

TRIO TECH INTERNATIONAL
Form 10-Q
November 14, 2013

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 September 30, 2013

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

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

Large Accelerated Filer Accelerated Filer

Non-Accelerated Filer Smaller Reporting Company
(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 November 5, 2013, there were 3,442,980 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 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 other comparative 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)

	September 30, 2013 (Unaudited)	June 30, 2013
ASSETS		
CURRENT ASSETS:		
Cash & cash equivalents	\$ 2,521	\$ 2,793
Short-term deposits	103	104
Trade accounts receivable, less allowance for doubtful accounts of \$137 and \$139	8,996	8,728
Other receivables	394	993
Loans receivable from property development projects	1,144	1,139
Inventories, less provision for obsolete inventory of \$899 and \$912	1,952	2,463
Prepaid expenses and other current assets	408	358
Asset held for sale	-	-
Total current assets	15,518	16,578
NON-CURRENT ASSETS:		
INVESTMENTS	795	791
INVESTMENT PROPERTIES, Net	1,870	1,893
PROPERTY, PLANT AND EQUIPMENT, Net	12,540	12,851
OTHER ASSETS	801	437
RESTRICTED TERM DEPOSITS	3,511	3,494
Total non-current assets	19,517	19,466
TOTAL ASSETS	\$ 35,035	\$ 36,044
LIABILITIES		
CURRENT LIABILITIES:		
Lines of credit	\$ 2,953	\$ 3,864
Accounts payable	4,208	4,136
Accrued expenses	3,002	3,060
Income taxes payable	469	459
Current portion of bank loans payable	769	770
Current portion of capital leases	92	105
Total current liabilities	11,493	12,394
NON-CURRENT LIABILITIES:		
BANK LOANS PAYABLE, net of current portion	2,364	2,613
CAPITAL LEASES, net of current portion	259	228
DEFERRED TAX LIABILITIES	127	191
OTHER NON-CURRENT LIABILITIES	37	12
Total non-current liabilities	2,787	3,044
TOTAL LIABILITIES	\$ 14,280	\$ 15,438
COMMITMENT AND CONTINGENCIES	-	-
EQUITY		

TRIO-TECH INTERNATIONAL'S SHAREHOLDERS' EQUITY:

Common stock, no par value, 15,000,000 shares authorized; 3,399,555 shares issued and outstanding as at September 30, 2013, and 3,321,555 as at June 30, 2013	\$	10,665	\$	10,531
Paid-in capital		2,870		2,756
Accumulated retained earnings		1,651		1,668
Accumulated other comprehensive gain-translation adjustments		3,602		3,680
Total Trio-Tech International shareholders' equity		18,788		18,635
NON-CONTROLLING INTEREST		1,967		1,971
TOTAL EQUITY	\$	20,755	\$	20,606
TOTAL LIABILITIES AND EQUITY	\$	35,035	\$	36,044

See notes to condensed consolidated financial statements.

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UNAUDITED (IN THOUSANDS, EXCEPT EARNINGS PER SHARE)

	Three Months Ended	
	Sept. 30, 2013	Sept. 30, 2012
Revenue		
Products	\$ 5,405	\$ 5,636
Testing Services	4,048	3,909
Others	44	30
	9,497	9,575
Cost of Sales		
Cost of products sold	4,346	5,026
Cost of testing services rendered	3,025	2,677
Others	35	33
	7,406	7,736
Gross Margin	2,091	1,839
Operating Expenses:		
General and administrative	1,834	1,751
Selling	205	128
Research and development	52	73
Loss / (gain) on disposal of property, plant and equipment	13	(3)
Total operating expenses	2,104	1,949
Loss from Operations	(13)	(110)
Other Income / (Expenses)		
Interest expenses	(68)	(78)
Other income, net	164	254
Total other income / (expenses)	96	176
Income from Continuing Operations before Income Taxes	83	66
Income Tax Benefits	43	124
Income from continuing operations before non-controlling interest, net of tax	126	190
Other Operating Activities		
Equity in earnings of unconsolidated joint venture, net of tax	-	-
Discontinued Operations (Note 19)		
Loss from discontinued operations, net of tax	(42)	(231)
NET INCOME / (LOSS)	84	(41)
Less: net income / (loss) attributable to the non-controlling interest	101	(24)
	\$ (17)	\$ (17)

