
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2009

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

For the transition period from _____ to _____

Commission file number **000-08161**

DIONICS, INC.

(Exact name of Registrant as Specified 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)

(516) 997-7474

(Registrant's Telephone Number, Including Area Code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐
Non-accelerated filer ☐

Accelerated filer ☐
Smaller reporting company ☒

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

Yes ☐ No ☒

State the number of shares outstanding of each of the Issuer's classes of common equity, as of the latest practicable date: The number of shares outstanding of the Common Stock (\$.01 par value) of the Issuer as of the close of business on November 1, 2009 was 20,928,678.

DIONICS, INC.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

DIONICS, INC. FINANCIAL STATEMENTS

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DIONICS, INC.
BALANCE SHEETS

	September 30, 2009 (Unaudited)	December 31, 2008
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 73,900	\$ 300,000
Accounts receivables - net of allowance of \$5,300 in 2009 and \$5,300 in 2008- (Notes 1 and 2)	39,900	86,100
Inventory - (Note 1)	168,500	159,300
Prepaid expenses	<u>16,200</u>	<u>8,600</u>
Total Current Assets	298,500	554,000
Property, plant and other equipment, net of accumulated depreciation of \$1,422,700 in 2009 and \$1,422,400 in 2008 - (Notes 1 and 3)	100	400
Other assets	<u>21,100</u>	<u>21,100</u>
TOTAL ASSETS	<u><u>\$ 319,700</u></u>	<u><u>\$ 575,500</u></u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities:		
Accounts payable	\$ 50,000	\$ 42,200
Accrued expenses	10,500	31,200
Accrued interest	1,900	0
Deferred compensation - current (Note 4)	<u>0</u>	<u>301,000</u>
Total Current Liabilities	62,400	374,400
Long-Term Liabilities		
Convertible Note Payable, Officer	<u>225,000</u>	<u>0</u>
TOTAL LIABILITIES	287,400	374,400
Stockholders' equity (deficiency)		
Common Stock / \$.01 par value, 51,000,000 shares authorized, shares issued and outstanding - 10,093,222 in 2009 and 2008	100,900	100,900
Additional paid in capital	1,966,800	1,966,800
Accumulated Deficit	<u>(1,814,800)</u>	<u>(1,646,000)</u>
	252,900	421,700
Less: Treasury Stock at cost (164,544 Shares in 2008 and 2007)	(220,600)	(220,600)
TOTAL STOCKHOLDERS' EQUITY	<u>32,300</u>	<u>201,100</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u><u>\$ 319,700</u></u>	<u><u>\$ 575,500</u></u>

The accompanying notes are an integral part of the financial statements.

DIONICS, INC.
STATEMENTS OF OPERATIONS
For the three month period ended September 30,
(Unaudited)

	For the three months ended September 30,	
	<u>2009</u>	<u>2008</u>
Net sales	\$ 86,700	\$ 250,300
Cost of sales	<u>111,000</u>	<u>143,700</u>
Gross profit (loss)	(24,300)	106,600
Selling, general and administrative expenses	<u>77,100</u>	<u>95,800</u>
Earnings (loss) from operations	(101,400)	10,800
Other income (Note 1 and 7)	0	2,000
Interest expense	<u>(2,800)</u>	<u>0</u>
Net income (loss) before income taxes	(104,200)	12,800
Income taxes and benefits (Note 5)	<u>0</u>	<u>0</u>
Net income (loss)	<u><u>\$ (104,200)</u></u>	<u><u>\$ 12,800</u></u>
Basic earnings (loss) per share	<u>\$ (0.011)</u>	<u>\$ 0.001</u>
Weighted average number of shares outstanding	<u>9,842,722</u>	<u>9,447,011</u>

The accompanying notes are an integral part of the financial statements.

DIONICS, INC.
STATEMENTS OF OPERATIONS
For the nine month period ended September 30,
(Unaudited)

	For the nine months ended September 30,	
	<u>2009</u>	<u>2008</u>
Net sales	\$ 457,300	\$ 857,600
Cost of sales	<u>395,500</u>	<u>489,300</u>
Gross profit	61,800	368,300
Selling, general and administrative expenses	<u>228,000</u>	<u>250,700</u>
Earnings (loss) from operations	(166,200)	117,600
Other income (Note 1 and 7)	2,100	2,900
Interest expense	<u>(4,700)</u>	<u>(2,400)</u>
Net income (loss) before income taxes	(168,800)	118,100
Income taxes and benefits (Note 5)	<u>0</u>	<u>0</u>
Net income (loss)	<u>\$ (168,800)</u>	<u>\$ 118,100</u>
Basic earnings (loss) per share	<u>\$ (0.017)</u>	<u>\$ 0.013</u>
Weighted average number of shares outstanding	<u>9,842,722</u>	<u>9,447,011</u>

The accompanying notes are an integral part of the financial statements.

