

TRIO-TECH INTERNATIONAL
Form 10-Q
May 12, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 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 March 31, 2016

OR

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 1-14523

TRIO-TECH INTERNATIONAL
(Exact name of Registrant as specified in its Charter)

California
(State or other jurisdiction of
incorporation or organization)

95-2086631
(I.R.S. Employer
Identification Number)

16139 Wyandotte Street
Van Nuys, California
(Address of principal executive offices)

91406
(Zip Code)

Registrant's Telephone Number, Including Area Code: 818-787-7000

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 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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting

company” in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer	<input type="radio"/>	Accelerated Filer	<input type="radio"/>
Non-Accelerated Filer	<input type="radio"/>	Smaller Reporting Company	<input checked="" type="radio"/>

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes
 No

As of May 5, 2016, there were 3,513,055 shares of the issuer’s Common Stock, no par value, outstanding.

TRIO-TECH INTERNATIONAL
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SIGNATURE

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FORWARD-LOOKING STATEMENTS

The discussions of Trio-Tech International's (the "Company") business and activities set forth in this Form 10-Q and in other past and future reports and announcements by the Company may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and assumptions regarding future activities and results of operations of the Company. In light of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, the following factors, among others, could cause actual results to differ materially from those reflected in any forward-looking statements made by or on behalf of the Company: market acceptance of Company products and services; changing business conditions or technologies and volatility in the semiconductor industry, which could affect demand for the Company's products and services; the impact of competition; problems with technology; product development schedules; delivery schedules; changes in military or commercial testing specifications which could affect the market for the Company's products and services; difficulties in profitably integrating acquired businesses, if any, into the Company; risks associated with conducting business internationally and especially in Southeast Asia, including currency fluctuations and devaluation, currency restrictions, local laws and restrictions and possible social, political and economic instability; changes in United States ("U.S.") and global financial and equity markets, including market disruptions and significant interest rate fluctuations; and other economic, financial and regulatory factors beyond the Company's control. Other than statements of historical fact, all statements made in this Quarterly Report are forward-looking, including, but not limited to, statements regarding industry prospects, future results of operations or financial position, and statements of our intent, belief and current expectations about our strategic direction, prospective and future financial results and condition. In some cases, you can identify forward-looking statements by the use of terminology such as "may," "will," "expects," "plans," "anticipates," "estimates," "potential," "believes," "can impact," "continue," or the negative thereof or comparable terminology. Forward-looking statements involve risks and uncertainties that are inherently difficult to predict, which could cause actual outcomes and results to differ materially from our expectations, forecasts and assumptions.

Unless otherwise required by law, we undertake no obligation to update forward-looking statements to reflect subsequent events, changed circumstances, or the occurrence of unanticipated events. You are cautioned not to place undue reliance on such forward-looking statements.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

TRIO-TECH INTERNATIONAL AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (IN THOUSANDS, EXCEPT NUMBER OF SHARES)

	Mar. 31, 2016 (Unaudited)	June 30, 2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,545	\$ 3,711
Short-term deposits	95	101
Trade accounts receivable, less allowance for doubtful accounts of \$298 and \$313	8,970	7,875
Other receivables	366	389
Loans receivable from property development projects – short term	-	-
Inventories, less provision for obsolete inventory of \$691 and \$764	1,414	1,141
Prepaid expenses and other current assets	294	244
Assets held for sale	94	98
Total current assets	14,778	13,559
NON-CURRENT ASSETS:		
Deferred tax assets	406	453
Investments	-	-
Investment properties, net	1,402	1,540
Property, plant and equipment, net	11,313	12,522
Loans receivable from property development projects – long term	-	-
Other assets	2,123	1,823
Restricted term deposits	2,068	2,140
Total non-current assets	17,312	18,478
TOTAL ASSETS	\$ 32,090	\$ 32,037
LIABILITIES		
CURRENT LIABILITIES:		
Lines of credit	\$ 1,321	\$ 1,578
Accounts payable	4,074	2,770
Accrued expenses	2,462	3,084
Income taxes payable	214	296
Current portion of bank loans payable	374	346
Current portion of capital leases	224	197
Total current liabilities	8,669	8,271
NON-CURRENT LIABILITIES:		
Bank loans payable, net of current portion	1,834	2,198
Capital leases, net of current portion	485	475
Deferred tax liabilities	228	333
Other non-current liabilities	39	38
Total non-current liabilities	2,586	3,044
TOTAL LIABILITIES	\$ 11,255	\$ 11,315

