,161,614
Series 2015-LC20, Class D		
4.511%, 4/15/50 (d)	4,000	3,354,904
WF-RBS Commercial Mortgage Trust		
Series 2012-C8, Class E		
5.038%, 8/15/45 (d)	4,000	3,975,692
Series 2014-C23, Class D		
4.138%, 10/15/57 (d)	2,699	2,285,498
		54,772,405
Non-Agency Floating Rate CMBS - 0.2%		
Great Wolf Trust		
Series 2015-WOLF, Class A		
1.657%, 5/15/34 (d)(l)	4,138	4,116,271
Indus Eclipse PLC		
Series 2007-1X, Class B		
0.831%, 1/25/20 (d)(l)	GBP 7	10,881
		4,127,152
Agency CMBS - 0.0%		
Government National Mortgage Association		
Series 2006-32, Class XM		
0.018%, 11/16/45 (n)	U.S.\$ 552	581
Total Commercial Mortgage-Backed Securities (cost \$59,614,500)		58,900,138
EMERGING MARKETS - CORPORATE BONDS - 1.5%		
Industrial - 1.5%		
Basic - 0.2%		
Elementia SAB de CV		
5.50%, 1/15/25 (d)	1,039	971,465
Vedanta Resources PLC		
6.00%, 1/31/19 (d)	855	619,736
8.25%, 6/07/21 (a)(d)	1,943	1,360,916
9.50%, 7/18/18 (a)(d)	610	509,806
		3,461,923
Capital Goods - 0.4%		
Cemex SAB de CV		
7.25%, 1/15/21 (d)	2,376	2,364,120

	Principal Amount (000)	U.S. \$ Value
Grupo Cementos de Chihuahua SAB de CV		
8.125%, 2/08/20 (d)	U.S.\$ 1,954	\$ 2,032,160
Servicios Corporativos Javier SAPI de CV		
9.875%, 4/06/21 (d)	2,185	2,185,218
		6,581,498
Communications - Telecommunications - 0.2%		
Comcel Trust via Comunicaciones Celulares SA		
6.875%, 2/06/24 (d)	2,016	1,991,405
Digicel Ltd.		
6.00%, 4/15/21 (d)	1,500	1,368,750
6.75%, 3/01/23 (d)	385	346,500
		3,706,655
Consumer Cyclical - Retailers - 0.1%		
Office Depot de Mexico SA de CV		
6.875%, 9/20/20 (d)	2,350	2,348,825
Consumer Non-Cyclical - 0.5%		
Cosan Luxembourg SA		
5.00%, 3/14/23 (d)	1,361	1,020,750
9.50%, 3/14/18 (d)	BRL 3,117	614,673
Marfrig Holdings Europe BV		
8.375%, 5/09/18 (d)	U.S.\$ 900	839,250
Marfrig Overseas Ltd.		
9.50%, 5/04/20 (d)	4,151	4,026,470
Minerva Luxembourg SA		
7.75%, 1/31/23 (d)	877	767,375
Tonon Luxembourg SA		
7.25%, 1/24/20 (d)(j)	2,354	793,419
Virgolino de Oliveira Finance SA		
10.50%, 1/28/18 (e)(f)	4,738	64,437
10.875%, 1/13/20 (e)(f)	750	135,000
11.75%, 2/09/22 (e)(f)	1,690	16,900
		8,278,274
Transportation - Airlines - 0.1%		
TAM Capital 3, Inc.		
8.375%, 6/03/21 (a)(d)	2,843	2,444,980
Total Emerging Markets - Corporate Bonds (cost \$36,368,078)		26,822,155
WHOLE LOAN TRUSTS - 1.4%		
Performing Asset - 1.4%		
Alpha Credit Debt Fund LLC		
15.00%, 1/15/18 (g)(h)	1,570	1,569,622
Cara Aircraft Leasing 28548, Inc.		
8.00%, 12/02/19 (g)(h)	334	333,951
Cara Aircraft Leasing 28563, Inc.		
8.00%, 6/11/19 (g)(h)	409	408,532

	Principal Amount (000)	U.S. \$ Value
Cara Aircraft Leasing 28868, Inc. 8.00%, 11/26/19 (g)(h)	U.S.\$ 387	\$ 387,404
Deutsche Bank Mexico SA 8.00%, 10/31/34 (g)(h)	MXN 29,517	1,303,094
8.00%, 10/31/34 (g)(h)(o)	47,198	2,083,935
Ede Del Este SA (DPP) 12.00%, 3/31/16 (g)(h)	U.S.\$ 547	552,282
Ede Del Este SA (ITABO) 12.00%, 3/31/16 (g)(h)	532	536,890
AlphaCredit Capital, SA de CV 17.25%, 8/06/19 (g)(h)	MXN 14,889	880,750
Recife Funding Ltd. Zero Coupon, 11/05/29 (g)(h)	U.S.\$ 2,884	2,999,250
Sheridan Auto Loan Holdings I LLC 10.00%, 12/31/20 (g)(h)	1,272	1,272,204
Sheridan Auto Loan Holdings I, 10.00%, 3/31/20 (g)(h)	1,420	1,419,842
Sheridan Consumer Finance Trust 10.86%, 4/01/20 (g)(h)(l)	10,859	10,807,169
Total Whole Loan Trusts (cost \$25,483,505)		24,554,925

	Shares	
COMMON STOCKS - 1.2%		
Exide Technologies (h)(k)(p)	45,970	131,474
Ion Media Networks, Inc. Class A (g)(h)(p)	2,512	785,502
iPayment, Inc. (p)	110,385	550,049
Mt Logan Re Ltd. (Preference Shares) (k)(p)(q)	4,476	4,701,238
Mt Logan Re Ltd. (Preference Shares) (p)(q)	15,000	15,610,011
Total Common Stocks (cost \$20,685,632)		21,778,274

	Principal Amount (000)	
QUASI-SOVEREIGNS - 1.1%		
Quasi-Sovereign Bonds - 1.1%		
Indonesia - 0.4%		
Majapahit Holding BV 7.875%, 6/29/37 (d)	U.S.\$ 6,188	6,644,674
Mexico - 0.4%		
Petroleos Mexicanos 5.625%, 1/23/46 (d)	4,710	3,836,060
6.50%, 6/02/41	4,900	4,507,020
		8,343,080

	Principal Amount (000)	U.S. \$ Value
South Africa - 0.1%		
Eskom Holdings SOC Ltd.		
7.125%, 2/11/25 (a)(d)	U.S.\$ 1,070	\$ 1,006,795
Venezuela - 0.2%		
Petroleos de Venezuela SA		
5.25%, 4/12/17 (d)	7,500	3,370,500
Total Quasi-Sovereigns (cost \$23,149,199)		19,365,049
LOCAL GOVERNMENTS - MUNICIPAL BONDS - 0.9%		
United States - 0.9%		
Buckeye Tobacco Settlement Financing Authority		
Series 2007A-2		
5.875%, 6/01/47	1,950	1,608,477
Iowa Tobacco Settlement Authority		
Series 2005C		
5.625%, 6/01/46	1,575	1,407,924
Michigan Tobacco Settlement Finance Authority		
Series 2007A		
6.00%, 6/01/48	5,915	4,994,153
State of Illinois		
Series 2010		
7.35%, 7/01/35	3,330	3,587,242
Texas Transportation Commission State Highway Fund		
Series 2010B		
5.178%, 4/01/30	2,560	2,928,998
Tobacco Settlement Financing Corp./VA		
Series 2007B1		
5.00%, 6/01/47	1,850	1,344,784
Total Local Governments - Municipal Bonds (cost \$15,884,726)		15,871,578
EMERGING MARKETS - SOVEREIGNS - 0.9%		
Dominican Republic - 0.1%		
Dominican Republic International Bond		
7.45%, 4/30/44 (d)	1,873	1,915,143
El Salvador - 0.3%		
El Salvador Government International Bond		
7.65%, 6/15/35 (d)	5,957	5,309,176
Ivory Coast - 0.1%		
Ivory Coast Government International Bond		
6.375%, 3/03/28 (d)	2,440	2,164,671
Jamaica - 0.1%		
Jamaica Government International Bond		
7.875%, 7/28/45	1,954	1,954,000
Pakistan - 0.1%		
Pakistan Government International Bond		
7.25%, 4/15/19 (d)	1,700	1,744,074

	Principal Amount (000)	U.S. \$ Value
Sri Lanka - 0.1%		
Sri Lanka Government International Bond		
6.00%, 1/14/19 (d)	U.S.\$ 1,236	\$ 1,248,356
Zambia - 0.1%		
Zambia Government International Bond		
8.50%, 4/14/24 (d)	1,553	1,242,400
Total Emerging Markets - Sovereigns (cost \$15,285,444)		15,577,820

	Shares	
PREFERRED STOCKS - 0.7%		
Financial Institutions - 0.5%		
Banking - 0.3%		
US Bancorp		
Series F		
6.50%	180,000	5,169,600
REITS - 0.2%		
Digital Realty Trust, Inc.		
6.35%	100,000	2,474,000
National Retail Properties, Inc.		
Series E		
5.70%	26,000	636,740
Public Storage		
Series W		
5.20%	28,475	675,996
Public Storage		
Series X		
5.20%	2,000	47,760
		3,834,496
		9,004,096

Industrial - 0.2%		
Consumer Non-Cyclical - 0.2%		
Ventas Realty LP/Ventas Capital Corp.		
5.45%	139,500	3,487,500
Total Preferred Stocks (cost \$11,627,365)		12,491,596

	Principal Amount (000)	
BANK LOANS - 0.5%		
Industrial - 0.5%		
Basic - 0.1%		
FMG Resources (August 2006) Pty LTD (FMG America Finance, Inc.)		
3.75%, 6/30/19 (l)	U.S.\$ 922	751,758
Magnetation LLC		

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12.00%, 11/11/15 (g)(h)(j)	1,554	1,387,913
		2,139,671

	Principal Amount (000)	U.S. \$ Value
Communications - Media - 0.1%		
TWCC Holding Corp.		
7.00%, 6/26/20 (l)	U.S.\$ 1,550	\$ 1,440,539
Consumer Non-Cyclical - 0.1%		
Pharmedium Healthcare Corp.		
7.75%, 1/28/22 (l)	1,902	1,873,080
Energy - 0.1%		
Atlas 2014-1 Ltd.		
6.88%, 1/15/21	1,833	1,824,233
Other Industrial - 0.1%		
Unifrax Holding Co.		
4.50%, 11/28/18 (l)	EUR 749	832,288
Technology - 0.0%		
Avaya Inc.		
4.69%, 10/26/17 (l)	U.S.\$ 154	133,597
Total Bank Loans (cost \$8,907,377)		8,243,408
GOVERNMENTS - SOVEREIGN AGENCIES - 0.5%		
Brazil - 0.2%		
Petrobras Global Finance BV		
5.375%, 1/27/21	5,000	3,637,500
Morocco - 0.1%		
OCP SA		
5.625%, 4/25/24 (d)	1,148	1,171,006
United Kingdom - 0.2%		
Royal Bank of Scotland Group PLC		
8.00%, 8/10/25 (m)	3,065	3,087,987
Total Governments - Sovereign Agencies (cost \$9,367,277)		7,896,493
Shares		
INVESTMENT COMPANIES - 0.2%		
Funds and Investment Trusts - 0.2%		
OCL Opportunities Fund I (g)(h)	16,259	1,804,784
OCL Opportunities Fund II (g)(h)	6,916	1,079,893
Total Investment Companies (cost \$2,981,056)		2,884,677
Principal Amount (000)		
ASSET-BACKED SECURITIES - 0.1%		

Autos - Fixed Rate - 0.1%

Hertz Vehicle Financing LLC

Series 2013-1A, Class B2

2.48%, 8/25/19 (d)

(cost \$2,127,200)

U.S.\$ 2,169

2,146,557

	Principal Amount (000)	U.S. \$ Value
GOVERNMENTS - SOVEREIGN BONDS - 0.1%		
Indonesia - 0.1%		
Indonesia Government International Bond		
8.50%, 10/12/35 (d)		
(cost \$907,293)	U.S.\$ 801	\$ 1,005,156
MORTGAGE PASS-THROUGHS - 0.0%		
Agency Fixed Rate 30-Year - 0.0%		
Federal National Mortgage Association		
Series 1999		
7.50%, 11/01/29	27	31,716
Series 1998		
8.00%, 6/01/28	19	22,602
Total Mortgage Pass-Throughs		
(cost \$46,266)		54,318
OPTIONS PURCHASED - CALLS - 0.0%		
Swaptions - 0.0%		
CDX-NAHY Series 24 RTR, JPMorgan Chase Bank NA (Sell Protection)		
Expiration: Oct 2015, Exercise Rate: 106.00%		
(cost \$98,010)	36,000	17,197
SHORT-TERM INVESTMENTS - 3.1%		
Investment Companies - 3.1%		
AB Fixed Income Shares, Inc. - Government STIF Portfolio,		
0.14% (r)(s)		
(cost \$55,559,416)	55,559,416	55,559,416
Total Investments - 149.8%		
(cost \$2,616,523,015) (t)		2,650,815,298
Other assets less liabilities - (49.8)%		(881,771,411)
Net Assets - 100.0%		\$ 1,769,043,887

FUTURES

Type	Number of Contracts	Expiration Month	Original Value	Value at September 30, 2015	Unrealized Appreciation/ (Depreciation)
Sold Contracts					
Euro-BOBL Futures	484	December 2015	\$ 69,295,110	\$ 69,776,777	\$ (481,667)
U.S. Long Bond (CBT) Futures	2,327	December 2015	363,564,667	366,138,906	(2,574,239)
U.S. T-Note 10 Yr (CBT) Futures	3,198	December 2015	409,494,318	411,692,531	(2,198,213)
					\$ (5,254,119)

FORWARD CURRENCY EXCHANGE CONTRACTS

Counterparty	Contracts to Deliver (000)		In Exchange For (000)		Settlement Date	Unrealized Appreciation (Depreciation)
Barclays Bank PLC	IDR	29,208,647	USD	1,982	10/09/15	\$ (12,455)
Barclays Bank PLC	USD	1,347	IDR	19,333,806	10/09/15	(26,955)
Barclays Bank PLC	TWD	278,804	USD	8,602	10/16/15	161,793
Barclays Bank PLC	SEK	158,168	EUR	19,083	11/05/15	20,152

NP Paribas
A**COMMUNICATIONS WITH THE BOARD**

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

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

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

OTHER MATTERS

The Board currently knows of no other business to be presented for consideration at the Meeting. If any other matters properly come before the Meeting, the proxies will be voted on such matters in accordance with the judgment of the persons named as proxies therein, or their substitutes, present and acting at the Meeting. Under applicable Florida law, the Company's shareholders do not

have dissenter or appraisal rights in connection with the matters being voted upon at the Meeting.

WHERE YOU CAN FIND MORE INFORMATION

The Company files annual, quarterly and current reports, proxy statements and other information with the SEC under the Exchange Act. You may read and copy such material at the SEC's Public Reference Room located at 100 F Street, N.E., Washington, D.C. 20549. You may also obtain copies of such material from the SEC at prescribed rates by writing to the Public Reference Room of the SEC, 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. You can also find the Company's SEC filings at the SEC's website at <http://www.sec.gov>. You may also obtain copies of this proxy statement and any other reports or information that the Company files with the SEC, free of charge, by written request to China Direct Industries, Inc., Attention: Investor Relations, 431 Fairway Drive, Suite 200, Deerfield Beach, Florida 33441 or by calling (954) 363-7333.

The Company's website is <http://www.cdii.net>. The information contained on the Company's website is not incorporated into this proxy statement.

ATTACHMENTS

The following documents are attached to this proxy statement:

- Marvelous Honor Transfer Agreement, as amended (Annex A);
- Baotou Transfer Agreement, as amended (Annex B);
- Lingshi Magnesium Transfer Agreement, as amended (Annex C);
- Management Agreement (Annex D); and
- Form of Amendment to Articles of Incorporation (Annex E).

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD
OF DIRECTORS OF
CHINA DIRECT INDUSTRIES, INC.

BY ORDER OF THE BOARD OF DIRECTORS

Lazarus Rothstein,
Secretary

Deerfield Beach, Florida
[____], 201 2

Annex A - Marvelous Honor Transfer Agreement

[Chinese to English translation]

Golden Trust Magnesium Industry Co., Ltd.
Equity Transfer Contract

Entered by
CDI China, Inc.

(Party A)

And

Marvelous Honor Holdings Inc. Shareholders: Lianling Dong, Ping
Liu, Jianzhong Ju, Lifei Huang, Xumin Cui

(Party B)

Marvelous Honor Holding Inc.

(Target Company)

And

Golden Trust Magnesium Industry Co. Ltd

And

Kong Tung

August 30, 2011

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Equity Transfer Contract

This contract (the “Contract”) was entered by and between the following parties at Taiyuan China, on August 30, 2011 by CDI China, Inc., a Florida corporation its registered address at 431 Fairway Drive, Suite 200, Deerfield Beach, Florida 33441 (“Party A” or “CDI China”); and Marvelous Honor Holding Inc. (“Marvelous” or “Target Company”), Marvelous is a Brunei registered company with its registered address at Rm51,5th Floor, Britannia House, Jalan Cator, Bandar Seri Begawan BS 8811, Negara Brunei Darussalam, Lianling Dong, Ping Liu, Jianzhong Ju, Lifei Huang, Xumin Cui (“Party B”); Golden Trust Magnesium Industry Co. Ltd., a limited liability company established and existing under the laws of China with its registered address at Loudong Village, Gucheng Town, Xiaoyi City, Shanxi Province, China (hereinafter referred to as “Golden Trust”) and Kong Tung.

Preface

After friendly consultations conducted in accordance with the principles of equality and mutual benefit, the Parties have agreed to enter into this Contract in accordance with the Law of the People’s Republic of China on Chinese-Foreign Equity Joint Ventures, Regulations for the Implementation of the Law of the People’s Republic of China on Joint Ventures Using Chinese and Foreign Investment, Company Law of the People’s Republic of China, Contract Law of the People’s Republic of China and other applicable laws and provisions of this Contract.

Now the Parties hereby agree as follows:

1. Definitions and Interpretation

Unless the terms or context of this Contract otherwise provide, this Contract shall be interpreted in accordance with, and each of the terms used herein shall have the meaning ascribed to it in Exhibit I.

2. Parties in the Contract

2.1 Profiles of Parties in the Contract

Parties in the Contract are as follows:

(a) Party A: CDI China, Inc., a Florida corporation with its registered address at 431 Fairway Drive, Suite 200, Deerfield Beach, Florida 33441 (“CDI China”);
Authorized Representative of CDI China: Yuejian Wang
Title Chief Executive Officer
Nationality: U.S.

(b) Party B: Shareholders of Marvelous Honor Holding Inc.:

The shareholders of Marvelous are Lianling Dong, Ping Liu, Jianzhong Ju, Lifei Huang, Xumin Cui, among which, Lianling Dong owns 31.59% interest, Ping Liu owns 12.99% interest, Jianzhong Ju owns 18.39% interest, Lifei Huang owns 18.52% interest, Xumin Cui owns 18.52% interest.

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Marvelous is a Brunei registered company with its registered address at Rm51,5th Floor, Britannia House, Jalan Cator, Bandar Seri Begawan BS 8811, Negara Brunei Darussalam.

Authorized Representative : Xiaorui Su

Title Executive Director, Legal Representative

Nationality: China Hong Kong

(c) Target Company: Marvelous Honor Holding Inc.

Marvelous is a Brunei registered company with its registered address at Rm51,5th Floor, Britannia House, Jalan Cator, Bandar Seri Begawan BS 8811, Negara Brunei Darussalam.

Authorized Representative : Xumin Cui

Title Executive Director, Legal Representative

Nationality: China Hong Kong

(d) Golden Trust Magnesium Industry Co. Ltd., a limited liability company established and existing under the laws of China with its registered address at Loudong Village, Gucheng Town, Xiaoyi City, Shanxi Province, China

Authorized Representative : Kong Tung

Title Chairman, Legal Representative

Nationality: China Hong Kong

(e) Kong Tung:

Nationality: China Hong Kong

2.2 Replacement of Authorized Representatives of Parties

Each Party has the right to replace its own legal person or authorized representative. If the replacement occurs, the Party shall notice the other two Parties the name, title, and nationality of its new legal person or authorized representative in a timely manner.

3. Transaction Target

3.1 Target Company Name

The name of the Target Company is Marvelous Honor Holding Inc.

3.2 Target company of the Transaction

Assignee hereby agrees that Target Company of the transaction was formed under British Virgin Islands Company Law, and other applicable laws and provisions of this Contract. The legal representative is Xumin Cui.

3.3 Registered Address of the Target Company

The registered address of the Target Company is Rm51,5th Floor, Britannia House, Jalan Cator, Bandar Seri Begawan BS 8811, Negara Brunei Darussalam.

3.4 Registration Information of the Target Company

The registration number of Marvelous is NBD/10311. Marvelous has five shareholders: Lianling Dong, Ping Liu, Jianzhong Ju, Lifei Huang, Xumin Cui, Chun Oi Li and Xiaorui Su (Lianling Dong owns a 31.59% interest, Ping Liu owns a 12.99% interest, Jianzhong Ju owns an 18.39% interest, Lifei Huang owns an 18.52% interest, and Xumin Cui owns an 18.52% interest).

The Target Company doesn't have any other options, warranties, and other Contract, plan, and commitment regarding shares. Target Company does not have any contractual obligations regarding shares repurchase, shares re-subscription and other debt, loan and interment etc. Target Company does not have any subsidiaries and branches.

The following is the list of the current owners of 100% of the ownership interests in the Target Company:

Name	Ownership Interest
Lianling Dong	31.59%
Ping Liu	12.99%
Jianzhong Ju	18.39%
Lifei Huang	18.52%
Xumin Cui	18.52%

Except as set forth above, there are no options, subscriptions or other rights, agreements, arrangements or commitments (contingent or otherwise) of any character issued or authorized by the Target Company relating to ownership of an equity interest in the Target Company to issue or sell any ownership interest or options, warrants, convertible securities, subscriptions or other equity interests in the Target Company. There are no outstanding contractual obligations of the Target Company to repurchase, redeem or otherwise acquire any ownership interest in the Target Company or make any other distribution in respect thereof or to provide funds to, or make any investments (in the form of a loan, capital contribution or otherwise). The Target Company does not have any subsidiaries.

The Ownership Interests in the Target Company listed in the table above are duly authorized, validly issued, fully paid and nonassessable and each such interest owned by the person or entity listed above is free and clear of all security interests, liens, claims, pledges, options, rights of first refusal, agreements, limitations on the Target Company's voting rights, charges and other encumbrances of any nature whatsoever.

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3.5 Limited Liability Company

The Target Company is formed as a limited liability company. Any owner of an Ownership Interest is liable only up to its contributed portion of its registered capital in the Target Company. The Target Company shall assume all liabilities to its creditors against its assets.

3.6 Applicable British Virgin Islands Laws

The Target Company is a separate legal entity under Brunei laws. The Target Company is under both the jurisdiction and protection of applicable Brunei laws. The conduct of the Target Company shall abide by applicable Brunei laws.