DIONICS, INC.
STATEMENTS OF SHAREHOLDER'S EQUITY
For the nine month period ended September 30, 2009

	Common Stock		Additional		Treasury Stock		
	Number of	Value	Paid in	Deficit	Number of	Cost	Total
	Shares		Capital		Shares		
Balance as of December 31, 2006	9,420,722	\$ 94,200	\$ 1,957,100	\$ (1,965,400)	164,544	\$ (220,600)	\$ (134,700)
Net income				119,500			119,500
Balance as of December 31, 2007	<u>9,420,722</u>	<u>\$ 94,200</u>	<u>\$ 1,957,100</u>	<u>\$ (1,845,900)</u>	<u>164,544</u>	<u>\$ (220,600)</u>	<u>\$ (15,200)</u>
Shares issued - May 16, 2008	672,500	6700	9700				16,400
Net income				199,900			199,900
Balance as of December 31, 2008	<u>10,093,222</u>	<u>\$ 100,900</u>	<u>\$ 1,966,800</u>	<u>\$ (1,646,000)</u>	<u>164,544</u>	<u>\$ (220,600)</u>	<u>\$ 201,100</u>
Net (loss)				(168,800)			(168,800)
Balance as of September 30, 2009 (unaudited)	<u>10,093,222</u>	<u>\$ 100,900</u>	<u>\$ 1,966,800</u>	<u>\$ (1,814,800)</u>	<u>164,544</u>	<u>\$ (220,600)</u>	<u>\$ 32,300</u>

The accompanying notes are an integral part of the financial statements.

DIONICS, INC.
STATEMENTS OF CASH FLOWS
For the nine month period ended September 30,
(unaudited)

	Increase (Decrease) in Cash and Cash Equivalents	
	For the nine months ended September 30,	
	2009	2008
Cash flows from operating activities:		
Net income (loss)	\$ (168,800)	\$ 118,100
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	300	600
Forgiveness of debt	(1,000)	0
Change in operating assets and liabilities:		
(Increase) Decrease in:		
Accounts receivable	46,200	(7,000)
Prepaid expenses	(7,600)	(400)
Inventory	(9,200)	(52,000)
Increase (Decrease) in:		
Accounts payable	7,800	(15,100)
Accrued expenses	(18,800)	8,800
Deferred Compensation	(75,000)	0
Additional Paid in Capital	0	11,400
Net cash provided by (used for) operating activities	(226,100)	64,400
Cash flow (used for) financing activities:		
Shareholder loan	0	(29,000)
Net cash (used for) financing activities	0	(29,000)
Net increase (decrease) in cash	(226,100)	35,400
Cash at beginning of period	300,000	151,500
Cash at end of period	<u>\$ 73,900</u>	<u>\$ 186,900</u>
Other Non-Cash Activities		
Deferred compensation paid by the issuance of a convertible promissory note payable to Officer – Note 4	\$ 225,000	\$ 0

The accompanying notes are an integral part of the financial statements.

DIONICS, INC.
Notes to the Financial Statements
September 30, 2009
(Unaudited)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation

The interim financial statements presented herein are unaudited and should be read in conjunction with the audited financial statements presented in the Company's Annual report on Form 10-K for the year ended December 31, 2008. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the financial position, results of operations and cash flows of the Company for the periods presented have been reflected herein. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year.

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 unaudited financial statements have been prepared in accordance with generally accepted accounting principles in the United States which require us to make estimates and assumptions that may materially affect the reported amounts of assets and liabilities at the date of the unaudited financial statements and revenues and expenses during the periods reported. 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 \$6,100 as of September 30, 2009 and \$74,000 as of December 31, 2008. Interest Income is earned from money market fund. Interest income was \$1,000 as of September 30, 2009 and \$400 as of December 31, 2008.

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.