Commitments and contingencies		-	-
EQUITY			
TRIO-TECH INTERNATIONAL'S SHAREHOLDERS' EQUITY:			
Common stock, no par value, 15,000,000 shares authorized; 3,513,055 shares issued and outstanding as at March 31, 2016 and June 30, 2015, respectively	\$	10,882	\$ 10,882
Paid-in capital		3,186	3,087
Accumulated retained earnings		2,845	2,246
Accumulated other comprehensive gain-translation adjustments		2,270	2,771
Total Trio-Tech International shareholders' equity		19,183	18,986
Non-controlling interest		1,652	1,736
TOTAL EQUITY	\$	20,835	\$ 20,722
TOTAL LIABILITIES AND EQUITY	\$	32,090	\$ 32,037

See notes to condensed consolidated financial statements.

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TRIO-TECH INTERNATIONAL AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
UNAUDITED (IN THOUSANDS, EXCEPT EARNINGS PER SHARE)

	Three Months Ended		Nine Months Ended	
	Mar. 31, 2016	Mar. 31, 2015	Mar. 31, 2016	Mar. 31, 2015
Revenue				
Manufacturing	\$ 4,468	\$ 3,359	\$ 10,884	\$ 9,754
Testing services	3,622	4,138	11,106	13,829
Distribution	1,232	1,003	3,566	1,820
Others	33	43	83	130
	9,355	8,543	25,639	25,533
Cost of Sales				
Cost of manufactured products sold	3,597	2,544	8,177	8,143
Cost of testing services rendered	2,570	2,586	7,827	8,991
Cost of distribution	1,025	891	3,118	1,568
Others	31	34	92	103
	7,223	6,055	19,214	18,805
Gross Margin	2,132	2,488	6,425	6,728
Operating Expenses:				
General and administrative	1,600	1,737	4,861	5,175
Selling	158	235	470	531
Research and development	51	44	148	138
Impairment loss	-	-	-	70
(Gain) / loss on disposal of property, plant and equipment	-	-	(4)	28
Total operating expenses	1,809	2,016	5,475	5,942
Income from Operations	323	472	950	786
Other (Expenses) / Income				
Interest expense	(47)	(52)	(151)	(174)
Other (expenses) / income, net	(97)	3	129	57
Total other (expenses) / income	(144)	(49)	(22)	(117)
Income from Continuing Operations before Income Taxes	179	423	928	669
Income Tax Expenses	(15)	(170)	(168)	(256)
Income from continuing operations before non-controlling interest, net of tax	164	253	760	413
Discontinued Operations (Note 19)				
Income / (loss) from discontinued operations, net of tax	(1)	(13)	(5)	7

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NET INCOME	163	240	755	420
Less: income attributable to non-controlling interest	13	41	156	251
Net Income Attributable to Trio-Tech International Common Shareholder	\$ 150	\$ 199	\$ 599	\$ 169
Amounts Attributable to Trio-Tech International Common Shareholders:				
Income from continuing operations, net of tax	155	207	607	166
Income / (loss) from discontinued operations, net of tax	(5)	(8)	(8)	3
Net Income Attributable to Trio-Tech International Common Shareholders	\$ 150	\$ 199	\$ 599	\$ 169
Basic and Diluted Earnings per Share:				
Basic and diluted earnings per share from continuing operations attributable to Trio-Tech International	\$ 0.04	\$ 0.06	\$ 0.17	\$ 0.05
Basic and diluted earnings per share from discontinued operations attributable to Trio-Tech International	\$ -	\$ -	\$ -	\$ -
Basic and Diluted Earnings per Share from Net Income Attributable to Trio-Tech International	\$ 0.04	\$ 0.06	\$ 0.17	\$ 0.05
Weighted average number of common shares outstanding				
Basic	3,563	3,513	3,563	3,513
Dilutive effect of stock options	13	16	12	41
Number of shares used to compute earnings per share diluted	3,576	3,529	3,575	3,554

See notes to condensed consolidated financial statements.

