

---

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10-KSB

☒ ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **DECEMBER 31, 2006**

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

Commission file number **000-08161**

**DIONICS, INC.**

(Name of Small Business Issuer in Its Charter)

**Delaware**

(State or other jurisdiction  
of incorporation or organization)

**11-2166744**

(I.R.S. Employer  
Identification Number)

**65 Rushmore Street  
Westbury, New York**

(Address of principal executive offices)

**11590**

(Zip Code)

Issuer's telephone number, including area code: **(516) 997-7474**

Securities registered under Section 12(b) of the Exchange Act: **None**

Securities registered under Section 12(g) of the Exchange Act: **Common Stock (\$.01 par value)**

Check whether the Issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. ☐

Check whether the Issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☐ No ☒

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B not contained in this form, and no disclosure will be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

State Issuer's revenues for its most recent fiscal year: \$791,400.

As of July 15, 2008, the aggregate market value of the voting and non-voting common equity held by non-affiliates of the Issuer (4,474,127 shares) was approximately \$89,000. The number of shares outstanding of the Common Stock (\$.01 par value) of the Issuer as of the close of business on July 15, 2008 was 9,828,678.

Documents Incorporated by Reference: None

Transitional Small Business Disclosure Format: Yes ☐ No ☒

---

**DIONICS, INC.**  
**TABLE OF CONTENTS**

PART I		Page
Item 1.	Description of Business	3
Item 2.	Description of Property	7
Item 3.	Legal Proceedings	8
Item 4.	Submission of Matters to a Vote of Security Holders	8
PART II		
Item 5.	Market for Common Equity and Related Stockholder Matters	8
Item 6.	Management's Discussion and Analysis or Plan of Operation	9
Item 7.	Financial Statements	12
Item 8.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	24
Item 8A.	Controls and Procedures	24
Item 8B.	Other Information	24
PART III		
Item 9.	Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act	24
Item 10.	Executive Compensation	25
Item 11.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	28
Item 12.	Certain Relationships and Related Transactions	28
Item 13.	Exhibits	29
Item 14.	Principal Accountant Fees and Services	29
	Signatures	30

## **Forward-Looking Statements**

This report contains certain forward-looking statements and information relating to the Company that are based on the beliefs and assumptions made by the Company's management as well as information currently available to the management. When used in this document, the words "anticipate", "believe", "estimate", and "expect" and similar expressions, are intended to identify forward-looking statements. Such statements reflect the current views of the Company with respect to future events and are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated or expected. Certain of these risks and uncertainties are discussed in this report under the caption "Uncertainties and Risk Factors" in Part I, Item 1 "Description of Business". The Company does not intend to update these forward-looking statements.

## **PART I**

### **Item 1. Description of Business.**

#### **Business Development**

Dionics, Inc. (referred to herein as "Dionics", the "Company", "we", "us" and "our") was incorporated under the laws of the State of Delaware on December 19, 1968 as a general business corporation.

The Company has never been in bankruptcy, receivership or any similar proceeding.

The Company has never been involved in any material reclassification, merger or consolidation.

There have been no material changes in the mode of conducting the business of the Company.

#### **Business of the Company**

The Company designs, manufactures and sells silicon semi-conductor electronic products, as individual discrete components, as multi-component integrated circuits and as multi-component hybrid circuits.

(i) The individual discrete components are predominantly transistors, diodes and capacitors, intended for use in miniature circuit assemblies called "hybrid micro-circuits". In order to facilitate their being easily assembled into the "hybrid" circuits products by its customers, these products are supplied by the Company in un-wired unencapsulated microscopic chip form. A variety of such components is supplied by the Company, some as "standard" products which it offers to the industry at large, and other as special or custom-tailored products which it manufactures to certain specific electronic requirements of an individual customer.

Due to the rapidly changing needs of the marketplace, there are continual shifts in popularity among the various chip components offered by the Company. Within the year, and from year to year, a largely random variation in the needs of its customers prevents any meaningful comparison among the many devices in this category. Taken as a whole, however, the category of discrete chip components for the hybrid circuit industry is one of the three main classes of products offered by the Company.

A second main class of products offered by the Company is encapsulated, assembled, integrated circuits for use in electronic digital display functions. Due to unusual and proprietary technology, the Company is able to produce high-voltage integrated circuits higher than the average available in the industry. These are designed for specific high-voltage applications involved in digital displays based on gas-discharge or vacuum fluorescence.

For the most part, the Company's sales in this category of product are standard circuits, designed by the Company, and offered to the industry at large. In some instances, customer-designed circuits are produced and sold only to the sponsoring customer, with specific electrical performance needed by that customer.

The third main class of products offered by the Company is a range of hybrid circuits that function as opto-isolated MOSFET drivers and custom Solid State Relays. Both of these incorporate a light emitting diode (LED) as the input and a dielectrically-isolated (DI) array of photo-voltaic diodes which, in response to the infra-red light input,

generate a voltage as the output. MOSFET drivers, or ISO-GATES, as the Company has named them, are sold as a packaged combination of the LED and photo-voltaic chips. Custom Solid State Relays also add the MOSFET output devices in the same package along with certain other associated components.

We have also recently developed a fourth main class of products, "Silicon light-chips", that combine certain aspects of other products, along with several unique features of their own. This new product area involves Light Emitting Diodes (LEDs) of different colors being embedded in carefully shaped depressions in a Silicon chip. The main advantages of the combination is to enhance the light-delivery of the LEDs, as well as to keep them cool. These Silicon light-chips may be used in lighting systems that produce white light or mono-colored light.

The percentage of total revenues for each of the four product classes was in excess of fifteen (15%) percent in 2006.

(ii) The Company has not invested any material amount of assets in, nor has it announced, any new major product line in any new industry segment.

(iii) Raw materials essential to the business of the Company are readily available from many sources within the United States.

(iv) The Company has had nine (9) United States patents issued to date. Each patent is for a 17-year duration. The earliest patent was granted in 1971 and the latest in 1990. Therefore, the expiration dates range from 1988 through 2007. As a result, all such patents have expired.

(v) The business of the Company is not seasonal.

(vi) Customers to whom, for the fiscal year ended December 31, 2006, sales were made equal to approximately 10% or more of the Company's sales were as follows:

<b>Name</b>	<b>Approximate Percentage of Business</b>
Customer "A"	12.9%
Customer "B"	11.1%
Customer "C"	10.7%

The actual names of the customers above referred to are not set forth since the identity of such substantial customers is a trade secret of the Company and deemed confidential. Disclosure of such names would be detrimental to the best interests of the Company and its investors and would adversely affect the Company's competitive position.

The loss of any of the above customers would have a material adverse affect on the business of the Company.

(vii) Almost all of the orders for the Company's products are by their terms cancelable, or their delivery dates may be extended by a customer without penalty. There can be no assurance that any of the orders will become consummated sales. Accordingly, none of the orders that the Company has can be designated as backlog. With respect to orders that are believed to be firm, but are nonetheless subject to cancellation, such backlog was at December 31, 2005 approximately \$74,875 and at December 31, 2006 approximately \$147,754.

(viii) No material portion of the Company's business is subject to renegotiation of profits or termination of contracts or subcontracts at the election of the Government.

(ix) The Company competes with numerous other companies which design, manufacture and sell similar products. Some of these competitors have broader industry recognition, have financial resources substantially greater than the Company and have far more extensive facilities, larger sales forces and more established customer and supplier relationships than those which are available to the Company.

Competition in the industry is principally based upon product performance and price. The Company's competitive position is based upon its evaluation of its products' superior performance and its general pricing structure which Management believes is favorable in its industry although the Company may suffer from price competition from larger competitors whose facilities and volume base enable them to produce a competitive product at a lower price

(x) Compliance with Federal, State and local provisions which have been enacted or adopted regulating the discharge of materials into the environment or otherwise relating to the protection of the environment has had no material effect upon the Company's capital expenditures, earnings or competitive position.

(xi) The number of persons employed by the Company at December 31, 2006 was 14. The Company's employees are not represented by unions and/or collective bargaining agreements.

## **Other Information - Loans**

### *D.A.N. Joint Venture*

In July 2001, the Company entered into an agreement (the "July 2001 Agreement") with D.A.N. Joint Venture, a Limited Partnership, an affiliate of the Cadle Company ("D.A.N. Joint Venture"), with regard to certain matters involving Term Loan A and Term Loan C, the only remaining loans due to D.A.N. Joint Venture under a certain Restructuring Agreement entered into as of January 31, 1994 with Apple Bank for Savings (the "Bank"). D.A.N. Joint Venture is the assignee of the Bank with respect all of the Bank's rights under the Restructuring Agreement which restructured certain previous loans made by the Bank to the Company.