DIONICS, INC.
Notes to the Financial Statements
September 30, 2009
(Unaudited)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued):

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 and labor. 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 the 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 are comprised of the following:

	September 30, 2009	December 31, 2008
Raw materials (net of reserves)	\$ 5,900	\$ 5,800
Work in process	101,400	92,800
Finished Goods	61,200	60,700
	<u>\$ 168,500</u>	<u>\$159,300</u>

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 expensed, as incurred. The estimated useful lives are: machinery and equipment, 7-15 years; buildings, 30 years; and leasehold improvements, 10-20 years.

Notes Payable

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

Revenue

The Company recognizes revenue upon completion and shipment of goods because its billing terms include the provision that the goods are shipped FOB point of shipment which is standard practice in the Company's industry.

Bad Debt

The Company maintained an allowance for doubtful accounts of \$5,300 at September 30, 2009 and December 31, 2008.

Stockholders' Equity

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. On October 2, 2008, the Company granted 100,000 shares of common stock to an employee for services rendered.

DIONICS, INC.
Notes to the Financial Statements
September 30, 2009
(Unaudited)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued):

Major Customers

For the nine months ended September 30, 2009 approximately 49.8% of total sales were the Company's three largest customers.

Basic Earnings Per 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 nine months ended September 30, 2009, basic loss per share of the Company was \$(.017) per share. For the three months ended September 30, 2008, basic loss per share of the Company was \$(.011) per share.

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, 2008 and December 31, 2007. See NOTE 6.

NOTE 2 – TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable were as follows:

	September 30, 2009	December 31, 2008
Trade accounts receivable	\$ 45,200	\$ 91,400
Less: allowance for doubtful accounts	5,300	5,300
	\$ 39,900	\$ 86,100

Bad debt expense for the nine month period ended September 30, 2009 was \$100. There was no bad debt expense for the quarter ended September 30, 2008.

NOTE 3 – PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment consisted of the following:

	September 30 2009	December 31, 2008
Equipment	\$1,189,500	\$1,189,500
Furniture and Fixtures	\$ 233,300	\$ 233,300
	\$1,422,800	\$1,422,800
Less: accumulated depreciation	(\$1,422,700)	(\$1,421,400)
	\$ 100	\$ 400

Depreciation expenses for the nine months ended September 30, 2009 were \$300 and for the year ended December 31, 2008 were \$800.

DIONICS, INC.
Notes to the Financial Statements
September 30, 2009
(Unaudited)

NOTE 4 – DEFERRED COMPENSATION PAYABLE:

In 1987, the Company entered into a salary continuation agreement, amended in 1997 and 1998, with its chief executive officer (the “deferred compensation agreement”) which provides for payments to be paid to the executive officer. In May 2004, and as required under an investment made by a third party, the executive officer 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. As of May 1, 2009, there was a remaining balance of \$301,000 owing to the executive officer which was scheduled to become due and payable as of May 18, 2009 following the expiration of the five year postponement described above.

Pursuant to an agreement entered into on May 1, 2009 between the Company and the chief executive officer, the executive officer agreed to sell, transfer and assign to the Company his remaining interest in the deferred compensation agreement in exchange for which the Company agreed to pay the executive \$75,000 in cash and issue the executive officer a convertible promissory note in the principal amount of \$225,000 which shall be due and payable in three years with 5% annual interest payable quarterly. The principal shall at the option of the executive officer be convertible into shares of the Company’s common stock at a conversion price of \$0.09 per share if converted during the first year, \$0.14 per share if converted during the second year, and \$0.19 per share if converted during the third year.

The agreed amount of \$300,000 was \$1,000 less than the deferred compensation. This \$1,000 difference is considered forgiveness of debt and is included in the Other Income section on the Income Statement.

Interest on the promissory note in the amount of \$2,813.50 was accrued for the three month period July 1, 2009 to September 30, 2009.

See NOTE 7 for information on the amendment to the promissory note entered into on October 30, 2009.

NOTE 5 – TAXES AND NET OPERATING LOSS CARRY FORWARDS:

The Federal Net Operating Loss Carry forwards are as follows:

Year	Amount	Year of Expiration
2002	\$460,401	2017
2003	258,213	2018
2004	35,802	2019
2006	48,524	2021
2008	710	2023
	<u>\$803,650</u>	

The New York State Net Operating Loss Carry forwards are as follows:

Year	Amount	Year of Expiration
2002	\$432,797	2017
2003	257,316	2018
2004	34,380	2019
2006	48,524	2021
	<u>\$773,017</u>	

DIONICS, INC.
Notes to the Financial Statements
September 30, 2009
(Unaudited)

NOTE 5 – TAXES AND NET OPERATING LOSS CARRY FORWARDS (continued):

As of September 30, 2009 and December 31, 2008, the components of deferred tax assets were as follows:

	September 30, 2009	December 31, 2008
Accounts receivable allowance	\$ 1,800	\$ 1,800
Net operating loss-carry-forward	348,400	326,400
Total gross deferred tax assets (at 34% statutory rate)	350,200	328,200
Less: Valuation allowance	(350,200)	(328,200)
Net deferred tax assets	\$ 0	\$ 0

Under current accounting guidelines, 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 6 – 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 there are no insurance policies. See NOTE 7 for information on the termination of this agreement as of October 30, 2009.

