EVOLVE ONE INC
Form S-8
October 30, 2006

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON OCTOBER 30, 2006

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM S-8

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

CHINA DIRECT, INC.

(Exact name of registrant as specified in its charter)

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

5301 North Federal Highway, Suite 120, Boca Raton, Florida	33487
(Address of Principal Executive Offices)	(Zip Code)

2006 Stock Compensation Plan

(Full title of plan)

Dr. James Wang

Chief Executive Officer

China Direct, Inc.

5301 North Federal Highway

Suite 120

Boca Raton, Florida 33487

(Name and Address of agent for service)

(561) 989-9171

(Telephone number, including area code, of agent for service)

CALCULATION OF REGISTRATION FEE

Title of securities to be registered	Amount to be registered	Proposed maximum offering price per share (1)	Proposed maximum aggregate offering price (1)	Amount of registration fee
Common stock, par value $0.0001 per share (2)	2,000,000	$5.00	$10,000,000	$1,070

(1) Estimated solely for purposes of calculating the registration fee pursuant to Rule 457 under the Securities Act of 1933 based on the average of the high and low sale price of the common stock as reported on the OTC Bulletin Board on October 25, 2006

(2) Pursuant to Rule 416, there are also being registered such additional number of shares of common stock as may be issuable as a result of the anti-dilution provisions of the options which may be granted under the 2006 Stock Compensation Plan.

PART I

INFORMATION REQUIRED IN THE SECTION 10(a) PROSPECTUS

This registration statement relates to separate prospectuses.

Items 1 and 2 of this Part I, and the documents incorporated herein by reference pursuant to Item 3 of Part II of this Form S-8, constitute the first prospectus relating to issuances to our employees, directors, consultants and others of up to 2,000,000 shares of common stock pursuant to our 2006 Stock Compensation Plan. Pursuant to the requirements of Form S-8 and Rule 428, we will deliver or cause to be delivered to plan participants any required information as specified by Rule 428(b)(1). The second prospectus, referred to as the reoffer prospectus, relates to the reoffer or resale of any shares that are deemed to be control securities or restricted securities under the Securities Act of 1933, as amended.

PROSPECTUS

Item 1. Plan Information

We established the Plan effective October 19, 2006 covering 2,000,000 shares of our common stock to provide us with flexibility to compensate certain of our technical, administrative and professional employees and consultants who may provide various services to us in the future through plan grants and thereby conserving our cash resources. The issuance of grants under the plan will be made to persons who are closely related to us and who provide bona fide services to us in connection with our business which are not in connection with the offer of sale of our securities in a capital raising transaction and do not directly or indirectly promote or maintain a market for our securities. Grants of options or shares may be awarded under the plan pursuant to individually negotiated compensation contracts or as determined and/or approved by our Board of Directors or compensation committee. The eligible participants include our directors, officers, employees and non-employee consultants and advisors. There is no limit as to the number of securities that may be awarded under the 2006 Stock Compensation Plan to a single participant.

The 2006 Stock Compensation Plan does not require restrictions on the transferability of securities issued thereunder. However, such securities may be restricted as a condition to their issuance where the Board of Directors deems such restrictions appropriate. The 2006 Stock Compensation Plan is not subject to the Employee Retirement Income Securities Act of 1974 ("ERISA"). Restricted shares awarded under the 2006 Stock Compensation Plan are intended to be fully taxable to the recipient as earned income.

Item 2. Company Information and Employee Plan Annual Information

We will provide without charge, upon written or oral request, the documents incorporated by reference in Item 3 of Part II of this registration statement. These documents are incorporated by reference in the Section 10(a) prospectus. We will also provide without charge, upon written or oral request, all other documents required to be delivered to recipients pursuant to Rule 428(b). Any and all such requests shall be directed to China Direct, Inc. at our principal office at 5301 North Federal Highway, Suite 120, Boca Raton, Florida 33487, telephone number (561) 989-9171.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, NOR HAS THE COMMISSION PASSED ON THE ACCURACY OR ADEQUACY OF THE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

No person has been authorized by us to give any information or to make any representation other than as contained in this prospectus and, if given or made, such information or representation must not be relied upon as having been authorized by us. Neither the delivery of this prospectus nor any distribution of the shares of common stock issuable under the terms of the 2006 Stock Compensation Plan shall, under any circumstances, create any implication that there has been no change in our affairs since the date hereof.

Our principal offices are located at 5301 North Federal Highway, Suite 120, Boca Raton, Florida 33487 and our telephone number is (561) 989-9171. Our fiscal year end is December 31. Information which appears on our web site at www.cdii.net is not part of this prospectus.

THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL SECURITIES IN ANY STATE TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER IN SUCH STATE.

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REOFFER PROSPECTUS

CHINA DIRECT, INC.

2,000,000 Shares of Common Stock

This prospectus forms a part of a registration statement, which registers an aggregate of 2,000,000 shares of common stock issued or issuable from time-to-time under the China Direct, Inc. 2006 Stock Compensation Plan.

