TRIO TECH INTERNATIONAL
Form 10-Q/A
September 29, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q /A
(Amendment No. 1)

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

For the Quarterly Period Ended March 31, 2010

OR

o 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 þ No o

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 o No o

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	o	Accelerated Filer	o
Non-Accelerated Filer	o	Smaller Reporting Company	þ

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.
The number of shares of common stock outstanding as of May 10, 2010 is 3,227,430.

EXPLANATORY NOTE

This Amendment No. 1 (“Amendment”) on Form 10-Q/A amends the Quarterly Report of Trio-Tech International (the "Company") on Form 10-Q for the third quarter ended March 31, 2010, as filed with the Securities and Exchange Commission on May 17, 2010 (the "Original Filing"). This Amendment is being filed for the purpose of correcting errors in the condensed consolidated financial statements for the three and nine months ended March 31, 2010. These errors related to allocation of losses to non-controlling interest as described in Note 12 to the condensed consolidated financial statements.

This Amendment is an amendment and restatement of the Original Report in its entirety in order to provide a complete presentation. Except as stated herein, this Amendment does not reflect events occurring after the date of the filing of the Original Report.

TRIO-TECH INTERNATIONAL
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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. The Company believes that customers have tightened and will continue to tighten their spending, resulting in a decline in the demand for electronic products and semiconductor equipment. See the discussions elsewhere in this Form 10-Q for more information. 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," "co negative thereof or other comparable terminology.

Unless otherwise required by law, the Company undertakes no obligation to update forward-looking statements to reflect subsequent events, changed circumstances, or the occurrence of unanticipated events. Important factors that could cause or contribute to such material differences include those discussed in "Item 1A. Risk Factors" in our most recent Annual Report on Form 10-K. You are cautioned not to place undue reliance on such forward-looking statements.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS
TRIO-TECH INTERNATIONAL AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (IN THOUSANDS, EXCEPT NUMBER OF SHARES)

	March 31, 2010	June 30, 2009
UNAUDITED		
ASSETS		
CURRENT ASSETS:		
Cash & cash equivalent	$ 3,611	$ 6,037
Short-term deposits	1,748	1,994
Trade accounts receivable, less allowance for doubtful accounts of $158 and $165	9,324	3,981
Other receivables	568	279
Inventories, less allowance for obsolete inventory of $789 and $718	1,481	1,184
Prepaid expenses and other current assets	259	167
Total current assets	16,991	13,642
INVESTMENT PROPERTY IN CHINA , Net	3,042	2,935
PROPERTY, PLANT AND EQUIPMENT, Net	11,543	6,607
GOODWILL	431	-
OTHER ASSETS	700	1,326
RESTRICTED TERM DEPOSITS	3,580	3,437
TOTAL ASSETS	$ 36,287	$ 27,947
LIABILITIES		
CURRENT LIABILITIES:		
Line of credit	$ 1,213	$ --
Accounts payable	5,139	1,025
Accrued expenses	2,349	1,769
Income taxes payable	206	202
Current portion of bank loans payable	809	1,266
Current portion of capital leases	77	78
Total current liabilities	9,793	4,340
BANK LOANS PAYABLE, net of current portion	2,592	237
CAPITAL LEASES, net of current portion	--	52
DEFERRED TAX LIABILITIES	588	526
OTHER NON-CURRENT LIABILITIES	647	10
TOTAL LIABILITIES	$ 13,620	$ 5,165
COMMITMENT AND CONTINGENCIES	--	--
EQUITY		
TRIO-TECH INTERNATIONAL’S SHAREHOLDERS' EQUITY:		
Common stock; no par value, 15,000,000 shares authorized; 3,227,430 shares issued and outstanding as of March 31, 2010 and June 30, 2009	$10,365	$ 10,365
Paid-in capital	1,573	1,446
Accumulated retained earnings	6,087	6,859

Accumulated other comprehensive loss-translation adjustments		1,693		1,194
Total Trio-Tech International shareholders' equity		19,718		19,864
NONCONTROLLING INTEREST		2,949		2,918
TOTAL EQUITY	$	22,667	$	22,782
TOTAL LIABILITIES AND EQUITY	$	36,287	$	27,947

See notes to condensed consolidated financial statements.