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 Company's property located at 65 Rushmore Street, Westbury, NY for the sum of \$990,000. The closing was subject to certain conditions including but not limited to an environmental inspection of the property and the Company entering into a seven year lease to continue to occupy the property after closing. On July 27, 2005, the Company completed the sale of the property and signed the lease.

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 August 1, 2009. The Company has the right to terminate the lease prior to the expiration upon 120 days notice to the landlord.

DIONICS, INC.
Notes to the Financial Statements
September 30, 2009
(Unaudited)

NOTE 7 – SUBSEQUENT EVENTS:

On October 30, 2009 (the “CML Closing Date”), the Company completed the transactions contemplated by a Stock Purchase Agreement (the “CML Stock Purchase Agreement”) entered into on October 8, 2009 among the Company, Central Mega Limited, a British Virgin Islands corporation (“CML”), and the Company’s chief executive officer, pursuant to which, among other things, CML purchased on the Closing Date an aggregate of 13,000,000 shares of common stock of the Company at a purchase price of \$0.04 per share, consisting of 11,000,000 authorized but previously unissued shares of common stock of the Company for an aggregate purchase price of \$440,000 which was paid to the Company on the Closing Date, and 2,000,000 previously issued shares of common stock owned by the chief executive officer for an aggregate purchase price of \$80,000 which was paid to the executive officer on the Closing Date (the “CML Stock Purchase”).

In connection with the CML Stock Purchase, on October 30, 2009, the chief executive officer, CML and the Company entered into a Put Option Agreement (the “Put Agreement”) pursuant to which the chief executive officer has been granted a put option (the “Put Option”) to be exercised at the sole option of the chief executive officer at the end of the initial two year term of the Employment Agreement described below (or an earlier termination pursuant to the certain other terms of the Employment Agreement), to sell to CML a maximum of 1,000,000 previously issued shares of the common stock of the Company (the “Put Shares”) at a price equal to the then current market price multiplied by .80, with a minimum purchase price per share of \$0.30 and a maximum purchase price per share of \$0.80, provided that in the event CML does not comply with the terms and conditions of the Put Agreement, the Company shall be required to purchase the Put Shares at the same price applicable to the Put Option.

On October 30, 2009, the Company and the chief executive officer also executed a termination agreement which terminated a certain agreement to pay the chief executive officer’s widow or estate, for a period of five years following his death, an amount per year equal to the annual salary being earned by the chief executive officer at the time of his death, provided that he was an employee of the Company at that time. See NOTE 6.

In addition, on October 30, 2009, the Company and the chief executive officer entered into a First Amendment to Convertible Promissory Note (the “Note Amendment”) which amended a certain convertible promissory note (the “Original Note”) payable to the chief executive officer dated as of May 1, 2009 in the principal amount of \$225,000 which is due and payable in three years with 5% annual interest payable quarterly. See NOTE 4. Pursuant to the Note Amendment, the Company and the chief executive officer agreed that the unpaid balance shall cease to accrue interest commencing as of the Closing Date of the CML Stock Purchase Agreement. In addition, the Company and the chief executive officer agreed that the conversion price in which the principal amount may be converted into shares of common stock shall be \$0.09 per share until the first anniversary of the Closing Date. Thereafter, as in the Original Note, the conversion price shall be \$0.14 per share if converted on or before April 30, 2011, and \$0.19 per share if converted between May 1, 2011 and April 30, 2012.

On October 30, 2009, the Company entered into an employment agreement (the “Employment Agreement”) with the chief executive officer pursuant to which the chief executive officer will continue to serve as Chief Executive Officer and President of the Company. The term of the Employment Agreement shall be two years from the Closing Date, provided that the term may be extended upon the written agreement of the chief executive officer and the Company. The chief executive officer will receive an annual base salary of \$93,600 subject to annual review for possible increase, and will receive other benefits.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following should be read in conjunction with the financial statements of the Company included elsewhere herein.