Pursuant to July 2001 Agreement, D.A.N. Joint Venture agreed to accept the sum of \$57,500 in full and complete settlement of the total unpaid accrued interest of \$86,096.13 on Term Loan A and Term Loan C. In addition, pursuant to the July 2001 Agreement, the parties agreed that the principal balance due on Term Loan A and Term Loan C shall be paid in 32 consecutive monthly installments commencing August 1, 2001 and interest on both loans shall be paid monthly in arrears commencing August 1, 2001. As of the date of the July 2001 Agreement, the principal balance owing on Term Loan A was in the amount of \$151,386.76 and the principal balance owing on Term Loan C was in the amount of \$89,335.20. All of the Company's assets, other than the Westbury Property (as defined in Item 2 below), have been pledged to the foregoing remaining loans due to D.A.N. Joint Venture.

In September 2002, due to its severely negative cash flow, the Company became unable to make payments of principal and interest under Term Loan A and Term Loan C. Attempts to negotiate a payment moratorium with D.A.N. Joint Venture were unsuccessful and, in December 2002, D.A.N. Joint Venture commenced an action against the Company in the Supreme Court of the State of New York, County of New York. Subsequently, D.A.N. Joint Venture and the Company agreed to resolve such issues, the action was discontinued and an amendatory agreement was entered into between the parties. Pursuant to an Amendatory Agreement dated January 2, 2003 between D.A.N. Joint Venture and the Company, the parties agreed that (i) as of December 31, 2002 the principal balance on Term Loan A was \$90,064 and on Term Loan C was \$53,146; (ii) Term Loan A principal shall be repaid with interest at the rate of 10.25% per annum in 15 equal consecutive monthly payments of \$6,423 each commencing January 1, 2003 and ending March 1, 2004; (iii) Term Loan C principal shall be repaid with interest at the rate of 10.25% per annum in 15 equal consecutive monthly payments of \$3,790 each commencing January 1, 2003 and ending March 1, 2004; and (iv) total past due interest as of December 31, 2002 on Term Loan A and Term Loan C was in the aggregate amount of \$5,440 and that all payments on Term Loan A and Term Loan C will be applied first to any accrued and unpaid interest, then to principal, in accordance with D.A.N. Joint Venture's accounting system.

The Company has paid the monthly installments since the execution of the Amendatory Agreement and, in early March 2004, the Company made the final payments due under Term Loan A and Term Loan C. As a result, all amounts due have been paid and there are no remaining loans due D.A.N. Joint Venture.

### *Wachovia Mortgage Loan and SBA Loan*

As of December 31, 1998, and pursuant to a loan agreement, the Company obtained a 30 year mortgage loan in the principal amount of \$384,685 (the "Mortgage Loan"). The Mortgage Loan was held by Wachovia Small Business Capital ("Wachovia") (formerly First Union Small Business Capital and, prior thereto, The Money Store Commercial Mortgage, Inc.). Of such amount, \$358,232 was used to satisfy in full the balance due on a previously obtained mortgage loan which at the time was held by D.A.N. Joint Venture. Interest on the Mortgage Loan is calculated on the unpaid principal balance at an initial rate of 8.23% per annum. The interest rate on the loan is variable depending on an independent index related to the yield of United States Treasury Notes. This rate change will occur once every 60 months. The Mortgage Loan is secured by a first mortgage on the Company's Westbury Property.

In October 2002, the Company was approved for a disaster loan (the "SBA Loan") from the U.S. Small Business Administration ("SBA") in the amount of \$305,800. The Company received all of the proceeds therefrom during the fourth quarter of 2002 and the first quarter of 2003. Interest will accrue at the rate of 4.0% per annum. The original terms

of the SBA Loan provided for installment payments, including principal and interest, of \$5,632 being paid monthly beginning 25 months from the date of the promissory note, with a final payment date of seven years from the date of the promissory note. In November 2003, the SBA amended the repayments terms so that the installment payments beginning November 26, 2004 (25 months from the date of the promissory note) shall be in the amount, including principal and interest, of \$1,570 with a maturity date being extended to 30 years from the date of the promissory note. The SBA Loan is secured by a second mortgage on the Westbury Property subordinate only to the mortgage held by Wachovia. See, also, Part III, Item 10, "Deferred Compensation and Other Arrangements" for information on the Standby Agreement entered into by Bernard Kravitz and the SBA.

On April 20, 2005 a property sales and lease back agreement was made between the Company and 65 Rushmore Realty. Dionics sold its land and building located at 65 Rushmore Street, Westbury, New York for \$990,000. On July 27, 2005, Dionics used proceeds of the sale to pay back the SBA Loan in the amount of \$307,200 and the Mortgage Loan of \$361,900.

## **Uncertainties and Risk Factors**

In addition to other information and financial data set forth elsewhere in this report, the following risk factors should be considered carefully in evaluating the Company.

**OUR OPERATING RESULTS MAY FLUCTUATE.** Our operating results may fluctuate because of a number of factors, many of which are beyond our control. Some of these factors that affect our results but which are difficult to control or predict are: the reduction, rescheduling or cancellation of orders by customers whether as a result of slowing demand for our products, stockpiling of our products or otherwise; fluctuations in the timing and amount of customer requests for product shipments; fluctuations in product life cycles; changes in the mix of products that our customers buy; competitive pressures on selling prices; the ability of our customers to obtain components from their other suppliers; and general economic conditions.

**REDUCED SALES; NET LOSSES.** We have experienced reduced sales and have suffered net losses since the end of fiscal 2000. For the year ended December 31, 2000, the Company had sales of approximately \$2,434,000. Since then, we have had sales of approximately \$1,734,000 in 2001, \$628,000 in 2002, \$861,000 in 2003, \$1,081,000 in 2004, \$686,100 in 2005 and \$791,400. For the year ended December 31, 2000, we had net income of approximately \$259,000. Since then, we had a net loss of approximately \$297,000 for the year ended December 31, 2001, \$618,000 for the year ended December 31, 2002, \$275,000 for the year ended December 31, 2003, \$109,000 for the year ended December 31, 2004, net income of \$316,000 for the year ended December 31, 2005 and a net loss of \$11,000 for the year ended December 31, 2006. Although we had a net loss from operation of \$392,300 in 2005, we had net income in 2005 due to the gain on sale of real estate of \$730,000. There can be no assurances that operations will improve in the future.

**LOSS OF KEY CUSTOMERS.** Our customers are concentrated, so the loss of one or more key customers could significantly reduce our revenues. In 2006, approximately 34.0% of our revenues were from three customers. The loss of any of these customers could have a material adverse effect on the Company.

**RAPID TECHNOLOGICAL CHANGE.** Our markets are subject to rapid technological change, so our success depends heavily on our ability to develop and introduce new products.

**COMPETITION.** The markets in which we compete are highly competitive and subject to rapid technological change and pricing pressures.

**DEPENDENT ON KEY PERSONNEL.** Our success is dependent upon the continued service of our key personnel including our current chief executive officer. While, to our knowledge, none of such persons has any definitive plans to retire or leave our company in the near future, any of such persons could decide to leave us at any time to pursue other opportunities. The loss of services of Mr. Kravitz or any of our other key personnel could have a material adverse effect on the Company. Due to the specialized nature of our business, our success depends in part upon attracting and retaining the services of qualified managerial and technical personnel.

**MARKET FOR COMMON STOCK; VOLATILITY OF THE STOCK PRICE.** Our stock price experiences significant volatility. The market price of the Common Stock, which currently is quoted in the "pink sheets", has, in the past, fluctuated substantially over time and may in the future be highly volatile. In addition, the Company believes that relatively few market makers make a market in the Company's Common Stock. The actions of any of these market makers could substantially impact the volatility of the Company's Common Stock.

**ABSENCE OF DIVIDENDS.** We have never declared or paid any cash dividends on our common stock and we do not intend to pay cash dividends on our common stock in the foreseeable future.

**OUR COMMON STOCK IS A PENNY STOCK.** Our Common stock is classified as a penny stock, which is quoted in the “pink sheets”. As a result, an investor may find it more difficult to dispose of or obtain accurate quotations as to the price of the shares of the Common stock. In addition, the “penny stock” rules adopted by the Securities and Exchange Commission subject the sale of the shares of the Common stock to certain regulations which impose sales practice requirements on broker-dealers. For example, broker-dealers selling such securities must, prior to effecting the transaction, provide their customers with a document that discloses the risks of investing in such securities. Furthermore, if the person purchasing the securities is someone other than an accredited investor or an established customer of the broker-dealer, the broker-dealer must also approve the potential customer’s account by obtaining information concerning the customer’s financial situation, investment experience and investment objectives. The broker-dealer must also make a determination whether the transaction is suitable for the customer and whether the customer has sufficient knowledge and experience in financial matters to be reasonably expected to be capable of evaluating the risk of transactions in such securities. Accordingly, the Commission’s rules may result in the limitation of the number of potential purchasers of the shares of the Common stock. In addition, the additional burdens imposed upon broker-dealers by such requirements may discourage broker-dealers from effecting transactions in the Common stock, which could severely limit the market of our Common stock.