3.7 Party A will acquire a one hundred (100%) percent interest in the Target Company from Party B (the “Acquired Interest”). Party A will enter into a separate Equity Transfer Agreement with Yuwei Huang to acquire the 27.5% interest in Golden Trust owned by Baotou Chang as trustee for Yuwei Huang. After the completion of the acquisition of Marvelous, the ownership interests in the Target Company will be as follows:

Name	Ownership Interest
CDI China, Inc.	100%

The sole asset of Marvelous is its ownership interest in Golden Trust. As of the Closing Date, Marvelous shall have no liabilities.

3.8 Golden Trust

Party B and Golden Trust represent and warrant to Party A that Golden Trust was formed under the Laws of the People’s Republic of China on Chinese-Foreign Equity Joint Ventures, Regulations for the Implementation of the Law of the People's Republic of China on Joint Ventures Using Chinese and Foreign Investment, and other applicable laws and provisions of this Contract.

3.8.1 Registered Address of Golden Trust

The registered address of Golden Trust is Loudong Village, Gucheng Town, Xiaoyi City, Shanxi Province, China.

3.8.2 Registration Information of the Target Company

The registered capital of Golden Trust is RMB 25,000,000. The business license number is 140000400015520. Marvelous Honor Holdings Inc. (“Marvelous”) and Baotou Changxin Magnesium Industry Co., Ltd. as trustee for Yuwei Huang respectively own 72.5% and 27.5% of Golden Trust’s shares.

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The following is the list of the current owners of 100% of the ownership interests in the Target Company:

Name	Ownership Interest
Marvelous	72.5%
Baotou Changxin as trustee for Yuwei Huang	27.5%

Except as set forth above, there are no options, subscriptions or other rights, agreements, arrangements or commitments (contingent or otherwise) of any character issued or authorized by Golden Trust relating to ownership of an equity interest in Golden Trust to issue or sell any ownership interest or options, warrants, convertible securities, subscriptions or other equity interests in Golden Trust. There are no outstanding contractual obligations of Golden Trust to repurchase, redeem or otherwise acquire any ownership interest in Golden Trust or make any other distribution in respect thereof or to provide funds to, or make any investments (in the form of a loan, capital contribution or otherwise). Golden Trust does not have any subsidiaries.

The Ownership Interests in Golden Trust listed in the table above are duly authorized, validly issued, fully paid and nonassessable and each such interest owned by the person or entity listed above is free and clear of all security interests, liens, claims, pledges, options, rights of first refusal, agreements, limitations on voting rights, charges and other encumbrances of any nature whatsoever.

3.8.3 Limited Liability Company

Golden Trust is formed as a limited liability company. Any owner of an Ownership Interest is liable only up to its contributed portion of its registered capital in Golden Trust. Golden Trust shall assume all liabilities to its creditors against its assets.

3.8.4 Applicable Chinese Laws

Golden Trust is a separate legal entity under Chinese laws. Golden Trust is under both the jurisdiction and protection of applicable Chinese laws. The conduct of Golden Trust shall abide by applicable Chinese laws.

3.8.5 Party A will acquire a seventy two and one-half (72.5%) percent interest in Golden Trust by virtue of its acquisition of Marvelous from Party B. In addition, Party A will enter into a separate Equity Transfer Agreement with Baotou Chang as trustee for Yuwei Huang and Mr. Huang to acquire the 27.5% interest in Golden Trust beneficially owned by Mr. Huang. After the completion of these two acquisitions, the ownership interests in Golden Trust will be as follows:

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Name	Ownership Interest in Golden Trust
Marvelous Honor Holdings, Inc. (owned 100% by CDI China, Inc.)	72.5%
Baotou Chang as trustee for CDI China, Inc.	27.5%
Total	100.0%

4 Transaction Price, Payment and Closing

4.1 Party A shall purchase the Acquired Interest in the Target Company from Party B on the Closing Date as hereinafter defined. The purchase price for the Acquired Interest (the “Purchase Price”) shall be RMB 54,375,000 (the “Base Price”) plus an amount equal to 72.5% of Golden Trust’s “Net Other Assets”. “Net Other Assets” are defined as Golden Trust’s Total Current Assets less total Liabilities as set forth in the Closing Acquisition Balance Sheet, as hereinafter defined, up to a maximum of RMB 6,000,000 (approximately US \$1,000,000). The “Closing Acquisition Balance Sheet is defined as Golden Trust’s balance sheet as of the end of the month prior to the Closing Date. If the Net other assets of Golden Trust as set forth in the Closing Acquisition Balance Sheet exceed RMB 6,000,000, Golden Trust shall distribute to its shareholders Current Assets in an amount equal to such excess. The Parties shall agree on the specific assets that Golden Trust may distribute under this section. Also, if any of Golden Trust’s Current Assets included on the Closing Acquisition Balance Sheet are impaired, uncollected or written off within one year of the Closing Date, the Purchase Price shall be reduced by 72.5% of such reduction and Party B shall return to CDII a number of its shares of common stock equal to such amount based on the exchange rate and stock price for the CDII common stock set forth below.

Purchase Price = Base Price + (Net Other Assets equal to or less than RMB 6,000,000 X 72.5%)

The following is an example of how the purchase Price may be computed assuming Net Other Assets equals RMB 6,000,000:

	Gross Amount (RMB)	Net Amount (RMB)
Base Price (including Appraisal Value and the Spare Parts Value)	75,000,000	54,375,000
Target Company Net Other Assets	6,000,000	4,350,000
Total Estimated Purchase Price	81,000,000	58,725,000

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The Purchase Price is payable as set forth in Section 4.2 below. In this Contract, the exchange rate shall be equal to the U.S. dollar to Renminbi exchange rates authorized by the China Foreign Exchange Trading Center and published by the People's Bank of China on the day prior to the date this Contract is signed (on August 29, 2011, the exchange rate is 6.3883). The CDII stock price for purposes of computing the number of shares of CDII common stock to be issued as partial payment for the Purchase Price shall be the average closing price (\$0.946) of CDII's common stock on the Nasdaq Stock Market during the 10 trading days from August 15, 2011 to August 26, 2011.

4.2 Payment

Subject to adjustment as provided for in Section 4.1 above, Party A agrees to pay the Purchase Price to Party B as follows:

4.2.1 Within 15 business days after the Closing Date, Party A shall deliver 4,858,661 shares of CDII common stock equal to the U.S. dollar equivalent of RMB 29,362,500 to Party B or Party B's designated party.

4.2.2 Subject to completion of the conditions set forth in Section 5, Party A shall deliver 4,858,661 shares of CDII common stock equal to the U.S. dollar equivalent of RMB 29,362,500 to Party B or Party B's designated party.

4.3 Closing

4.3.1 Closing. The date of closing ("Closing Date") of the transactions contemplated by this Contract shall occur following completion of the conditions set forth in Section 4.4, and upon delivery of the Purchase Price as described in Section 4.2 herein. The Closing shall take place at a mutually agreeable time and place but in no event later than December 31, 2011.

4.3.2 Closing Events. At the Closing, Party A and Party B shall execute, acknowledge, and deliver (or shall ensure to be executed, acknowledged, and delivered), any and all certificates, opinions, financial statements, schedules, agreements, resolutions, rulings or other instruments required by this Contract to be so delivered at or prior to the Closing Date, together with such other items as may be reasonably requested by the parties hereto and their respective legal counsel in order to effectuate or evidence the transactions contemplated hereby.

4.3.3 Termination. This Contract may be terminated by the Board of Directors of CDII or Party A only in the event that Party B or Target Company do not meet the conditions precedent set forth in Section 4.4. If this Contract is terminated pursuant to this section, this Contract shall be of no further force or effect, and no obligation, right or liability shall arise hereunder.

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4.4 Conditions to Close

4.4.1 The obligations of Party A and CDII under this Contract are subject to the satisfaction, at or before the Closing Date, of the following conditions:

4.4.2 Accuracy of Representations and Performance of Covenants. The representations and warranties made by Party B, Target Company and Golden Trust in this Contract were true when made and shall be true at the Closing Date with the same force and effect as if such representations and warranties were made at and as of the Closing Date (except for changes therein permitted by this Contract). Party B, Target Company and Golden Trust shall have performed or complied with all covenants and conditions required by them under this Contract to be performed or complied with prior to or at the Closing Date.

4.4.3 Approval by CDII's Shareholders. This Contract shall have been approved by CDII's shareholders as provided for in CDII's by-laws and as required by Applicable Laws and the applicable NASDAQ Market Place Rules and Regulations.

4.4.4 No Governmental Prohibition. No order, statute, rule, regulation, executive order, injunction, stay, decree, judgment or restraining order shall have been enacted, entered, promulgated or enforced by any court or governmental or regulatory authority or instrumentality which prohibits the consummation of the transactions contemplated hereby.

4.4.5 Party B shall have signed such document or documents as reasonably requested by Party A to transfer any and all beneficial interest it has in the Acquired Interest to Party A.

4.4.6 Yuwei Huang and Baotou Chang shall have entered into an agreement with Party A for the sale of the 27.5% ownership interest in Golden Trust on such terms and conditions mutually agreeable to Yuwei Huang and Party A.

4.4.7 Party A shall have determined that no consent or approval by any third parties or any governmental authority is required to complete the sale of the Acquired Interest by Party B to Party A.

4.4.8 Golden Trust shall have entered into an amendment to the Land Lease Agreement dated January 5, 2003 for use of the real estate used by Golden Trust in the operation of its business to correct any title defects as may be reasonably required by Party A (the "Land Lease Amendment").

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5 Transaction Process and Delivery

5.1 Payment.

All Parties agree that the Purchase Price shall be paid according to section 4.2 of this Contract.

5.2 Title Transfer

When Party B receives the initial payment, Party B shall complete the title transfer of the Acquired Interest within 45 business days and formally provide the relevant certificate of equity ownership to Party A. The certificate of equity ownership and title transfer process referred to herein includes but is not limited to the Stock Rights Record certificate, registration of Equity Ownership Change for Foreign-invested Joint Venture, and Party B's other obligations under this Contract (the "Post Closing Title Transfers"). Party B is responsible for all the cost associated with the Post Closing Title Transfers. In addition, Party B shall cooperate with Party A in Party B's efforts to complete a valid transfer of the Acquired Interest.

5.3 Delivery at Closing and Post Closing Obligations

5.3.1 Party A's purchase of the Acquired Interest is based on the net equity of Golden Trust as set forth in the Financial Statements, as hereinafter defined and Marvelous' balance which shall reflect its investment in Golden Trust and no other assets or liabilities. The assets shall be transferred in accordance with the audited results on the assets and the condition of operations of Golden Trust that are determined by the auditing firm Sherb & Co., LLP; both Party A and B shall send staff to verify the relevant assets and equipment of Golden Trust, and compile reconciliation schedules. The authorized representatives of both parties shall duly sign to confirm the completion of transfer in assets and equipments, and record in Golden Trust's book such changes. Party B and Golden Trust represents and warrants that, except as permitted by this Contract since the June 30, 2011 date of the Financial Statements, there has not been:

- (a) any sale, lease or other disposition of any of Golden Trust or the Target Company's assets, other than in the ordinary course of business;
- (b) any damage, destruction, loss or other change (whether or not insured) materially and adversely affecting Golden Trust or the Target Company's assets;
- (c) any loans or advances or charges, which in any way create a lien on Golden Trust or the Target Company's assets that are not included in the Financial Statements; or

(d) any write offs of any debt, contingency or other reserve against Golden Trust or the Target Company's accounts receivables included in the Financial Statements.

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5.3.2 Delivery of Engineering Project Information: Besides Certificate of the Use of State-owned Land, Land Use Planning Permit, Construction Engineering Planning Permit, Party B shall deliver a copy of all the documents and technological information of Golden Trust to Party A, including but not limited to:

- 1) The documents related to the founding of engineering projects and any changes;
- 2) Contracts for engineering design and blue prints;
- 3) Construction contracts;
- 4) Contracts to purchase and install equipment and materials; documents related to equipment such as certificate of fitness, installation and user manual, after-sales service contracts, maintenance contracts, technology criteria description, manufacturers' information, specifications and models, purchase date, operational status, repair and maintenance records, compatibilities of equipment with procedures, etc; and
- 5) Project Supervision Contract.

5.3.3 Accounting Information Delivery. The following shall apply to the Target Company and Golden Trust:

- 1) Accounting information shall be transferred in accordance with the audited results on the assets and the condition of operations of the Target Company and Golden Trust as of the closing date as determined by the auditing firm Sherb & Co., LLP and the date of the Financial Statements including detailed schedules and aging reports of all assets and liabilities;
- 2) Party B shall provide: evidence for tax payments in Fiscal 2010 until the Closing Date, provided by the State and Local Tax Bureau; evidence of full amount payments for electricity, water, and sanitation services in Fiscal 2010 until the Closing Date, provided by the suppliers of power, water, and sanitation services.

Party B shall deliver the accounting book to Party A for safekeeping, including but not limited to the purchase contracts and original invoices for the assets (valued at RMB 200,000 or more).

5.3.4 Delivery of Incorporation Documents

Upon change of equity ownership and legal person of the Golden Trust at Shanxi Administration for Industry and Commerce and issuance of new business license (including original and copy), and change of equity ownership and legal person of the Target Company at BVI and issuance of new business license (including original and copy), Party B shall deliver the new business license to Party A; Party A and B shall turn in all the corporate seals of the Target Company and Golden Trust that are held by either party to the management jointly designated by both parties.

6. Mutual Covenants of Parties after Transaction

6.1 Covenants of Party A

Besides the obligations stipulated in other sections of this Contract, Party A is obliged to perform the items as follows:

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- a) Party A shall make payment for the transaction in accordance with the provisions of this Contract;
- b) After the new business license is issued, Party A shall sign off and execute the supplementary contracts in which it is one of engaging parties (if there is any), and facilitate its related parties to sign off and execute the supplementary contracts in which its related party is one of engaging parties (if there is any);
- c) Party A shall handle other matters requested by the Target Company in accordance with other written provisions of this Contract.

6.2 Covenants of Party B

Besides the obligations stipulated in other sections of this Contract, Party B is obliged to perform the items as follows:

- (a) Party B shall file applications and registration with government agencies to obtain the applicable approvals and related official documentation, and provide Party A and the Target Company with the official documents issued by government agencies and other documents related to the business or joint operations of the Target Company;
- (b) Party B shall assist the Target Company in obtaining the revised or updated approvals concerning its business operations;
- (c) After the business license is issued, Party B shall sign off and execute the contracts in which Party B is one of engaging parties (if there is any), and facilitate each of its related parties to sign off and execute the contracts in which it related party is one of engaging parties (if there is any);
- (d) Party B shall handle other matters requested by the Target Company in accordance with other provisions of this Contracts; and
- (e) Continuously manage the Target Company in accordance with the requirements of Party A.

7 Business Operations

The operations of the Target Company shall be conducted in accordance with the Management Contract signed by both parties on the Closing Date.

8 Non-Competition

8.1 Restriction

- (a) Exclusive of any "Approved Company", as hereinafter defined and unless having received prior approval from Party A in writing, Party B or Kong Tung shall not individually or jointly, or through any person (or on behalf of any person), directly or indirectly, perform the following actions regarding the distribution, sale or production of magnesium ingot, any metal alloy which includes magnesium as a component, magnesium

powder, iron ore or any other product that CDII or any of its subsidiaries engages in (the “Protected Business”):

(i) become an investor, lender, employee, director, consultant or advisor of, or otherwise affiliated with any company engaged in a Protected Business.

(ii) Attempt to conduct the following competitive behaviors against Target Company with anyone who is or used to be the client of Target Company during the term of this contract:

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- (1) Place orders
- (2) Make transactions; or
- (3) encourage anyone, directly or indirectly, to place orders or make transactions;
- (iii) In order to employ such personnel by any party other than the Target Company, encourage or contact the following persons: current employees, officers or managers of the Target Company, or the employees, management, or department manager who worked with the Target Company in the past two years. The exception is the employees who were temporarily transferred from either party to the Target Company and have returned at the expiration of the term.

8.2 Treatment of Invalid Provisions

- (a) Each of the restrictive provisions of section 8.1 is severable and independently applicable, and the invalidity or no force of certain restrictive provisions does not have effect on other restrictive provisions.
- (b) Each party confirms that the restrictive provision of section 8.1 is reasonable and necessary to protect the interests of the Target Company. If any part of the restricted provisions is invalid but turns effective after having removed or reduced the scope of implication, the section shall be revised as mentioned above to make it valid and enforceable.

8.3 Duration

The restrictive provisions in section 8.1 have effect on Party B and Kong Tung and shall remain in effect for the term of the Management Agreement and for a period of two years thereafter.

9 Labor Management

9.1 Employees of the Target Company. The Target Company has no employees.

9.2 Employees of Golden Trust

Party B will assist in terminating the employment of all current employees of Golden Trust, if required under Chinese law. The costs associated with employment termination are the responsibility of Party B unless such costs are reserved for and set forth in the Closing Acquisition Balance Sheet. If labor disputes occur due to this equity transfer, Party B is responsible for dealing with any labor disputes and staff recruitment, hiring, dismissal, resignation, wages, benefits and other related issues that are not set forth in the Closing Acquisition Balance Sheet.

9.3 Upon the closing of the equity transfer of the Target Company, all employees of Golden Trust who return to work shall have Party B's assistance. The labor management such as wages

shall be conducted in accordance with the applicable provisions of the Management Contract.

9.3

Party B promises to assist Golden Trust with fore-mentioned employee and labor issues of Golden Trust. If labor issues occur among the employees of Golden Trust, Party B and Golden Trust shall share responsibilities to handle the issues other than payment of any costs or expenses which are provided for in Section 9.2 above.

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10 Taxes and Insurance

10.1 Income tax, customs duties and other taxes

- (a) The Target Company and Golden Trust should pay taxes in accordance with the relevant tax laws of the jurisdiction where such entity was legally established.
- (b) After the business license is issued (or the Target Company obtains the appropriate qualifications in accordance with applicable laws), the Target Company shall apply to government agencies for tax incentives in connection with relevant laws as soon as possible.
- (c) The Chinese and foreign employees of Golden Trust should pay personal income taxes according to the relevant provisions of Chinese tax laws.
- (d) Party B shall be responsible for the payment of any taxes, fines, penalties or late charges due as a result of taxes due by the Target Company and Golden Trust prior to the Closing Date unless such amounts are reserved for and set forth in the Closing Acquisition Balance Sheet.

10.2 Insurance

- (a) If required by the Board of Directors of the Target Company, Golden Trust shall at all times purchase the full and sufficient insurance policies at its own expenses from the insurance companies established in China. The coverage shall include fire and other policies generally applicable to the industry in which Golden Trust operates.
- (b) The insurance policies to protect from the risks for properties, vehicles and other factors shall be purchased in RMB or foreign currency (subject to the circumstances). The types, scopes, and amounts of insurance policies are determined by the Board of Directors of Marvelous in accordance with relevant laws.

11 Representations, Warranties and Indemnification

11.1 Party B and Golden Trust represents and warrants to Party A that:

- 11.1.1 No consents or approvals from third parties or any governmental authority is required to complete the sale of the Acquired Interest by Party B to Party A.
- 11.1.2 The Target Company and Golden Trust are in compliance with, all permits, licenses and government authorizations and have filed all notices and paid all fees and taxes that are required under all applicable governmental regulation in the jurisdiction where such respective entity was legally established relating to protection of the environment, pollution control, production of magnesium, the operation of Target Company's magnesium production facility and

hazardous materials (the “Governmental Regulations”) and the Target Company and Golden Trust are in compliance with all applicable limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in those laws or contained in any law, regulation, code, plan, order, decree, judgment, notice, permit or demand letter issued, entered, promulgated or approved thereunder.

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As used in this Contract, the term “hazardous materials” means any waste, pollutant, hazardous substance, toxic, ignitable, reactive or corrosive substance, hazardous waste, special waste, industrial substance, by-product, process intermediate product or waste, petroleum or petroleum-derived substance or waste, chemical liquids or solids, liquid or gaseous products, or any constituent of any such substance or waste, the use, handling or disposal of which by the Target Company is in any way governed by or subject to any Governmental Regulation in the PRC.

11.2 Party A and Party B. Each party represents and warrants to the counterpart that on the date hereof:

- (a) The Parties meet all qualification requirements of applicable Chinese laws and regulation authorities on Chinese or foreign investors in the scope of industries that the Target Company operates;
- (b) The Parties are independent legal persons duly organized, validly existing in good standing under the laws of the place of their respective establishment or incorporation;
- (c) The Parties have obtained the right to make consent, approve and implement all necessary actions in order to effectively enter into and validate this Contract. The Parties have the full right to enter into this contract and to perform their respective obligations hereunder;
- (d) The Parties have authorized their respective representatives to sign this Contract and from and after the signing date the provisions of this Contract shall be legally binding upon them;
- (e) If a Party fails to initiate or take any measures to threaten legal proceedings or any application for dissolution, the Party shall file for bankruptcy or insolvency application, or appoint the liquidation committee or designate a manager to manage the assets or business;
- (f) The Parties execution of this Contract and the performance of their respective obligations hereunder: (i) shall not violate any provisions of their respective business license, articles of incorporation, articles of association or similar organizational documents; (ii) shall not violate any applicable laws or any governmental authorization or approval; and (iii) shall not violate or result in a default under any contract to which they are a party or to which they are subject; and (iv) shall not violate any rulings or arbitrations, or the decisions or regulations of any governmental authorization to which they are subject;
- (g) No lawsuit, arbitration or other legal or governmental proceeding is pending or, to its knowledge, has threatened against either Party that would affect its ability to perform their respective obligations under this Contract;

(h) Party B has disclosed to Party A all documents issued by any governmental department that may have a material adverse effect on the Target Company and Party B's ability to fully perform its obligations to the Target Company under this Contract, and the documents previously provided by Party B do not contain any misstatements or omissions of material facts.

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11.3 Consequences of Inaccuracy in Representations and Warranties

If any of items in Section 11.1 or 11.2 are not accurate in all material respects on the date hereof and as of the Closing Date or a Party to this Contract fails to perform any other term or condition of this Contract, the party who is responsible for performance of that term or condition shall be in material breach of this Contract.

11.4 The Responsibilities for Breach of Representations and Warranties

If one party breaches any of its representations or warranties or obligations in sections 11.1, 11.2, 11.3 or any other section of this Contract, the non-breaching party may seek any possible relief based on this Contract or applicable laws and the defaulting party shall indemnify the non-defaulting party or the Target Company for any loss, damages, costs, expenses, liabilities, claims, law suits or other legal proceedings, liabilities, judgments, penalties, fines, settlements, interest and damages (including reasonable attorneys' fees and expenses), whether suit is instituted or not due to the breach. Party A may off-set any amounts it owes Party B against the balance of any unpaid portion of for the Purchase Price as a result of any amounts due Party A by Party B under this Section 11.4 or a breach of any other term or condition of this Contract.