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

	Nine Months Ended		Three Months Ended	
	Mar. 31, 2010	Mar. 31, 2009	Mar. 31, 2010	Mar. 31, 2009
Revenue				
Products	$ 14,628	$ 7,688	$ 7,627	$ 1,722
Services	8,104	7,635	2,854	1,842
Fabrication services	805	--	101	--
Others	517	344	189	87
	24,054	15,667	10,771	3,651
Cost of Sales				
Cost of products sold	12,546	6,213	6,475	1,316
Cost of services rendered	5,718	5,654	1,945	1,493
Cost of fabrication services rendered	1,447	--	254	--
Others	117	52	46	33
	19,828	11,919	8,720	2,842
Gross Margin	4,226	3,748	2,051	809
Operating Expenses:				
General and administrative	4,661	4,385	1,657	1,094
Selling	410	279	183	73
Research and development	29	30	9	10
Impairment loss	--	319	--	95
(Gain)/loss on disposal of property, plant and equipment	(5)	(138)	(4)	16
Total operating expenses	5,095	4,875	1,845	1,288
(Loss) / Income from Operations	(869)	(1,127)	206	(479)
Other Income (Expenses)				
Interest expense	(123)	(129)	(49)	(25)
Other income	159	478	24	128
Total other income (expenses)	36	349	(25)	103
(Loss) / Income from Continuing Operations before Income Taxes	(833)	(778)	181	(376)
Income Tax Expenses (Benefits)	50	(103)	78	(139)
(Loss) / Income from Continuing Operations before non-controlling	(883)	(675)	103	(237)

interest				
Discontinued operations (NOTE 15)				
(Loss) / income from discontinued operations	(32)	(464)	14	(24)
Net (loss) / income	(915)	(1,139)	117	(261)
Less: Net (loss)/ income attributable to the noncontrolling interest	(143)	168	98	(99)
Net (loss)/ income attributable to Trio-Tech International	(772)	(1,307)	19	(162)
Amounts attributable to Trio-Tech International common shareholders:				
(Loss) / Income from Continuing Operations, net of tax	(740)	(843)	5	(138)
Discontinued operations, net of tax	(32)	(464)	14	(24)
Net (Loss) / income	(772)	(1,307)	19	(162)

Comprehensive (loss) / Income attributable to Trio-Tech common shareholders:

Net (Loss) / Income	(915)	(1,139)	117	(261)
Other Comprehensive loss, net of tax:				
Foreign currency translation	673	(1,388)	335	(710)
Total Other Comprehensive income/(loss), net of tax	673	(1,388)	335	(710)
Comprehensive (loss)/income	(242)	(2,527)	452	(971)
Less: Net income/(loss) attributable to the noncontrolling interest	31	4	229	(263)
Net loss/(income) attributable to Trio-Tech International	(273)	(2,531)	223	(708)
Basic income (loss) per share attributable to Trio-Tech International:				
Basic income (loss) per share from Continuing operations	(0. 23)	(0.27)	0.00	(0.04)
Basic income (loss) per share from Discontinuing operations	(0.01)	(0.14)	0.01	(0.01)
Basic income (loss) per share from Net Loss	(0. 24)	(0.41)	0. 01	(0.05)
Weighted Average Shares Outstanding:				
Basic	3,227	3,227	3,227	3,227
Diluted	3,227	3,227	3,227	3,227

See notes to condensed consolidated financial statements.