**LIMITATIONS OF THE PINK SHEETS CAN HINDER COMPLETION OF TRADES.** Trades and quotations on the “pink sheets” involve a manual process that may delay order processing. Price fluctuations during a delay can result in the failure of a limit order to execute or cause execution of a market order at a price significantly different from the price prevailing when an order was entered. Consequently, in the event a trading market develops, one may be unable to trade in our Common stock at optimum prices.

**THE PINK SHEETS IS VULNERABLE TO MARKET FRAUD.** Securities reported in the “Pink Sheets” are frequent targets of fraud or market manipulation, both because of their generally low prices and because reporting requirements are less stringent than those of the stock exchanges or NASDAQ.

**INCREASED DEALER COMPENSATION COULD ADVERSELY AFFECT STOCK PRICE.** “Pink Sheets” dealers’ spreads (the difference between the bid and ask prices) may be large, causing higher purchase prices and less sale proceeds for investors.

Except as required by the Federal Securities Law, we do not undertake any obligation to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date of this Form 10-KSB or for any other reason.

## **Item 2. Description of Property.**

The Company’s executive offices are located at 65 Rushmore Street, Westbury, New York, which until July 2005 was owned by the Company (sometimes herein referred to as the “Westbury Property”).

On April 20, 2005, the Company entered into an Acquisition Agreement with 65 Rushmore Realty, LLC (the “Purchaser”) pursuant to which the Purchaser agreed to purchase the Westbury Property for the sum of \$990,000. The closing was subject to certain conditions including but not limited to an environmental inspection of the Westbury Property and the Company entering into a seven year lease to continue to occupy the Westbury Property after closing. On July 27, 2005, the Company completed the sale of the Westbury Property.

Contemporaneously with the sale of the Westbury Property, on July 27, 2005, the Company entered into a lease agreement (the “Lease”) with the Purchaser pursuant to which the Company has agreed to lease the Westbury Property for the term of seven years at a base monthly rental of \$6,940.50. Commencing August 1, 2009, the base rent shall be increased annually in accordance with the changes in the Consumer Price Index. The Company shall also pay all costs, fees, expenses and obligations of every kind and nature (including real estate taxes) relating to the Westbury Property during the term of the Lease. The Company has the right to terminate the Lease prior to the expiration date upon 120 days notice to the Purchaser.

The Company fully utilizes 65 Rushmore Street which presently houses all of the Company’s manufacturing facilities, as well as all of its research, sales and management activities.

The Company believes that its present facilities at 65 Rushmore Street are adequate for current operations.

### Item 3. Legal Proceedings.

There are no material pending legal proceedings to which the Company is a party or to which any of its property is subject.

### Item 4. Submission of Matters to a Vote of Security-Holders.

No matter was submitted during the fourth quarter of the fiscal year covered by this report to a vote of security holders.

## PART II

### Item 5. Market for Common Equity and Related Stockholder Matters.

#### Market Information

Our common stock is traded in the over-the-counter market and is currently quoted in the “pink sheets” promulgated by the Pink Sheets LLC under the symbol “DION”. For the periods indicated, the following table sets forth the high and low sales prices per share of common stock. These prices represent inter-dealer quotations without retail markup, markdown, or commission and may not necessarily represent actual transactions.

Period	High	Low
Year ended December 31, 2005:		
Jan. 1, 2005 to March 31, 2005	\$0.25	\$0.11
April 1, 2005 to June 30, 2005	\$0.11	\$0.06
July 1, 2005 to Sept. 30, 2005	\$0.10	\$0.06
Oct. 1, 2005 to Dec. 31, 2005	\$0.07	\$0.07
Year ended December 31, 2006:		
Jan. 1, 2006 to March 31, 2006	\$0.08	\$0.06
April 1, 2006 to June 30, 2006	\$0.08	\$0.06
July 1, 2006 to Sept. 30, 2006	\$0.06	\$0.03
Oct. 1, 2006 to Dec. 31, 2006	\$0.04	\$0.03
Year ended December 31, 2007:		
Jan. 1, 2007 to March 31, 2007	\$0.38	\$0.03
April 1, 2007 to June 30, 2007	\$0.11	\$0.04
July 1, 2007 to Sept. 30, 2007	\$0.06	\$0.04
Oct. 1, 2007 to Dec. 31, 2007	\$0.06	\$0.04

#### Holders

As of July 15, 2008, there are approximately 330 record holders of the Company’s Common Stock.



## **Dividends**

During 2005 and 2006, no cash dividends have been declared or paid on the Company's Common Stock. In addition, no cash dividends have been declared or paid since then.

## **Recent Sales of Unregistered Securities**

We sold the following equity securities during the year ended December 31, 2006 that were not registered under the Securities Act of 1933, as amended (the "Securities Act").

None.

## **Item 6. Management's Discussion and Analysis or Plan of Operation.**

The following discussion should be read in conjunction with the audited financial statements and the notes thereto appearing elsewhere in this report and is qualified in its entirety by the foregoing.

### **Introduction**

This report is being filed shortly after mid-year 2008 following what had been a protracted SEC reporting lapse. A detailed account of the reasons behind the reporting lapse is contained in the MD&A section of our Form 10-KSB report for 2005, filed recently on July 16, 2008. The Company is vigorously pursuing the filing of all previously delinquent SEC reports, and hopes to very shortly become current in its filing obligations.

### **Liquidity and Capital Resources**

The single most significant financial event in 2005 had been the sale and leaseback of the Company's real estate property. Having been owned for many years, the property had been heavily depreciated on the Company's Balance Sheet, while in the "real-world" its market-value had grown substantially. As a result, when the Company sold the property, including its factory building, it realized a gain of \$828,000, less the expenses of the sale. A substantial portion of the proceeds from the sale were then used to retire outstanding mortgage loans and to pay off many other debts and obligations of the Company. The net result was to put the Company's now greatly reduced debt structure into a much more manageable condition. As part of the transaction, the Company was also able to negotiate a favorable seven-year lease with comfortable terms and conditions.

With the great reduction of debt, much of the financial urgency was removed during 2006. Although there was no money "to spare," the Company made the most of what it had and reduced its operating costs to a minimum. The slight increase in sales volume also contributed to an easing of financial tension, permitting the Company's management to think about more than pure survival.

### **Results of Operations**

Operating results for the year-ended December 31, 2006 showed an increase in Sales volume of approximately 16 percent from the level reached in the year-ended December 31, 2005. Actual sales levels were \$791,400 in 2006 versus \$686,100 in 2005, the increase coming across all our standard products.

Gross Operating results showed a Profit of \$281,900 in 2006 versus a Loss of (\$22,900) in 2005, reflecting higher Sales volume and lower Cost of Sales in 2006. Selling, General and Administrative Expenses in 2006 dropped to \$304,600 as compared to \$369,400 in 2005.

Net Operating results in 2006 showed a Loss of (\$22,700) as compared to a Loss of (\$392,300) in 2005. Net Income/(Losses) Before Income Taxes in 2006 showed a Loss of (\$11,200) versus a Profit of \$316,400 in 2005, mostly due to the profit on the sale of our property. Finally, After-Tax Net Losses in 2006 reached (\$11,200) as compared to a Profit of \$315,700 in 2005. The large Gain in 2006 was, of course, attributable to the sale-leaseback of the Company's real estate property.

## Summary

As explained in the earlier Introduction section, this material is being written shortly after mid-year 2008, approximately 19-months following the end of the 2006 calendar year. Reviewing events and performance during the period from January 2005 through to the present, we see first the telltale signs of a struggling but determined, yet under-financed company, followed by some hard-won improvements. As reported herein, 2006 was slightly better operationally over 2005. The Company had used the proceeds from the sale-leaseback of its real estate property to pay off its mortgage loans and other past-due obligations. This left the Company's debt-structure in an improved, more manageable condition. The Company's sales volume grew moderately in 2006 and has continued to show further improvement through year-end 2007 and into mid-year 2008. These recent improvements have permitted the Company to finance the large expenses inherent in preparing and filing its previously described delinquent SEC reports.

Although working with extremely limited funds, Management continues to pursue a two-pronged strategy of a) struggling to survive and b) promoting sales of its existing and new products. It was hoped that these efforts would lead to meaningful increases in sales volume, and eventually to profits. With the advantage of foresight, stemming from our writing of this report in mid-year 2008, we can reveal that those efforts were at least moderately successful. Still, visibility, even in mid-year 2008, remains quite limited, suggesting that optimism may be more the offspring of hope and determination than of hard facts. Optimism, however, has always been our stock-in-trade, and so should not be totally discounted.

## Off-Balance Sheet Arrangements

We do not have any off balance sheet arrangements that are reasonably likely to have a current or future effect on our financial condition, revenues, and results of operations, liquidity or capital expenditures.