Net Loss Attributable to Trio-Tech International Common Shareholder			
Amounts Attributable to Trio-Tech International Common Shareholders:			
Income from continuing operations, net of tax	6		93
Loss from discontinued operations, net of tax	(23)		(110)
Net Loss Attributable to Trio-Tech International Common Shareholders	\$	(17)	\$ (17)
Comprehensive Income / (Loss) Attributable to Trio-Tech International Common Shareholders:			
Net income / (loss)	84		(41)
Foreign currency translation, net of tax	(183)		555
Comprehensive (Loss) / Income	(99)		514
Less: Comprehensive (loss) / income attributable to the non-controlling interest	(4)		98
Comprehensive (Loss) / Income Attributable to Trio-Tech International Common Shareholders	(95)	\$	416
Basic and Diluted Loss / Income per Share:			
Basic and diluted loss / income per share from continuing operations attributable to Trio-Tech International	\$	-	\$ 0.03
Basic and diluted loss per share from discontinued operations attributable to Trio-Tech International	\$	(0.01)	\$ (0.04)
Basic and Diluted Loss per Share from Net Loss Attributable to Trio-Tech International	\$	(0.01)	\$ (0.01)
Weighted average number of common shares outstanding			
Basic	3,399		3,322
Dilutive effect of stock options	-		-
Number of shares used to compute earnings per share diluted	3,399		3,322

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, 2012	3,322	10,531	2,431	2,687	3,187	1,720	20,556
Stock option expenses	-	-	42	-	-	-	42
Net loss	-	-	-	(1,019)	-	(83)	(1,102)
Translation adjustment	-	-	-	-	493	141	634
Dividend declared by subsidiary	-	-	-	-	-	(39)	(39)
Contributions to capital by related party – loan forgiveness	-	-	283	-	-	232	515
Balance at June 30, 2013	3,322	10,531	2,756	1,668	3,680	1,971	20,606
Stock option expenses	-	-	114	-	-	-	114
Net (loss) / income	-	-	-	(17)	-	101	84
Translation adjustment	-	-	-	-	(78)	(105)	(183)
Increase in Share Capital	77	134	-	-	-	-	134
Contributions to capital by related party – loan forgiveness	-	-	-	-	-	-	-
Balance at Sept. 30, 2013	3,399	10,665	2,870	1,651	3,602	1,967	20,755

See notes to condensed consolidated financial statements.

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TRIO-TECH INTERNATIONAL AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (IN THOUSANDS)

	Three Months Ended	
	Sept. 30, 2013 (Unaudited)	Sept. 30, 2012 (Unaudited)
Cash Flow from Operating Activities		
Net income / (loss)	\$ 84	\$ (41)
Adjustments to reconcile net loss to net cash flow provided by operating activities		
Depreciation and amortization	602	625
Stock compensation	114	11
Inventory provision	(17)	-
Bad debt reversal	(3)	(11)
Accrued interest expense	3	49
Loss / (Gain) on sale of property	13	(3)
Warranty expense, net	4	3
Deferred tax provision	(64)	(150)
Changes in operating assets and liabilities, net of acquisition effects		
Accounts receivables	(266)	414
Other receivables	599	264
Other assets	(364)	(39)
Inventories	524	573
Prepaid expenses and other current assets	(52)	(63)
Accounts payable and accrued liabilities	25	(1,513)
Income tax payable	(12)	13
Other non-current liabilities	23	(267)
Net cash provided by / (used in) operating activities	1,213	(135)
Cash Flow from Investing Activities		
Proceeds from maturing of unrestricted and restricted term deposits, net		