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

	Nine Months Ended	
	March 31, 2010 (unaudited)	March 31, 2009 (unaudited)
Cash Flow from Operating Activities		
Net loss	$ (915)	(1,139)
Adjustments to reconcile net loss to net cash flow provided by operating activities		
Depreciation and amortization	1,600	1,632
Bad debt expense	202	114
Inventory provision	71	191
Interest income on short-term deposits	59	(54)
Impairment loss	0	615
Gain on sale of property-continued operations	(5)	(138)
Stock compensation	127	301
Deferred tax provision	62	(84)
Changes in operating assets and liabilities, net of acquisition effects		
Accounts receivables	(5,284)	1,876
Other receivables	(289)	--
Other assets	629	(296)
Inventories	(368)	933
Prepaid expenses and other current assets	240	438
Accounts payable and accrued liabilities	3,818	(2,935)
Income tax payable	4	(127)
Other non-current liabilities	(34)	--
Net cash (used in) provided by operating activities	(83)	1,327
Cash Flow from Investing Activities		
Proceeds from unrestricted and restricted term deposits, net	661	3,192
Investments in short-term deposits	(393)	(687)
Prepayment from other assets	(1,347)	
Proceeds from investment property	379	178
Additional cost of investment	(558)	(529)
Additions to property, plant and equipment	(4,138)	(1,107)
Acquisition of PT SHI Indonesia in Indonesia	225	--
Proceeds from disposal of plant, property and equipment	5	--
Net cash (used in) provided by investing activities	(5,166)	1,047
Cash Flow from Financing Activities		
Net borrowings on lines of credit	1,213	--
Repayment of bank loans	(1,021)	(1,085)
Proceeds from long-term bank loans and capital leases	2,438	--
Proceeds from exercising stock options	--	3
Net cash provided by (used in) financing activities	2,630	(1,082)
Effect of Changes in Exchange Rate	192	(1,200)
NET (DECREASE) INCREASE IN CASH	(2,427)	92
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	6,037	6,600

CASH AND CASH EQUIVALENTS, END OF PERIOD	$3,610	6,692
Supplementary Information of Cash Flows		
Cash paid during the period for:		
Interest	$128	132
Income taxes	$8	--

Non-Cash Transactions		
Non-cash investment for the investment in Chongqing	--	501
Capital lease of property, plant and equipment	--	9

See notes to condensed consolidated financial statements.

TRIO-TECH INTERNATIONAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (IN THOUSANDS, EXCEPT PER SHARE AND NUMBER OF SHARES)

1. ORGANIZATION AND BASIS OF PRESENTATION

Trio-Tech International ("the Company" or "TTI" hereafter) was incorporated in fiscal 1958 under the laws of the State of California. TTI provides third-party semiconductor testing and burn-in services primarily through its laboratories in Southeast Asia. In addition, TTI operates testing facilities in the United States. The Company also designs, develops, manufactures and markets a broad range of equipment and systems used in the manufacturing and testing of semiconductor devices and electronic components. TTI conducts business in five business segments: Manufacturing, Testing Services, Fabrication Services, Distribution and Real Estate. TTI has subsidiaries in the U.S.A., Singapore, Malaysia, Thailand, China and Indonesia as follows:

	Ownership	Location
Express Test Corporation (dormant)	100%	Van Nuys, California
Trio-Tech Reliability Services (dormant)	100%	Van Nuys, California
KTS Incorporated, dba Universal Systems (dormant)	100%	Van Nuys, California
European Electronic Test Centre (Operation ceased on November 1, 2005)	100%	Dublin, Ireland
Trio-Tech International Pte. Ltd.	100%	Singapore
Universal (Far East) Pte. Ltd.	100%	Singapore
Trio-Tech Thailand	100%	Bangkok, Thailand
Trio-Tech Bangkok	100%	Bangkok, Thailand
Trio-Tech Malaysia	55%	Penang and Selangor, Malaysia
Trio-Tech Kuala Lumpur – 100% owned by Trio-Tech Malaysia	55%	Selangor, Malaysia
Prestal Enterprise Sdn. Bhd.	76%	Selangor, Malaysia
Trio-Tech (Suzhou) Co., Ltd.	100%	Suzhou, China
Trio-Tech (Shanghai) Co., Ltd.	100%	Shanghai, China
Trio-Tech (Chongqing) Co., Ltd.	100%	Chongqing, China
SHI International Pte., Ltd.	55%	Singapore
PT SHI Indonesia (acquired on July 1, 2009) - 100% owned by SHI International,	55%	Batam, Indonesia

Pte Ltd.