11.5 Party B's full obligations, responsibilities and commitment under this Contract, and the guarantee duration is 4 years after the Contract is signed.

12 Breach of Contract

12.1 Remedies for the Breach of Contract

Except as otherwise provided in other provisions of the Contract, if one party ("breaching party") does not perform under the Contract any one of the major obligations or fundamentally breaches the Contract, the other party "injured party" may:

- (a) Issue written notice to the breaching party explaining the nature and the scope of the breach and require the breaching party to compensate at their own expense during a period of no less than 20 days as specified in the notice (but the breaching party shall not be granted a remedy period if it makes any untrue and inaccurate representations and warranties under section 11.1, 11.2 and 11.3 or violate any other provision of this Contract), and
- (b) If the breaching party fails to remedy during the cure period (or, if not granted such remedy period, then any time after such breach), the injured party may directly file claims for foreseeable loss caused by the breach.

12.2 Limitation of Liability

Regardless of any other provisions of the Contract, except for a Party who violates Section 13 (Confidentiality), no Party shall be held liable or responsible to the other Party for loss of income or profit, business loss, goodwill or any indirect or consequential loss or liability. Under any circumstance, the total accumulated loss, damage or compensation shall be up to a maximum of the total amount of the Purchase Price, except that the violation of Section 13 (Confidentiality) or infringement of intellectual property rights.

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13 Duties of Confidentiality

13.1 Confidentiality

Prior to entering into this Contract, one party ("Disclosing Party") has or may from time to time disclose confidential information to the other party ("Recipient"). For a period of two (2) years after the Closing Date, the Recipient must:

- (a) keep the confidentiality of confidential information;
- (b) not use confidential information for the purposes other than the ones explicitly defined by the Contract;
- (c) limit the disclosure of the confidential information to the employees and agents (including attorneys, accountants, bankers and consultants) necessary to evaluate the transaction, and they must have signed a written nondisclosure contract (whose provisions shall not be less stringent than the provisions of section 13 (collectively, "Permitted Exposure Party").

13.2 Exceptions

The provisions of section 13.1 above shall not apply to information that:

- (a) Can be shown to be known by the Recipient by written records made prior to disclosure by the disclosing party;
- (b) Is or becomes public knowledge otherwise than through the Recipient's breach of this Contract; or
- (c) Was obtained by the Recipient from a third party having no obligation of confidentiality with respect to such information.

13.3 Rules

Each party shall formulate rules and regulations to inform its directors, senior staff, and other employees, and those of their affiliates of the confidentiality obligation set forth in this section.

14 Force Majeure

14.1 Definition of Force Majeure

Force Majeure shall mean all events which are beyond the control of the parties to this Contract, and which are unforeseen, unavoidable or insurmountable, and which prevent total or partial performance by either of the parties. Such events shall include earthquakes, typhoons, flood, fire, war, strikes, riots, acts of governments, changes in law or the application thereof or any other instances which cannot be foreseen, prevented or controlled, including instances which are accepted as Force Majeure in general international commercial practice.

14.2 Consequences of Force Majeure

- (a) If an event of Force Majeure occurs, a party's contractual obligations affected by such as an event under this Contract shall be suspended during the period of delay caused by the Force Majeure and shall be automatically extended, without

penalty or liability, for a period equal to such suspension.

(b)

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- (c) The party claiming Force Majeure shall promptly inform the other parties in writing and shall furnish within fifteen (15) days thereafter sufficient proof of the occurrence and duration of such Force Majeure. The party claiming force Majeure shall also use all reasonable endeavors to terminate the Force Majeure.
- (d) In the event of Force Majeure, the parties shall immediately consult with each other in order to find an equitable solution and shall use all reasonable endeavors to minimize the consequences of such Force Majeure.

15 Disputes Resolutions

15.1 Friendly Consultations

In the event of any dispute, controversy or claim arising out of or relating to this Contract, or the breach, termination or invalidity hereof (“dispute”), the parties shall attempt in the first instance to resolve such dispute through friendly consultations.

15.2 Arbitration

- (a) In the event such dispute is not resolved through consultations within sixty (60) days after the date such consultations were first requested in writing by a party, then any party may submit the dispute for arbitration in Beijing before the China International Economic and Trade Arbitration Commission (“CIETAC”) in accordance with CIETAC Arbitration Rules then in force.
- (b) The arbitration tribunal shall consist of three arbitrators, one appointed by each party and, if either of the parties fails to appoint an arbitrator within the time specified in the Arbitration Rules, the Chairman of CIETAC shall make such appointment.
- (c) A third arbitrator (the “Presiding Arbitrator”) shall be appointed by Contract between the parties, and if the parties fail to jointly appoint the Presiding Arbitrator within the time specified in the Arbitration Rules, the Chairman of CIETAC shall make such appointment.
- (d) All costs of arbitration (including but not limited to arbitration fees, costs of arbitrators and legal fees and disbursements) shall be borne by the losing party, unless otherwise determined by the arbitration tribunal.
- (e) The arbitration proceedings shall be conducted in Chinese.

15.3 Procedural Compliance

The parties undertake:

- (a) to comply strictly with the time limits specified in the Arbitration Rules for the taking of any step or the performance of any act in or in connection with any arbitration; and
- (b)

to comply with and to carry out, in full and without delay, any procedural orders(including, without limitation to, any interim measures of protection ordered) or any award (interim or final) made by the arbitral tribunal.

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15.4 Enforcement of the Arbitration

Each of the parties irrevocably:

- (a) agrees that any arbitration result shall be final and binding on both parties;
- (b) undertakes that it will execute and perform the arbitral award fully and without delay. In the event of judicial acceptance and an order of enforcement, each party expressly waives all rights to target thereto, including any defense of sovereign immunity and any other defense based on the fact or allegation that it is an agency or instrumentality of a sovereign state; and
- (c) waives any rights which it may have to contest the validity of the arbitration agreement set forth in this section or the jurisdiction of the relevant arbitration institution to hear and to determine any arbitration begun.

When any dispute occurs and is the subject of friendly consultations or arbitration, the parties shall continue to exercise their remaining respective rights and fulfill their remaining respective obligations under this Contract.

15.5 Governing Laws

The legal force, interpretation and implementation of this Contract are governed by the laws of the People's Republic of China.

16 Miscellaneous Provisions

16.1 Binding Effect

This Contract is made for the benefit of the parties hereto and their respective lawful successors and Party A and is legally binding on them.

16.2 Amendment

This Contract shall not be changed verbally, but only by a written instrument signed by the parties; if applicable laws states otherwise, then written consents and the approval from related approving authorities are required before amending this contract.

16.3 Confidentiality of this Contract

The existence of this Contract, as well as its contents, shall be deemed to fall within the scope of confidential information and subject to section 13, and shall not be disclosed in whole or in part to any person or entity, except (i) to a Permitted Disclosure Party, (ii) to authorized securities regulators or exchanges in accordance with applicable laws or the relevant rules of the securities exchange to which the party in question is subject, (iii) to officials in relevant government departments pursuant to the requirements of applicable laws, (iv) in order to fulfill any conditions precedent to the effectiveness of this Contract or (v) for the purpose of the performance by a party of its obligations or exercise of its rights hereunder or relating hereto, or (vi) for the purpose for the business

of the Target Company after it is established.

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16.4 Notification

(a) Any notice or written communication provided for in this Contract by either party to the other, including but not limited to any and all offers, writings, or notices to be given hereunder, shall be made in Chinese with English translation (if the English translation is ambiguous, Chinese version prevails) and delivered:

- (i) by hand;
- (ii) by courier service delivered letter, or
- (iii) by fax.

(b) Notices shall be deemed to have been delivered at the following times:

- (i) If by hand, on reaching the designated address and subject to return receipt or other proof of delivery;
- (ii) If by courier, the fifth business day after the date of dispatch, and
- (iii) If by fax, upon the next business day following the date marked on the confirmation of transmission report by the sender's fax machine, indicating completed uninterrupted transmission to the relevant facsimile number.

(c) During the term, each party may change its particulars for receipt of notices at any time by notice given to the other party in accordance with this section 16.4.

Party A: CDI China, Inc.
431 Fairway Drive, Suite 200, Deerfield Beach, FL 33441, USA
Fax Number: (954) 363-7320
Email: generalcounsel@cdii.net

Party B: Shareholders of Marvelous Honor Holding Inc.: Lianling Dong, Ping Liu, Jianzhong Ju, Lifei Huang, Xumin Cui
Legal Representative Mailing Address: Xumin Cui, 10-6 Beiliang Dongtaibao Village, Hao Zhuang County, Yingze District, Taiyuan City, Shangxi Province, China.
Fax Number: _____
Attention to: _____

Target Company: Marvelous Honor Holding Inc.
Address: Rm51, 5th Floor, Britannia House, Jalan Cator, Bandar Seri Begawan BS 8811, Negara Brunei Darussalam.
Fax Number: _____
Attention to: _____

Golden Trust:

16.5 Severability

The Invalidity of any provision of this contract shall not affect the validity of any other provision of this contract.

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16.6 Entire Contract

This Contract and the Schedules and Annexes hereto constitute the entire Contract between the parties hereto with respect to the subject matter of this Contract and supersede all prior discussions, negotiations and Contracts between them.

16.7 Waiver

Either party's failure to exercise or delay in exercising any right, power or privilege under this Contract shall not operate as a waiver thereof, and any single or partial exercise of any right, power or privilege shall not preclude the exercise of any other right, power or privilege.

16.8 Further Endeavors

A party shall, at any time, upon the request of the other party, sign (or facilitate the third party to sign) and procure (or facilitate the third party to procure) the execution of such documents, Contracts, contracts or deeds.

16.9 Target company Bylaws

If there are discrepancies between the Target Company's Bylaws and this Contract, this Contract supersedes.

16.10 Schedules and Annexes

The schedules and annexes of this Contract are inseparable, and have the same legal binding as the provisions in the contract. If there are discrepancies between the provisions in the Contract and the terms and sections in the schedule or annexes, the provisions of the Contract supersedes.

16.11 Securities Laws

Party A and Party B understand and agree that the consummation of this Contract including the delivery of the Purchase Price to Party B in exchange for the Acquired Interest as contemplated hereby constitutes the offer and sale of securities under the United States Securities Act of 1933 (the "Act"). Party A, Party B, CDII and Target Company agree that such transaction shall be consummated in reliance on exemptions from the registration and prospectus delivery requirements of the Act, which depends, among other items, on the circumstances under which such securities are acquired.

In order to provide documentation for reliance upon the exemptions from the registration and prospectus delivery requirements for such transactions, Party B shall execute and deliver to CDII an Investment Representation Letter in substantially the same form as that attached hereto as Exhibit II.

16.12

Text

This Contract shall have [10] copies of the original Chinese version, and [10] copies of original English version. Both versions shall have the same legal effect. If the English translation is ambiguous, the Chinese version shall prevail.

Both parties have, on the date indicated on the front page of this contract, in the People's Republic of China, through their authorized representative, signed this contract.

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Party A: CDI China, Inc.

Signature: /s/James (Yuejian) Wang
Printed Name: James (Yuejian) Wang
English Name: James Wang
Title: President
Nationality: U.S.

Party B: Lianling Dong, Ping Liu, Jianzhong Ju, Lifei Huang,
Xumin Cui (Shareholders of Marvelous Honor Holding Inc.):

Signature: /s/ Lianling Dong /s/Ping Liu
/s/Jianzhong Ju /s/Lifei Huang /s/Xumin Cui

English Name: Lianling Dong Ping Liu
Jianzhong Ju Lifei Huang Xumin Cui

Nationality: China Hong Kong
Date: 08/30/2011

Target Company: Marvelous Honor Holding Inc.

Signature: /s/Xumin Cui
Printed Name: Xumin Cui
English Name: Xumin Cui
Title: Executive Director
Nationality: China Hong Kong
Date: 08/30/2011
Golden Trust Magnesium Industry Co., Ltd.

Signature: /s/ Kong Tung
Printed Name: Kong Tung
English Name: Kong Tung
Title: Chairman
Nationality: China Hong Kong
Date: 08/30/2011

Kong Tung

Signature: /s/ Kong Tung
Printed Name: Kong Tung
English Name: Kong Tung
Nationality: China Hong Kong
Date: 08/30/2011

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Exhibit II - Definition and Interpretation

Part 1 - Definition

Unless specified in the terms or context of the contract, the below terms are defined as follows:

1. “Subsequent approvals” refer to the approvals, consents, registrations, and permits (not including approval for establishment and approval for tax breaks) from the government regarding the validity and enforceability of the Target Company’s operational activities listed on Annex 4 of this Contract or any other supplementary contracts.
2. “Annexes” refer to the required documents provided by the Target Company to obtain approvals from and registration with Chinese government agencies.
3. “Applicable Laws” means the laws, regulations, rules, and the notices, orders, decisions or other public notification documents issued by the legislative, executive or judicial branches, applicable to the parties or the Target Company of this Contract.
4. “Certificates of Approval” refer to the certificates approving the establishment of the Target Company, this Contract and Company Bylaws that are issued by the approving authorities.
5. “Approvals” refer to the approvals signed and issued by approving authorities regarding the establishment of the Target Company, this Contract and Company Bylaws.
6. “Company Bylaws” refer to the bylaws of the Target Company to be established by its Board of Directors.
7. the “Transferor” refer to Party B, Marvelous Honor Holdings Inc. Shareholders are Lianling Dong, Ping Liu, Jianzhong Ju, Lifei Huang, and Xumin Cui
8. “Confidential Information” refers to all information of business, sales, technology or any other information that disclosed with label of confidentiality, under confidential condition, or regarded to be confidential by both parties based on logical business determination.
9. “Contract” shall have the meaning given in the beginning parts.
10. “Effective Date” means the effective date of this Contract, which is the Closing Date.

11. "Financial Statements" mean the respective unaudited financial statements as of June 30, 2011 along with the Accounts Detail which are a part thereof of the Target Company and Golden Trust, as the case may be.

"Fiscal 2010" means the 12 month period ending September 30, 2010.

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12. “Restriction of Property Rights” means any claims, deposits, set security interest, mortgage, guarantee, pledge, options, equity, selling rights, or any other third party interest, retention of title, priority, preemption or any other form of security interest.
13. “Force Majeure” shall have the meaning defined in section 15.1.
14. “Taxation” means any relevant taxes collected from the Target Company by any taxing collectors at any taxing location (including but not limited to, VAT, sales tax, stamp duty or other taxes, deductions or withholding taxes (regardless of natures and names)
15. “Trade Secrets” means any technical and operating information that is unknown to the general public, is practical and protected by security measures by the owners, and create economic benefits to the owner.
16. “Management Agreement” means Management Agreement entered into among Party A, Yuwei Huang and Kong Tung relating to the management of Golden Trust, among other magnesium facilities, signed on the Closing Date.
17. “Approved Company” means a company in which Party A owns an interest.
18. The number of shares refer to the maximum amount of the shares, the actual number of shares shall be adjusted base on Net Other Assets of Golden Trust as set forth in the Closing Acquisition Balance Sheet, the “Closing Acquisition Balance Sheet” is defined as Golden Trust’s balance sheet as of the end of the month prior to the Closing Date.

Exhibit II - Investment Letter

INVESTMENT LETTER

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

Gentlemen:

1. The undersigned hereby represents and warrants to China Direct Industries, Inc. (the "Company") that (i) the shares of the Company's Common Stock (the "Securities") which are being received by the undersigned are being acquired from China Direct Investments, Inc. in connection with the Equity Transfer Contract entered into among the Company's subsidiary CDI China, Inc., Marvelous Honor Holding, Inc., and its shareholders Lianling Dong, Ping Liu, Jianzhong Ju, Lifei Huang, Xumin Cui are for the undersigned's own account and for investment and not with a view to the public resale or distribution thereof; (ii) the undersigned will not sell, transfer or otherwise dispose of the Securities except in compliance with the Securities Act of 1933, as amended (the "Act"); and (iii) the undersigned is aware that the Securities are "restricted securities" as that term is defined in Rule 144 of the General Rules and Regulations under the Act.

The undersigned acknowledges that it has been furnished with disclosure documents, including, among other things, the Company's Financial Statements.

The undersigned further acknowledges that it has had an opportunity to ask questions of and receive answers from duly designated representatives of the Company concerning the terms and conditions pursuant to which the Securities are being offered. The undersigned acknowledges that it has been afforded an opportunity to examine such documents and other information which it has requested for the purpose of verifying the information set forth in the documents referred to above.

The undersigned further acknowledges that it is fully aware of the applicable limitations on the resale of the Securities. These restrictions for the most part are set forth in Rule 144. The Rule

permits sales of "restricted securities" upon compliance with the requirements of such Rule. If the Rule is available to the undersigned, the undersigned may make only routine sales of Securities, in limited amounts, in accordance with the terms and conditions of that Rule.

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By reason of the undersigned's knowledge and experience in financial and business matters in general, and investments in particular, the undersigned is capable of evaluating the merits and risks of an investment in the Securities. The undersigned is capable of bearing the economic risks of an investment in the Securities and fully understands the speculative nature of the Securities and the possibility of such loss.

The undersigned's present financial condition is such that it is under no present or contemplated future need to dispose of any portion of the Securities to satisfy any existing or contemplated undertaking, need or indebtedness.

Any and all certificates representing the Securities, and any and all Securities issued in replacement thereof or in exchange therefor, shall bear the following or comparable legend, which the undersigned has read and understands:

The Securities represented by this Certificate have not been registered under the Securities Act of 1933 (the "Act"). The Securities have been acquired for investment and may not be sold or transferred in the absence of an effective Registration Statement for the Securities under the Act unless in the opinion of counsel satisfactory to the Company, registration is not required under the Act.

Very truly yours,

Signature: _____
Printed
Name: _____
English Name: _____
Title: _____
Nationality: _____
Date: _____

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Golden Trust Magnesium Industry Co., Ltd.

Equity Transfer Contract Amendment

Entered by
CDI China, Inc.

(Party A)

And

Marvelous Honor Holdings Inc. Shareholders: Lianling Dong, Ping
Liu, Jianzhong Ju, Lifei Huang, Xumin Cui

(Party B)

Marvelous Honor Holding Inc.

(Target Company)

And

Golden Trust Magnesium Industry Co. Ltd

And

Kong Tung

January 12, 2012

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This amendment (the “Amendment”) was entered by and between the following parties on January 12 , 2012 by:

(a) Party A: CDI China, Inc., a Florida corporation with its registered address at 431 Fairway Drive, Suite 200, Deerfield Beach, Florida 33441 (“CDI China”);

Authorized Representative of CDI China: Yuejian Wang

Title Chief Executive Officer

Nationality: U.S.

(b) Party B: Shareholders of Marvelous Honor Holding Inc.:

The shareholders of Marvelous are Lianling Dong, Ping Liu, Jianzhong Ju, Lifei Huang, Xumin Cui, among which, Lianling Dong owns 31.59% interest, Ping Liu owns 12.99% interest, Jianzhong Ju owns 18.39% interest, Lifei Huang owns 18.52% interest, Xumin Cui owns 18.52% interest. Marvelous is a Brunei registered company with its registered address at Rm51, 5th Floor, Britannia House, Jalan Cator, Bandar Seri Begawan BS 8811, Negara Brunei Darussalam. And Party B legally holds 72.5% of the equity of Golden Trust Magnesium Industry Co., Ltd.

(c) Target Company: Marvelous Honor Holding Inc.

Marvelous is a Brunei registered company with its registered address at Rm51, 5th Floor, Britannia House, Jalan Cator, Bandar Seri Begawan BS 8811, Negara Brunei Darussalam.

Authorized Representative: Xumin Cui

Title Executive Director, Legal Representative

Nationality: China Hong Kong

(d) Golden Trust Magnesium Industry Co. Ltd., a limited liability company established and existing under the laws of China with its registered address at Loudong Village, Gucheng Town, Xiaoyi City, Shanxi Province, China

Authorized Representative: Kong Tung

Title Chairman, Legal Representative

Nationality: China Hong Kong

(e) Kong Tung:

Nationality: China Hong Kong

The parties above will be collectively referred to as the “Parties”, or individually referred to as “One Party”.

Through negotiation and consultation, the Parties agree to sign this amendment to the Marvelous Honor Holding Inc. (“Target Company”) Equity Transfer Contract (“Agreement”) dated August 30, 2011.

I. The clause regarding the closing date under Section 4.3 of the Agreement is hereby amended to be February 29, 2012. The Parties agree to delete Section 4.3.1 in the Agreement and replace it with:

4.3.1 Closing. The date of closing (“Closing Date”) of the transactions contemplated by this Contract shall occur following completion of the conditions set forth in Section 4.4, and upon delivery of the Purchase Price as described in Section 4.2 herein. The Closing shall take place at a mutually agreeable time and place but in no event later than February 29, 2012.

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II. WHEREAS, Mr. Jianzhong Ju has agreed to sell his 18.39% equity interest in the Target Company (the “18.39% Ju Interest”) to Party A for RMB 10,799,528 (US \$ 1,700,713 currency ratio 6.35:1) in cash rather than in shares of CDII common stock. Party A shall have the right, but not the obligation, to purchase the 18.39% Ju Interest for cash and acquire the remaining 81.61% equity interest of the Target Company with shares of CDII common stock. The number of shares of CDII common stock set forth in the Agreement shall be reduced by 18.39% for a total reduction in the number of shares of CDII common stock of 1,787,015.

III. If there is dispute between this Amendment and the Agreement, this Amendment shall prevail. This Amendment shall act as supplementary agreement to the Agreement, and is automatically terminated at the termination of the Agreement.

IV. This Amendment shall have ten copies of the same format, each party holds two copies.

Party A: CDI China, Inc.

Signature: /s/ James (Yuejian) Wang

Printed Name: James (Yuejian) Wang

English Name:

Title:

Nationality:

Date:

Party B: Lianling Dong, Ping Liu, Jianzhong Ju, Lifei Huang, Xumin Cui (Shareholders of Marvelous Honor Holding Inc.):

Signature: /s/ Lianling Dong /s/

Ping Liu /s/ Jianzhong Ju

/s/ Lifei Huang /s/ Xumin Cui

Occupation:

Nationality:

Date:

Target Company: Marvelous Honor Holding Inc.

Signature: /s/Xumin Cui

Printed Name: Xumin Cui

English Name:

Title:
Nationality:
Date:

Golden Trust Magnesium Industry Co., Ltd.

Signature: /s/ Kong Tung
Printed Name: Kong Tung
English Name:
Title:
Nationality:
Date:

Kong Tung

Signature: /s/ Kong Tung
Printed Name: Kong Tung
English Name:
Nationality:
Date:

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Annex B - Baotou Transfer Agreement

[Chinese to English translation]
Golden Trust Magnesium Industry Co., Ltd.
Equity Transfer Contract

Entered by
CDI China, Inc.
(Party A)
And
Yuwei Huang, Xumin Cui
(Party B)
And
Golden Trust Magnesium Industry Co., Ltd.
(Target Company)
And
Baotou Changxin Magnesium Co., Ltd.