This prospectus also covers the resale of shares granted under the 2006 Stock Compensation Plan by persons who are our "affiliates" within the meaning of federal securities laws. Affiliated selling security holders may sell all or a portion of the shares from time to time in the over-the-counter market, in negotiated transactions, directly or through brokers or otherwise, and at market prices prevailing at the time of such sales or at negotiated prices, but which may not exceed 1% of our outstanding common stock.

We will not receive any proceeds from sales of shares by selling security holders.

These securities have not been approved or disapproved by the Securities and Exchange Commission nor has the Commission passed on the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

This prospectus does not constitute an offer to sell securities in any state to any person to whom it is unlawful to make such offer in such state.

The date of this prospectus is October 30, 2006.

All share and per share information contained in this prospectus gives effect to the 250 for 1 (250:1) reverse stock split effective January 31, 2003, a one for eight (1:8) forward stock split effective December 3, 2004, and a 100 for 1 (100:1) reverse stock split effective June 28, 2006.

China Direct, Inc., a Delaware corporation formerly known as Evolve One, Inc., and its subsidiaries is referred to in this prospectus as "China Direct", "we", "us" or "our". China Direct Investments, Inc., a Florida corporation and a wholly owned subsidiary of China Direct, is referred to in this prospectus as China Direct Consulting and CDI China, Inc., a Florida corporation and a wholly owned subsidiary of China Direct, is referred to in this prospectus as CDI China.

AVAILABLE INFORMATION

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and, in accordance therewith, we file reports, proxy statements and other information with the Securities and Exchange Commission. Certain of our SEC filings are available over the Internet at the SEC's web site at http://www.sec.gov. You may also read and copy any document we file with the SEC at its public reference facilities:

Public Reference Room Office

100 F Street, N.E.

Room 1580

Washington, D.C. 20549

You may also obtain copies of the documents at prescribed rates by writing to the Public Reference Section of the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Callers in the United States can also call 1-202-551-8090 for further information on the operations of the public reference facilities.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents filed by us with the SEC are incorporated herein by reference and made a part hereof:

Annual Report on Form 10-KSB for the fiscal year ended December 31, 2005,

Current Report on Form 8-K filed on May 3, 2006, Quarterly Report on Form 10-QSB for the period ended March 31, 2006,

Current Report on Form 8-K filed on May 26, 2006,

Current Report on Form 8-K filed on June 9, 2006,

Current Report on Form 8-K filed on June 29, 2006,

Quarterly Report on Form 10-QSB for the period ended June 30, 2006,

Current Report on Form 8-K filed on August 17, 2006,

Current Report on Form 8-K filed on August 22, 2006,

Current Report on Form 8-K filed on September 15, 2006,

Current Report on Form 8-K filed October 4, 2006, and

Current Reports on Form 8-K filed on October 27, 2006.

In addition, all reports and documents filed by us pursuant to Section 13, 14 or 15(d) of the Securities Exchange Act of 1934, as amended, prior to the filing of a post-effective amendment which indicates that all securities offered hereby have been sold or which deregisters all securities then remaining unsold, shall be deemed to be incorporated by reference herein and to be a part hereof from the respective date of filing of such documents. Any statement incorporated by reference herein shall be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained herein or in any other subsequently filed document, which also is or is deemed to be incorporated by reference herein, modifies or supersedes such statement. Any statement modified or superseded shall not be deemed, except as so modified or superseded, to constitute part of this prospectus.

We hereby undertake to provide without charge to each person, including any beneficial owner, to whom a copy of the prospectus has been delivered, on the written request of any such person, a copy of any or all of the documents referred to above which have been or may be incorporated by reference in this prospectus, other than exhibits to such documents. Written requests for such copies should be directed to Corporate Secretary, China Direct, Inc., 5301 North Federal Highway, Suite 120, Boca Raton, Florida 33487, telephone number (561) 989-9171.

THE COMPANY

This prospectus contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from the results discussed in the forward-looking statements. You are urged to read this prospectus carefully and in its entirety.

Overview

We provide specialized business consulting services exclusively to Chinese companies seeking access to the U.S. capital markets. Based upon both our experiences during our first year of operation as well as the professional experience of our principals, during the second quarter of fiscal 2006 we expanded the scope of our company through the establishment of two additional operating divisions as discussed below. Our mission is to create a platform to support, develop and nurture business opportunities arising from the opening of markets in the People's Republic of China (the "PRC" or "China"). We believe that the combined resources of our three divisions, CDI China, China Direct Consulting and CDI International Trading, working in tandem will create a resource equipped to offer comprehensive business solutions to Chinese companies enabling them to successfully access the U.S. markets.