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. All significant inter-company accounts and transactions have been eliminated in consolidation. The unaudited condensed consolidated financial statements are presented in U.S. dollars. The accompanying condensed consolidated financial statements do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for fair presentation have been included. Operating results for the nine months ended March 31, 2010 are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2010. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report for the fiscal year ended June 30, 2009.

New Accounting Policy:

Noncontrolling Interests in Consolidated Financial Statements — On July 1, 2009, the Company adopted new guidance ASC 810, Consolidation, regarding noncontrolling interests (formerly Statement of Financial Accounting Standards ("SFAS") No. 160, Noncontrolling Interests in Consolidated Financial Statements (“SFAS 160”)) issued by the FASB related to the accounting for noncontrolling interests in consolidated financial statements. This guidance establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. This guidance requires that noncontrolling interests in subsidiaries be reported in the equity section of the controlling company’s balance sheet. It also changes the manner in which the net income of the subsidiary is reported and disclosed in the controlling company’s income statement. The adoption of this guidance did not have a material impact on the Company’s consolidated financial statements.

Revenue Recognition — The Company adopted the following revenue recognition policy for its fabrication service segment, which was acquired in the first quarter of fiscal 2010.

In the fabrication services segment, revenue is recognized from long-term, fixed-price contracts using the percentage-of-completion method of accounting, (1) Input measures - measured by multiplying the estimated total contract value by the ratio of actual contract costs incurred to date to the estimated total contract costs (2) Output measures – measured based on completion on results achieved - units produced or units delivered. The Company makes significant estimates involving its usage of percentage-of-completion accounting to recognize contract revenues. The Company periodically reviews contracts in process for estimates-to-completion, and revises estimated gross profit accordingly. While the Company believes its estimated gross profit on contracts in process is reasonable, unforeseen events and changes in circumstances can take place in a subsequent accounting period that may cause the Company to revise its estimated gross profit on one or more of its contracts in process. Accordingly, the actual gross profit realized upon completion of such contracts can vary significantly from estimated amounts between accounting periods.

Reclassification: — Certain reclassifications have been made to the previous year’s financial statements to conform to current year presentation, with no effect on previously reported net income.

2. ACQUISITION OF PT SHI INDONESIA, BATAM, INDONESIA

On July 1, 2009, SHI International Pte. Ltd., a 55% owned subsidiary of the Company, consummated the acquisition of a 100% interest in PT SHI Indonesia, pursuant to the Share Purchase Agreement dated April 7, 2009. PT SHI Indonesia is an Indonesia–based enterprise providing fabrication of large and complex structures employed to process oil and gas and for temporary storage of the oil prior to transshipment, and related services for the offshore oil and gas industries. The Company’s objective for acquiring this business was to diversify its business, reduce the risk associated with sole industry focus, and enhance the Company’s future growth opportunities. There were operating activities in PT SHI Indonesia for the nine months ended March 31, 2010. Beginning on July 1, 2009, the operating results of this subsidiary were included in the consolidated statements of the Company for the nine months ended March 31, 2010. Fabrication services are included in the Company’s new segment “fabrication services”. This acquisition transaction was not considered significant to the Company.