August 30, 2011

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Equity Transfer Contract

This contract (the “Contract”) was entered by and between the following parties at Taiyuan China, on August 30, 2011 by CDI China, Inc., a Florida corporation its registered address at 431 Fairway Drive, Suite 200, Deerfield Beach, Florida 33441 (“Party A” or “CDI China”); Mr. Yuwei Huang and Mr. Xumin Cui (“Party B”); Golden Trust Magnesium Industry Co. Ltd., a limited liability company established and existing under the laws of China with its registered address at Loudong Village, Gucheng Town, Xiaoyi City, Shanxi Province, China (hereinafter referred to as “Golden Trust” or “Target Company”).

Preface

After friendly consultations conducted in accordance with the principles of equality and mutual benefit, the Parties have agreed to enter into this Contract in accordance with the Law of the People’s Republic of China on Chinese-Foreign Equity Joint Ventures, Regulations for the Implementation of the Law of the People’s Republic of China on Joint Ventures Using Chinese and Foreign Investment, Company Law of the People’s Republic of China, Contract Law of the People’s Republic of China and other applicable laws and provisions of this Contract.

Now the Parties hereby agree as follows:

1. Definitions and Interpretation

Unless the terms or context of this Contract otherwise provide, this Contract shall be interpreted in accordance with, and each of the terms used herein shall have the meaning ascribed to it in Exhibit I.

2. Parties in the Contract

2.1 Profiles of Parties in the Contract

Parties in the Contract are as follows:

(a) Party A: CDI China, Inc., a Florida corporation with its registered address at 431 Fairway Drive, Suite 200, Deerfield Beach, Florida 33441 (“CDI China”);

Authorized Representative of CDI China: Yuejian Wang

Title Chief Executive Officer

Nationality: U.S.

(b) Party B: Yuwei Huang and Xumin Cui jointly own 27.5% of Golden Trust interest.

(c) Target Company: Golden Trust Magnesium Industry Co. Ltd., a limited liability company established and existing under the laws of China with its registered address at Loudong Village, Gucheng Town, Xiaoyi City, Shanxi Province, China

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(d) Baotou Changxin Magnesium Co., Ltd., a limited liability company established and existing under the laws of China with its registered address at Shiguai District Dafa, Baotou, China.
Authorized Representative of CDII: Yuejian Wang
Title Chief Executive Officer
Nationality: U.S.

2.2 Replacement of Authorized Representatives of Parties

Each Party has the right to replace its own legal person or authorized representative. If the replacement occurs, the Party shall notice the other two Parties the name, title, and nationality of its new legal person or authorized representative in a timely manner.

3. Transaction Target

3.1 Target Company Name

The name of the Target Company is Golden Trust Magnesium Industry Co. Ltd.

3.2 Target company of the Transaction

Party B and Target Company represent and warrant to Party A that the Target Company was formed under the Laws of the People's Republic of China on Chinese-Foreign Equity Joint Ventures, Regulations for the Implementation of the Law of the People's Republic of China on Joint Ventures Using Chinese and Foreign Investment, and other applicable laws and provisions of this Contract. Each Party acknowledges that Mr. Kong Tung manages the Target Company.

3.3 Registered Address of the Target Company

The registered address of the Target Company is Loudong Village, Gucheng Town, Xiaoyi City, Shanxi Province, China.

3.4 Registration Information of the Target Company

The registered capital of the Target Company is RMB 25,000,000. The business license number is 140000400015520. Marvelous Honor Holdings Inc. ("Marvelous"), Yuwei Huang and Xumin Cui respectively own 72.5% and 27.5% of Target Company's shares.

Above mentioned parties are the shareholders of the Target Company, and Party B legally owns 27.5% of its shares which have been issued, granted and paid. The 27.5% ownership interest in the Target Company owned by Party B is held by Baotou Changxin Magnesium Co., Ltd., a limited liability company established and existing under the laws of China ("Baotou Changxin" in trust for Party B.

The following is the list of the current owners of 100% of the ownership interests in the Target Company:

Name	Ownership Interest
Marvelous Honor Holdings, Inc.	72.5%
Baotou Changxin in trust for Yuwei Huang and Xumin Cui	27.5%

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Except as set forth above, there are no options, subscriptions or other rights, agreements, arrangements or commitments (contingent or otherwise) of any character issued or authorized by the Target Company relating to ownership of an equity interest in the Target Company to issue or sell any ownership interest or options, warrants, convertible securities, subscriptions or other equity interests in the Target Company. There are no outstanding contractual obligations of the Target Company to repurchase, redeem or otherwise acquire any ownership interest in the Target Company or make any other distribution in respect thereof or to provide funds to, or make any investments (in the form of a loan, capital contribution or otherwise). The Target Company does not have any subsidiaries.

The Ownership Interests in the Target Company listed in the table above are duly authorized, validly issued, fully paid and nonassessable and each such interest owned by the person or entity listed above is free and clear of all security interests, liens, claims, pledges, options, rights of first refusal, agreements, limitations on the Target Company's voting rights, charges and other encumbrances of any nature whatsoever.

3.5 Limited Liability Company

The Target Company is formed as a limited liability company. Any owner of an Ownership Interest is liable only up to its contributed portion of its registered capital in the Target Company. The Target Company shall assume all liabilities to its creditors against its assets.

3.6 Applicable Chinese Laws

The Target Company is a separate legal entity under Chinese laws. The Target Company is under both the jurisdiction and protection of applicable Chinese laws. The conduct of the Target Company shall abide by applicable Chinese laws.

3.7 Party A will acquire twenty seven and one-half (27.5%) percent interest in the Target Company from Party B (the "Acquired Interest"). Baotou Chanxin will hold the 27.5% interest in the Target Company as Trustee on behalf of Party A. Party A will enter into a separate Equity Transfer Agreement with Marvelous to acquire the 72.5% interest in the Target Company owned by Marvelous. After the completion of the two acquisitions, the ownership interests in the Target Company will be as follows:

Name	Ownership Interest
Baotou Chanxin, as Trustee for CDI China, Inc.	27.5%

Marvelous Honor Holdings, Inc. (owned 100% by Party A)	72.5%
Total	100.0%

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4. Transaction Price, Payment and Closing

4.1 Party A shall purchase the Acquired Interest in the Target Company from Party B on the Closing Date as hereinafter defined. The purchase price for the Acquired Interest (the "Purchase Price") shall be RMB 20,625,000 (the "Base Price") plus an amount equal to 27.5% of Golden Trust's "Net Other Assets". "Net other assets" are defined as Golden Trust's Total Current Assets less total Liabilities as set forth in the Closing Acquisition Balance Sheet as hereinafter defined, up to a maximum of RMB 6,000,000 (approximately US \$1,000,000). The "Closing Acquisition Balance Sheet is defined as Golden Trust's balance sheet as of the end of the month prior to the Closing Date. If the Net other assets of Golden Trust as set forth in the Closing Acquisition Balance Sheet exceed RMB 6,000,000 , Golden Trust shall distribute to its shareholders Current Assets in an amount equal to such excess. The Parties shall agree on the specific assets that Golden Trust may distribute under this section. Also, if any of Golden Trust's Current Assets included on the Closing Acquisition Balance Sheet are impaired, uncollected or written off within one year of the Closing Date, the Purchase Price shall be reduced by 27.5% of such reduction and Party B shall return to CDII a number of its shares of common stock equal to such amount based on the exchange rate and stock price for the CDII common stock set forth below.

In this Contract, the exchange rate shall be equal to the U.S. dollar to Renminbi exchange rates authorized by the China Foreign Exchange Trading Center and published by the People's Bank of China on the day prior to the date this Contract is signed (on August 29, 2011, the exchange rate is 6.3883). The CDII stock price for purposes of computing the number of shares of CDII common stock to be issued as partial payment for the Purchase Price shall be the average closing price (\$0.946) of CDII's common stock on the Nasdaq Stock Market during the 10 trading days (from August 15, 2011 to August 26, 2011) prior to the date this Contract is signed by the Parties.

Purchase Price = Base Price + 27.5% of Net Other Assets

For example: if the closing date is October 5, 2011, then the Closing Acquisition Balance Sheet means the balance for the period ended September 30, 2011.

Assume the working capital is RMB 6,000,000 the calculation of the purchase price is showed in bold as following

Unit RMB: Yuan

27.5%

	Golden Trust 100%	
Base Price (including Appraisal Value and the Spare Parts Value)	75,000,000	20,625,000
Target Company Net Other Assets	6,000,000	1,650,000
Total Purchase Price	81,000,000	22,275,000

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4.2 Payment

Subject to adjustment as provided for in Section 4.1 above, Party A agrees to pay the Purchase Price as follows.

- 4.2.1 Party A shall wire RMB 7,500,000 cash to Party B (Yuwei Huang)'s designated bank account or assign a CDII intercompany loan receivable in an equal amount within 15 business days after the Closing Date; and
- 4.2.2 Within 15 business days after the completion of the conditions set forth in Section 5, Party A shall wire RMB 7,500,000 cash to Party B (Yuwei Huang)'s designated bank account or assign a CDII intercompany loan receivable in an equal amount.
- 4.2.3 Within 15 business days after the Closing Date, Party A shall deliver 601,903 shares of CDII common stock equal to the U.S. dollar equivalent of RMB 3,637,500 to Party B (Xumin Cui) or Party B's designated party.
- 4.2.4 Within 15 business days after the completion of the conditions set forth in Section 5, Party A shall deliver 601,903 shares of CDII common stock equal to the U.S. dollar equivalent of RMB 3,637,500 to Party B (Xumin Cui) or Party B's designated party.

4.3 Closing

4.3.1 Closing. The date of closing ("Closing Date") of the transactions contemplated by this Contract shall occur following completion of the conditions set forth in Section 4.4, and upon delivery of the Purchase Price as described in Section 4.2 herein. The Closing shall take place at a mutually agreeable time and place but in no event later than December 31, 2011.

4.3.2 Closing Events. At the Closing, Party A and Party B shall execute, acknowledge, and deliver (or shall ensure to be executed, acknowledged, and delivered), any and all certificates, opinions, financial statements, schedules, agreements, resolutions, rulings or other instruments required by this Contract to be so delivered at or prior to the Closing Date, together with such other items as may be reasonably requested by the parties hereto and their respective legal counsel in order to effectuate or evidence the transactions contemplated hereby.

4.3.3 Termination. This Contract may be terminated by the Board of Directors of CDII or Party A only in the event that Party B or Target Company do not meet the conditions precedent set forth in Section 4.4. If this Contract is terminated pursuant to this section, this Contract shall be of no further force or effect, and no obligation, right or liability shall arise hereunder.

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4.4 Conditions to Close

4.4.1 The obligations of Party A and CDII under this Contract are subject to the satisfaction, at or before the Closing Date, of the following conditions:

4.4.2 Accuracy of Representations and Performance of Covenants. The representations and warranties made by Party B and Target Company in this Contract were true when made and shall be true at the Closing Date with the same force and effect as if such representations and warranties were made at and as of the Closing Date (except for changes therein permitted by this Contract). Party B and Target Company shall have performed or complied with all covenants and conditions required by this Contract to be performed or complied with by Party B and Target Company prior to or at the Closing Date.

4.4.3 Approval by CDII's Shareholders. This Contract shall have been approved by CDII's shareholders as provided for in CDII's by-laws and as required by Applicable Laws and the applicable NASDAQ Market Place Rules and Regulations.

4.4.4 No Governmental Prohibition. No order, statute, rule, regulation, executive order, injunction, stay, decree, judgment or restraining order shall have been enacted, entered, promulgated or enforced by any court or governmental or regulatory authority or instrumentality which prohibits the consummation of the transactions contemplated hereby.

4.4.5 Marvelous Honor Holdings Inc. ("Marvelous") shall have entered into an agreement with Party A for the sale of Marvelous' 72.5% ownership interest in the Target Company on such terms and conditions mutually agreeable to Marvelous and Party A.

4.4.6 Party B shall have signed such document or documents as reasonably requested by Party A to transfer any and all beneficial interest it has in the Acquired Interest to Party A.

4.4.7 Baotou Changxin shall have signed such document or documents as reasonably requested by Party A to reflect that Baotou Changxin owns the Acquired Interest as trustee for Party A.

4.4.8 Party A shall have determined that no consent or approval by any third parties or any governmental authority is required to complete the sale of the Acquired Interest by Party B to Party A.

4.4.9 Target Company shall enter into an amendment to the Land Lease Agreement dated January 5, 2003 for use of the real estate used by the Target Company in the operation of its business to correct any title defects as may be reasonably required by Party A (the “Land Lease Amendment”).

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5. Transaction Process and Delivery

5.1 Payment. All Parties agree that the Purchase Price shall be paid according to section 4.2 of this Contract.

5.2 Title Transfer

When Party B receives the initial payment, Party B shall complete the title transfer of the Acquired Interest within 60 business days and formally provide the relevant certificate of equity ownership to Party A. The certificate of equity ownership and title transfer process referred to herein includes but is not limited to the Stock Rights Record certificate, registration of Equity Ownership Change for Foreign-invested Joint Venture, and Party B's other obligations under this Contract (the "Post Closing Title Transfers"). Party B is responsible for all the cost associated with the Post Closing Title Transfers. In addition, Party B shall cooperate with Party A in Party B's efforts to complete a valid transfer of the Acquired Interest.

5.3 Delivery at Closing and Post Closing Obligations

Since the June 30, 2011 date of the Financial Statements, there has not been:

- (a) any sale, lease or other disposition of any of the Target company's assets, other than in the ordinary course of business;
- (b) any damage, destruction, loss or other change (whether or not insured) materially and adversely affecting the Target company's assets;
- (c) any loans or advances or charges, which in any way create a lien on the Target company's assets that are not included in the Financial Statements; or

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(d) any write offs of any debt, contingency or other reserve against the Target company's accounts receivables included in the Financial Statements; or

5.3.2 Delivery of Engineering Project Information: Besides Certificate of the Use of State-owned Land, Land Use Planning Permit, Construction Engineering Planning Permit, Party B shall deliver the original copy of all the documents and technological information of the Target Company to Party A, including but not limited to:

- 1) The documents related to the founding of engineering projects and any changes;
- 2) Contracts for engineering design and blue prints;
- 3) Construction contracts;
- 4) Contracts to purchase and install equipment and materials; documents related to equipment such as certificate of fitness, installation and user manual, after-sales service contracts, maintenance contracts, technology criteria description, manufacturers' information, specifications and models, purchase date, operational status, repair and maintenance records, compatibilities of equipment with procedures, etc; and
- 5) Project Supervision Contract.

5.3.3 Accounting Information Delivery:

- 1) Accounting information shall be transferred in accordance with the audited results on the assets and the condition of operations of the Target Company as of the closing date as determined by the auditing firm Sherb & Co., LLP and the date of the Financial Statements including detailed schedules and aging reports of all assets and liabilities; ;
- 2) Party B shall provide: evidence for tax payments in Fiscal 2010 until the Closing Date, provided by the State and Local Tax Bureau; evidence of full amount payments for electricity, water, and sanitation services in Fiscal 2010 until the Closing Date , provided by the suppliers of power, water, and sanitation services.
- 3) Party B shall deliver the accounting book to Party A for safekeeping, including but not limited to the purchase contracts and original invoices for the assets (valued at RMB 200,000 or more).

6. Mutual Covenants of Parties after Transaction

6.1 Covenants of Party A

Besides the obligations stipulated in other sections of this Contract, Party A is obliged to perform the items as follows:

- (a) Party A shall make payment for the transaction in accordance with the provisions of this Contract;

(b) After the new business license is issued, Party A shall sign off and execute the supplementary contracts in which it is one of engaging parties (if there is any), and facilitate its related parties to sign off and execute the supplementary contracts in which its related party is one of engaging parties (if there is any);

(c)

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Party A shall handle other matters requested by the Target Company in accordance with other written provisions of this Contract.

6.2 Covenants of Party B

Besides the obligations stipulated in other sections of this Contract, Party B is obliged to perform the items as follows:

- (a) Party B shall file applications and registration with government agencies to obtain the applicable approvals and related official documentation, and provide Party A and the Target Company with the official documents issued by government agencies and other documents related to the business or joint operations of the Target Company;
- (b) Party B shall assist the Target Company in obtaining the revised or updated approvals concerning its business operations;
- (c) After the business license is issued, Party B shall sign off and execute the contracts in which Party B is one of engaging parties (if there is any), and facilitate each of its related parties to sign off and execute the contracts in which it related party is one of engaging parties (if there is any);
- (d) Party B shall handle other matters requested by the Target Company in accordance with other provisions of this Contracts; and
- (e) Continuously manage the Target Company in accordance with the requirements of Party A.

7. Business Operations

The operations of the Target Company shall be conducted in accordance with the Management Contract signed by both parties on the Closing Date.

8 Non-Competition

8.1 Restriction

- (a) Exclusive of an “Approved Company” as hereinafter defined and unless having received prior approval from Party A in writing, Party B shall not individually or jointly, or through any person (or on behalf of any person), directly or indirectly, perform the following actions regarding the distribution, sale or production of magnesium ingot, any metal alloy which includes magnesium as a component, magnesium powder, iron ore or any other product that CDII or any of its subsidiaries engages in (the “Protected Business”):
 - (i) become an investor, lender, employee, director, consultant or advisor of, or otherwise affiliated with any company engaged in a Protected Business.

(ii) Attempt to conduct the following competitive behaviors against Target Company with anyone who is or used to be the client of Target Company during the term of this contract:

- (1) Place orders
- (2) Make transactions; or

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(3) encourage anyone, directly or indirectly, to place orders or make transactions;

(iii) In order to employ such personnel by any party other than the Target Company, encourage or contact the following persons: current employees, officers or managers of the Target Company, or the employees, management, or department manager who worked with the Target Company in the past two years. The exception is the employees who were temporarily transferred from either party to the Target Company and have returned at the expiration of the term.

8.2 Treatment of Invalid Provisions

(a) Each of the restrictive provisions of section 8.1 is severable and independently applicable, and the invalidity or no force of certain restrictive provisions does not have effect on other restrictive provisions.

(b) Each party confirms that the restrictive provision of section 8.1 is reasonable and necessary to protect the interests of the Target Company. If any part of the restricted provisions is invalid but turns effective after having removed or reduced the scope of implication, the section shall be revised as mentioned above to make it valid and enforceable.

8.3 Duration

The restrictive provisions in section 8.1 have effect on Party B, Yiwei Huang and shall remain in effect for the term of the Management Agreement and for a period of two years thereafter and .

9 Labor Management

9.1 Employees of the Target Company

Party B will assist in terminating the employment of all current employees of the Target Company. The costs associated with employment termination are the responsibility of Party B unless such costs are reserved for and set forth in the Closing Acquisition Balance Sheet. If labor disputes occur due to this equity transfer, Party B is responsible for dealing with any labor disputes and staff recruitment, hiring, dismissal, resignation, wages, benefits and other related issues that are not set forth in the Closing Acquisition Balance Sheet.

9.2 Upon the closing of the equity transfer of the Target Company, all employees of the Target Company who return to work shall have Party B's assistance. The labor management such as wages shall be conducted in accordance with the applicable provisions of the Management Contract.

9.3 Party B promises to assist the Target Company with fore-mentioned employee and labor issues of the Target Company. If labor issues occur among the employees of the Target Company, Party B and the Target Company shall share responsibilities to handle the issues other than payment of any costs or expenses which are provided for in Section 9.1 above.

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10 Taxes and Insurance

10.1 Income tax, customs duties and other taxes

- (a) The Target Company should pay taxes in accordance with relevant Chinese tax laws.
- (b) After the business license is issued (or the Target Company obtains the appropriate qualifications in accordance with applicable laws), the Target Company shall apply to government agencies for tax incentives in connection with relevant laws as soon as possible.
- (c) The Chinese and foreign employees of the Target Company should pay personal income taxes according to the relevant provisions of Chinese tax laws.
- (d) Party B shall be responsible for the payment of any taxes, fines, penalties or late charges due as a result of taxes due by the Target Company prior to the Closing Date unless such amounts are reserved for and set forth in the Closing Acquisition Balance Sheet.

10.2 Insurance

- (a) If required by the Board of Directors, the Target Company shall at all times purchase the full and sufficient insurance policies at its own expenses from the insurance companies established in China. The coverage shall include fire and other policies generally applicable to the industry.
- (b) The insurance policies to protect from the risks for properties, vehicles and other factors shall be purchased in RMB or foreign currency (subject to the circumstances). The types, scopes, and amounts of insurance policies are determined by the Board of Directors in accordance with relevant laws.

11 Representations, Warranties and Indemnification

11.1 Party B represents and warrants to Party A that:

- 11.1.1 No consents or approvals from third parties or any governmental authority is required to complete the sale of the Acquired Interest by Party B to Party A.
- 11.1.2 Baotou Changxin is not liable for any taxes, fees, costs or other expenses related to its ownership interest as trustee of the Acquired Interest.
- 11.1.3 the Target Company is in compliance with, all permits, licenses and government authorizations and have filed all notices and paid all fees and taxes that are required under all applicable governmental regulation in the Peoples Republic of China relating to protection of the environment, pollution control, production of magnesium, the operation of Target Company's magnesium production facility and hazardous materials (the "Governmental Regulations") applicable to the Target Company, and the

Target Company is in compliance with all applicable limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in those laws or contained in any law, regulation, code, plan, order, decree, judgment, notice, permit or demand letter issued, entered, promulgated or approved thereunder.

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As used in this Contract, the term “hazardous materials” means any waste, pollutant, hazardous substance, toxic, ignitable, reactive or corrosive substance, hazardous waste, special waste, industrial substance, by-product, process intermediate product or waste, petroleum or petroleum-derived substance or waste, chemical liquids or solids, liquid or gaseous products, or any constituent of any such substance or waste, the use, handling or disposal of which by the Target Company is in any way governed by or subject to any Governmental Regulation in the PRC.

11.2 Party A and Party B. Each party represents and warrants to the counterpart that on the date hereof:

- (a) The Parties meet all qualification requirements of applicable Chinese laws and regulation authorities on Chinese or foreign investors in the scope of industries that the Target Company operates;
- (b) The Parties are independent legal persons duly organized, validly existing in good standing under the laws of the place of their respective establishment or incorporation;
- (c) The Parties have obtained the right to make consent, approve and implement all necessary actions in order to effectively enter into and validate this Contract. The Parties have the full right to enter into this contract and to perform their respective obligations hereunder;
- (d) The Parties have authorized their respective representatives to sign this Contract and from and after the signing date the provisions of this Contract shall be legally binding upon them;
- (e) If a Party fails to initiate or take any measures to threaten legal proceedings or any application for dissolution, the Party shall file for bankruptcy or insolvency application, or appoint the liquidation committee or designate a manager to manage the assets or business;
- (f) The Parties execution of this Contract and the performance of their respective obligations hereunder: (i) shall not violate any provisions of their respective business license, articles of incorporation, articles of association or similar organizational documents; (ii) shall not violate any applicable laws or any governmental authorization or approval; and (iii) shall not violate or result in a default under any contract to which they are a party or to which they are subject; and (iv) shall not violate any rulings or arbitrations, or the decisions or regulations of any governmental authorization to which they are subject;
- (g) No lawsuit, arbitration or other legal or governmental proceeding is pending or, to its knowledge, has threatened against either Party that would affect its ability to perform their respective obligations under this Contract;
- (h) Party B has disclosed to Party A all documents issued by any governmental department that may have a material adverse effect on the Target Company and Party B’s ability to fully

perform its obligations to the Target Company under this Contract, and the documents previously provided by Party B do not contain any misstatements or omissions of material facts.