Our operations

Our three operating divisions include:

CDI China. The goal of CDI China, one of our newly established operating divisions, is to acquire majority interests in a variety of Chinese companies engaged in operations which we believe will benefit from the continuing growth of the Chinese economy. Examples of industries in which we will focus our efforts include manufacturing, technology, mining, healthcare, packaging, food and beverage, and import and export. We initially intend to target companies that are small to medium

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sized entities, generally including companies with less than $100 million in annual revenue, which we believe offer the greatest opportunities for growth.

We believe that China, which gained acceptance to the World Trade Organization in 2001, is one of the world's largest and fastest growing economies. We believe that the rapid development of the economy is upgrading the quality of small to medium sized entities. We believe that China's increasingly deregulated markets, new emerging technologies and changing social perspectives have created a whole new class of young energetic entrepreneurs with great ambitions, local market expertise, solid business development track records, but often limited financial resources. We believe there is tremendous growth potential in this sector. We believe, despite robust economic conditions and great perspectives for the future, growth of Chinese private businesses are greatly hindered by inadequacies of their financial sector, which is generally recognized to still be in need of further reforms and improvements. We believe the financial system in China, controlled by the government, does not have sufficiently developed mechanisms to efficiently allocate capital. We believe the financial markets are geared primarily towards the larger well-established and best-connected firms, which are generally state-owned entities, the privileged remnants of the old communist economy. We believe access to capital by smaller companies is often limited to black market debt instruments with interest rates exceeding 30% annually. Consequently, we believe many private entities, which in effect stimulate economic growth and provide new local employment opportunities, have been forced to look for alternative funding. We believe that as the Chinese economy continues to grow and smaller companies continue to need capital to participate in this growth, as a result of the limited options available to them these small to medium sized companies will seek alternative ways to finance their internal growth.

Our business model for CDI China envisions the acquisition of a majority interest of a Chinese entity, in a share exchange, with the amount of our common stock issued in the transaction directly related to the shareholder equity of the acquisition target. We would then utilize resources available to us by virtue of our public company status to provide the necessary capital to our subsidiary to enable it to grow its business and operations. Based upon our early stage discussions with several investment banking firms, we believe that we would be able to use the assistance of an investment banking firm to raise additional capital as needed upon terms which would be acceptable to us.

Recent acquisition of Shanghai Lang Chemical Company, Limited

On October 25, 2006 CDI China closed the acquisition of a 51% ownership interest in Shanghai Lang Chemical Company, Limited under the terms of a stock acquisition agreement entered into in September 2006 with Shanghai Lang Chemical Company, Limited, a Chinese limited liability company, and its two stockholders Jingdong Chen and Qian Zhu. Under the terms of the agreement, CDI China acquired a 51% equity ownership of Shanghai Lang Chemical Company, Limited in exchange for an initial capital contribution of $375,000 and a follow-up capital contribution of $326,250 to be made on or before June 30, 2007. Mr. Chen and Ms. Zhu each retained a 24.5% equity interest in Shanghai Lang Chemical Company, Limited, will remain as officers of Shanghai Lang Chemical Company, Limited.

At the closing of the transaction, CDI Shanghai Company, Limited, a wholly owned subsidiary of CDI China, entered into employment agreements with each of Mr. Chen and Ms. Zhu. Mr. Chen will serve as Vice President, Chemical Division with operational responsibilities for Lang, and Ms. Zhu will serve as Vice President of Finance, Chemical Division. The terms of the five year agreements are identical and provide for annual compensation of $10,000 together with bonuses at the discretion of the company. The agreements contain customary confidentiality provisions.

Shanghai Lang Chemical Company, Limited is a distributor of finely processed industrial grade synthetic chemical products and it specializes in the distribution of industrial grade synthetic chemicals within China. All of the operations are located within China. Products distributed by Shanghai Lang Chemical Company, Limited are employed as a raw material in the production of finished products such as paint, glue, plastics, textiles and leather goods as well as various medical products. Shanghai Lang Chemical Company, Limited operates a distribution network which covers the Eastern section of China, specifically the Jiangsu, Zhejiang, and Shanghai provinces. Shanghai Lang Chemical Company, Limited is located in the Shanghai region of the Yangtze River delta. Shanghai Lang Chemical Company, Limited is owned equally amongst two shareholders, Mr. Chen Jingdong and Ms. Zhu Qian. Mr. Chen Jingdong and Ms. Zhu Qian are husband and wife. Mr. Chen Jingdong serves as the CEO, while Ms. Zhu Qian acts as the CFO.

Pending acquisition

On October 15, 2006 CDI China entered into an acquisition agreement with Chang Magnesium Company, Limited, a Chinese limited liability company (Chang), and its sole member Mr. Yuwei Huang. Chang, which is located in Taiyuan, in the Shanxi Province of China, operates a magnesium facility and Chang Magnesium Trading Company Limited, its wholly owned subsidiary, is an exporter of magnesium.