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.

Liquidity and Capital Resources

The Company's primary source of funds is cash flow from operations in the normal course of business. On September 30, 2009 we had Working Capital of \$236,100, a debt-to-equity ratio of 8.9:1, and Stockholder's Equity of \$32,300. Total Assets were \$319,700 and Total Liabilities were \$287,400 as of September 30, 2009 compared to Total Assets of \$575,500 and Total Liabilities of \$374,400 at December 31, 2008.

Net Cash used for operating activities for the nine months ended September 30, 2009 was \$226,100 which was primarily a result of a net loss of \$168,800 plus increases in prepaid expenses of \$7,600 and inventory of \$9,200, as well as a decrease in accrued expenses of \$18,800 and deferred compensation of \$75,000 (resulting from the agreement entered into on May 1, 2009 with the Company's Chief Executive Officer in which the CEO consented to sell back to the Company his interest in the earlier deferred compensation agreement), offset by a decrease in accounts receivable of \$46,200 and an increase in accounts payable of \$7,800. This compares to net cash provided by operating activities for the nine months ended September 30, 2008 of \$64,400 which was mainly the result of net income of \$118,100 plus an increase in accrued expenses of \$8,800 and additional paid in capital of \$11,400 resulting from non-cash stock-based compensation, offset by an increase in accounts receivable of \$7,000 and inventory of \$52,000, as well as a decrease in accounts payable of \$15,100. For the nine months ended September 30, 2009, there was no cash provided by (used for) financing activities compared to net cash used for financing activities of \$29,000 for the nine months ended September 30, 2008 due to the repayment to the CEO of loans previously made by him to the Company. For the nine months ended September 30, 2009 and 2008, there were no cash flows provided by (used for) investing activities.

On October 8, 2009 and on October 30, 2009 the Company executed several agreements with an investor, Central Maga Limited, a British Virgin Islands company ("CML"), and with Bernard Kravitz, President and CEO of the Company. As a result of these agreements, on October 30, 2009, CML purchased a total of 13,000,000 shares of the Company's common stock, providing it a 62% controlling interest in the Company. Of the total number of shares, 11,000,000 were newly issued shares purchased from the Company and 2,000,000 were previously owned shares purchased from Bernard Kravitz, the Company's CEO. All shares were priced at \$.04 each, resulting in an \$80,000 payment to the CEO and a \$440,000 investment in the Company. For more information, see Subsequent Event Note 7 to the financial statements included with this report, as well as the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 3, 2009.

Results of Operations

Toward the end of 2008, it became obvious that a worldwide recession was taking place. Dollar-volume for new order bookings fell sharply, and have remained at a low level since then, with the 2009 Third Quarter imposing its traditional further decrease. The month of July saw a drastic decrease in the number of new orders booked, as well as in the dollar amount, making July the worst single month in recent times. August and September saw moderate sequential increases in the number of new orders booked, approaching more typical monthly levels. Unfortunately, the dollar-volume of shipments that could be derived from the low number of new orders booked in the Third Quarter, could not help but be a very low number. If there is a brighter note to the picture, it is that new orders booked in October continued to increase and we seem to be on track for a further increase, or at least a “normal” level of new order bookings in November. Our sense at this writing, in mid-November, is that the Fourth Quarter should show a substantial shipping and booking rebound from the dismal Third Quarter.

Sales volume in the Third Quarter of 2009 fell a precipitous 65.4% to \$86,700, as compared to \$250,300 in the same period last year, driven mostly by significantly lower incoming customer orders. The comparison was made worse by the fact that the Third Quarter of 2008 was an unusually strong one.

Cost of Sales in the Third Quarter of 2009 was \$111,000, or 128% of sales, as compared to \$143,700 or 57.4% in last year’s period, again showing the benefits of higher manufacturing efficiencies with higher sales volume and greater unit profitability on “life-time buy” sales that were present in last year’s results but not in the current results.

A “life-time buy” describes the action of a customer who has determined to currently purchase and take into his possession all the units he may need over the extended future life-time of a project he is using them in.

Gross Profit (Loss) in the Third Quarter of 2009 showed a Loss of \$24,300 as compared to a Profit of \$106,600 in the same period last year, again showing the benefit of both higher sales volume and life-time buys in the Third Quarter of 2008.