## Significant Accounting Policies

Our discussion and analysis of the Company's financial condition and results of operations are based upon our consolidated financial statements which have been prepared in conformity with U.S. generally accepted accounting principles. Our significant accounting policies are described in Note 1 to the financial statements included elsewhere herein. The application of our critical accounting policies is particularly important to the portrayal of our financial position and results of operations. These critical accounting policies require us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We believe the following critical accounting policies reflect the more significant judgments and estimates used in the preparation of the consolidated financial statements.

*Accounts Receivable* - Accounts for which no payments have been received for three consecutive months are considered delinquent and a reserve is setup for them. Customary collection efforts are initiated and an allowance for uncollectible accounts is set up and the related expense is charged to operations.

*Inventories* - Inventories are stated at the lower of cost (which represents cost of materials and manufacturing costs on a first-in, first-out basis) or market. Cost is determined principally on the average actual cost method. Finished goods and work-in-process inventories include material, labor, and overhead costs. Factory overhead costs are allocated to inventory manufactured in-house based upon cost of materials.

*Notes Payable* - The Company accounts for all note liabilities that are due and payable in one year as short-term notes.

*Long-Lived Assets- Property, Plant and Equipment* - These assets are recorded at cost less depreciation and amortization. Depreciation and amortization are accounted for on the straight-line method based on estimated useful lives. The amortization of leasehold improvements is based on the shorter of the lease term or the life of the improvement. Betterments and large renewals, which extend the life of the asset, are capitalized whereas maintenance, repairs and small renewals are expenses, as incurred. The estimated useful lives are: machinery and equipment, 7-15 years; buildings, 30 years; and leasehold improvements, 10-20 years.

*Income Taxes* - Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in

the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

### **Recently Issued Accounting Standards**

Recently Issued Accounting Standards In November 2004, the FASB issued SFAS No. 151, "Inventory Costs - An Amendment of ARB Opinion No. 43, Chapter 4" ("SFAS 151"). SFAS 151 amends the guidance in ARB No. 43, Chapter 4, "Inventory Pricing," to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). Among other provisions, the new rule requires that items such as idle facility expense, excessive spoilage, double freight, and rehandling costs be recognized as current period charges regardless of whether they meet the criterion of "so abnormal" as stated in ARB No. 43. Additionally, SFAS 151 requires that the allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. SFAS 151 is effective for fiscal years beginning after June 15, 2005. We have considered SFAS 151 and have determined that this pronouncement will not materially impact our consolidated results of operations.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"), which replaces SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123") and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees." "SFAS 123R requires that all share-based payments to employees, including grants of employee stock options, be recognized in the financial statements based on their fair values, beginning with the first interim or annual period after June 15, 2005, with early adoption encouraged. The pro forma disclosures previously permitted under SFAS 123, no longer will be an alternative to financial statement recognition. We are required to adopt SFAS 123R in the third quarter of 2005. Under SFAS 123R, we must determine the appropriate fair value model to be used in valuing share-based payments, the amortization method for compensation cost and the transition method to be used at the date of adoption. Upon adoption, we may choose from two transition methods: the modified-prospective transition approach or the modified-retroactive transition approach. Under the modified-prospective transition approach we would be required to recognize compensation cost for awards that were granted prior to, but not vested as of the date of adoption. Prior periods remain unchanged and pro forma disclosures previously required by SFAS No. 123 continue to be required.

Under the modified-retrospective transition method, we would be required to restate prior periods by recognizing compensation cost in the amounts previously reported in the pro forma disclosure under SFAS No. 123. Under this method, we would be permitted to apply this presentation to all periods presented or to the start of the fiscal year in which SFAS No. 123R is adopted. We would also be required to follow the same guidelines as in the modified-prospective transition method for awards granted subsequent to adoption and those that were granted and not yet vested. We are currently evaluating the requirements of SFAS 123R and its impact on our consolidated results of operations and earnings per share. We have not yet determined the method of adoption or the effect of adopting SFAS 123R, and it has not been determined whether the adoption will result in amounts similar to the current pro forma disclosures under SFAS 123.

**Item 7. Financial Statements.**

DIONICS, INC.  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

TABLE OF CONTENTS

	<u>Page no.</u>
Report of Independent Registered Public Accountant	13
Balance Sheet As Of December 31, 2006	14
Statement Of Operations For The 12 Months Ended December 31, 2006 and December 31, 2005	15
Statement Of Shareholders Equity For The Year Ended December 31, 2006 And December 31, 2005	16
Statement Of Cash Flows For The 12 Months Ended December 31, 2006 And December 31, 2005	17
Notes to Financial Statements	18 - 23

## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANT**

To the Board of Directors and Shareholders of Dionics, Inc.:

I have audited the balance sheet of Dionics, Inc. as of December 31, 2006 and 2005, and the related income statements, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Dionics, Inc., as of December 31, 2006 and 2005, and the results of their operations and their cash flows for the years then ended, in conformity with U. S. generally accepted accounting principles.

The company is not required to have, nor was I engaged to perform, an audit of its internal control over financial reporting. My audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the Company's internal control over financial reporting. Accordingly, I express no such opinion.

---

/s/ **Michael F. Albanese, CPA**

---

**Michael F. Albanese, CPA**

**Parsippany, New Jersey**  
**June 27, 2008**

DIONICS, INC.  
BALANCE SHEET  
FOR THE YEAR ENDED DECEMBER 31, 2006

ASSETS

Current assets:

Cash and cash equivalents	\$ 43,200
Accounts receivables - net of allowance of \$7,300 in 2005 - (Notes 1 and 2)	53,600
Inventory - Note 1	197,100
Prepaid expenses	11,500
Total current assets	<u>305,400</u>

Property, plant and other equipment, net of accumulated depreciation of \$1,420,500 in 2006 - (Notes 1 and 3)	2,300
--	-------

Other assets	21,100
	<u>\$ 328,800</u>

LIABILITIES AND STOCKHOLDERS DEFICIT

Current liabilities:

Accounts payable	\$ 116,700
Accrued expenses	16,800
Due to shareholder	29,000
Total current liabilities	<u>162,500</u>

Deferred compensation - (Note 4)	301,000
Total liabilities	<u>463,500</u>

Stockholder's equity (deficiency)

Common stock/\$.01 par value, 51,000,000 shares authorized, 9,420,722 shares in 2006 issued and outstanding	94,200
Additional paid-in capital	1,957,100
Accumulated deficit	<u>(1,965,400)</u>
	85,900

Less: Treasury Stock at cost (164,544 Shares)	<u>(220,600)</u>
---	------------------

Total stockholders' equity (deficiency)	<u>(134,700)</u>
	<u>\$ 328,800</u>

The accompanying notes are an integral part of the financial statements

DIONICS, INC.  
STATEMENT OF OPERATIONS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	YEAR ENDED DECEMBER 31,	
	2006	2005
Net sales	\$ 791,400	\$ 686,100
Cost of sales	<u>509,500</u>	<u>709,000</u>
Gross profit	281,900	(22,900)
Selling, general and administrative expenses	<u>304,600</u>	<u>369,400</u>
(Loss) from operations	(22,700)	(392,300)
Other income and (expense):		
Dividends and other income	13,100	500
Gain on sale of building and property less direct expenses of sale	0	730,000
Interest expense	<u>(1,600)</u>	<u>(21,800)</u>
Net income/(loss) before income taxes	(11,200)	316,400
Income taxes/benefit (note 8)	<u></u>	<u>700</u>
Net income/(loss)	<u>\$ (11,200)</u>	<u>\$ 315,700</u>
Gain/(Loss) per share	<u>\$ (0.001)</u>	<u>\$ 0.039</u>
Weighted average number of shares outstanding	<u>9,256,178</u>	<u>8,089,512</u>

The accompanying notes are an integral part of the financial statements

Dionics, Inc.  
Statement of Shareholders' Equity

	Common Stock		Additional Paid In Capital	Deficit	Treasury Stock		Total
	Number of Shares	Value			Number of Shares	Cost	
Balance as of December 31, 2004 (audited)	7,420,722	\$ 74,200	\$ 1,877,100	\$(2,269,900)	164,544	\$ (220,600)	\$ (539,200)
Gain for period				315,700			315,700
Shares issued - mortgage release	1,000,000	10,000	40,000				50,000
Shares issued - exercise of warrants	1,000,000	10,000	40,000				50,000
Balance as of December 31, 2005 (audited)	9,420,722	94,200	1,957,100	(1,954,200)	164,544	(220,600)	(123,500)
Net loss				(11,200)			(11,200)
Balance as of December 31, 2006 (audited)	9,420,722	\$ 94,200	\$ 1,957,100	\$(1,965,400)	164,544	\$ (220,600)	\$ (134,700)

The accompanying footnotes are an integral part of the financial statements



Dionics, Inc.  
Statement Of Cash Flows  
(Audited)