Under the terms of the agreement, CDI China will acquire 51% equity ownership of Chang from Mr. Huang in exchange for a total capital contribution to Chang of $2,550,000, of which $ 1,000,000 will be made 10 days after the closing, an additional $800,000 will be made on or before September 30, 2007, and the remaining $750,000 will be made on or before December 31, 2007. The closing of the transaction is subject to receipt by us of audited financial statements.

As a condition precedent to closing, on or before November 30, 2006, is required to deliver to us the audited financial statements of Chang for the year ended December 31, 2005 and 2004, together with unaudited financial statements for the six months ended June 30, 2006 which reflect net members equity of $2,550,000. If the financial statements do not reflect a net members' equity of $2,550,000 at June 30, 2006, upon mutual agreement of the parties the $1,000,000 of capital to be contributed to Chang following the closing will be reduced.

It is anticipated that the transaction will close on or before November 30, 2006. Mr. Huang will retain a 49% equity interest in Chang and will remain as an officer. He will also enter into an employment agreement with CDI Shanghai. Finally, the agreement provides that Mr. Huang will contribute $2,450,000 of investment capital worth of property, plant or equipment to Chang on the closing date of the transaction.

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China Direct Consulting. China Direct Consulting is a full service advisory division specializing in small Chinese-based companies which are traded on the U.S. public markets. We offer a comprehensive suite of services tailored to the specific needs of our clients. The menu of services offered by China Direct Consulting includes:

- U.S. representative offices
- Translation - English/Chinese
- General business consulting services
- Merger and acquisition strategy planning and analysis
- Advice on U.S. capital markets, including assessment of potential sources of investment capital
- Coordination of professional resources
- Corporate asset evaluation
- Public relations and seminars
- Advice and structure assistance for strategic alliances, partnerships and joint ventures
- Modeling/valuation analysis

We enter into agreements with our clients which are generally for 12 months and the amount of our fee is based upon the scope of the services we provide under the engagement. For the year ended December 31, 2005 and the six months ended June 30, 2006, we had consulting agreements with and earned revenues from, the following clients:

Client	Fiscal Year 2005		Six Months Ended June 30, 2006 (unaudited)	
	Revenues	% of Total	Revenues	% of total
Linkwell Corporation	$301,150	20%	$ 0	n/a
Sunwin International Neutraceuticals, Inc.	$362,278	24%	$ 93,150	24%
Dragon International Group Corp.	$ 44,000	3%	$ 90,000	37%
Dragon Capital Group Corp.	$795,000	52%	$145,000	23%
CIIC Investment Banking Services (Shanghai) Company, Limited	$ 0	n/a	$ 39,480	10%

A brief description of China Direct Consulting's clients is as follows:

Linkwell Corporation (OTCBB: LWLL) is located in Shanghai, China and specializes in the development, production, sale, and distribution of disinfectant health care products. On August 24, 2005, Linkwell Corporation engaged us as a consultant to advise its management in areas related to marketing and operational support in the U.S., media and public relations, mergers and acquisitions, financial advisory and SEC disclosure compliance. In addition, we also provide Linkwell with translation services for both English and Chinese documents. Under the terms of our one year agreement, we received 2,000,000 shares of Linkwell's common stock, valued at $160,000, as compensation for our services, and we were granted three year warrants to purchase 2,125,000 shares common stock at an exercise price of $0.20 per share commencing in January 2006. Linkwell also agreed to pay us additional fees for our services as may be

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mutually agreed upon. Upon mutual agreement our contract with Linkwell Corporation was extended to December 31, 2006 under the existing contractual arrangements.

Sunwin International Neutraceuticals, Inc. (OTCBB: SUWN) manufactures and sells stevioside, a natural sweetener, veterinary products and herbs used in traditional Chinese medicine. All of Sunwin International's operations are located in the People's Republic of China. In January 2006 we entered into a three year agreement with Sunwin International under which we were engaged to provide support to Sunwin International in a variety of areas, including general business consulting, translation services, management of professional resources, identification of potential acquisition targets and investment sources, development of marketing plans and coordination of its public disclosure. As compensation for our services, we received an aggregate of 3,670,000 shares of Sunwin International's common stock, which included shares to be issued to us as compensation under a prior June 2005 agreement, for an aggregate compensation value of $558,900. The agreement may be terminated by either party upon 30 days notice, however, the compensation paid to us is non refundable.

Dragon International Group Corp. (OTCBB: DRGG) manufactures and distributes paper and integrated packaging paper products with all of their operations located in the People's Republic of China. In January 2006 we entered into a three year agreement with Dragon International under which we were engaged to provide support to Dragon International in a variety of areas, including general business consulting, translation services, management of professional resources, identification of potential acquisition targets and investment sources, development of marketing plans and coordination of its public disclosure. As compensation for our services, we received an aggregate of 6,000,000 shares of Dragon International's common stock, for an aggregate compensation value of $54,000. The agreement may be terminated by either party upon 30 days notice, however, the compensation paid to us is non refundable.