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TRIO-TECH INTERNATIONAL AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 UNAUDITED (IN THOUSANDS)

	Three Months Ended		Nine Months Ended	
	Mar. 31,	Mar. 31,	Mar. 31,	Mar. 31,
	2016	2015	2016	2015
Comprehensive Income Attributable to Trio-Tech International Common Shareholders:				
Net income	\$ 163	\$ 240	\$ 755	\$ 420
Foreign currency translation, net of tax	779	(353)	(624)	(767)
Comprehensive Income / (Loss)	942	(113)	131	(347)
Less: comprehensive income / (loss) attributable to non-controlling interest	170	(39)	32	110
Comprehensive Income / (Loss) Attributable to Trio-Tech International Common Shareholders	\$ 772	\$ (74)	\$ 99	\$ (457)

See notes to condensed consolidated financial statements.

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TRIO-TECH INTERNATIONAL AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
 (IN THOUSANDS)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Retained Earnings	Accumulated Other Comprehensive Income	Non- Controlling Interest	Total
Balance at June 30, 2014	3,513	\$10,882	\$2,972	\$ 1,725	\$ 3,522	\$1,732	\$20,833
Stock option expenses	-	-	106	-	-	-	106
Net income	-	-	-	521	-	303	824
Translation adjustment	-	-	-	-	(751)	(299)	(1,050)
Contribution to capital – payable forgiveness	-	-	9	-	-	-	9
Balance at June 30, 2015	3,513	10,882	3,087	2,246	2,771	1,736	20,722
Dividend declared by subsidiary	-	-	-	-	-	(117)	(117)
Stock option expenses	-	-	99	-	-	-	99
Net income	-	-	-	599	-	156	755
Translation adjustment	-	-	-	-	(501)	(123)	(624)
Balance at Mar. 31, 2016	3,513	\$10,882	\$3,186	\$ 2,845	\$ 2,270	\$1,652	\$20,835

See notes to condensed consolidated financial statements.

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TRIO-TECH INTERNATIONAL AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (IN THOUSANDS)
 UNAUDITED (IN THOUSANDS)

	Nine Months Ended	
	Mar. 31, 2016 (Unaudited)	Mar. 31, 2015 (Unaudited)
Cash Flow from Operating Activities		
Net income	\$755	\$420
Adjustments to reconcile net income to net cash flow provided by operating activities		
Depreciation and amortization	1,375	1,742
Bad debt (recovery) / expense, net	(4)	50
Inventory recovery	(69)	(77)
Warranty recovery, net	(40)	77
Accrued interest expense, net of interest income	141	27
(Gain) / loss on sale of property, plant and equipment - continued operations	(53)	28
Impairment loss	(1)	70
Contribution to capital – payable forgiveness	-	9
Stock option expenses	99	97
Write-off of property, plant and equipment	2	-
Deferred tax provision	(77)	(3)
Changes in operating assets and liabilities, net of acquisition effects		
Accounts receivables	(1,091)	244
Other receivables	23	27
Other assets	(100)	42
Inventories	(204)	(307)
Prepaid expenses and other current assets	(50)	(96)
Accounts payable and accrued liabilities	722	13
Income tax payable	(82)	29
Net Cash Provided by Operating Activities	1,346	2,392
Cash Flow from Investing Activities		
Proceeds from maturing of restricted and un-restricted term deposits	63	636
Additions to property, plant and equipment	(887)	(1,460)
Proceeds from disposal of property, plant and equipment	210	15
Net Cash Used in Investing Activities	(614)	(809)
Cash Flow from Financing Activities		
Repayment on lines of credit	(282)	(1,644)
Repayment of bank loans and capital leases	(516)	(570)
Proceeds from long-term bank loans	183	260
Dividend paid to non-controlling interest	(117)	(3)
Net Cash Used in Financing Activities	(732)	(1,957)
Effect of Changes in Exchange Rate	(166)	(191)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(166)	(565)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	3,711	2,938

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CASH AND CASH EQUIVALENTS, END OF PERIOD	\$3,545	\$2,373
Supplementary Information of Cash Flows		
Cash paid during the period for:		
Interest	\$152	\$177
Income taxes	\$157	\$8