11.3 Consequences of Inaccuracy in Representations and Warranties

If any of items in Section 11.1 or 11.2 are not accurate in all material respects on the date hereof and as of the Closing Date or a Party to this Contract fails to perform any other term or condition of this Contract, the party who is responsible for performance of that term or condition shall be in material breach of this Contract.

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11.4 The Responsibilities for Breach of Representations and Warranties

If one party breaches any of its representations or warranties or obligations in sections 11.1, 11.2, 11.3 or any other section of this Contract, the non-breaching party may seek any possible relief based on this Contract or applicable laws and the defaulting party shall indemnify the non-defaulting party or the Target Company for any loss, damages, costs, expenses, liabilities, claims, law suits or other legal proceedings, liabilities, judgments, penalties, fines, settlements, interest and damages (including reasonable attorneys' fees and expenses), whether suit is instituted or not due to the breach. Party A may off-set any amounts it owes Party B against the balance of any unpaid portion of for the Purchase Price as a result of any amounts due Party A by Party B under this Section 11.4 or a breach of any other term or condition of this Contract.

11.5 Party B's full obligations, responsibilities and commitment under this Contract, and the guarantee duration is 4 years after the Contract is signed.

12 Breach of Contract

12.1 Remedies for the Breach of Contract

Except as otherwise provided in other provisions of the Contract, if one party ("breaching party") does not perform under the Contract any one of the major obligations or fundamentally breaches the Contract, the other party "injured party" may:

- (a) Issue written notice to the breaching party explaining the nature and the scope of the breach and require the breaching party to compensate at their own expense during a period of no less than 20 days as specified in the notice (but the breaching party shall not be granted a remedy period if it makes any untrue and inaccurate representations and warranties under section 11.1, 11.2 and 11.3 or violate any other provision of this Contract), and
- (b) If the breaching party fails to remedy during the cure period (or, if not granted such remedy period, then any time after such breach), the injured party may directly file claims for foreseeable loss caused by the breach.

12.2 Limitation of Liability

Regardless of any other provisions of the Contract, except for a Party who violates Section 13 (Confidentiality), no Party shall be held liable or responsible to the other Party for loss of income or profit, business loss, goodwill or any indirect or consequential loss

or liability. Under any circumstance, the total accumulated loss, damage or compensation shall be up to a maximum, of the total amount of the transaction of RMB 20,625,000, except that the violation of the Section 13 (Confidentiality) or infringement of intellectual property rights.

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13 Duties of Confidentiality

13.1 Confidentiality

Prior to entering into this Contract, one party ("Disclosing Party") has or may from time to time disclose confidential information to the other party ("Recipient"). For a period of two (2) years after the Closing Date, the Recipient must:

- (a) keep the confidentiality of confidential information;
- (b) not use confidential information for the purposes other than the ones explicitly defined by the Contract;
- (c) limit the disclosure of the confidential information to the employees and agents (including attorneys, accountants, bankers and consultants) necessary to evaluate the transaction, and they must have signed a written nondisclosure contract (whose provisions shall not be less stringent than the provisions of section 13 (collectively, "Permitted Exposure Party").

13.2 Exceptions

The provisions of section 14.1 above shall not apply to information that:

- (a) Can be shown to be known by the Recipient by written records made prior to disclosure by the disclosing party;
- (b) Is or becomes public knowledge otherwise than through the Recipient's breach of this Contract; or
- (c) Was obtained by the Recipient from a third party having no obligation of confidentiality with respect to such information.

13.3 Rules

Each party shall formulate rules and regulations to inform its directors, senior staff, and other employees, and those of their affiliates of the confidentiality obligation set forth in this section.

14 Force Majeure

14.1 Definition of Force Majeure

Force Majeure shall mean all events which are beyond the control of the parties to this Contract, and which are unforeseen, unavoidable or insurmountable, and which prevent total or partial performance by either of the parties. Such events shall include earthquakes, typhoons, flood, fire, war, strikes, riots, acts of governments, changes in law or the application thereof or any other instances which cannot be foreseen, prevented or controlled, including instances which are accepted as Force Majeure in general international commercial practice.

14.2 Consequences of Force Majeure

- (a) If an event of Force Majeure occurs, a party's contractual obligations affected by such as an event under this Contract shall be suspended during the period of delay caused by the Force Majeure and shall be automatically extended, without

penalty or liability, for a period equal to such suspension.

(b) The party claiming Force Majeure shall promptly inform the other parties in writing and shall furnish within fifteen (15) days thereafter sufficient proof of the occurrence and duration of such Force Majeure. The party claiming force Majeure shall also use all reasonable endeavors to terminate the Force Majeure.

(c)

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In the event of Force Majeure, the parties shall immediately consult with each other in order to find an equitable solution and shall use all reasonable endeavors to minimize the consequences of such Force Majeure.

15 Disputes Resolutions

15.1 Friendly Consultations

In the event of any dispute, controversy or claim arising out of or relating to this Contract, or the breach, termination or invalidity hereof (“dispute”), the parties shall attempt in the first instance to resolve such dispute through friendly consultations.

15.2 Arbitration

- (a) In the event such dispute is not resolved through consultations within sixty (60) days after the date such consultations were first requested in writing by a party, then any party may submit the dispute for arbitration in Beijing before the China International Economic and Trade Arbitration Commission (“CIETAC”) in accordance with CIETAC Arbitration Rules then in force.
- (b) The arbitration tribunal shall consist of three arbitrators, one appointed by each party and, if either of the parties fails to appoint an arbitrator within the time specified in the Arbitration Rules, the Chairman of CIETAC shall make such appointment.
- (c) A third arbitrator (the “Presiding Arbitrator”) shall be appointed by Contract between the parties, and if the parties fail to jointly appoint the Presiding Arbitrator within the time specified in the Arbitration Rules, the Chairman of CIETAC shall make such appointment.
- (d) All costs of arbitration (including but not limited to arbitration fees, costs of arbitrators and legal fees and disbursements) shall be borne by the losing party, unless otherwise determined by the arbitration tribunal.
- (e) The arbitration proceedings shall be conducted in Chinese.

15.3 Procedural Compliance

The parties undertake:

- (a) to comply strictly with the time limits specified in the Arbitration Rules for the taking of any step or the performance of any act in or in connection with any arbitration; and
- (b) to comply with and to carry out, in full and without delay, any procedural orders (including, without limitation to, any interim measures of protection ordered) or any award (interim or final) made by the arbitral tribunal.

15.4 Enforcement of the Arbitration
Each of the parties irrevocably:

(a) agrees that any arbitration result shall be final and binding on both parties;

(b)

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undertakes that it will execute and perform the arbitral award fully and without delay. In the event of judicial acceptance and an order of enforcement, each party expressly waives all rights to target thereto, including any defense of sovereign immunity and any other defense based on the fact or allegation that it is an agency or instrumentality of a sovereign state; and

(c) waives any rights which it may have to contest the validity of the arbitration agreement set forth in this section or the jurisdiction of the relevant arbitration institution to hear and to determine any arbitration begun.

When any dispute occurs and is the subject of friendly consultations or arbitration, the parties shall continue to exercise their remaining respective rights and fulfill their remaining respective obligations under this Contract.

15.5 Governing Laws

The legal force, interpretation and implementation of this Contract are governed by the laws of the People's Republic of China.

16 Miscellaneous Provisions

16.1 Binding Effect

This Contract is made for the benefit of the parties hereto and their respective lawful successors and Party A and is legally binding on them.

16.2 Amendment

This Contract shall not be changed verbally, but only by a written instrument signed by the parties; if applicable laws states otherwise, then written consents and the approval from related approving authorities are required before amending this contract.

16.3 Confidentiality of this Contract

The existence of this Contract, as well as its contents, shall be deemed to fall within the scope of confidential information and subject to section 13, and shall not be disclosed in whole or in part to any person or entity, except (i) to a Permitted Disclosure Party, (ii) to authorized securities regulators or exchanges in accordance with applicable laws or the relevant rules of the securities exchange to which the party in question is subject, (iii) to officials in relevant government departments pursuant to the requirements of applicable laws, (iv) in order to fulfill any conditions precedent to the effectiveness of this Contract or (v) for the purpose of the performance by a party of its obligations or exercise of its rights hereunder or relating hereto, or (vi) for the purpose for the business of the Target Company after it is established.

16.4 Notification

(a) Any notice or written communication provided for in this Contract by either party to the other, including but not limited to any and all offers, writings, or notices to be given hereunder, shall be made in Chinese with English translation (if the English translation is ambiguous, Chinese version prevails) and delivered:

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- (i) by hand;
- (ii) by courier service delivered letter, or
- (iii) by fax.

(b) Notices shall be deemed to have been delivered at the following times:

- (i) If by hand, on reaching the designated address and subject to return receipt or other proof of delivery;
- (ii) If by courier, the fifth business day after the date of dispatch, and
- (iii) If by fax, upon the next business day following the date marked on the confirmation of transmission report by the sender's fax machine, indicating completed uninterrupted transmission to the relevant facsimile number.

(c) During the term, each party may change its particulars for receipt of notices at any time by notice given to the other party in accordance with this section 16.4.

Party A:

CDI China, Inc.

431 Fairway Drive, Suite 200, Deerfield Beach, FL 33441, USA

Fax Number: (954) 363-7320

Email: generalcounsel@cdii.net

Party B:

Yuwei Huang and Xumin Cui

Mailing Address: 910, 9th Floor, MeGa Mall Business Center, 10

YiFen Street, Taiyuan City, ShanXi Province, China

Fax Number: _____

Attention to: _____

Target Company: Golden Trust Magnesium Industry Co., Ltd.

(e) Mailing Address: Loudong Village, Gucheng Town, Xiaoyi

City, Shanxi Province, China

Fax Number: _____

Attention to: _____

16.5 Severability

The Invalidity of any provision of this contract shall not affect the validity of any other provision of this contract.

16.6 Entire Contract

This Contract and the Schedules and Annexes hereto constitute the entire Contract between the parties hereto with respect to the subject matter of this Contract and supersede all prior discussions, negotiations and Contracts between them.

16.7 Waiver

Either party's failure to exercise or delay in exercising any right, power or privilege under this Contract shall not operate as a waiver thereof, and any single or partial exercise of any right, power or privilege shall not preclude the exercise of any other right, power or privilege.

16.8 Further Endeavors

A party shall, at any time, upon the request of the other party, sign (or facilitate the third party to sign) and procure (or facilitate the third party to procure) the execution of such documents, Contracts, contracts or deeds.

16.9 Target company Bylaws

If there are discrepancies between the Target Company's Bylaws and this Contract, this Contract supersedes.

16.10 Schedules and Annexes

The schedules and annexes of this Contract are inseparable, and have the same legal binding as the provisions in the contract. If there are discrepancies between the provisions in the Contract and the terms and sections in the schedule or annexes, the provisions of the Contract supersedes.

16.11 Securities Laws

Party A and Party B understand and agree that the consummation of this Contract including the delivery of the Purchase Price to Party B in exchange for the Acquired Interest as contemplated hereby constitutes the offer and sale of securities under the United States Securities Act of 1933 (the "Act"). Party A, Party B, CDII and Target Company agree that such transaction shall be consummated in reliance on exemptions from the registration and prospectus delivery requirements of the Act, which depends, among other items, on the circumstances under which such securities are acquired.

In order to provide documentation for reliance upon the exemptions from the registration and prospectus delivery requirements for such transactions, Party B shall execute and deliver to CDII an Investment Representation Letter in substantially the same form as that attached hereto as Exhibit II.

16.12

Text

This Contract shall have [10] copies of the original Chinese version, and [10] copies of original English version. Both versions shall have the same legal effect. If the English translation is ambiguous, the Chinese version shall prevail.

Both parties have, on the date indicated on the front page of this contract, in the People's Republic of China, through their authorized representative, signed this contract.

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Party A: CDI China, Inc.

Signature: /s/ James (Yuejian) Wang

Printed Name: James (Yuejian) Wang

English Name: James Wang

Title: President

Nationality: U.S.

Party B: Yuwei Huang and Xumin Cui

Signature: /s/Yuwei Huang /s/Xumin Cui

Printed Name: Yuwei Huang Xumin Cui

English Name:

Nationality: China

Target Company: Golden Trust Magnesium Industry Co., Ltd.

Signature: /s/ Kong Tung

Printed Name: Kong Tung

English Name:

Title: Chairman

Nationality: China Hong Kong

Baotou Changxin Magnesium Co., Ltd.

Signature: /s/ James (Yuejian) Wang

Printed Name: James (Yuejian) Wang

English Name: James Wang

Title: Chief Executive Officer

Nationality: U.S.

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Exhibit II - Definition and Interpretation

Part 1 - Definition

Unless specified in the terms or context of the contract, the below terms are defined as follows:

1. “Subsequent approvals” refer to the approvals, consents, registrations, and permits (not including approval for establishment and approval for tax breaks) from the government regarding the validity and enforceability of the Target Company’s operational activities listed on Annex 4 of this Contract or any other supplementary contracts.
2. “Annexes” refer to the required documents provided by the Target Company to obtain approvals from and registration with Chinese government agencies.
3. “Applicable Laws” means the laws, regulations, rules, and the notices, orders, decisions or other public notification documents issued by the legislative, executive or judicial branches, applicable to the parties or the Target Company of this Contract.
4. “Certificates of Approval” refer to the certificates approving the establishment of the Target Company, this Contract and Company Bylaws that are issued by the approving authorities.
5. “Approvals” refer to the approvals signed and issued by approving authorities regarding the establishment of the Target Company, this Contract and Company Bylaws.
6. “Company Bylaws” refer to the bylaws of the Target Company to be established by its Board of Directors.
7. “Confidential Information” refers to all information of business, sales, technology or any other information that disclosed with label of confidentiality, under confidential condition, or regarded to be confidential by both parties based on logical business determination.
8. “Contract” shall have the meaning given in the beginning parts.
9. “Effective Date” means the effective date of this Contract, which is the Closing Date.
10. “Financial Statements” mean the Target Company’s unaudited financial statements as of June 30, 2011 along with the Accounts Detail which are a part thereof.

“Fiscal 2010” means the 12 month period ending September 30, 2010.

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11. “Restriction of Property Rights” means any claims, deposits, set security interest, mortgage, guarantee, pledge, options, equity, selling rights, or any other third party interest, retention of title, priority, preemption or any other form of security interest.
12. “Force Majeure” shall have the meaning defined in section 15.1.
13. “Taxation” means any relevant taxes collected from the Target Company by any taxing collectors at any taxing location (including but not limited to, VAT, sales tax, stamp duty or other taxes, deductions or withholding taxes (regardless of natures and names)
14. “Trade Secrets” means any technical and operating information that is unknown to the general public, is practical and protected by security measures by the owners, and create economic benefits to the owner.
15. “Management Agreement” means “Lingshi Xinghai Magnesium Industry Co., Ltd. Management Agreement” signed on the Closing Date.
16. “Approved Company” means a company in which Party A owns an interest.
17. The number of shares refer to the maximum amount of the shares, the actual number of shares shall be adjusted base on Net Other Assets of Golden Trust as set forth in the Closing Acquisition Balance Sheet, the “Closing Acquisition Balance Sheet” is defined as Golden Trust’s balance sheet as of the end of the month prior to the Closing Date.

Exhibit II - Investment Letter

INVESTMENT LETTER

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

Gentlemen:

The undersigned hereby represents and warrants to China Direct Industries, Inc. (the "Company") that (i) the shares of the Company's Common Stock (the "Securities") which are being received by the undersigned are being acquired from China Direct Investments, Inc. in connection with the Equity Transfer Contract entered into between the Company and CDI China, Inc. are for the undersigned's own account and for investment and not with a view to the public resale or distribution thereof; (ii) the undersigned will not sell, transfer or otherwise dispose of the Securities except in compliance with the Securities Act of 1933, as amended (the "Act"); and (iii) the undersigned is aware that the Securities are "restricted securities" as that term is defined in Rule 144 of the General Rules and Regulations under the Act.

The undersigned acknowledges that it has been furnished with disclosure documents, including, among other things, the Company's Financial Statements.

The undersigned further acknowledges that it has had an opportunity to ask questions of and receive answers from duly designated representatives of the Company concerning the terms and conditions pursuant to which the Securities are being offered. The undersigned acknowledges that it has been afforded an opportunity to examine such documents and other information which it has requested for the purpose of verifying the information set forth in the documents referred to above.

The undersigned further acknowledges that it is fully aware of the applicable limitations on the resale of the Securities. These restrictions for the most part are set forth in Rule 144. The Rule permits sales of "restricted securities" upon compliance with the requirements of such Rule. If the Rule is available to the undersigned, the undersigned may make only routine sales of

Securities, in limited amounts, in accordance with the terms and conditions of that Rule.

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By reason of the undersigned's knowledge and experience in financial and business matters in general, and investments in particular, the undersigned is capable of evaluating the merits and risks of an investment in the Securities. The undersigned is capable of bearing the economic risks of an investment in the Securities and fully understands the speculative nature of the Securities and the possibility of such loss.

The undersigned's present financial condition is such that it is under no present or contemplated future need to dispose of any portion of the Securities to satisfy any existing or contemplated undertaking, need or indebtedness.

Any and all certificates representing the Securities, and any and all Securities issued in replacement thereof or in exchange therefore, shall bear the following or comparable legend, which the undersigned has read and understands:

The Securities represented by this Certificate have not been registered under the Securities Act of 1933 (the "Act"). The Securities have been acquired for investment and may not be sold or transferred in the absence of an effective Registration Statement for the Securities under the Act unless in the opinion of counsel satisfactory to the Company, registration is not required under the Act.

Very truly yours,

Signature: _____
Printed
Name: _____
English Name: _____
Title: _____
Nationality: _____

Date: _____

Golden Trust Magnesium Industry Co., Ltd.

Equity Transfer Contract Amendment

Entered by

CDI China, Inc.

(Party A)

And

Yuwei Huang, Xumin Cui

(Party B)

And

Golden Trust Magnesium Industry Co., Ltd.

(Target Company)

And

Baotou Changxin Magnesium Co., Ltd.

January 12, 2011

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This amendment (the “Amendment”) was entered by and between the following parties on January 12, 2011 by:

- (a) Party A: CDI China, Inc., a Florida corporation its registered address at 431 Fairway Drive, Suite 200, Deerfield Beach, Florida 33441 (“Party A” or “CDI China”);
- (b) Party B: Mr. Yuwei Huang and Xumin Cui (“Party B”), jointly own 27.5% of the total equity of Golden Trust Magnesium Industry Co., Ltd;
- (c) Target Company: Golden Trust Magnesium Industry Co. Ltd., a limited liability company established and existing under the laws of China with its registered address at Loudong Village, Gucheng Town, Xiaoyi City, Shanxi Province, China (hereinafter referred to as “Golden Trust”).

Authorized Representative: Mr. Kong Tung

Occupation: Chairman and Legal Representative

Nationality: Hong Kong

- (d) Baotou Changxin Magnesium Co., Ltd., a limited liability company established and existing under the laws of China with its registered address at Shiguai District Dafa, Baotou, China.

Authorized Representative of CDII: Yuejian Wang

Title Chief Executive Officer

Nationality: U.S.

The parties above will be collectively referred to as the “Parties”, or individually referred to as “One Party”.

Through negotiation and consultation, the Parties agree to sign this amendment to the Golden Trust (“Target Company”) 27.5% Equity Transfer Contract (“Original Agreement”) dated August 30, 2011.

- V. The clause in regards to the closing date under Section 4.3 of the Original Agreement is hereby amended to be February 29, 2012. The Parties agree to delete Section 4.3.1 in Original Agreement and replace it with:

4.3.1 Closing: The date of closing (“Closing Date”) of the transactions contemplated by this Contract shall occur following completion of the conditions set forth in Section 4.4, and upon delivery of the Purchase Price as described in Section 4.2 herein. The Closing shall take place at a mutually agreeable time and place but in no event later than February 29, 2012.

- VI. If there is dispute between this Amendment and the Original Agreement, this Amendment shall prevail. This Amendment shall act as supplementary agreement to the Agreement, and is automatically terminated at the termination of the Agreement.

VII.

This Amendment shall have eight copies of the same format,
each party holds two copies.

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IN WITNESS WHEREOF, the parties signed this agreement dated above.

Party A: CDI China, Inc.

Signature: /s/ James (Yuejian) Wang

Printed Name: James (Yuejian) Wang

English Name:

Title:

Nationality:

Party B: Yuwei Huang and Xumin Cui

Signature: /s/ Yuwei Huang

/s/

Xumin Cui

Printed Name: Yuwei

Huang

/s/ Xumin Cui

English Name:

Title:

Nationality:

Target Company: Golden Trust Magnesium Industry Co., Ltd.

Signature: /s/ Kong Tung

Printed Name: Kong Tung

English Name:

Title:

Nationality:

Baotou Changxin Magnesium Co., Ltd.

Signature: /s/ James (Yuejian) Wang

Printed Name: James (Yuejian) Wang

English Name:

Title:

Nationality:

Yuwei Huang

Signature: /s/ Yuwei Huang

Printed Name: Yuwei Huang

English Name:

Nationality:

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Annex C - Lingshi Magnesium Transfer Agreement

[Chinese to English translation]

Lingshi Xinghai Magnesium Industry Co., Ltd.
Equity Transfer Contract

Entered by
Taiyuan Ruiming Yiwei Magnesium Industry Co., Ltd
(Party A)
And
Taiyuan Yiwei Magnesium Industry Co., Ltd.
(Party B)
And
Lingshi Xinghai Magnesium Industry Co. Ltd.
(Target Company)
China Direct Industries, Inc.
And
CDI China, Inc.
And
Pine Capital Enterprises, Inc.
And
Yuwei Huang
August 30, 2011

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Equity Transfer Contract

This contract (the “Contract”) was entered by and between the following parties at Taiyuan China, on August 30, 2011: Taiyuan Ruiming Yiwei Magnesium Industry Co. Ltd., a limited liability company established and existing under the laws of China with its registered address at Shagou Village, Yangqu County, Taiyuan, Shanxi Province, China (hereinafter referred to as “Party A” or “Ruiming”); Taiyuan Yiwei Magnesium Industry Co., Ltd., a limited liability company formed and existing under the laws of China with its registered address at Yangqu County, Nitun Town, Fujiayao Village, the office address is 910, 9th Floor, MeGa Mall Business Center, 10 YiFen Street, Taiyuan City, ShanXi Province, China (hereinafter referred to as “Party B” or “Yiwei Magnesium”); Lingshi Xinghai Magnesium Industry Co. Ltd., a limited liability company established and existing under the laws of China with its registered address at Zhijia Zhuang Village, Duanchun Town, Lingshi County, Jin Zhong City, Shanxi Province, China (hereinafter referred to as the “Target Company” or “Lingshi Xinghai”); China Direct Industries, Inc., a Florida corporation with its registered address at 431 Fairway Drive, Suite 200, Deerfield Beach, Florida 33441 (“CDII”); CDI China, Inc., a Florida corporation with its registered address at 431 Fairway Drive, Suite 200, Deerfield Beach, Florida 33441 (“CDII China”); and Pine Capital Enterprises, Inc., a limited liability company formed and existing under the laws of the Cayman Islands with its registered address at 51, 5th Fl, Britannia House, Jalan Cator BS8811, BSB Brunei Darassalam and Yuwei Huang.