Dragon Capital Group Corp. (Pink Sheets: DRGV) is a holding company for emerging technology companies in China. In January 2005 we entered into a three year agreement with Dragon Capital under which we have were engaged to provide support to Dragon Capital in a variety of areas, including general business consulting, translation services, management of professional resources, identification of potential acquisition targets and investment sources, development of marketing plans and coordination of its public disclosure. As compensation for our services, we received an aggregate of 30,000,000 shares of Dragon Capital's common stock, for an aggregate compensation value of $735,000. The agreement may be terminated by either party upon 30 days notice, however, the compensation paid to us is non refundable.

CIIC Investment Banking Services (Shanghai) Company Limited, a Chinese limited liability company, is a consulting company assisting Chinese entities to access the U.S. capital markets. In February 2005 we entered into a three year mutual agreement with CIIC Investment Banking Services (Shanghai) Company, Limited under which we have been engaged to provide support to CIIC Shanghai, and we engaged CIIC Investment Banking Services (Shanghai) to provide us with support, each to provide such services in a variety of areas, including general business consulting, translation services, management of professional resources, identification and strategy planning of potential acquisition targets and investment sources, development of marketing plans, due diligence on potential clients, and assistance with GAAP auditing. We pay fees and expenses to each other as determined on a case-by-case basis. The agreement may be terminated by either party upon 30 days notice, however, the compensation paid to either party is non refundable. CIIC Investment Banking Services (Shanghai) is an affiliate of our company. Mr. Marc Siegel, our President, is also the Chairman of the Board and a 20% owner and Dr. Yuejian (James) Wang, our CEO, is a director.

CDI International Trading. CDI International Trading is the second of our recently formed operating divisions and it was created to support international trade efforts of future subsidiaries and our consulting-client companies. CDI International Trading intends to represent these manufacturers and exporters in the marketing of their products in the U.S. and arranging their import requirements. We anticipate that the menu of services to be provided by CDI International Trading will include:

Import Export Licenses
Warehousing
Freight Forwarding
Customs
Distribution
Logistics

It is anticipated that CDI International Trading will generate revenues from management of the import export functions. In certain cases CDI International Trading will generate a fixed fee based on the management of the import export process and in certain cases CDI International Trading will generate a fee based on the amount of product sold, distributed or shipped.

Marketing

We have established what we believe to be effective relationships and contacts with various governmental agencies, public institutions, and private industries in China at both the national and provincial levels. In addition, we have established a relationship with China International Intellectech Corporation ("CIIC") through a relationship we have with CIIC Investment Banking Services (Shanghai) Company Limited. CIIC is headquartered in Beijing, is one of the 120 key enterprises directly under the management of the State-owned Assets Supervision and Administration Commission of the State Council of China, and since 2003 has been rated as an outstanding service company by the State-owned Assets Supervision and Administration Commission of the State Council, becoming one of the 56 first-class entities directly under the management of the Central Government. CIIC has 60 subsidiaries in the PRC and abroad with annual revenues exceeding $1 billion in 2005. We believe the CIIC name is a well-recognized brand in China. CIIC Investment Banking Services (Shanghai) primarily serves as a marketing company and sources private companies in China seeking to access the U.S. capital markets. This is done through a variety of marketing techniques; sponsor symposiums, individual relationships and trade conferences. We also have developed a business conference program in China. We also sponsor a series of business conferences which seek to educate the private sector in China on ways to access the U.S. capital markets. The business conference program has been instrumental in promoting our name to the private sector in China. We believe that these relationships and the continuation of our business conference program in China will assist our marketing efforts to continue to grow our client base as well as providing opportunities to identify potential acquisition targets for CDI China.

Competition

We are a young company with a limited operating history for our China Direct Consulting division and no operating history for our other two, newly formed divisions. The majority of our operational focus is on identifying and closing one or more acquisitions for CDI China. In identifying, evaluating and selecting target businesses, CDI China may encounter intense competition from other entities having a business objective similar to ours, including leveraged buyout and other private equity funds, operating businesses and other entities and individuals, both foreign and domestic, competing for business combinations with Chinese-based companies. Many of these entities are well established and have extensive experience identifying and effecting business combinations directly or through affiliates. Most of these competitors possess greater financial, marketing, technical, human and other resources than we do, and our financial resources will be relatively limited when contrasted with those of many of these competitors. While we believe there are numerous potential target businesses that may be available to us through the leverage of our relationships with our consulting clients as well as an alliance with CIIC Investment Banking Services (Shanghai) Company, Limited, our ability to compete in acquiring certain sizable target businesses will be limited by our available financial resources.

China Direct Consulting competes with a range of companies, from large management consulting companies that offer a broad range of consulting services, to small firms and independent contractors that provide specialized services. Some of our competitors have significantly more financial resources, larger professional staffs and greater brand recognition than we do. Since our consulting business depends in a large part on professional relationships, our business has low barriers of entry for competitors. We believe that our ability to successfully compete for new consulting clients and to retain our existing clients is dependent upon our ability to offer a wide range of services and to effectively respond to our client's needs on a timely and cost effective basis. We cannot assure you that we will compete successfully for new business opportunities or retain our existing clients.