Selling, General and Administrative Expenses in the Third Quarter of 2009 were \$77,100 as compared to \$95,800 in the Third Quarter of 2008 reflecting both cost-cutting efforts in the current period and the presence of higher professional fees in the year-earlier period from auditing and legal services.

Net Income (Loss) After Taxes showed a Loss of \$104,200 for the Third Quarter of 2009 versus Income of \$12,800 in the year-earlier period. The primary causes for the unfavorable change were the lower sales volume, the resulting lower manufacturing efficiencies due to largely fixed costs, and the absence of higher unit-profitability from life-time buy sales which did not occur during the current period.

Financial performance for the Nine Months of 2009 showed the recession’s effects with a 47% reduction in Sales volume, made all the worse by comparison to unusually good results for 2008.

Sales volume for the Nine Months ended September 30, 2009 was \$457,300 as compared to \$857,600 in the same period of 2008, showing the above-mentioned 47% reduction, mostly attributable to lower customer order inputs.

Cost of Sales in the Nine Months of 2009 was \$395,500 or 86.5 % of sales, compared to \$489,300 or 57.1 % of sales in the Nine Months of 2008. The Cost of Sales percentage was higher in the current nine month period mostly due to the largely fixed nature of manufacturing costs. Also adding to the unfavorable comparison was the higher unit-profitability on life-time buy products. In the Nine Months of 2009 there were no sales attributable to a life-time buy, whereas in the Nine Months of 2008 approximately 30% of sales were attributable to such an event.

Gross Profits in the Nine Months of 2009 were \$61,800 as compared to \$368,300 in the Nine Months of 2008, again showing the earlier benefits of both higher sales volume and higher unit-profitability inherent in life-time buys.

Selling, General and Administrative Expenses for the Nine Months of 2009 were largely unchanged from those of the Nine Months of 2008, with \$228,000 versus \$250,700 last year. Most items that go into these totals are largely, although not totally, fixed in nature, with the current period benefiting from the lower sales volume and various cost-reduction efforts.

Net Income (Loss) After Taxes showed a Net Loss of \$168,800 in the Nine Months of 2009 versus Net Income of \$118,100 for the Nine Months of 2008. The primary causes for the unfavorable change were the much lower sales volume and the resulting lower manufacturing efficiencies in the face of largely fixed costs.

At the time of this writing, early in November of 2009, business shows signs of a strong rebound for the Fourth Quarter. Management continues to draw some encouragement from a recent slight increase in order activity and promising discussions with customers about projected new orders. Our primary technology thrust remains focused on the large market potential for our optically-isolated photovoltaic (PV) MOSFET-Drivers. After a period of familiarization, we expect our new investor, CML, to provide assistance in increasing our sales penetration in Asian markets. We are also using this slower period to both enhance our product performance and also to explore a variety of other growth opportunities. Having come through the traditionally slow Third Quarter, worse this year than most, confidence in the future remains solid. We remind the reader that Dionics, Inc. has, even in the toughest times, found another “rabbit in the hat.” The recent CML transaction may well be that “rabbit.”

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.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

Item 4T. 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 has concluded that, as of September 30, 2009, 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 fiscal quarter covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. 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 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

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

None.

Item 5. Other Information.

None.

Item 6. Exhibits.

(a) Exhibits.

- 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)
- 32.1 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)

SIGNATURES

In accordance with the requirements of the Exchange Act, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

DIONICS, INC.
(Registrant)

Dated: November 13, 2009

By: /s/ Bernard L. Kravitz
Bernard L. Kravitz, President

Dated: November 13, 2009

By: /s/ Bernard L. Kravitz
Bernard L. Kravitz, Principal Financial Officer

CERTIFICATION

I, Bernard L. Kravitz, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 registrant'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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant 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 registrant, 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant'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
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant'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 registrant'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 registrant's internal control over financial reporting.

Dated: November 13, 2009

By: /s/ Bernard L. Kravitz
Bernard L. Kravitz,
President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, Bernard L. Kravitz certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 registrant'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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant 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 registrant, 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant'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
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant'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 registrant'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 registrant's internal control over financial reporting.

Dated: November 13, 2009

By: /s/ Bernard L. Kravitz
Bernard L. 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 Quarterly Report of Dionics, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2009, 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: November 13, 2009

By: /s/ Bernard L. Kravitz
Bernard L. Kravitz,
President and Chief Executive Officer
(Principal Executive Officer)

Dated: November 13, 2009

By: /s/ Bernard L. Kravitz
Bernard L. Kravitz,
Principal Financial Officer