Preface

After friendly consultations conducted in accordance with the principles of equality and mutual benefit, the Parties have agreed to enter into this Contract in accordance with the Law of the People’s Republic of China on Chinese-Foreign Equity Joint Ventures, Regulations for the Implementation of the Law of the People’s Republic of China on Joint Ventures Using Chinese and Foreign Investment, Company Law of the People’s Republic of China, Contract Law of the People’s Republic of China and other applicable laws and provisions of this Contract.

Now the Parties hereby agree as follows:

1. Definitions and Interpretation
- Unless the terms or context of this Contract otherwise provide, this Contract shall be interpreted in accordance with, and each of the terms used herein shall have the meaning ascribed to it in Exhibit I.

2. Parties in the Contract
2.1 Profiles of Parties in the Contract

Parties in the Contract are as follows:

(a) Party A: Taiyuan Ruiming Yiwei Magnesium Industry Co. Ltd., a limited liability company formed and existing under the laws of China with registered address at Shagou Village, Yangqu County, Taiyuan, Shanxi Province, China.

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Authorized Representative of Party A:

Name: Yuejian Wang
Title Chairman
Nationality: U.S. Citizen

(b) Party B: Taiyuan Yiwei Magnesium Industry Co., Ltd, a limited liability company formed and existing under the laws of China with registered address at Yangqu County, Nitun Town, Fujiayao Village, the office address is 910, 9th Floor, MeGa Mall Business Center, 10 YiFen Street, Taiyuan City, ShanXi Province, China.

Authorized Representative of Party B:

Name: Yuwei Huang
Title: Chairman
Nationality: China

(c) Target Company: Lingshi Xinghai Magnesium Industry Co., Ltd., a limited liability company formed and existing under the laws of the China with registered address at Zhijia Zhuang Village, Duanchun Town, Lingshi County, Jin Zhong City, Shanxi Province, China

Authorized Representative of the Target Company: Xiangyun Zhai
Title Chairman
Nationality: China

(d) CDII: China Direct Industries, Inc., a Florida corporation with its registered address at 431 Fairway Drive, Suite 200, Deerfield Beach, Florida 33441

Authorized Representative of CDII: Yuejian Wang
Title Chief Executive Officer
Nationality: U.S.

(e) CDI China, Inc., a Florida corporation with its registered address at 431 Fairway Drive, Suite 200, Deerfield Beach, Florida 33441 (“CDI China”);

Authorized Representative of CDI China: Yuejian Wang
Title Chief Executive Officer
Nationality: U.S.

(f) Pine Capital: Pine Capital Enterprises, Inc., a limited liability company formed and existing under the laws of the Cayman Islands with its registered address at 51, 5th Fl, Britannia House, Jalan Cator BS8811, BSB Brunei Darassalam.

Name: Xiaorui Su
Title: Executive Director
Nationality: China

(g) Yuwei Huang
Nationality: China

2.2 Replacement of Authorized Representatives of Parties

Each Party has the right to replace its own legal person or authorized representative. If the replacement occurs, the Party shall notice the other two Parties the name, title, and nationality of its new legal person or authorized representative in a timely manner.

3. Transaction Target

3.1 Target Company Name

The name of the Target Company is Lingshi Xinghai Magnesium Industry Co., Ltd.,

3.2 Target company of the Transaction

The Target Company of the transaction is a limited liability company established and existing under the Laws of the People's Republic of China on Chinese-Foreign Equity Joint Ventures, Regulations for the Implementation of the Law of the People's Republic of China on Joint Ventures Using Chinese and Foreign Investment, and other applicable laws and provisions of this Contract. Each Party acknowledges that the final controller of the Target Company is Mr. Yuwei Huang of this Contract.

3.3 Registered Address of the Target Company

The registered address of the Target Company is Zhijia Zhuang Village, Duanchun Town, Lingshi County, JinZhong City, Shanxi Province, China.

3.4 Registration Information of the Target Company

The registered capital of the Target Company is RMB 10,000,000. The business license number is 140729170000295. Except the above information, the Target Company doesn't have any other options, warranties, and other Contract, plan, and commitment regarding shares. Target Company does not have any contractual obligations regarding shares repurchase, shares re-subscription and other debt, loan and interment etc. Target Company does not have any subsidiaries and branches.

Party B is the only shareholder of the Target Company, and Party B legally holds 100% of its shares which have been issued, granted and paid.

The following is the list of the current owners of 100% of the ownership interests in the Target Company:

Name	Ownership Interest
Taiyuan Yiwei Magnesium Industry Co., Ltd,	100%

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Except as set forth above, there are no options, subscriptions or other rights, agreements, arrangements or commitments (contingent or otherwise) of any character issued or authorized by the Target Company relating to ownership of an equity interest in the Target Company to issue or sell any ownership interest or options, warrants, convertible securities, subscriptions or other equity interests in the Target Company. There are no outstanding contractual obligations of the Target Company to repurchase, redeem or otherwise acquire any ownership interest in the Target Company or make any other distribution in respect thereof or to provide funds to, or make any investments (in the form of a loan, capital contribution or otherwise). The Target Company does not have any subsidiaries.

The Ownership Interests listed in the table above is duly authorized, validly issued, fully paid and nonassessable and each such interest owned by the person or entity listed above is free and clear of all security interests, liens, claims, pledges, options, rights of first refusal, agreements, limitations on the Target Company or such other Subsidiary's voting rights, charges and other encumbrances of any nature whatsoever.

3.5 Limited Liability Company

The Target Company is formed as a limited liability company. Any Party is liable only up to its contributed portion of its registered capital in the Target Company. The Target Company shall assume all liabilities to its creditors against its assets.

3.6 Applicable Chinese Laws

The Target Company is a separate legal entity under Chinese laws. The Target Company is under both the jurisdiction and protection of applicable Chinese laws. The conduct of the Target Company shall abide by applicable Chinese laws.

3.7 Party A will acquire one hundred (100) percent interest in the Target Company (the "Acquired Interest"). CDI China owns an 80% of interest in Ruiming and Pine Capital owns a 20% interest in Ruiming. Once completed, the ownership interests in the Target Company will be as follows:

Name	Ownership Interest
Taiyuan Ruiming Yiwei Magnesium Industry Co. Ltd.	100%

4. Transaction Price, Payment and Closing

4.1 Party A shall acquire 100% of Party B's interest in the Target Company on the Closing Date as hereinafter defined. The purchase

price for the Acquired Interest shall be RMB 112,000,000 (the “Purchase Price”) and is based on 100% of Lingshi net shareholder equity as set forth in its Financial Statements, subject to adjustment as provided for in Section 4.5. The Purchase Price is payable as set forth in Section 4.2 below. In this Agreement, the stock price shall be based on the closing price on the

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signing date, the exchange rate shall equal to the U.S. dollar to Renminbi exchange rates on the average of the official rates announced by the People's Bank of China on midnight of the signing date (the exchange rate of August 29, 2011 is 6.3883). The CDII stock price for purposes of computing the number of shares of CDII common stock to be issued as partial payment for the Purchase Price shall be the average closing price of CDII's common stock (\$0.946) on the Nasdaq Stock Market during the 10 trading days from August 15, 2011 to August 26, 2011.

4.2 Payment

The Purchase Price will be paid by Party A's two shareholders (CDI China and Pine Capital) as follows:

4.2.1 Pine Capital shall wire RMB 22,400,000 to Party B's designated bank account within 15 business days after the Closing Date; and

4.2.2 CDI China shall pay Party B RMB 29,800,000 as follows::

(1) CDI China shall wire RMB 15,680,000 to Party B's designated bank account within 15 business days after the Closing Date or utilizing the cash proceeds from repayment of an intercompany loan between CDII and its subsidiary upon repayment of such loan.
(2) Within 15 business days after the completion of the conditions set forth in Section 5, CDI China shall deliver to Party B cash in US dollars or CDII common stock equal to RMB 14,120,000.

4.2.3 CDI China shall deliver to Party B shares of CDII common stock equal to the U.S. dollar equivalent of RMB 29,800,000 (the "Stock Consideration") in two separate payments, as follows:

- 1) within 15 business days after the Closing Date, CDI China shall deliver to Party B 2,465,527 shares of CDII common stock equal to the U.S. dollar equivalent of RMB 14,900,000; and
- 2) CDI China shall deliver to Party B 2,465,527 shares of CDII's common stock equal to the U.S. dollar equivalent of RMB 14,900,000 within 15 days after the completion of the conditions set forth on Section 5.

Number of CDII shares = RMB 14,900,000 divided by Exchange Rate (6.3883 divided by the Average Closing Price of CDII's Common Stock (\$0.946) During the 10 Trading Days From August 15, 2011 to August 26, 2011.

4.2.4 Within 15 business days upon the completion of the conditions set forth in Section 5, CDI China shall transfer to Party B all of CDI China's beneficial ownership interest in Excel Rise Technology Co., Ltd. (the "Excel Rise Rights") valued at \$4,657,411.98 USD. The Parties hereby agree that CDI China's beneficial ownership interest in Excel Rise Technology Co., Ltd. is valued at RMB 30,000,000.

4.3 Closing

4.3.1 Closing. The date of closing ("Closing Date") of the transactions contemplated by this Contract shall occur following completion of the conditions set forth in Section 4.4, and upon delivery of the Purchase Price as described in Section 4.2 herein. The Closing shall take place at a mutually agreeable time and place but in no event later than December 31, 2011.

4.3.2 Closing Events. At the Closing, Party A and Party B shall execute, acknowledge, and deliver (or shall ensure to be executed, acknowledged, and delivered), any and all certificates, opinions, financial statements, schedules, agreements, resolutions, rulings or other instruments required by this Contract to be so delivered at or prior to the Closing Date, together with such other items as may be reasonably requested by the parties hereto and their respective legal counsel in order to effectuate or evidence the transactions contemplated hereby.

4.3.3 Termination. This Contract may be terminated by the Board of Directors of CDII or Party A only in the event that Party B or Target Company do not meet the conditions precedent set forth in Section 4.4. If this Contract is terminated pursuant to this section, this Contract shall be of no further force or effect, and no obligation, right or liability shall arise hereunder.

4.3 Conditions to Close

4.4.1 The obligations of Party A and CDII under this Contract are subject to the satisfaction, at or before the Closing Date, of the following conditions:

4.4.2 Accuracy of Representations and Performance of Covenants. The representations and warranties made by Party B and Target Company in this Contract were true when made and shall be true at the Closing Date with the same force and effect as if such representations and warranties were made at and as of the Closing Date (except for changes therein permitted by this Contract). Party B and Target Company shall have performed or complied with all covenants and conditions required by this

Contract to be performed or complied with by Party B and Target Company prior to or at the Closing Date.

4.4.3 Approval by CDII's Shareholders. This Contract shall have been approved by CDII's shareholders as provided for in CDII's by-laws and as required by Applicable Laws and the applicable NASDAQ Market Place Rules and Regulations.

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4.4.4 No Governmental Prohibition. No order, statute, rule, regulation, executive order, injunction, stay, decree, judgment or restraining order shall have been enacted, entered, promulgated or enforced by any court or governmental or regulatory authority or instrumentality which prohibits the consummation of the transactions contemplated hereby.

4.5 Post Closing Adjustments.

The Purchase Price after closing shall be adjusted based on the difference between the Stockholder's Equity set forth on the Target Company's Balance Sheet as of the end of the month prior to the Closing Date (the "Closing Acquisition Balance Sheet") and the Stockholder's Equity set forth the balance sheet of the Target Company as of June 30, 2011 (the "Acquisition Balance Sheet"). Party B shall deliver to Party A and Pine Capital the Closing Acquisition Balance Sheet within 30 days after the Closing Date (with supporting documentation including detailed schedules of each item included on such balance sheet). The Closing Acquisition Balance Sheet shall be prepared in accordance with generally accepted accounting principles in the United States, including being based on the fiscal year ended September 30, 2010 audited financial statements of the Target Company (the "2010 Audited Financial Statements") and the Acquisition Balance Sheet. If the Purchase Price after adjustment is lower than the agreed purchase price, Party B shall promptly pay the difference to Party A and Pine Capital in proportion to the amounts they paid towards the Purchase Price. If the Purchase Price after adjustment is higher than the agreed purchase price, Party A and Pine Capital shall promptly pay the difference to Party B in proportion to the amounts they paid towards the Purchase Price.

For example, if the Closing Date is September 15, 2011, then the Closing Acquisition Balance Sheet means the balance sheet as of August 31, 2011.

5. Transaction Process and Delivery

5.1 Initial Payment

All Parties agree that the Purchase Price shall be paid according to section 4.2 of this Contract.

5.2 Title Transfer

When Party B receives the initial payment, Party B shall complete the title transfer of the Acquired Interest within 60 business days and formally provide the relevant certificate of equity ownership to Party A. The certificate of equity ownership and title transfer process referred to herein includes but is not limited to the Stock Rights Record certificate, registration of Equity Ownership Change

for Foreign-invested Joint Venture, transfer of the Land Use Right and Party B's other obligations under this Contract (the "Post Closing Title Transfers"). The Target Company is responsible for all the cost associated with the Post Closing Title Transfers. In addition, Party A shall cooperate with Party B in Party B's efforts to complete a valid transfer of the Acquired Interest.

5.3 Delivery at Closing and Post Closing Obligations

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5.3.1 Party A's purchase of the Acquired Interest is based on the net equity as set forth in the Financial Statements, as hereinafter defined. The assets shall be transferred in accordance with the audited results on the assets and the condition of operations of the Target Company that are determined by the auditing firm Sherb & Co., LLP; both Party A and B shall send staff to verify the relevant assets and equipment of the Target Company, and compile reconciliation schedules. The authorized representatives of both parties shall duly sign to confirm the completion of transfer in assets and equipments, and record the book accordingly. Party B represents and warrants that

Since the June 30, 2011 date of the Financial Statements, there has not been:

- (a) any sale, lease or other disposition of any of the Target company's assets, other than in the ordinary course of business;
- (b) any damage, destruction, loss or other change (whether or not insured) materially and adversely affecting the Target company's assets;
- (c) any loans or advances or charges, which in any way create a lien on the Target company's assets that are not included in the Financial Statements; or
- (d) any write offs of any debt, contingency or other reserve against the Target company's accounts receivables included in the Financial Statements; or

5.3.2 Delivery of Engineering Project Information: Besides Certificate of the Use of State-owned Land, Land Use Planning Permit, Construction Engineering Planning Permit, Party B shall deliver the original copy of all the documents and technological information of the Target Company to Party A, including but not limited to:

- 1) The documents related to the founding of engineering projects and any changes;
- 2) Contracts for engineering design and blue prints;
- 3) Construction contracts;
- 4) Contracts to purchase and install equipment and materials; documents related to equipment such as certificate of fitness, installation and user manual, after-sales service contracts, maintenance contracts, technology criteria description, manufacturers' information, specifications and models, purchase date, operational status, repair and maintenance records, compatibilities of equipment with procedures, etc; and

5) Project Supervision Contract.

5.3.3 Accounting Information Delivery:

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- 1) Accounting information shall be transferred in accordance with the audited results on the assets and the condition of operations of the Target Company as of the Closing Date as determined by the auditing firm Sherb & Co., LLP and the date of the Financial Statements, including detailed schedules and aging reports of all assets and liabilities;
- 2) Party B shall provide: evidence for tax payments in Fiscal 2010 until the Closing Date, provided by the State and Local Tax Bureau; evidence of full amount payments for electricity, water, and sanitation services in Fiscal 2010 until the Closing Date, provided by the suppliers of power, water, and sanitation services.
- 3) Party B shall deliver the accounting book to Party A for safekeeping, including but not limited to the purchase contracts and original invoices for the assets (valued at RMB 200,000 or more).

5.3.4 Delivery of Incorporation Documents

Upon change of equity ownership and legal person of the Target Company at Shanxi Administration for Industry and Commerce and issuance of new business license (including original and copy), Party B shall deliver the new business license to Party A; Party A and B shall turn in all the corporate seals of the Target Company that are held by either party to the management jointly designated by both parties.

5.4 Within 15 business days after completion of all of the above mentioned deliveries, Party A shall pay the following to Party B:

- a) Cash in US dollar or CDII common stock amount equals to RMB 14,120,000, See section 4.2.2 (2);
- b) CDII's common stock equal to the U.S. dollar equivalent of RMB 14,900,000, See section 4.2.3 (2);
- c) The Excel Rise Rights provided for in Section 4.2.4.

6. Mutual Covenants of Parties after Transaction

6.1 Covenants of Party A

Besides the obligations stipulated in other sections of this Contract, Party A is obliged to perform the items as follows:

- (a) Party A shall make payment for the transaction in accordance with the provisions of this Contract;
- (b) After the new business license is issued, Party A shall sign off and execute the supplementary contracts in which it is one of engaging parties (if there is any), and facilitate its related parties to sign off and execute the supplementary contracts in which its related party is one of engaging parties (if there is any);
- (c) Party A shall handle other matters requested by the Target Company in accordance with other written provisions of this Contract.

6.2 Covenants of Party B

Besides the obligations stipulated in other sections of this Contract, Party B is obliged to perform the items as follows:

(a)

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Party B shall file applications and registration with government agencies to obtain the applicable approvals and related official documentation, and provide Party A and the Target Company with the official documents issued by government agencies and other documents related to the business or joint operations of the Target Company;

- (b) Party B shall assist the Target Company in obtaining the revised or updated approvals concerning its business operations;
- (c) After the business license is issued, Party B shall sign off and execute the contracts in which Party B is one of engaging parties (if there is any), and facilitate each of its related parties to sign off and execute the contracts in which it related party is one of engaging parties (if there is any);
- (d) Party B shall handle other matters requested by the Target Company in accordance with other provisions of this Contracts; and

7. Business Operations

The operations of the Target Company shall be conducted in accordance with the Management Contract signed by both parties on the Closing Date.

8 Non-Competition

8.1 Restriction

(a) Exclusive of any “Approved Company”, as hereinafter defined and unless having received prior approval from Party A in writing, Party B or Yuwei Huang shall not individually or jointly, or through any person (or on behalf of any person), directly or indirectly, perform the following actions regarding magnesium powder:

- (i) Carry out or engage or participate in activities (or manufacture or distribute Target Company products and / or provide Target Company services (or in which it has any interest);
- (ii) Attempt to conduct the following competitive behaviors against Target Company with anyone who is or used to be the client of Target Company during the term of this contract:
 - (1) Place orders
 - (2) Make transactions; or
 - (3) encourage anyone, directly or indirectly, to place orders or make transactions;
- (iii) In order to employ such personnel by any party other than the Target Company, encourage or contact the following persons: current employees, officers or managers of the Target Company, or the employees, management, or department manager who worked with the Target Company in the past two years. The exception is the employees who were temporarily transferred from either party to the Target Company and have returned at the expiration of the

term.

8.2 Treatment of Invalid Provisions

(a) Each of the restrictive provisions of section 8.1 is severable and independently applicable, and the invalidity or no force of certain restrictive provisions does not have effect on other restrictive provisions.

(b)

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Each party confirms that the restrictive provision of section 8.1 is reasonable and necessary to protect the interests of the Target Company. If any part of the restricted provisions is invalid but turns effective after having removed or reduced the scope of implication, the section shall be revised as mentioned above to make it valid and enforceable.

8.3 Duration

The restrictive provisions in section 8.1 have effect on Party B and Yuwei Huang and shall remain in effect for the term of the Management Agreement and for a period of two years thereafter.

The restrictive provisions in section 8.1 have effect on Party B and shall remain in effect for the term of the Management Agreement and for a period of two years thereafter and, see “Management Agreement”.

9 Labor Management

9.1 Employees of the Target Company

Party B will assist in terminating the employment of all current employees of the Target Company. The costs associated with employment termination are the responsibility of Party B unless such costs are reserved for and set forth in the Closing Acquisition Balance Sheet. If labor disputes occur due to this equity transfer, Party B is responsible for dealing with any labor disputes and staff recruitment, hiring, dismissal, resignation, wages, benefits and other related issues that are not set forth in the Closing Acquisition Balance Sheet.

9.2 Upon the closing of the equity transfer of the Target Company, all employees of the Target Company who return to work shall have Party B’s assistance. The labor management such as wages shall be conducted in accordance with the applicable provisions of the Management Contract.

10 Taxes and Insurance

10.1 Income tax, customs duties and other taxes

- (a) The Target Company should pay taxes in accordance with relevant Chinese tax laws.
- (b) After the business license is issued (or the Target Company obtains the appropriate qualifications in accordance with applicable laws), the Target Company shall apply to government agencies for tax incentives in connection with relevant laws as soon as possible.

(c)

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The Chinese and foreign employees of the Target Company should pay personal income taxes according to the relevant provisions of Chinese tax laws.

- (d) Party B shall be responsible for the payment of any taxes, fines, penalties or late charges due as a result of taxes due by the Target Company prior to the Closing Date unless such amounts are reserved for and set forth in the Closing Acquisition Balance Sheet.

10.2 Insurance

- (a) If required by the Board of Directors, the Target Company shall at all times purchase the full and sufficient insurance policies at its own expenses from the insurance companies established in China. The coverage shall include fire and other policies generally applicable to the industry.
- (b) The insurance policies to protect from the risks for properties, vehicles and other factors shall be purchased in RMB or foreign currency (subject to the circumstances). The types, scopes, and amounts of insurance policies are determined by the Board of Directors in accordance with relevant laws.

11 Representations, Warranties and Indemnification

- 11.1 Party B represents and warrants to Party A that the Target Company is in compliance with, all permits, licenses and government authorizations and have filed all notices and paid all fees and taxes that are required under all applicable governmental regulation in the Peoples Republic of China relating to protection of the environment, pollution control, production of magnesium, the operation of Target Company's magnesium production facility and hazardous materials (the "Governmental Regulations") applicable to the Target Company, and the Target Company is in compliance with all applicable limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in those laws or contained in any law, regulation, code, plan, order, decree, judgment, notice, permit or demand letter issued, entered, promulgated or approved thereunder.

As used in this Contract, the term "hazardous materials" means any waste, pollutant, hazardous substance, toxic, ignitable, reactive or corrosive substance, hazardous waste, special waste, industrial substance, by-product, process intermediate product or waste, petroleum or petroleum-derived substance or waste, chemical liquids or solids, liquid or gaseous products, or any constituent of any such substance or waste, the use, handling or disposal of which by the Target Company is in any way governed by or subject to any Governmental Regulation in the PRC.