Our CDI International Trading division will compete against a number of existing import and export companies. The vast majority of these competitors have longer operating histories than our company in this specialized area. We do not, however, presently intend to provide these services to companies other than our subsidiaries and consulting clients.

Government regulation

Doing Business in the PRC

If we are successful in acquiring one or more operating companies which are located in China, we will be subject to the PRC legal system. Since 1979, many laws and regulations addressing economic matters in general have been promulgated in the PRC. Despite development of its legal system, the PRC does not have a comprehensive system of laws. In addition, enforcement of existing laws may be uncertain and sporadic, and implementation and interpretation thereof inconsistent. The PRC judiciary is relatively inexperienced in enforcing the laws that exist, leading to a higher than usual degree of uncertainty as to the outcome of any litigation. Even where

adequate law exists in the PRC, it may be difficult to obtain swift and equitable enforcement of such law, or to obtain enforcement of a judgment by a court of another jurisdiction. The PRC's legal system is based on written statutes and, therefore, decided legal cases are without binding legal effect, although they are often followed by judges as guidance. The interpretation of PRC laws may be subject to policy changes reflecting domestic political changes. As the PRC legal system develops, the promulgation of new laws, changes to existing laws and the preemption of local regulations by national laws may adversely affect foreign investors. The trend of legislation over the past 20 years has, however, significantly enhanced the protection afforded foreign investors in enterprises in the PRC. However, there can be no assurance that changes in such legislation or interpretation thereof will not have an adverse effect upon our future business operations or prospects.

Economic Reform Issues

Since 1979, the Chinese government has reformed its economic systems. Many reforms are unprecedented or experimental; therefore they are expected to be refined and improved. Other political, economic and social factors, such as political changes, changes in the rates of economic growth, unemployment or inflation, or in the disparities in per capita wealth between regions within China, could lead to further readjustment of the reform measures. We cannot predict if this refining and readjustment process may negatively affect our operations in future periods.

Over the last few years, China's economy has registered a high growth rate. Recently, there have been indications that rates of inflation have increased. In response, the Chinese government recently has taken measures to curb this excessively expansive economy. These measures have included devaluations of the Chinese currency, the Renminbi, restrictions on the availability of domestic credit, reducing the purchasing capability of certain of its customers, and limiting re-centralization of the approval process for purchases of some foreign products. These austerity measures alone may not succeed in slowing down the economy's excessive expansion or control inflation, and may result in severe dislocations in the Chinese economy. The Chinese government may adopt additional measures to further combat inflation, including the establishment of freezes or restraints on certain projects or markets. There can be no assurance that the reforms to China's economic system will continue or that there will not be changes in China's political, economic, and social conditions and changes in policies of the Chinese government, such as changes in laws and regulations, measures which may be introduced to control inflation, changes in the rate or method of taxation, imposition of additional restrictions on currency conversion and remittance abroad, and reduction in tariff protection and other import restrictions.

Investment Company Act of 1940

U.S. companies that have more than 100 shareholders or are publicly traded in the U.S. and are, or hold themselves out as being, engaged primarily in the business of investing, reinvesting or trading in securities are subject to regulation under the Investment Company Act of 1940. While we do not believe we are an "investment company" within the scope of the Investment Company Act of 1940, historically we have accepted shares of a consulting client's securities as compensation for our services. During the time we were privately held, the holding of these securities did not make us subject to the Investment Company Act of 1940 as we did not meet the shareholder numerical test. Following the share exchange with described below, however, while our business model has not changed, by virtue of the percentage of the value of marketable equity securities we hold (which were received as compensation for our services and not purchased as an investment) under certain circumstances we could be subject to the provisions of the Investment Company Act of 1940.

Because Investment Company Act regulation is, for the most part, inconsistent with our strategy of providing business consulting services and overseeing the operations of our subsidiaries, we cannot feasibly operate our business as a registered investment company. Our Board of Directors has adopted a resolution stating that it is not our intent to become subject to the Investment Company Act of 1940 and authorizing our officers to take such actions as are necessary, including the periodic liquidation of any marketable equity securities we may own to reduce those holdings below the threshold level as prescribed by the Investment Company Act of 1940. If we are deemed to be, and are required to register as, an investment company, we will be forced to comply with substantive requirements under the Investment Company Act of 1940, including:

- limitations on our ability to borrow;
- limitations on our capital structure;
- restrictions on acquisitions of interests in associated companies;
- prohibitions on transactions with affiliates;
- restrictions on specific investments; and
- compliance with reporting, record keeping, voting, proxy disclosure and other rules and regulations.