	Increase (Decrease) in Cash and Cash Equivalents Twelve Months Ended December 31	
	2006	2005
Cash flows from operating activities:		
Net income (loss)	\$ (11,200)	\$ 315,700
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,200	9,000
Gain on sale of building and land	-	(849,100)
Change in operating assets and liabilities:		
Accounts receivable	27,100	(8,600)
Prepaid expenses	(1,200)	(200)
Inventory	3,200	128,100
Other assets	-	11,500
Accounts payable	28,800	30,600
Accrued expenses	(20,000)	(1,100)
Net cash provided by operating activities	<u>29,900</u>	<u>(364,100)</u>
Cash flows used in (provided by) financing activities:		
Repayment of debt	-	(665,100)
Equipment leasing obligation	-	(2,000)
Shareholder loan	7,600	21,400
Proceeds from sale of common stock	-	1,000
Proceeds from sale of building and land	-	990,000
Net cash used in financing activities	<u>7,600</u>	<u>345,300</u>
Net increase (decrease) in cash	37,500	(18,800)
Cash at beginning of period	<u>5,700</u>	<u>24,500</u>
Cash at end of period	<u>\$ 43,200</u>	<u>\$ 5,700</u>

The accompanying footnotes are an integral part of the financial statements

Dionics, Inc.  
Notes To Financial Statements  
December 31, 2006  
(Audited)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Business

The Company designs, manufactures and sells silicon semiconductor electronic products, as individual discrete components, as multicomponent integrated circuits and as multicomponent hybrid circuits.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principals requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

Holdings of highly liquid investments with maturities of three months or less, when purchased, are considered to be cash equivalents. The carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair values. The amount of federally insured cash deposits was \$43,200 as of December 31, 2006 and \$5,700 as of December 31, 2005.

Fair Values of Financial Instruments.

The carrying amount of trade accounts receivable, accounts payable, prepaid and accrued expenses, bonds and notes payable, and amounts due to shareholders, as presented in the balance sheet, approximates fair value.

Accounts Receivable

Accounts for which no payments have been received for three consecutive months are considered delinquent and a reserve is setup for them. Customary collection efforts are initiated and an allowance for uncollectible amounts is set up and the related expense is charged to operations.

Merchandise Inventory

Inventories are stated at the lower of cost (which represents cost of materials and manufacturing costs on a first-in, first-out basis) or market. Cost is determined principally on the average actual cost method. Finished goods and work-in-process inventories include material, labor, and overhead costs. Factory overhead costs are allocated to inventory manufactured in-house based upon cost of materials. The Company monitors usage reports to determine if the carrying value of any items should be adjusted down due to lack of demand for the item. The Company adjusts down the inventory for estimated obsolescence or unmarketable inventory equal to difference between the cost of inventory and the estimated market value based upon assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory write-down may be required.

Inventories at December 31, 2006 and 2005 were as follows:

	2006	2005
Raw materials (net of reserves)	\$ 39,900	\$ 35,100
Work in process	113,900	112,300
Finished goods	43,300	52,900
	<u>\$ 197,100</u>	<u>\$ 200,300</u>

Dionics, Inc.  
Notes To Financial Statements  
December 31, 2006  
(Audited)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Long-Lived Assets- Property, Plant and Equipment

These assets are recorded at cost less depreciation and amortization. Depreciation and Amortization are accounted for on the straight-line methods based on estimated useful lives. The amortization of leasehold improvements is based on the shorter of the lease term or the life of the improvement. Betterments and large renewals, which extend the life of the asset, are capitalized whereas maintenance and repairs and small renewals are expenses, as incurred. The estimated useful lives are: machinery and equipment, 7-15 years; buildings, 30 years; and leasehold improvements, 10-20 years.

On April 20, 2005 a property sales and lease back agreement was made between the Company and 65 Rushmore Realty. The Company sold its land and building located at 65 Rushmore Street, Westbury, NY for \$990,000. On July 27, 2005, the Company used the proceeds of the sale to pay in full its debt of \$669,110. A cash disbursement of \$25,000 from the proceeds was made to an officer of the Company to purchase a third mortgage he held on the property being sold. The Company netted \$168,200 from the proceeds of the sale of property. The remainder of the proceeds was used to pay the expenses related to the sale.

The lease agreement is a triple net lease and is for a period of seven years with a base annual rent of \$83,300 to be paid in monthly installments of \$6,900. This annual rent is subject to annual increases based on the Consumer Price Index for All Urban Consumers of the United States Department of Labor Bureau of Labor Statistics in effect for New York and Northern New Jersey starting on August 1, 2009.

Notes Payable

The Company accounts for all notes liabilities that are due and payable in one year as short term notes.

Bad Debt

The Company maintained an allowance for doubtful accounts of \$7,300 at December 31, 2006 and 2005.

Deferred Mortgage Costs

Costs related to the new mortgage and prior costs related to the paid off mortgage are being amortized over ten years as follows:

	December 31 2006	December 31 2005
Cost	\$ 52,000	\$ 52,000
Accumulated Amortization	(52,000)	(52,000)
	<u>\$ -</u>	<u>\$ -</u>

Due to the sale of the 65 Rushmore Street building in 2005, the remaining deferred mortgage expense was amortized in 2005. Amortization for the 12 months ended December 31, 2006 was zero and for the 12 months ended December 31, 2005 was \$32,300.

Major Customers

For the 12 months ended December 31, 2006, approximately 34% of total sales were to their 3 largest customers.

Net Gain/Loss Per Common share

Basic earnings per share ("EPS") are computed based on the weighted average number of common shares outstanding for the period. Diluted EPS gives effect to all dilutive potential shares outstanding (i.e., options and warrants) during the period.

For the 12 months ended December 31, 2006, basic (loss) per share of the Company was \$(.001) per share.

For the 12 months ended December 31, 2005, basic gain per share of the Company was \$.039 per share.

Dionics, Inc.  
Notes To Financial Statements  
December 31, 2006  
(Audited)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. There were no deferred taxes for the period ending December 31, 2006 and December 31, 2005.

Recently Issued Accounting Standards

Recently Issued Accounting Standards In November 2004, the FASB issued SFAS No. 151, "Inventory Costs - An Amendment of ARB Opinion No. 43, Chapter 4" ("SFAS 151"). SFAS 151 amends the guidance in ARB No. 43, Chapter 4, "Inventory Pricing," to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). Among other provisions, the new rule requires that items such as idle facility expense, excessive spoilage, double freight, and rehandling costs be recognized as current period charges regardless of whether they meet the criterion of "so abnormal" as stated in ARB No. 43. Additionally, SFAS 151 requires that the allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. SFAS 151 is effective for fiscal years beginning after June 15, 2005. The Company has considered SFAS 151 and have determined that this pronouncement will not materially impact its consolidated results of operations.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"), which replaces SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123") and APB Opinion No. 25, "Accounting for Stock Issued to Employees." SFAS 123R requires that all share-based payments to employees, including grants of employee stock options, be recognized in the financial statements based on their fair values, beginning with the first interim or annual period after June 15, 2005, with early adoption encouraged. The pro forma disclosures previously permitted under SFAS 123, no longer will be an alternative to financial statement recognition. The Company is required to adopt SFAS 123R in the third quarter of 2005. Under SFAS 123R, the Company must determine the appropriate fair value model to be used in valuing share-based payments, the amortization method for compensation cost and the transition method to be used at the date of adoption. Upon adoption, the Company may choose from two transition methods: the modified-prospective transition approach or the modified-retroactive transition approach. Under the modified-prospective transition approach the Company would be required to recognize compensation cost for awards that were granted prior to, but not vested as of the date of adoption. Prior periods remain unchanged and pro forma disclosures previously required by SFAS No. 123 continue to be required.

Under the modified-retrospective transition method, the Company would be required to restate prior periods by recognizing compensation cost in the amounts previously reported in the pro forma disclosure under SFAS No. 123. Under this method, it would be permitted to apply this presentation to all periods presented or to the start of the fiscal year in which SFAS No. 123R is adopted. The Company would also be required to follow the same guidelines as in the modified-prospective transition method for awards granted subsequent to adoption and those that were granted and not yet vested. The Company is currently evaluating the requirements of SFAS 123R and its impact on the consolidated results of operations and earnings per share. The Company has not yet determined the method of adoption or the effect of adopting SFAS 123R, and it has not been determined whether the adoption will result in amounts similar to the current pro forma disclosures under SFAS 123.

Dionics, Inc.  
Notes To Financial Statements  
December 31, 2006  
(Audited)

**NOTE 2 - TRADE ACCOUNTS RECEIVABLE**

Trade accounts receivable were as follows:

	December 31 2006	December 31 2005
Trade accounts receivable	\$ 60,900	\$ 88,000
Less: allowance for doubtful accounts	7,300	7,300
	<u>\$ 53,600</u>	<u>\$ 80,700</u>

There was no bad debt expense for the periods ended December 31, 2006 and December 31, 2005.