11.2 Party A and Party B. Each party represents and warrants to the counterpart that on the date hereof:

- (a) The Parties meet all qualification requirements of applicable Chinese laws and regulation authorities on Chinese or foreign investors in the scope of industries that the Target Company operates;
- (b) The Parties are independent legal persons duly organized, validly existing in good standing under the laws of the place of their respective establishment or incorporation;
- (c) The Parties have obtained the right to make consent, approve and implement all necessary actions in order to effectively enter into and validate this Contract. The Parties have the full right to enter into this contract and to perform their respective obligations hereunder;

(d)

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The Parties have authorized their respective representatives to sign this Contract and from and after the signing date the provisions of this Contract shall be legally binding upon them;

- (e) If a Party fails to initiate or take any measures to threaten legal proceedings or any application for dissolution, the Party shall file for bankruptcy or insolvency application, or appoint the liquidation committee or designate a manager to manage the assets or business;
- (f) The Parties execution of this Contract and the performance of their respective obligations hereunder: (i) shall not violate any provisions of their respective business license, articles of incorporation, articles of association or similar organizational documents; (ii) shall not violate any applicable laws or any governmental authorization or approval; and (iii) shall not violate or result in a default under any contract to which they are a party or to which they are subject; and (iv) shall not violate any rulings or arbitrations, or the decisions or regulations of any governmental authorization to which they are subject;
- (g) No lawsuit, arbitration or other legal or governmental proceeding is pending or, to its knowledge, has threatened against either Party that would affect its ability to perform their respective obligations under this Contract;
- (h) Party B has disclosed to Party A all documents issued by any governmental department that may have a material adverse effect on the Target Company and Party B's ability to fully perform its obligations to the Target Company under this Contract, and the documents previously provided by Party B do not contain any misstatements or omissions of material facts.

11.3 Consequences of Inaccuracy in Representations and Warranties

If any of items in Section 11.1 or 11.2 are not accurate in all material respects on the date hereof or a Party to this Contract fails to perform any other term or condition of this Contract, the party who is responsible for performance of that term or condition shall be in material breach of this Contract.

11.4 The Responsibilities for Breach of Representations and Warranties

If one party breaches any of its representations or warranties or obligations in sections 11.1, 11.2, 11.3 or any other section of this Contract, the non-breaching party may seek any possible relief based on this Contract or applicable laws and the defaulting party shall indemnify the non-defaulting party or the Target Company for any loss, damages, costs, expenses, liabilities, claims, law suits or other legal proceedings, liabilities, judgments, penalties, fines, settlements, interest and damages (including reasonable attorneys' fees and expenses), whether suit is instituted or not due to the

breach. Party A may off-set any amounts it owes Party B against the balance of any unpaid portion of for the Purchase Price as a result of any amounts due Party A by Party B under this Section 11.3 or a breach of any other term or condition of this Contract.

11.5 Party B's full obligations, responsibilities and commitment under this Contract, and the guarantee duration is 4 years after the Contract is signed.

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12 Breach of Contract

12.1 Remedies for the Breach of Contract

Except as otherwise provided in other provisions of the Contract, if one party ("breaching party") does not perform under the Contract any one of the major obligations or fundamentally breaches the Contract, the other party "injured party" may:

- (a) Issue written notice to the breaching party explaining the nature and the scope of the breach and require the breaching party to compensate at their own expense during a period of no less than 20 days as specified in the notice (but the breaching party shall not be granted a remedy period if it makes any untrue and inaccurate representations and warranties under section 11.1, 11.2 and 11.3 or violate any other provision of this Contract), and
- (b) If the breaching party fails to remedy during the cure period (or, if not granted such remedy period, then any time after such breach), the injured party may directly file claims for foreseeable loss caused by the breach.

12.2 Limitation of Liability

Regardless of any other provisions of the Contract, except for a Party who violates Section 13 (Confidentiality), no Party shall be held liable or responsible to the other Party for loss of income or profit, business loss, goodwill or any indirect or consequential loss or liability. Under any circumstance, the total accumulated loss, damage or compensation shall be up to a maximum, of the total amount of the transaction of RMB 112,000,000, except that the violation of the Section 13 (Confidentiality) or infringement of intellectual property rights.

13 Duties of Confidentiality

13.1 Confidentiality

Prior to entering into this Contract, one party ("Disclosing Party") has or may from time to time disclose confidential information to the other party ("Recipient"). For a period of two (2) years after the Closing Date, the Recipient must:

- (a) keep the confidentiality of confidential information;
- (b) not use confidential information for the purposes other than the ones explicitly defined by the Contract;
- (c) limit the disclosure of the confidential information to the employees and agents (including attorneys, accountants, bankers and consultants) necessary to evaluate the transaction, and they

must have signed a written nondisclosure contract (whose provisions shall not be less stringent than the provisions of section 13 (collectively, "Permitted Exposure Party").

13.2 Exceptions

The provisions of section 13.1 above shall not apply to information that:

(a) Can be shown to be known by the Recipient by written records made prior to disclosure by the disclosing party;

(b)

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Is or becomes public knowledge otherwise than through the Recipient's breach of this Contract; or
(c) Was obtained by the Recipient from a third party having no obligation of confidentiality with respect to such information.

13.3 Rules

Each party shall formulate rules and regulations to inform its directors, senior staff, and other employees, and those of their affiliates of the confidentiality obligation set forth in this section.

14 Force Majeure

14.1 Definition of Force Majeure

Force Majeure shall mean all events which are beyond the control of the parties to this Contract, and which are unforeseen, unavoidable or insurmountable, and which prevent total or partial performance by either of the parties. Such events shall include earthquakes, typhoons, flood, fire, war, strikes, riots, acts of governments, changes in law or the application thereof or any other instances which cannot be foreseen, prevented or controlled, including instances which are accepted as Force Majeure in general international commercial practice.

14.2 Consequences of Force Majeure

- (a) If an event of Force Majeure occurs, a party's contractual obligations affected by such as an event under this Contract shall be suspended during the period of delay caused by the Force Majeure and shall be automatically extended, without penalty or liability, for a period equal to such suspension.
- (b) The party claiming Force Majeure shall promptly inform the other parties in writing and shall furnish within fifteen (15) days thereafter sufficient proof of the occurrence and duration of such Force Majeure. The party claiming force Majeure shall also use all reasonable endeavors to terminate the Force Majeure.
- (c) In the event of Force Majeure, the parties shall immediately consult with each other in order to find an equitable solution and shall use all reasonable endeavors to minimize the consequences of such Force Majeure.

15 Disputes Resolutions

15.1 Friendly Consultations

In the event of any dispute, controversy or claim arising out of or relating to this Contract, or the breach, termination or invalidity hereof ("dispute"), the parties shall attempt in the first instance to resolve such dispute through friendly consultations.

15.2 Arbitration

(a)

In the event such dispute is not resolved through consultations within sixty (60) days after the date such consultations were first requested in writing by a party, then any party may submit the dispute for arbitration in Beijing before the China International Economic and Trade Arbitration Commission (“CIETAC”) in accordance with CIETAC Arbitration Rules then in force.

(b)

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The arbitration tribunal shall consist of three arbitrators, one appointed by each party and, if either of the parties fails to appoint an arbitrator within the time specified in the Arbitration Rules, the Chairman of CIETAC shall make such appointment.

- (c) A third arbitrator (the “Presiding Arbitrator”) shall be appointed by Contract between the parties, and if the parties fail to jointly appoint the Presiding Arbitrator within the time specified in the Arbitration Rules, the Chairman of CIETAC shall make such appointment.
- (d) All costs of arbitration (including but not limited to arbitration fees, costs of arbitrators and legal fees and disbursements) shall be borne by the losing party, unless otherwise determined by the arbitration tribunal.
- (e) The arbitration proceedings shall be conducted in Chinese.

15.3 Procedural Compliance

The parties undertake:

- (a) to comply strictly with the time limits specified in the Arbitration Rules for the taking of any step or the performance of any act in or in connection with any arbitration; and
- (b) to comply with and to carry out, in full and without delay, any procedural orders (including, without limitation to, any interim measures of protection ordered) or any award (interim or final) made by the arbitral tribunal.

15.4 Enforcement of the Arbitration

Each of the parties irrevocably:

- (a) agrees that any arbitration result shall be final and binding on both parties;
- (b) undertakes that it will execute and perform the arbitral award fully and without delay. In the event of judicial acceptance and an order of enforcement, each party expressly waives all rights to target thereto, including any defense of sovereign immunity and any other defense based on the fact or allegation that it is an agency or instrumentality of a sovereign state; and
- (c) waives any rights which it may have to contest the validity of the arbitration agreement set forth in this section or the jurisdiction of the relevant arbitration institution to hear and to determine any arbitration begun.

When any dispute occurs and is the subject of friendly consultations or arbitration, the parties shall continue to exercise their remaining respective rights and fulfill their remaining respective obligations under this Contract.

15.5 Governing Laws

The legal force, interpretation and implementation of this Contract are governed by the laws of the People’s Republic of China.

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16 Miscellaneous Provisions

16.1 Binding Effect

This Contract is made for the benefit of the parties hereto and their respective lawful successors and Party A and is legally binding on them.

16.2 Amendment

This Contract shall not be changed verbally, but only by a written instrument signed by the parties; if applicable laws states otherwise, then written consents and the approval from related approving authorities are required before amending this contract.

16.3 Confidentiality of this Contract

The existence of this Contract, as well as its contents, shall be deemed to fall within the scope of confidential information and subject to section 13, and shall not be disclosed in whole or in part to any person or entity, except (i) to a Permitted Disclosure Party, (ii) to authorized securities regulators or exchanges in accordance with applicable laws or the relevant rules of the securities exchange to which the party in question is subject, (iii) to officials in relevant government departments pursuant to the requirements of applicable laws, (iv) in order to fulfill any conditions precedent to the effectiveness of this Contract or (v) for the purpose of the performance by a party of its obligations or exercise of its rights hereunder or relating hereto, or (vi) for the purpose for the business of the Target Company after it is established.

16.4 Notification

(a) Any notice or written communication provided for in this Contract by either party to the other, including but not limited to any and all offers, writings, or notices to be given hereunder, shall be made in Chinese with English translation (if the English translation is ambiguous, Chinese version prevails) and delivered:

- (i) by hand;
- (ii) by courier service delivered letter, or
- (iii) by fax.

(b) Notices shall be deemed to have been delivered at the following times:

- (i) If by hand, on reaching the designated address and subject to return receipt or other proof of delivery;
- (ii) If by courier, the fifth business day after the date of dispatch, and
- (iii) If by fax, upon the next business day following the date marked on the confirmation of transmission report by the sender's fax machine, indicating completed uninterrupted transmission to the relevant facsimile number.

(c) During the term, each party may change its particulars for receipt of notices at any time by notice given to the other party in accordance with this section16.4.

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Party A:

Taiyuan Ruiming Yiwei Magnesium Industry Co., Ltd

Mailing Address: Shagou Village, Yangqu County, Taiyuan, Shanxi Province, China

Fax Number:

Email:

Attention to:

With a copy to: CDI China

431 Fairway Drive, Suite 200, Deerfield Beach, FL 33441, USA

Fax Number: (954) 363-7320

Email: generalcounsel@cdii.net

Party B:

Taiyuan Yiwei Magnesium Industry Co., Ltd.

Mailing Address: 910, 9th Floor, MeGa Mall Business Center, 10 YiFen Street, Taiyuan City, ShanXi Province, China

Fax Number: _____

Attention to: _____

Target Company: Lingshi Xinghai Magnesium Industry Co. Ltd.

Mailing Address: Zhijia Zhuang Village, Duanchun Town, Lingshi County, JinZhong City, Shanxi Province, China

Fax Number: _____

Attention to: _____

16.5 Severability

The Invalidity of any provision of this contract shall not affect the validity of any other provision of this contract.

16.6 Entire Contract

This Contract and the Schedules and Annexes hereto constitute the entire Contract between the parties hereto with respect to the subject matter of this Contract and supersede all prior discussions, negotiations and Contracts between them.

16.7 Waiver

Either party's failure to exercise or delay in exercising any right, power or privilege under this Contract shall not operate as a waiver thereof, and any single or partial exercise of any right, power or privilege shall not preclude the exercise of any other right, power or privilege.

16.8 Further Endeavors

A party shall, at any time, upon the request of the other party, sign (or facilitate the third party to sign) and procure (or facilitate the third party to procure) the execution of such documents, Contracts, contracts or deeds.

16.9 Target company Bylaws

If there are discrepancies between the Target Company's Bylaws and this Contract, this Contract supersedes.

16.10 Schedules and Annexes

The schedules and annexes of this Contract are inseparable, and have the same legal binding as the provisions in the contract. If there are discrepancies between the provisions in the Contract and the terms and sections in the schedule or annexes, the provisions of the Contract supersedes.

16.11 Securities Laws

Party A and Party B understand and agree that the consummation of this Contract including the delivery of the Purchase Price to Party B in exchange for the Acquired Interest as contemplated hereby constitutes the offer and sale of securities under the United States Securities Act of 1933 (the "Act"). Party A, Party B, CDII and Target Company agree that such transaction shall be consummated in reliance on exemptions from the registration and prospectus delivery requirements of the Act, which depends, among other items, on the circumstances under which such securities are acquired.

In order to provide documentation for reliance upon the exemptions from the registration and prospectus delivery requirements for such transactions, Party B shall execute and deliver to CDII an Investment Representation Letter in substantially the same form as that attached hereto as Exhibit II.

16.12 Text

This Contract shall have [10] copies of the original Chinese version, and [10] copies of original English version. Both versions shall have the same legal effect. If the English translation is ambiguous, the Chinese version shall prevail.

Both parties have, on the date indicated on the front page of this contract, in the People's Republic of China, through their authorized representative, signed this contract.

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Party A: Taiyuan Ruiming Yiwei Magnesium Industry Co., Ltd

Signature: /s/ James (Yuejian) Wang

Printed Name: James (Yuejian) Wang

English Name:

Title: Chairman

Nationality: U.S.

Party B: Taiyuan Yiwei Magnesium Industry Co. Ltd.

Signature: /s/ Yuwei Huang

Printed Name: Yuwei Huang

English Name:

Title: Chairman

Nationality: China

Target Company: Lingshi Xinghai Magnesium Industry Co. Ltd.

Signature: /s/ Yuwei Huang

Printed Name: Yuwei Huang

English Name:

Title: Chairman

Nationality: China

China Direct Industries, Inc.

Signature: /s/ James (Yuejian) Wang

Printed Name: James (Yuejian) Wang

English Name:

Title: Chief Executive Officer

Nationality: U.S.

CDI China, Inc.

Signature: /s/ James (Yuejian) Wang

Printed Name: James (Yuejian) Wang

English Name:

Title: Chief Executive Officer

Nationality: U.S.

Pine Capital Enterprises Inc.

Signature: /s/ Xiaoxin Su

Printed Name: Xiaoxin Su

English Name:

Title: Executive Director

Nationality: China

Yuwei Huang

Signature: /s/ Yuwei Huang

Printed Name: Yuwei Huang

English Name: Yuwei Huang

Nationality: China

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Exhibit II - Definition and Interpretation

Part 1 - Definition

Unless specified in the terms or context of the contract, the below terms are defined as follows:

1. “Subsequent approvals” refer to the approvals, consents, registrations, and permits (not including approval for establishment and approval for tax breaks) from the government regarding the validity and enforceability of the Target Company’s operational activities listed on Annex 4 of this Contract or any other supplementary contracts.
2. “Annexes” refer to the required documents provided by the Target Company to obtain approvals from and registration with Chinese government agencies.
3. “Applicable Laws” means the laws, regulations, rules, and the notices, orders, decisions or other public notification documents issued by the legislative, executive or judicial branches, applicable to the parties or the Target Company of this Contract.
4. “Certificates of Approval” refer to the certificates approving the establishment of the Target Company, this Contract and Company Bylaws that are issued by the approving authorities.
5. “Approvals” refer to the approvals signed and issued by approving authorities regarding the establishment of the Target Company, this Contract and Company Bylaws.
6. “Company Bylaws” refer to the bylaws of the Target Company to be established by its Board of Directors.
7. “Assignor” refers to Party B of this Contract, Taiyuan Yiwei Magnesium Industry Co., Ltd.
8. “Confidential Information” refers to all information of business, sales, technology or any other information that disclosed with label of confidentiality, under confidential condition, or regarded to be confidential by both parties based on logical business determination.
9. “Contract” shall have the meaning given in the beginning parts.
10. “Effective Date” means the effective date of this Contract, which is the date the Contract is approved by approving authorities.

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11. “Financial Statements” mean the Target Company’s unaudited financial statements as of June 30, 2011 along with the Accounts Detail which are a part thereof.
12. “Fiscal 2010” means the 12 month period ending September 30, 2010.
13. “Fiscal 2011” means the 12 month period ending September 30, 2011.
14. “Fiscal 2012” means the 12 month period ending September 30, 2012.
15. “Fiscal 2013” means the 12 month period ending September 30, 2013.
16. “Fiscal 2014” means the 12 month period ending September 30, 2014.
17. “Land Use Rights” mean the land use rights shown in the following land use right certificate for the use of real property in China by the Target company as included in its Financial Statements: with total area of 20.7 acres.

Land Use Right Certificate (Ling Jiyon (2011) # a060300)

18. “Restriction of Property Rights” means any claims, deposits, set security interest, mortgage, guarantee, pledge, options, equity, selling rights, or any other third party interest, retention of title, priority, preemption or any other form of security interest.
19. “Force Majeure” shall have the meaning defined in section 15.1.
20. “Taxation” means any relevant taxes collected from the Target Company by any taxing collectors at any taxing location (including but not limited to, VAT, sales tax, stamp duty or other taxes, deductions or withholding taxes (regardless of natures and names)
21. “Trade Secrets” means any technical and operating information that is unknown to the general public, is practical and protected by security measures by the owners, and create economic benefits to the owner.
22. “Management Agreement” means “ the Management Agreement among Party A, the Target Company, Yuwei Huang and Kong Tung related to the operation of the Target Company and other

magnesium production facilities owned by CDII to be signed on the Closing Date.

23. “Approved Company” means a company in which Party A owns an interest.

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Exhibit II - Investment Letter

INVESTMENT LETTER

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

Gentlemen:

The undersigned hereby represents and warrants to China Direct Industries, Inc. (the "Company") that (i) the shares of the Company's Common Stock (the "Securities") which are being received by the undersigned are being acquired from China Direct Investments, Inc. in connection with the Equity Transfer Contract entered into between the Company and Taiyuan Ruiming Yiwei Magnesium Industry Co., Ltd. are for the undersigned's own account and for investment and not with a view to the public resale or distribution thereof; (ii) the undersigned will not sell, transfer or otherwise dispose of the Securities except in compliance with the Securities Act of 1933, as amended (the "Act"); and (iii) the undersigned is aware that the Securities are "restricted securities" as that term is defined in Rule 144 of the General Rules and Regulations under the Act.

The undersigned acknowledges that it has been furnished with disclosure documents, including, among other things, the Company's Financial Statements.

The undersigned further acknowledges that it has had an opportunity to ask questions of and receive answers from duly designated representatives of the Company concerning the terms and conditions pursuant to which the Securities are being offered. The undersigned acknowledges that it has been afforded an opportunity to examine such documents and other information which it has requested for the purpose of verifying the information set forth in the documents referred to above.

The undersigned further acknowledges that it is fully aware of the applicable limitations on the resale of the Securities. These restrictions for the most part are set forth in Rule 144. The Rule permits sales of "restricted securities" upon compliance with the requirements of such Rule. If the Rule is available to the

undersigned, the undersigned may make only routine sales of Securities, in limited amounts, in accordance with the terms and conditions of that Rule.

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By reason of the undersigned's knowledge and experience in financial and business matters in general, and investments in particular, the undersigned is capable of evaluating the merits and risks of an investment in the Securities. The undersigned is capable of bearing the economic risks of an investment in the Securities and fully understands the speculative nature of the Securities and the possibility of such loss.

The undersigned's present financial condition is such that it is under no present or contemplated future need to dispose of any portion of the Securities to satisfy any existing or contemplated undertaking, need or indebtedness.

Any and all certificates representing the Securities, and any and all Securities issued in replacement thereof or in exchange therefor, shall bear the following or comparable legend, which the undersigned has read and understands:

The Securities represented by this Certificate have not been registered under the Securities Act of 1933 (the "Act"). The Securities have been acquired for investment and may not be sold or transferred in the absence of an effective Registration Statement for the Securities under the Act unless in the opinion of counsel satisfactory to the Company, registration is not required under the Act.

Very truly yours,

Taiyuan Yiwei Magnesium Industry Co. Ltd.

Signature: _____
Printed
Name: _____
English Name: _____
Title: _____
Nationality: _____

Date: _____

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[Chinese to English translation]

Lingshi Xinghai Magnesium Industry Co., Ltd.

Equity Transfer Contract Amendment

Entered by
Taiyuan Ruiming Yiwei Magnesium Industry Co., Ltd
(Party A)

And
Taiyuan Yiwei Magnesium Industry Co., Ltd.
(Party B)

And
Lingshi Xinghai Magnesium Industry Co. Ltd.
(Target Company)

China Direct Industries, Inc.

And
CDI China, Inc.

And
Pine Capital Enterprises, Inc.

And
Yuwei Huang
January 12, 2012

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This amendment (the “Amendment”) was entered by and between the following parties on January 12, 2012 by:

(a) Party A: Taiyuan Ruiming Yiwei Magnesium Industry Co. Ltd., a limited liability company formed and existing under the laws of China with registered address at Shagou Village, Yangqu County, Taiyuan, Shanxi Province, China.

Authorized Representative of Party A: Yuejian Wang

Title Chairman

Nationality: U.S. Citizen

(b) Party B: Taiyuan Yiwei Magnesium Industry Co., Ltd, a limited liability company formed and existing under the laws of China with registered address at Yangqu County, Nitun Town, Fujiayao Village, the office address is 910, 9th Floor, MeGa Mall Business Center, 10 YiFen Street, Taiyuan City, ShanXi Province, China.

Authorized Representative of Party B: Yuwei Huang

Title: Chairman

Nationality: China

(f) Target Company: Lingshi Xinghai Magnesium Industry Co., Ltd., a limited liability company formed and existing under the laws of the China with registered address at ZhijiaZhuang Village, Duanchun Town, Lingshi County, JinZhong City, Shanxi Province, China

Authorized Representative of the Target Company: Xiangyun Zhai

Title Chairman

Nationality: China

(g) CDII: China Direct Industries, Inc., a Florida corporation with its registered address at 431 Fairway Drive, Suite 200, Deerfield Beach, Florida 33441

Authorized Representative of CDII: Yuejian Wang

Title Chief Executive Officer

Nationality: U.S.

(h) CDI China, Inc., a Florida corporation with its registered address at 431 Fairway Drive, Suite 200, Deerfield Beach, Florida 33441 (“CDI China”);

Authorized Representative of CDI China: Yuejian Wang

Title Chief Executive Officer

Nationality: U.S.