Recent Capital Raising Transaction

On September 12, 2006, we entered into agreements with 13 accredited investors for the sale of $3,500,000 of units of our securities at a purchase price of $2.00 per unit. The offering consisted of a total of 1,750,000 shares of common stock, five year Class A Common Stock Purchase Warrants to purchase 2,625,000 shares of common stock at an exercise price of $4.00 per share and five year Class B Common Stock Purchase Warrants to purchase 2,625,000 shares of common stock at an exercise price of $10.00 per share.

On September 12, 2006, we completed the sale of $937,500 worth of units of securities consisting of 468,750 shares of Common Stock, Class A Common Stock Purchase Warrants to purchase 703,125 shares of common stock and Class B Common Stock Purchase Warrants to purchase 703,125 shares of common stock. Upon satisfaction of the condition precedent, the second phase of the offering will be the sale of an additional $2,662,500 of units which will consist of 1,331,250 shares of common stock, Class A Common Stock Purchase Warrants to purchase 1,996,875 shares of common stock and Class B Common Stock Purchase Warrants to purchase 1,996,875 shares of common stock. The second closing is conditioned upon the filing by us with the SEC of a Current Report on Form 8-K disclosing proforma revenues for our company on a consolidated basis of at least $20,000,000 and net income before taxes, depreciation and amortization of not less than $500,000 for the 12-month period ending December 31, 2005. If this second closing condition is not satisfied by December 1, 2006 the closing will not occur and we will not sell these additional securities.

The purchasers of the units are certain accredited institutional and individual investors. The exercise of the warrants is subject to a 4.99% cap on the beneficial ownership that each purchaser may have at any point in time while the securities are outstanding. The net proceeds from the initial transaction will be used for working capital purposes, and the net proceeds from the second closing are expected to be used for acquisitions, as well as working capital purposes.

Employees

As of October 16, 2006 we have seven full time employees, all based in the U.S. We believe our employee relations to be good.

Legal proceedings

We are not a party to any pending or threatened legal proceedings.

Our History

We were incorporated on June 7, 1999 in Delaware initially under the name Caprock Corporation to engage in any lawful corporate undertaking, including, but not limited to, selected mergers and acquisitions. On November 26, 1999, International Internet, Inc., a Delaware corporation, acquired 100% of our issued and outstanding stock from TPG Capital Corporation, our sole stockholder, pursuant to a stock purchase agreement in exchange for 5,000 shares of common stock of International Internet, Inc. In December 1999 Caprock was merged into International Internet with International Internet being the surviving company. Effective November 21, 2000, International Internet changed its name to Evolve One, Inc.

Our original business was operated as a developmental stage company in Mr. Cigar, Inc. which was formed in May 1997. Mr. Cigar was in the business of licensing, selling and/or operating cigar vending machines. We formed StogiesOnline.com, Inc. in April 1999. StogiesOnline was an online distributor and retailer of brand name premium cigars within the United States. As a result of the initial success of the StogiesOnline website, we refocused our resources in 1999 into the Internet cigar sales market and other specialty goods. We sold the vending equipment and business of Mr. Cigar in December 1999. We discontinued the operations of StogiesOnline.com in fiscal 2005.

In February 1999, we formed GoldOnline.com, Inc. for the purpose of acquiring the domain name GoldOnline.com. The domain name was acquired for $25,000 and 320 shares of our common stock. In June 1999, we sold 100% of the issued and outstanding stock in GoldOnline.com, Inc. for 10,000,000 shares of the common stock of GoldOnline International, Inc. resulting in no gain or loss to us.

We formed Web Humidor.com Corp. in April 1999 for the purpose of acquiring the domain name WebHumidor.com. The domain name was acquired for $3,000 and 30,000 shares of WebHumidor.com, Corp. common stock and 32 shares of our common stock. This subsidiary remains inactive.

We acquired American Computer Systems effective September 30, 1999 for $150,000. We sold 80% of our investment effective March 31, 2001 for $500,000, and

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on September 11, 2001 we sold the remaining 20% interest to an officer of the subsidiary in exchange for discharge of any liabilities of American Computer Systems.

We acquired 90% of the capital stock of TheBroadcastWeb.com, Inc. in June 1999 for $18,000 cash and 12 shares of our common stock. On December 14, 2001, we sold our interest to a related third party and the purchaser assumed substantially all of the on-going liabilities of TheBroadcastWeb.com, Inc. and we received certain advertising time which was valued at approximately $100,000. The purchaser did not assume an intra-company payable or any liabilities for outstanding federal, state and local taxes as well as payroll obligations incurred prior to December 15, 2001.

On September 28, 2001, we formed A1DiscountPerfume Inc. and in October 2001, launched a new e-commerce site specializing in men's and women's fragrances. As a result of an increase in charge backs related to the unauthorized use of credit cards by third parties to make online purchases of merchandise from A1DiscountPerfume, as well as significant competition within this market segment, as of December 31, 2004 we discontinued the operations of A1Discount Perfume Inc.