**NOTE 3 - PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment consisted of the following:

	December 31 2006	December 31 2005
Equipment	\$ 1,189,500	\$ 1,189,500
Furniture and Fixtures	233,300	233,300
	1,422,800	1,422,800
Less: accumulated depreciation	(1,420,500)	(1,417,300)
Net property, plant and equipment	<u>\$ 2,300</u>	<u>\$ 5,500</u>

On April 20, 2005 a property sales and lease back agreement was made between the Company and 65 Rushmore Realty. The Company sold its land and building located at 65 Rushmore Street, Westbury, NY for \$990,000. On July 27, 2005, the Company used the proceeds of the sale to pay in full its debt of \$669,110. A cash disbursement of \$25,000 from the proceeds was made to an officer of the Company to purchase a third mortgage he held on the property being sold. The Company netted \$168,200 from the proceeds of the sale of property. The remainder of the proceeds was used to pay the expenses related to the sale.

The lease agreement is a triple net lease and is for a period of seven years with a base annual rent of \$83,300 to be paid in monthly installments of \$6,900. This annual rent is subject to annual increases based on the Consumer Price Index for All Urban Consumers of the United States Department of Labor Bureau of Labor Statistics in effect for New York and Northern New Jersey starting on August 1, 2009.

Depreciation expense for the year ended December 31, 2006 and 2005 was \$7,800 and \$9,000 respectively.

**NOTE 4 - DEFERRED COMPENSATION PAYABLE:**

In 1987, the Company entered into an agreement, amended in 1997 and 1999, which provides for a 72-month schedule of payments to its chief executive officer.

An investment agreement was entered into with the Company on May 18, 2004. Pursuant to this agreement the executive officer forgave \$200,000 of amounts due to him under the compensation agreement. The executive officer also agreed to postpone any and all remaining payments due him under the deferred compensation agreement for a period of 5 years starting May 18, 2004.

Dionics, Inc.  
Notes To Financial Statements  
December 31, 2006  
(Audited)

**NOTE 5. STOCK OPTION PLAN**

The Company has an employee incentive compensation plan (the "Plan") pursuant to which the Company's board of directors may grant stock options to officers and key employees. In September 1997, the Board of Directors of the Company adopted the 1997 Incentive Stock Option Plan (The "1997 Plan") for employees of the Company to purchase up to 250,000 shares of common stock of the Company. Options granted under the 1997 plan are "incentive stock options" as defined in Section 422 of the Internal Revenue Code. Any stock options granted under the 1997 Plan shall be granted at no less than 100% of the fair market value of the Common Stock of the Company at the time of the grant. As of May 2004, options to acquire 20,000 shares had lapsed under the 1997 Plan. In May 2004, the Company issued 172,500 shares to 15 employees equal to the number of options held by such employees which shares were issued in place of and in cancellation for the outstanding options previously issued under the 1997 Plan. As of December 31, 2006, there were no outstanding options under the 1997 Plan.

**NOTE 6. TAXES AND NET OPERATING LOSS CARRY FORWARDS:**

As of December 31, 2006 and December 31, 2005, the components of deferred tax assets were as follows:

	December 31 2006	December 31 2005
Accounts receivable allowance	\$ 2,500	\$ 2,500
Net operating loss carry-forward	399,200	395,300
Total gross deferred tax assets (at 34% statutory rate)	401,700	397,800
Less: Valuation allowance	(401,700)	(397,800)
Net deferred tax assets	\$ -	\$ -

Under the provisions of SFAS 109, NOLs represent temporary differences that enter into the calculation of deferred tax assets. Realization of deferred tax assets associated with the NOL is dependent upon generating sufficient taxable income prior to their expiration.

Management believes that there is a risk that certain of these NOLs may expire unused and, accordingly, has established a valuation allowance against them. Although realization is not assured for the remaining deferred tax assets, based on the historical trend in Company sales and profitability, sales backlog, and budgeted sales management believes it is likely that they may not be totally realized through future taxable earnings. In addition, the net deferred tax assets could be reduced in the near term if management's estimates of taxable income during the carry forward period are significantly reduced.

The Company believes it is possible that the benefit of these additional assets may not be realized in the future.

**NOTE 7. COMMITMENTS AND CONTINGENCIES**

The Company has an agreement with its chief executive officer to pay to his widow or estate for a period of five (5) years following his death an amount per year equal to the annual salary being earned by him at the time of his death, provided that he was an employee of the Company at the time of his death. Such arrangements had previously been funded by life insurance policies owned by the Company on his life; however, currently the policy remains unfunded.

Dionics, Inc.  
Notes To Financial Statements  
December 31, 2006  
(Audited)

NOTE 8. RETIREMENT PLANS

On February 15, 2002 the Company repurchased 76,347 shares of Dionics, Inc. common stock from the Company's 401(k) plan. These shares had been contributed by the Company's 401(k) Plan during 1993. The amount paid on February 22, 2002 was \$3,800 or \$.05 per share which management determined to be the fair purchase price. The proceeds from the repurchase were placed into the respective 401(k) accounts of the employees in proportion to the 401(k) plan shares, which had been attributed to each of them. In addition, the Company then issued the same number of shares as a bonus to the same eleven employees. The employees may not dispose of these shares in less than one year, as these were unregistered shares. There are no more shares of Dionics, Inc. remaining in the Company's 401(k) plan. The outlay of \$3,800 has been charged as an expense to the various departments of the Company. Such 76,347 shares issued in February 2002 were distributed under the Company 2002 Stock Compensation Plan ("the 2002 Plan") which was adopted by the Company in February 2002. The Company may issue up to 500,000 shares under the 2002 Plan. In May 2004, the Company issued, under the 2002 Plan, 172,500 restricted shares of Common Stock to 15 employees equal to the number of options held by such employees which shares were issued in place of and in cancellation for all of the Outstanding Options. As of December 31, 2006, there are no outstanding options under the 1997 Plan.

NOTE 9. SUBSEQUENT EVENTS

Auditors

Due primarily to financial constraints, the Company was not able to engage a new auditing firm until August 2005 which engagement became necessary after the Company was notified in January 2005 that its then-current auditing firm had failed to register with the PCAOB. Thereafter, the newly engaged firm encountered a variety of internal issues regarding its ability to continue as the Company's public accountant. Effective December 31, 2006, such firm resigned as the Company's principal independent accountants. At the time, the firm was in the final stages of completing its audited report for the year ended December 31, 2004 and indicated it would soon issue the report to the Company. Following the filing on October 1, 2007 of the Company's Form 10-KSB for the year ended December 31, 2004, the Company engaged Michael F. Albanese, CPA on October 3, 2007 as its independent registered public accountant.

Grant of Shares

On May 16, 2008, the Company granted an aggregate of 472,500 shares of common stock to certain employees and 100,000 shares of common stock to a director of the Company for services rendered to the Company.

**Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.**

Reference is made to the Company's Current Report on Form 8-K filed on October 9, 2007, and in particular Item 4.01 thereof, the full contents of which are incorporated by reference herein, for information on the engagement, effective as of October 3, 2007, of Michael F. Albanese, CPA, 18 Lisa Court, Parsippany, New Jersey 07054, as the Company's principal independent accountant to audit the financial statements of the Company. Effective as of December 31, 2006, Bloom & Co., LLP had resigned as the principal independent accountants for the Company.

**Item 8A. Controls and Procedures.**

Under the supervision and with the participation of our management, including the Principal Executive Officer and Principal Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, our Principal Executive Officer and Principal Financial Officer have concluded that, as of December 31, 2006, these disclosure controls and procedures were effective to ensure that all information required to be disclosed by us in the reports that we file or submit under the Exchange Act is: (i) recorded, processed, summarized and reported, within the time periods specified in the Commission's rule and forms; and (ii) accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There have been no significant changes in our internal controls over financial reporting that occurred during the fourth fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Item 8B. Other Information.**

Not applicable.

**PART III****Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act.****Identity of Directors**

<u>Name</u>	<u>Age</u>	<u>Position and Offices with Company</u>	<u>Director Since</u>
Bernard Kravitz	74	President, Secretary, Treasurer	1969
David M. Kaye	53	None <sup>(1)</sup>	2000

- (1) A partner of Kaye Cooper Fiore Kay & Rosenberg, LLP, which firm provides certain legal services to the Company.

The term of office for each director is until the next annual meeting of stockholders. There are no arrangements or understandings between any of the directors and any other persons pursuant to which he was selected as director.

From May 2004 through August 2005, Kenneth Levy was also a Director of the Company. Mr. Levy resigned from the Board as of August 26, 2005.

**Identity of Executive Officers**

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Officer Since</u>
Bernard Kravitz	74	President, Secretary, Treasurer	1969



The term of office for each officer is until the next annual meeting of directors. There are no arrangements or understandings between the Company's sole officer and any other persons pursuant to which he was selected as an officer.

### **Family Relationships**

None.

### **Business Experience**

(i) Bernard Kravitz has been President and a Director of the Company since 1969 and Secretary and Treasurer since 1992.

(ii) David M. Kaye has been a Director of the Company since December 2000. Mr. Kaye is an attorney and has been a partner in the law firm of Kaye Cooper Fiore Kay & Rosenberg, LLP (and its predecessors) located in Florham Park, New Jersey since February 1996. Such firm provides certain legal services to the Company. Since 1980, Mr. Kaye has been a practicing attorney in the New York City metropolitan area specializing in corporate and securities matters. He is also currently a director of Digicorp, Inc.

During 2006, fees of \$16,928 were billed by such firm for legal services rendered.

### **Involvement in Certain Legal Proceedings**

None.

### **Promoters and Control Persons**

N/A

### **Compliance with Section 16(a) of the Exchange Act**

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and executive officers, and persons who own more than ten percent of the Company's Common Stock, to file with the Securities and Exchange Commission initial reports of ownership and reports of changes of ownership of Common Stock of the Company. Officers, directors and greater than ten percent stockholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file.

To the Company's knowledge, with respect to the year ended December 31, 2006, all Section 16(a) filing requirements applicable to each person who, at any time during the fiscal year ended December 31, 2006, was an officer, director and greater than ten percent beneficial owner, were complied with.

### **Code of Ethics**

The Board of Directors has adopted a Code of Ethics applicable to its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, which is designed to promote honest and ethical conduct; full, fair, accurate, timely and understandable disclosure; and compliance with applicable laws, rules and regulations. A copy of the Code of Ethics will be provided to any person without charge upon written request to the Company at its executive offices, 65 Rushmore Street, Westbury, New York 11590.

### **Item 10. Executive Compensation.**

#### **Summary Compensation Table**

The following summary compensation table sets forth information concerning the annual and long-term compensation for services in all capacities to the Company for the years ended December 31, 2006, 2005 and 2004, of those persons who were, (i) serving as the chief executive officer of the Company or acting in a similar capacity during the year ended December 31, 2006 and (ii) the other most highly compensated executive officers of the Company, whose annual base salary and bonus compensation was in excess of \$100,000 (the named executive officers):

## Summary Compensation Table

Name and Principal Position	Fiscal Year	Annual Compensation <sup>(1)</sup>		Long-Term Compensation	
		Salary	Bonus	Restricted Stock Awards	Shares Underlying Options
Bernard Kravitz, President	2006	\$ 85,994	\$0	\$0	0
	2005	\$ 81,617	\$0	\$0 <sup>(2)</sup>	0
	2004	\$ 74,827	\$0	\$0	0

- (1) Does not include matching contributions paid by the Company for Mr. Kravitz during 2004, 2005 and 2006 of \$2,993, \$3,430 and \$3,440, respectively, pursuant to the Company's Savings and Investment Plan under section 401(k) of the Internal Revenue Code.
- (2) Does not include 1,000,000 shares of restricted common stock of the Company issued to Mr. Kravitz and the repricing of 1,000,000 warrants issued to him in 2004 (exercisable for 1,000,000 shares) such that the exercise price shall be \$.001 per share, which warrants Mr. Kravitz exercised in full on such date, all of which was effected as partial consideration for the discharge of mortgage provided by Mr. Kravitz on July 27, 2005 in which Mr. Kravitz agreed to discharge the mortgage held by him.

### Deferred Compensation and Other Arrangements

The Company has an agreement with Bernard Kravitz, the sole officer and a Director of the Company, to pay to his widow or estate for a period of five (5) years following his death an amount per year equal to the annual salary being earned by Mr. Kravitz at the time of his death, provided that he was in the employ of the Company at the time of his death. Such arrangements had previously been funded by life insurance policies owned by the Company on Mr. Kravitz's life, but currently remains unfunded.

In 1987, the Company entered into a salary continuation agreement, amended in 1997 and 1998, which provides for a 72 month schedule of payments to Bernard Kravitz (the "deferred compensation agreement"). In connection with the refinancing of the Company's mortgage loan and as required by the lender (see Part I, Item 1, "Other Information - Loans"), a modified deferred compensation payment schedule commencing January 1, 1999 was agreed to by the Company and Mr. Kravitz. The new 72 month schedule consists of a 24 month period of reduced consecutive monthly payments, to be followed by an 18-month period of no payments except for monthly interest. At the end of the 42<sup>nd</sup> month, the total of the delayed payments becomes due followed by 30 months of principal and interest payments. Notwithstanding the above schedule for payments, other than a life insurance policy to cover death benefits, the Company has not specifically designated funds with which to meet these payment requirements. In view of its continuing total indebtedness as well as its need for operating capital, there can be no assurance that the Company will be able to satisfy the terms of the deferred compensation agreement in full or in part. Should such unfavorable circumstances occur, the terms of the agreement may have to again be renegotiated to better match the Company's then-current financial circumstances.

Pursuant to a Standby Agreement entered into with the SBA (see "Part I, Item 1, "Other Information - Loans"), Mr. Kravitz had agreed to take no action under the deferred compensation agreement to collect any amounts due to him thereunder so long as the SBA Loan was outstanding, unless authorized by the SBA. In connection with the refinancing of the Company's mortgage loan, the Company executed a mortgage subordinate to the new first mortgage secured by the Company's Westbury Property in favor of Mr. Kravitz to insure amounts due him under the deferred compensation agreement.

In May 2004, and as required under the investment made by Alan Gelband, Mr. Kravitz agreed to forgive \$200,000 of amounts due to him under the deferred compensation agreement and postpone any and all remaining payments due him under the deferred compensation agreement for a period of five years starting May 18, 2004. Mr. Kravitz also agreed to forgive at a future date, in such amounts as hereinafter calculated, any remaining amounts due to him under the deferred compensation agreement, equal to any sales proceeds received by him pursuant to any sales of shares of Common Stock made by him during the three (3) year period commencing from May 18, 2004 provided the per share price of the sales proceeds for such shares sold equals or exceeds \$1.00 per share (as adjusted for any stock splits, stock dividends or similar transactions which may occur after the date hereof).

In connection with the sale of the Westbury Property which occurred in July 2005, Mr. Kravitz and the Company entered into a Discharge of Mortgage Agreement on July 27, 2005 in which Mr. Kravitz agreed to discharge the mortgage held by him. In consideration for the discharge of the mortgage, the Company agreed as of July 27, 2005 to (i) issue

1,000,000 shares of restricted common stock of the Company to Mr. Kravitz, (ii) re-price the 1,000,000 warrants issued to him in 2004 (exercisable for 1,000,000 shares) such that the exercise price shall be \$.001 per share, which warrants Mr. Kravitz exercised in full on such date, and (iii) pay Mr. Kravitz \$25,000 in cash and repay various loans then outstanding which had been made by Mr. Kravitz.

### **Compensation pursuant to plans**

On July 1, 1985, the Company adopted a Savings and Investment Plan intended to qualify as a defined contribution plan under section 401(k) of the Internal Revenue Code. Internal Revenue approval was granted in 1986. The plan, as amended, provides that a member (an eligible employee of the Company) may elect to save no less than 1% and no more than 15% of that portion of his compensation attributable to each pay period (subject to certain limitations). The Company shall contribute (matching contributions) 100% of the first 3% of the member's contribution and 50% of the next 2% of the member's contribution. In addition, the Company shall contribute such amount as it may determine for each plan year (regular contributions) pro rata allocated to each member subject to certain limitations.

Any employee with one year of service may become a member of the plan excluding employees covered by a collective bargaining unit.

Upon eligibility for retirement, disability (as defined in the plan), or death, a member is 100% vested in his account. Upon termination of employment for any other reason, a member is 100% vested in that portion of his account which he contributed and vested in the balance of his account dependent upon years of service as follows:

<b>Years</b>	<b>Percentage</b>
Less than 2	0%
2	25%
3	50%
4	75%
5 or more	100%

See subsection "Summary Compensation Table" elsewhere herein under Item 10 for information on matching contributions paid by the Company for Mr. Kravitz during 2004, 2005 and 2006.

### **Compensation of Directors**

During the year ended December 31, 2006, no compensation was paid to the Company's one non-employee incumbent director for his services as such.

### **Stock Option Plan**

In September 1997, the Board of Directors of the Company adopted the 1997 Incentive Stock Option Plan (the "1997 Plan") for employees of the Company to purchase up to 250,000 shares of Common Stock of the Company. Options granted under the 1997 Plan are "incentive stock options" as defined in Section 422 of the Internal Revenue Code. Any stock options granted under the 1997 Plan shall be granted at no less than 100% of the fair market value of the Common Stock of the Company at the time of the grant. As of December 31, 2003, options to acquire 192,500 shares of Common Stock had been granted under the 1997 Plan which included (i) 120,000 options originally granted on September 11, 1997 and repriced on February 21, 2002 in order to reduce the exercise price from \$.38 to \$.10 per share, (ii) 68,500 additional options granted on February 21, 2002 with an exercise price of \$.10 per share, and (iii) 4,000 additional options granted on April 8, 2002 with an exercise price of \$.20 per share. As of December 31, 2003, 57,500 options were available for future grant. The 1997 Plan was subject to obtaining stockholder approval within twelve months of the adoption of the 1997 Plan which approval was obtained in September 1998. None of the options granted under the 1997 Plan were granted to the executive officer named in the Summary Compensation Table (Mr. Kravitz). As of May 2004, options to acquire 20,000 shares had lapsed under the 1997 Plan, leaving options to acquire 172,500 shares outstanding. In May 2004, the Company issued 172,500 shares to 15 employees equal to the number of options held by such employees which shares were issued in place of and in cancellation for the outstanding options previously issued under the 1997 Plan. As of December 31, 2006, there were no outstanding options under the 1997 Plan.

## 2002 Stock Compensation Plan

In February 2002, the Board of Directors of the Company adopted the 2002 Stock Compensation Plan (the “2002 Plan”) which permitted up to 150,000 shares of Common Stock to be awarded to employees, officers, directors or consultants of the Company. In May 2004, the number of shares reserved for issuance under the 2002 Plan was increased to 500,000 shares.

Contemporaneously with the adoption of the 2002 Plan, the Company repurchased 76,347 shares of Common Stock from the Company’s 401(k) Plan, which were the only remaining shares of Common Stock of the Company in the 401 (k) Plan. These shares had been contributed by the Company to the 401(k) Plan during 1993. The amount paid in February 2002 was \$3,817 or \$.05 per share which management determined to be the fair purchase price. The proceeds from the repurchase were placed into the respective 401(k) accounts of the employees in proportion to the 401(k) Plan shares which had been attributed to each of them. In addition, the Company then issued under the 2002 Plan the same number of shares as a bonus to the same 11 employees. As described under “Stock Option Plan” above, in May 2004, the Company issued 172,500 shares to 15 employees which shares were issued under the 2002 Plan. No other shares have been granted under the 2002 Plan. As a result, as of December 31, 2006, 248,847 shares have been granted under the 2002 Plan, leaving 251,153 shares available for future grant.

## Termination of Employment and Change of Control Arrangements

None.

## Item 11. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following table sets forth certain information regarding the beneficial ownership of the Company’s Common Stock as of July 15, 2008, by (i) each person who is known by the Company to own beneficially more than 5% of the Company’s outstanding Common Stock; (ii) each of the Company’s directors; and (iii) directors and officers of the Company as a group:

Name and Address	Shares Owned	Percent <sup>(1)</sup> of Class
Bernard Kravitz 65 Rushmore Street Westbury, NY	3,054,551 <sup>(2)</sup>	31.1%
Alan Gelband 30 Lincoln Plaza New York, NY	2,200,000 <sup>(3)</sup>	22.4%
Keith Kravitz 110-11 Queens Blvd. Forest Hills, NY	974,105	9.9%
David M. Kaye 30A Vreeland Road Florham Park, NJ	100,000	1.0%
All Directors & Officers as a Group (2 persons)	3,154,551	32.1%

- (1) Based upon issued and outstanding shares computed as follows: 9,993,222 issued shares less 164,544 treasury shares resulting in 9,828,678 issued and outstanding shares.
- (2) Includes 3,037,036 shares of record and 17,515 shares owned by Mrs. Phyllis Kravitz, Mr. Bernard Kravitz’ wife. Does not include 974,105 shares owned by Keith Kravitz, adult son of Bernard Kravitz. Bernard Kravitz disclaims any beneficial ownership with respect to any shares owned by Keith Kravitz.
- (3) Includes 2,000,000 shares of record, 100,000 shares owned by Mr. Gelband’s wife and 100,000 shares held by Mr. Gelband as custodian for his children.

## Item 12. Certain Relationships and Related Transactions.

Information with respect to certain relationships and related transactions is provided below with respect to the two year period ended December 31, 2006.

In connection with the sale of the Westbury Property which occurred in July 2005, Mr. Kravitz and the Company entered into a Discharge of Mortgage Agreement on July 27, 2005 in which Mr. Kravitz agreed to discharge the mortgage held by him. In consideration for the discharge of the mortgage, the Company agreed as of July 27, 2005 to (i) issue

1,000,000 shares of restricted common stock of the Company to Mr. Kravitz, (ii) re-price the 1,000,000 warrants issued to him in 2004 (exercisable for 1,000,000 shares) such that the exercise price shall be \$.001 per share, which warrants Mr. Kravitz exercised in full on such date, and (iii) pay Mr. Kravitz \$25,000 in cash and repay various loans then outstanding which had been made by Mr. Kravitz.

See Part III, Item 10, “Deferred Compensation and Other Arrangements” for information on certain other arrangements entered into with Mr. Kravitz.

### Item 13. Exhibits.

- 3.1 Company’s certificate of incorporation, as amended<sup>(1)</sup>
- 3.2 Company’s by-laws<sup>(1)</sup>
- 4.1 Specimen of common stock certificate<sup>(1)</sup>
- 10.1 Restructuring Agreement between Dionics, Inc. and Apple Bank for Savings dated as of January 31, 1994<sup>(1)</sup>
- 10.2 Agreement dated as of July 11, 2001 between Dionics, Inc. and D.A.N. Joint Venture, a Limited Partnership<sup>(1)</sup>
- 10.3 Amendatory Agreement dated as of January 2, 2003 between Dionics, Inc. and D.A.N. Joint Venture, a Limited Partnership<sup>(1)</sup>
- 10.4 Acquisition Agreement dated as of April 20, 2005 between Dionics, Inc. and 65 Rushmore Realty, LLC<sup>(1)</sup>
- 10.5 Lease Agreement dated as of July 27, 2005 between Dionics, Inc. and 65 Rushmore Realty, LLC<sup>(1)</sup>
- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rules 13a-14 and 15d-14 of the Exchange Act)
- 31.2 Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rules 13a-14 and 15d-14 of the Exchange Act)
- 32.2 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)

(1) Previously filed and incorporated herein by reference.

### Item 14. Principal Accountant Fees and Services.

The following is a summary of the fees billed to us by the principal accountants to the Company for professional services rendered for the fiscal years ended December 31, 2006 and 2005:

<b>Fee Category</b>	<b>Fiscal 2006 Fees</b>	<b>Fiscal 2005 Fees</b>
Audit Fees	\$12,000	\$12,000
Audit Related Fees	\$0	\$0
Tax Fees	\$0	\$0
All Other Fees	\$0	\$0
<b>Total Fees</b>	<b>\$12,000</b>	<b>\$12,000</b>

**Audit Fees.** Consists of fees billed for professional services rendered for the audit of our financial statements and review of interim consolidated financial statements included in quarterly reports and services that are normally provided by the principal accountants in connection with statutory and regulatory filings or engagements.

**Audit Related Fees.** Consists of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our consolidated financial statements and are not reported under “Audit Fees”.

**Tax Fees.** Consists of fees billed for professional services for tax compliance, tax advice and tax planning. These services include preparation of federal and state income tax returns.

**All Other Fees.** Consists of fees for product and services other than the services reported above.

#### Pre-Approval Policies and Procedures

Prior to engaging its accountants to perform a particular service, the Company’s Board of Directors obtains an estimate for the service to be performed. All of the services described above were approved by the Board of Directors in accordance with its procedures.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DIONICS, INC.  
(Registrant)

By: /s/ Bernard Kravitz  
Bernard Kravitz, President

Dated: August 12, 2008

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant, and in the capacities and on the dates indicated:

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Bernard Kravitz</u> Bernard Kravitz	President, Secretary, Treasurer, Director (Principal Executive Officer and Principal Financial Officer)	August 12, 2008
<u>/s/ David M. Kaye</u> David M. Kaye	Director	August 12, 2008

## CERTIFICATION

I, Bernard Kravitz, certify that:

1. I have reviewed this annual report on Form 10-KSB of Dionics, Inc.;
2. Based on my knowledge, this report does not contain any untrue statements of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The small business issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the small business issuer and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (c) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, the small business issuer's internal control over financial reporting; and
5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Dated: August 12, 2008

/s/ Bernard Kravitz  
Bernard Kravitz,  
President and Chief Executive Officer  
(Principal Executive Officer)

## CERTIFICATION

I, Bernard Kravitz certify that:

1. I have reviewed this annual report on Form 10-KSB of Dionics, Inc.;
2. Based on my knowledge, this report does not contain any untrue statements of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The small business issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the small business issuer and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (c) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, the small business issuer's internal control over financial reporting; and
5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Dated: August 12, 2008

/s/ Bernard Kravitz  
Bernard Kravitz,  
Principal Financial Officer



**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE  
SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Dionics, Inc. (the "Company") on Form 10-KSB for the period ended December 31, 2006, as filed with the Securities and Exchange Commission (the "Report"), the undersigned certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of the undersigned's knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 12, 2008

/s/ Bernard Kravitz  
Bernard Kravitz,  
President and Chief Executive Officer  
(Principal Executive Officer)

Dated: August 12, 2008

/s/ Bernard Kravitz  
Bernard Kravitz,  
Principal Financial Officer