(i) Pine Capital: Pine Capital Enterprises, Inc., a limited liability company formed and existing under the laws of the Cayman Islands with its registered address at 51, 5th Fl, Britannia House, Jalan Cator BS8811, BSB Brunei Darassalam.

Name: Xiaorui Su

Title: Executive Director

Nationality: China

(g) Yuwei Huang

Nationality: China

The parties above will be collectively referred to as the “Parties”, or individually referred to as “One Party”.

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Through negotiation and consultation, the Parties agree to sign this amendment to the Lingshi Xinghai (“Target Company”) 100% Equity Transfer Contract (“Original Agreement”) dated August 30, 2011.

VIII. The clause in regards to the closing date under Section 4.3 of the Original Agreement is hereby amended to be February 29, 2012. The Parties agree to delete Section 4.3.1 in the Original Agreement and replace it with:

4.3.1 Closing: The date of closing (“Closing Date”) of the transactions contemplated by this Contract shall occur following completion of the conditions set forth in Section 4.4, and upon delivery of the Purchase Price as described in Section 4.2 herein. The Closing shall take place at a mutually agreeable time and place but in no event later than February 29, 2012.

IX. If there is dispute between this Amendment and the Original Agreement, this Amendment shall prevail. This Amendment shall act as supplementary agreement to the Agreement, and is automatically terminated at the termination of the Agreement.

X. This Amendment shall have fourteen copies of the same format, each party holds two copies.

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Party A: Taiyuan Ruiming Yiwei Magnesium Industry Co., Ltd

Signature: /s/ James (Yuejian) Wang

Printed Name: James (Yuejian) Wang

English Name:

Title:

Nationality:

Party B: Taiyuan Yiwei Magnesium Industry Co. Ltd.

Signature: /s/ Yuwei Huang

Printed Name: Yuwei Huang

English Name:

Title:

Nationality:

Target Company: Lingshi Xinghai Magnesium Industry Co. Ltd.

Signature: /s/ Yuwei Huang

Printed Name: Yuwei Huang

English Name:

Title:

Nationality:

China Direct Industries, Inc.

Signature: /s/ James (Yuejian) Wang

Printed Name: James (Yuejian) Wang

English Name:

Title:

Nationality:

CDI China, Inc.

Signature: /s/ James (Yuejian) Wang

Printed Name: James (Yuejian) Wang

English Name:

Title:

Nationality:

Pine Capital Enterprises Inc.

Signature: /s/ Xiaorui Su

Printed Name: Xiaorui Su

English Name:

Title:

Nationality:

Yuwei Huang

Signature: /s/ Yuwei Huang

Printed Name: Yuwei Huang

English Name:

Nationality:

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Annex D - Management Agreement

[Chinese to English translation]
Magnesium Industry Company

Management Agreement

Jointly Entered by:

China Direct Industries, Inc. and its wholly owned subsidiary
CDI China, Inc.

And

Yuwei Huang and Kong Tung

August 30, 2011

Party A: China Direct Industries, Inc. and its
wholly owned subsidiary CDI China, Inc. (“CDI” or “Parent
Company”))

Management Party: Yuwei Huang and Kong Tung (“Management Party”)

Target Company: Lingshi Xinghai Magnesium Industry
Co., Ltd. (“Lingshi Xinghai”) Baotou Changxin Magnesium Industry
Co., Ltd. (“Baotou Chang Mag”) Taiyuan Changxin Magnesium
Industry Co., Ltd.

(“Taiyuan Chang Mag”) Shanxi Gu County Golden
Magnesium Co., Ltd. (“Golden Mg”) Golden Trust Magnesium
Industry Co., Ltd. (“Golden Trust”)

(the above companies jointly referred to as the “Target Company”)

In order to further stabilize, standardize, and expand the operations of the Target Company, Party A and Management Party have reached an agreement to commission Mr. Yuwei Huang as the General Manager and Mr. Kong Tung as the Deputy General Manager of the Target Company, together with its Management Team to manage the operations of the Target Company based on the audited Financial Statements as of September 30, 2010 and the unaudited financial results as of June 30, 2011, including Balance Sheet, Income Statement, Adjusted Trial Balances, and fixed assets schedules as of September 30, 2010 and June 30, 2011 (the “Financial Schedules”), which are exhibited herein with this

agreement. Accordingly, both parties entered into this agreement with detailed items stipulated as follows:

I. Term for Operational Management

The term for Management Party to manage the operations of the Target Company is three years starting from October 1, 2011 to September 30, 2014 (the “Term”); if both Party A and Management Party do not reach a written agreement to the contrary to propose a management change at least 30 days before the expiration date, the Term shall be automatically extended for a period of one more year.

II. Performance Benchmarks

1. The performance benchmarks in this Agreement are based on the total production cost, Ferrosilicon price, and annual production volumes. According to the Target Company’s historical data, the total cost of producing one metric ton of magnesium ingot is RMB 13,500 (excluding Value Added Tax (“VAT”)), which includes an average cost of ferrosilicon of approximately RMB 6,300, about 47% of the total production cost, the remaining fixed costs make up about 53% of the total production costs. During the term of this Agreement , on the premise that the working capital and gas supply are sufficient, and there is market demand, the Target Company shall complete production of 45,000 metric tons of magnesium ingot during the period from October 1, 2011 to September 30, 2012; and each fiscal year thereafter shall have a benchmark that is at 5,000 metric tons higher in each succeeding fiscal year meaning the Target Company shall complete production of 50,000 metric tons of magnesium in the fiscal year ending September 30, 2013, and 55,000 metric tons in the fiscal year ending September 30, 2014 (collectively, the “Performance Benchmark”).

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Formula:

$$\begin{array}{lcl} \text{Total production cost (excluding VAT)} & = & \text{Fixed cost} + \\ \text{Ferrosilicon cost} & & \\ 13,500 & = & 7,200 + 6,300 \end{array}$$

Ferrosilicon cost (excluding VAT) = Ferrosilicon price published at Asianmetal.com /1.17 +Ferrosilicon shipping cost

For example: during the previous quarter, the Ferrosilicon cost was RMB 7000/metric ton, the total production cost excluding VAT = fixed cost (RMB 6,700) + Ferrosilicon cost (RMB 7,000) = 13,700 RMB/metric ton, and price including VAT is 16,030 RMB/metric ton

Note:

- a) Price. For the assessment of performance under this Agreement, the magnesium ingot benchmark price shall be based on the average price of the following: (i) Target Company's average ex-works price over the period of time from October 1, 2011 to September 30, 2012 (the "Measurement Period") and (ii) the average ex-works price (including VAT) from Taiyuan or Inner Mongolia region published on Asianmetal.com over the Measurement Period, which amount shall be divided by 1.17 in order to obtain the price excluding VAT (the "Benchmark Price"). For example, if the Asianmetal.com ex-work price of magnesium ingots from Taiyuan is in the range of RMB 18,150 to RMB 18,350 over the Measurement Period, then the average price of RMB 18,250 is divided by 1.17 to obtain the ex-works price (excluding VAT) which is RMB15, 598 per metric ton. The Ferrosilicon ex-work price (excluding VAT) shall be calculated based on the average of the Ferrosilicon ex-work price (including VAT) of Shanxi Province (or Inner Mongolia) published on Asianmetal.com, divided by 1.17 to obtain the factory price (excluding VAT). For example, on the date of assessment, if the Asianmetal.com ex-work price of Ferrosilicon from Taiyuan is between 6,900 and 7,000 the average shall be 6,950, divided by 1.17 and the ex-work (excluding VAT) price shall be RMB5,940 per metric ton, add the transportation costs to obtain the Ferrosilicon costs (excluding VAT).
- b) If Party A achieved the sales through its own marketing efforts, management shall, at the best of its efforts, ensure the Target Company's timely production

and provided stable supplies, the sales price given to Party A shall be no greater than the sales price management used in selling to other 3rd party during the same time period.

c) If the performance benchmark cannot be achieved due to natural disasters, government matters, or other events of force majeure, the performance shall be reassessed according to actual situation.

2. Bonus awards: CDII shall pay the following bonus for the services to be provided over the Term of this Agreement if the Target Company's actual magnesium ingot production reaches the Performance Benchmark defined in Section II and if during the Measurement Period, the total

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fixed production cost (excluding VAT) of magnesium ingot at the Target Company is 50% or less of total cost of production, and if the total cost of production of magnesium ingot at the Target Company is within 80%-90% of the Benchmark Price defined above, then a bonus of 960,000 shares of CDII's common stock shall be awarded to Yuwei Huang and 480,000 shares of CDII's common stock shall be awarded to Kong Tung (collectively, the "Bonus Shares"). The bonus award is to reward the Management Party during the management term, and shall be computed accordingly to the Performance Benchmark during the Term. Management Party may determine the final allocation and the time period when the Bonus Shares shall be distributed. During the management term, Yuwei Huang's monthly salary is RMB 200,000 (annual salary RMB 2,400,000), Kong Tung's monthly salary is RMB 100,000 (annual salary RMB 1,200,000).

3. All of the production of the Target Company shall be sold to end users, trading companies that are not affiliates (as hereinafter defined) of Management Party, Party A's wholly own subsidiaries or sold via CDI's wholly own trading subsidiaries. As defined in this Agreement, the term "affiliates" means a person or company that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified. The Target Company shall not enter into any sales transaction with or through Management Party or its affiliates. In an effort to ensure the consistency of ex-works prices, the Target Company shall provide Party A with complete sales documents including but not limited to sales contracts and supporting documents within one month after the sales occur.
4. During the Term, Party A shall do its best to ensure sufficient working capital in the Target Company to ensure the normal operation of the Target Company; if management party provides loans to the Target Company as working cash flow, the annual interest rate shall be 12%.
5. Both parties agreed, if demanded by the market, the working capital and profits from 2012 and 2013 shall be used to expend the production capacity of the Target Company by the end of 2013, total production capacity after the expansion shall reach 116,000 metric tons(3).
6. During the Term, the quarterly and annual income statement of the Target Company shall not have loss in earnings; which means, the net profits shall not be negative.

III. Management Responsibility

1. All parties have agreed that Target Company shall operate on the basis of the assets, liabilities, and shareholders' equities referred to the financial statements as of September 30, 2010 that has been audited and determined by the U.S.-based auditor Sherb Co, LLP and the unaudited trial balance sheet of the Target Company as of June 30, 2011.
2. Management Party undertakes to beat the performance benchmarks indicated in article II of this agreement, manage the Target Company's daily operations, operated with the goal to decrease cost, increase performance and seek the highest profits. Also, management shall follow the SEC regulations and guidance applicable to the parent company, as a public company, to ensure all operations of the Target Company complies with the financial, internal control and disclosure requirements of a US public company.

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3. Management Party undertakes to exercise the following obligations:

3.1. Management Party shall conduct training regularly with the management teams of the Target Company, increase performance quality, train and strengthen management concepts to be consistent with the parent company. Conduct general assessment and evaluation of the management personnel's performance; be clear on awards and penalties. Management shall mainly focus the Target Company's productions, operations, sales and collections of the Target Company, based on the projections of the Target Company. All the sales transactions of the Target Company require complete supporting documents. The regular business paperwork that requires endorsements shall first be signed off by the person-in-charge, further approved by the Management Party, and last reviewed, signed, and stamped by the Target Company.

Monthly financial data of the Target Company shall be submitted to Party A by the 18th of each month during the Term, financial data shall be submitted to Party A's Taiyuan office and US headquarters through the use of accounting software prescribed by Party A.

During the term of the Operation Management Agreement and within two years after leaving the company, the Managing Party shall not, solely, with or through any other person (or as the representative of any other person), directly or indirectly conduct any production or trading transactions of magnesium ingots, magnesium alloy or magnesium powder.

3.2. Manage the operations of the Target Company under the guidance of the annual and quarterly financials and sales budgets and plans set forth by the Board of Directors of the Target Company.

Management Party shall conduct timely, complete, accurate, and standardized financial management and accounting reconciliations of the Target Company, provide to Party A all financial data of the Target Company, submit accounting information of the Target Company to the accounting department of Party A in accordance with the articles and bylaws of the company and be subject to the supervision and evaluation of the parent company.

3.3. Management Party shall provide to the accounting department of Party A the information and access (physical and electronic) to all the bank accounts of the Target Company and all the accounts shall be opened with the banks that provide online banking services.

3.4.

The annual revenues and net profits of the Target Company shall not include any related party transactions with Management Party or its affiliates (except for the entities jointly funded along with Party A). In the circumstances that a transaction with a related party is necessary, the Target Company shall inform Party A of the nature and details of the transaction and execute the transaction only after Party A has provided written consent.

- 3.5. The Target Company shall be in compliance with the internal control procedures set up by Party A (including but not limited to supporting documents of financial results, interflows of goods and materials, and cash flows, etc.) and cooperate with Party A's auditors and Party A's reviews and examinations.

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3.6. Under the guidance of the respective Target Company's board of directors, Management Party shall have the rights and obligations associated with the operational activities during the Term in accordance with the Articles and Bylaws of the Target Company and the terms of this Agreement.

3.7. Party A shall be responsible for establishing the Target Company's internal controls and the implementation of ERP software and accounting systems and procedures at its own cost and expense. The Target Company and Management Party shall fully cooperate in the implementation of these ERP systems and controls and shall utilize the systems and follow the procedures in the daily operation and management of the Target Company. See Parent company's memo dated March 23, 2011 for the detailed implementation plans of the ERP (see attached).

Other financial requirements

4. The Target Company shall not conduct any illegal activities during the Term. Any claims or liabilities resulted from the negligence or misconduct of Management Party during the Term shall be resolved by Management Party and any loss occurred to the Target Company shall also be responsibility of Management Party.

5. Upon expiration of the Term, Party A and Management Party shall consult and negotiate in regards to the operation management of the Target Company, if there is no written notice from the parties 30 days prior to the expiration of the Term, this agreement shall automatically extend for one year.

6. During the Term, the on-site staff appointed by Management Party and Party A, when requested, shall jointly control the office materials related to accounting management including contract seals, accountant seals, corporate seals, bank account numbers, and accounting books. The Target Company shall update Party A after these office materials have been used in accordance with the terms of providing accounting information. For the purpose of internal control, Party A has the right to monitor and the rights to knowledge in regards to Management Party's management on the operations of the Target Company.

7. During the Term of this Agreement, all labor of the company shall be hired by the Target Company according to actual operating status. Target Company shall deal with all the labor disputes if there are any. Management Party agrees to fully cooperate with the Target Company in resolving any labor

disputes of the Target Company or its own.

8. During the Term, Management Party shall establish and implement the following policies: within 15 days of the end of each month, Target Company shall complete the monthly closing of the

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accounts, timely compile and submit to Party A all financial statements for the month end or year end, including “Balance Sheet”, “Income Statement”, “Tax Returns” and etc. The Management Party and each of the financial managers of the Target Company shall sign and seal a certification form provided by Party A to certify that the financial information the Target Company has submitted to Party A is true and complete.

V. Effectiveness

This agreement shall take effects upon the joint signatures and stamps of the legal person or authorized representatives of Party A and Management Party. The exhibit is an indispensable part of the agreement and has the same legal force as the body of the agreement. Following the principles defined in this agreement, both parties may sign additional supplementary agreements if necessary.

VI. Termination and Dispute Resolution

1. If either of Party A or Management Party commits a breach of any provision of this Agreement and such breach continues for a period of thirty (30) days following a written request to cure such breach, the non breaching party has the rights to terminate this agreement. Breach of the Stock Transfer Agreement shall also be regarded as a breach of this agreement, and the non breaching party has the rights to terminate this agreement in accordance with the above provision.

If either of Party A or Management Party requests for a termination of this agreement, a written request shall be delivered to the other party, if there is no objections from the other party within 30 days after receiving of the written request this agreement shall be automatically terminated, if there are objections raised, the parties shall resolve through consultation.

2. This agreement shall be governed by the Laws of People’s Republic of China. Any dispute occurring during the Term of this Agreement between the parties shall be solved through conference by all parties or through meditation. If both methods fail, either party can apply to Beijing-based China International Economic and Trade Arbitration Commission for arbitration. The arbitration proceedings shall be conducted in both English and Chinese (if there is dispute between the two languages, Chinese shall prevail). For any arbitration or litigation related to this agreement, the prevailing party is entitled to reasonable compensation from the losing party. The rulings of the China International Economic and Trade Arbitration Commission shall be the final rulings and have the legal force on every party

engaged.

VII. Miscellaneous

This agreement has two original copies of both Chinese and English version, and each party holds one set of copies. All the copies shall be equally binding legally. If there is dispute between the English and Chinese version, Chinese version prevails.

(No text below for the body of the agreement)

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Party A CDI CHINA, INC. (Sign and Seal)

Legal Representative

/s/ James Wang

Print Name: James Wang

Date: 2011/08/30

Management Party (Sign and Seal)

Yuwei Huang

/s/ Yuwei Huang

Print Name: Yuwei Huang

Date: 2011/08/30

Kong Tung

/s/ Kong Tung

Print Name: Kong Tung

Date: 2011/08/30

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Footnote:

(1) Fiscal year refers to the fiscal year of CDII and shall start on October 1 of each year and end on September 30 of the following year.

(2) Fiscal 2011, the production capacity of each of the magnesium companies of the Target Company is based on the below data, unit: metric tons.

Facility Name	Production Capacity (metric tons)
Lingshi Xinghai	12,000
Baotou Chang Mag	20,000
Taiyuan Chang Mag	8,000
Golden Mg	12,000
Golden Trust	20,000
Contracted Facility 1	10,000
Contracted Facility 2	6,000
Total:	88,000

(3) End of fiscal 2013, the profits and cash flow from the 2 prior years shall be used to increase the production capacity by 12,000 metric tons for Lingshi Xinghai, 4,000 metric tons for Golden Trust, 12,000 metric tons for Golden Mag, after the expansion total production capacity shall reach 116,000 metric tons, as below listed:

Facility Name	Production Capacity (metric tons)
Lingshi Xinghai	24,000
Baotou Chang Mag	20,000
Taiyuan Chang Mag	8,000
Golden Mg	24,000
Golden Trust	24,000
Contracted Facility 1	10,000
Contracted Facility 2	6,000
Total:	116,000

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Annex E – Form of Amendment to Articles of Incorporation

ARTICLES OF AMENDMENT TO THE
ARTICLES OF INCORPORATION
OF
CHINA DIRECT INDUSTRIES, INC.

Pursuant to the provision of Section 607.1006, Florida Statutes, CHINA DIRECT INDUSTRIES, INC., a Florida corporation (the "Corporation"), adopts the following articles of amendment to its Articles of Incorporation:

New Corporate Name:

Article I of the Corporation's Articles of Incorporation – CORPORATE NAME – is hereby replaced, in its entirety, by the following:

ARTICLE I
CORPORATE NAME

The name of this Corporation shall be: CD INTERNATIONAL ENTERPRISES, INC.

Adoption of Amendment:

The amendment set forth in these Articles of Amendment have been adopted on [_____, 2011, by the Board of the Corporation and was approved by the shareholders of the Corporation on [_____]. The number of votes cast for the amendment by the shareholders were sufficient for approval.

Effective Date:

The effective date of this amendment shall be the date of filing with the Florida Department of State.

IN WITNESS WHEREOF, the Corporation, by and through its undersigned officer thereunto duly authorized, has executed these Articles of Amendment this ____ day of _____, 201 2 and affirms that the statements made herein are true under the penalties of perjury.

China Direct Industries, Inc.

By:
Name:
Title:

FORM OF PROXY CARD

CHINA DIRECT
INDUSTRIES, INC.

Electronic Voting Instructions
You can vote by Internet or
telephone!
Available 24 hours a day, 7 days
a week!

Instead of mailing your proxy,
you may choose one of the two
voting methods outlined below to
vote your proxy.

VALIDATION DETAILS ARE
LOCATED BELOW IN THE
TITLE BAR.

Proxies submitted by the Internet
or telephone must be received by
_____.m., Eastern Time, on
[____], 201 2 .

IMPORTANT SPECIAL
MEETING
INFORMATION

ABC HOLDER
400 MY STREET
CHICAGO IL 60605

Vote by Internet
Log on to the Internet
and go to
www.edocumentview.com/cdii
Follow the steps
outlined on the
secured website.

Vote by telephone
Call toll free
1-800-652-VOTE
(8683) within the
USA, US territories &
Canada any time on a
touch tone telephone.
There is NO
CHARGE to you for
the call.
Follow the
instructions provided
by the recorded
message.

Using a black ink
pen, mark your votes
with an X as shown
in this example.
Please do not write
outside the designated
areas.
Special meeting
Proxy Card

IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.

A. PROPOSAL – The Board of Directors recommends a vote FOR the Proposal to issue the China Direct Shares.

1. Approval for the ☐ FOR ☐ AGAINST ☐ ABSTAIN
issuance of the China
Direct Shares
pursuant to the
Transfer Agreements
and the Management
Agreement.

2. Approval of an ☐ FOR ☐ AGAINST ☐ ABSTAIN
amendment to our
articles of
incorporation to
change our name
from China Direct
Industries, Inc. to CD
International
Enterprises, Inc. or
such other name as
the Board of
Directors may elect.

B. Authorized Signatures – This section must be completed for your vote to be counted. – Date and Sign Below

Please sign as your name or names appear on this Proxy. When share are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate names by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

Date (mm/dd/yyyy) – Please print date below.	Signature 1 – Please keep signature within the box.	Signature 2 – Please keep signature within the box.
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IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.

Proxy – China Direct Industries Inc.

SPECIAL MEETING OF THE SHAREHOLDERS OF CHINA DIRECT INDUSTRIES, INC.

PROXY SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned, a shareholder of China Direct Industries Inc. (the “Company”), hereby revoking any proxy heretofore given, does hereby appoint Lazarus Rothstein, proxy with power of substitution, for and in the name of the undersigned to attend the Special Meeting of Shareholders of the Company to be held at the Company’s offices located at 431 Fairway, Drive, Suite 200, Deerfield Beach, Florida 33441 on [_____, _____, 201 2 at _____ .m. Eastern time, or at any adjournment or postponement thereof, and there to vote, as designated below.

THIS PROXY WILL BE VOTED AS DIRECTED, IF NO CONTRARY INSTRUCTION IS INDICATED, THE VOTE OF THE UNDERSIGNED WILL BE CAST “FOR” PROPOSALS 1 AND 2. IF ANY OTHER BUSINESS IS PRESENTED AT THE SPECIAL MEETING, THIS PROXY WILL BE VOTED BY THOSE NAMED IN THIS PROXY IN THEIR BEST JUDGMENT. AT THE PRESENT TIME, THE BOARD OF DIRECTORS KNOWS OF NO OTHER BUSINESS TO BE PRESENTED AT THE SPECIAL MEETING.

(CONTINUED AND TO BE SIGNED ON REVERSE SIDE.)

C. Non-Voting Items

Change of Address – Please print new Meeting address below.

Attendance
Mark box to the
right if you plan
to attend the
Special
meeting.

IF VOTING BY MAIL, YOU MUST COMPLETE SECTIONS A – C ON BOTH SIDES OF THIS CARD.