On June 25, 2004, we purchased the URL www.Auctionstore.com for $6,500. On July 22, 2004 we formed, Auctionstore.com which was to function as an Internet-based seller of consigned merchandise whose primary medium of sales is eBay(TM). In May 2005 we formed a new subsidiary, AuctionStore Franchise Corp., to market and service franchises of AuctionStore.com. This subsidiary is inactive. In October 2005 we discontinued the operations of AuctionStore.com.

Immediately prior to the transaction with China Direct Consulting we did not have any business or operations and were considered a "shell company" under the rules of the SEC. On August 16, 2006 we acquired 100% of the issued and outstanding stock of China Direct Consulting in exchange for 10,000,000 shares of our common stock, which at closing, represented approximately 95% of our issued and outstanding shares of the Registrant's common stock. As a result of the reverse merger transaction, China Direct Consulting became a wholly owned subsidiary. For financial accounting purposes, the transaction in which we acquired CDI was treated as a recapitalization of our company with the former stockholders of the company retaining approximately 5.0% of the outstanding stock of our company. As a result of the transaction, the business of China Direct Consulting became the business of our company. China Direct Consulting was incorporated under the laws of the State of Florida on January 18, 2005.

In September 2006 we changed the name of our company to China Direct, Inc.

RISK FACTORS

An investment in the securities offered hereby is speculative in nature and involves a high degree of risk. The following factors are believed by management to be all of the material risks that should be carefully considered by investors before purchasing our shares.

RISKS RELATED TO OUR BUSINESS

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We have limited history of operations and we cannot assure you that our business model will be successful in the future or that our operations will be profitable.

China Direct Consulting began operations in January 2005 and, accordingly, investors have a limited history of operations upon which to evaluate our business. While we reported comprehensive income of $506,133 and $1,214,972 for the fiscal year ended December 31, 2005 and the six months ended June 30, 2006, respectively, our operating results for future periods will include significant expenses, including marketing costs, and administrative and general overhead expenses, which we will incur as we implement our business model to expand our operations, as well as increased legal and accounting fees we will incur as a public company following the reverse merger. As a result, we are unable to predict whether we will achieve profitability in the future. There can be no assurances whatsoever that we will be able to successfully implement our business model, identify and close acquisitions of operating companies, penetrate our target markets or attain a wide following for our services. We are subject to all the risks inherent in an early stage enterprise and our prospects must be considered in light of the numerous risks, expenses, delays, problems and difficulties frequently encountered in those businesses.

The success of our business model is dependent upon our ability to identify and close acquisitions of operating companies in China. There are no assurances will close the pending transaction with Shanghai Lang Chemical Company, Ltd. The acquisition of new businesses is costly and such acquisitions may not enhance our financial condition.

Our primary business and operational focus is on our CDI China subsidiary. Our growth strategy is to acquire companies and identify and acquire assets and technologies from businesses in China that have services, products, technologies, industry specializations or geographic coverage that extend or complement our existing business. The process to undertake a potential acquisition is time-consuming and costly. We expect to expend significant resources to undertake business, financial and legal due diligence on our potential acquisition targets and there is no guarantee that we will acquire the company after completing due diligence. The process of identifying and consummating an acquisition could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities and exposure to undisclosed or potential liabilities of acquired companies. While we have signed an agreement to acquire 51% of Shanghai Lang Chemical Company, Limited, there are certain conditions which must be satisfied prior to the closing including the delivery of audited financial statements with certain anticipated results of operations. There can be no assurance whatsoever that we will consummate the transaction with Shanghai Lang Chemical Company, Limited upon the current terms and conditions, or at all. Even if we are successful in closing the acquisition of a controlling interest in Shanghai Lang Chemical Company, Limited or one or more other acquisitions, there are no assurances that the operations of these business will enhance our future financial conditions including to the extent that the businesses acquired in these transactions do not remain competitive, some or all of the goodwill related to that acquisition could be charged against our future earnings, if any.

The Investment Company Act of 1940 will limit the value of securities we can accept as payment for our business consulting services which may limit our future revenues.

All of our revenues to date have been generated from our business consulting services. We have historically accepted stock as payment for our these services and may continue to do so in the future, but only to the extent that it does not cause us to become an investment company under the Investment Company Act 1940. To the extent that we are required to reduce the amount of stock we accept as payment for our business consulting services to avoid becoming an investment company, our future revenues from our business consulting services may substantially decline if our client companies cannot pay our fees in cash which will materially adversely effect our financial condition and results of operations in future periods. Any future change in our fee structure for our business consulting services could also severely limit our ability to attract business-consulting clients in the future.

We cannot assure you that the current Chinese policies of economic reform will continue. Because of this uncertainty, there are significant economic risks associated with doing business in China.

Although the majority of productive assets in China are owned by the Chinese government, in the past several years the government has implemented economic reform measures that emphasize decentralization and encourage private economic activity. In keeping with these economic reform policies, the PRC has been openly promoting business development in order to bring more business into the PRC. Because these economic reform measures may be inconsistent or ineffectual, there are no assurances that: