

TRIO-TECH INTERNATIONAL
Form 10-Q
November 14, 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 September 30, 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 95-2086631
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification Number)

16139 Wyandotte Street
Van Nuys, California 91406
(Address of principal executive offices) (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):

Edgar Filing: TRIO-TECH INTERNATIONAL - Form 10-Q

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 1, 2016, there were 3,513,055 shares of the issuer's Common Stock, no par value, outstanding.

TRIO-TECH INTERNATIONAL
INDEX TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION, OTHER INFORMATION AND
SIGNATURE

	Page
Part I. Financial Information	
<u>Item</u>	
<u>1.</u> <u>Financial Statements</u>	1
<u>(a) Condensed Consolidated Balance Sheets as of September 30, 2016 (Unaudited) and June 30, 2016</u>	1
<u>(b) Condensed Consolidated Statements of Operations and Comprehensive Income for the Three Months</u>	2
<u>Ended September 30, 2016 (Unaudited) and September 30, 2015 (Unaudited)</u>	
<u>(c) Condensed Consolidated Statements of Shareholders Equity for the Three Months Ended September</u>	4
<u>30, 2016 (Unaudited) and the Year Ended June 30, 2016</u>	
<u>(d) Condensed Consolidated Statements of Cash Flows for the Three Months Ended September 30, 2016</u>	5
<u>(Unaudited) and September 30, 2015 (Unaudited)</u>	
<u>(e) Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	6
<u>Item</u>	
<u>2.</u> <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	26
<u>Item</u>	
<u>3.</u> <u>Quantitative and Qualitative Disclosures about Market Risk</u>	37
<u>Item</u>	
<u>4.</u> <u>Controls and Procedures</u>	37
Part II. Other Information	
<u>Item</u>	
<u>1.</u> <u>Legal Proceedings</u>	38
<u>Item</u>	
<u>1A.</u> <u>Risk Factors</u>	38
<u>Item</u>	
<u>2.</u> <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	38
<u>Item</u>	
<u>3.</u> <u>Defaults upon Senior Securities</u>	38
<u>Item</u>	
<u>4.</u> <u>Mine Safety Disclosures</u>	38
<u>Item</u>	
<u>5.</u> <u>Other Information</u>	38
<u>Item</u>	
<u>6.</u> <u>Exhibits</u>	38
<u>Signatures</u>	39

Table of Contents

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 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.

Table of Contents

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, 2016	June 30, 2016
ASSETS		
	(Unaudited)	
CURRENT ASSETS:		
Cash and cash equivalents	\$4,216	\$3,807
Short-term deposits	702	295
Trade accounts receivable, less allowance for doubtful accounts of \$330 and \$270	8,109	8,826
Other receivables	354	596
Inventories, less provision for obsolete inventory of \$688 and \$697	1,179	1,460
Prepaid expenses and other current assets	313	264
Assets held for sale	89	92
Total current assets	14,962	15,340
NON-CURRENT ASSETS:		
Deferred tax asset	401	401
Investment properties, net	1,309	1,340
Property, plant and equipment, net	11,032	11,283
Other assets	1,786	1,788
Restricted term deposits	2,041	2,067
Total non-current assets	16,569	16,879
TOTAL ASSETS	\$31,531	\$32,219
LIABILITIES		
CURRENT LIABILITIES:		
Lines of credit	\$1,531	\$2,491
Accounts payable	3,311	2,921
Accrued expenses	2,681	2,642
Income taxes payable	202	230
Current portion of bank loans payable	295	342
Current portion of capital leases	226	235
Total current liabilities	8,246	8,861
NON-CURRENT LIABILITIES:		
Bank loans payable, net of current portion	1,623	1,725
Capital leases, net of current portion	437	503
Deferred tax liabilities	246	216

Edgar Filing: TRIO-TECH INTERNATIONAL - Form 10-Q

Other non-current liabilities	43	43
Total non-current liabilities	2,349	2,487
TOTAL LIABILITIES	\$10,595	\$11,348
COMMITMENT 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 September 30, 2016, and June 30, 2016	\$10,882	\$10,882
Paid-in capital	3,189	3,188
Accumulated retained earnings	3,328	3,025
Accumulated other comprehensive gain-translation adjustments	1,944	2,162
Total Trio-Tech International shareholders' equity	19,343	19,257
Non-controlling interest	1,593	1,614
TOTAL EQUITY	\$20,936	\$20,871