Pursuant to the Share Purchase Agreement, the purchase price was approximately $113, consisting of $10 in cash and $103 in a contingent note payables. In accordance with ASC Top 805, Business Combinations, the Company allocated the purchase price to the tangible assets and liabilities based on their estimated fair values. The fair value assigned to intangible assets acquired was based on estimates and assumptions determined by management. Management determined that the fair value attributable to non-controlling was nil due to the negative net asset value and the control premium associated with the Company's majority ownership. Therefore, 100% of the goodwill was allocated to the majority shareholder, the Company. The total purchase price was allocated as follows (in thousands):

Total purchase price:		
Cash	$	10
Contingent note payable		103
	$	113
Allocated as follows:		
Cash & cash equivalent	$	235
Accounts receivable		261
Other current assets		332
Fixed assets		298
Accounts payable and accrued expenses		(876)
Other non-current liabilities		(568)
NET ASSETS	$	(318)
Goodwill		431
	$	113

The contingent note payable of $103 recorded during the nine months ended March 31, 2010 was related to agreements to pay additional amounts based on achievement of certain performance measures for up to two years ending after the acquisition date. The excess purchase price over the fair value of net assets acquired was recorded as goodwill. Goodwill will not be amortized, but will be evaluated for impairment annually or whenever events or changes in circumstances indicate that the value of a certain asset may be impaired. The goodwill is not tax deductible.

The unaudited financial information in the table below summarizes the combined results of the operations of the Company and the new Fabrication Services segment for the three and nine months ended March 31, 2009 as if the acquisition had occurred on July 1, 2008. The results from operations for the three and nine months ended March 31, 2010 included the acquisition of PT SHI Indonesia, Batam, Indonesia that was completed at the beginning of the first quarter of fiscal 2009.

The pro forma results are presented for information purposes only and are not necessarily indicative of the results of operations that would have been achieved had the acquisition taken place at the beginning of the three and nine months ended March 31, 2009. The unaudited pro forma combined the statement of operations for the three and nine months ended March 31, 2009 and historical results for the new Fabrication & Services segment for the period preceding the acquisition on July 1, 2008.

The following amounts are in thousands.

UNAUDITED PRO FORMA STATEMENT OF OPERATIONS

FOR THE THREE MONTHS ENDED MARCH 31, 2009

	Historical Information of the Company (1) (Unaudited)	Historical Information of the Acquired Entity (Unaudited)	Pro Forma
Net sales	$ 3,651	$ 243	$ 3,894
Net loss	$ (162)	$ (110)	$ (272)
Basic loss per share	$ (0.05)	(0.03)	$ (0.08)
Diluted loss per share	$ (0.05)	(0.03)	$ (0.08)
Basic weighted average common shares outstanding	3,227	--	3,227
Diluted weighted average common shares outstanding	3,227	--	3,227

Note: The currency exchange rate is based on the average exchange rate of the related period.

1. The historical operating results of the Company were based on the Company's unaudited financial statement in this Form 10-Q filed with the SEC for the three-month period ended March 31, 2009.

UNAUDITED PRO FORMA STATEMENT OF OPERATIONS

FOR THE NINE MONTHS ENDED MARCH 31, 2009

	Historical Information of the Company (1) (Unaudited)	Historical Information of the Acquired Entity (Unaudited)	Pro Forma
Net sales	$ 15,667	$ 337	$ 16,004
Net loss	$ (1,307)	$ (506)	$ (1,813)
Basic loss per share	$ (0.41)	(0.16)	$ (0.57)
Diluted loss per share	$ (0.41)	(0.16)	$ (0.57)
Basic weighted average common shares outstanding	3,227	--	3,227
Diluted weighted average common shares outstanding	3,227	--	3,227

Note: The currency exchange rate is based on the average exchange rate of the related period.

1. The historical operating results of the Company were based on the Company's unaudited financial statement in its Form 10-Q filed with the SEC for the nine month period ended March 31, 2009.

3.NEW ACCOUNTING PRONOUNCEMENTS

In January 2010, the FASB issued ASU No. 2010-06, Fair Value Measurements and Disclosures (Topic 820) – Improving Disclosures about Fair Value Measurements, to provide amendments to Subtopic 820-10 that require new disclosures for transfers in and out of Levels 1 and 2 and for activity in Level 3 fair value measurements. It also clarifies existing disclosures for the level of disaggregation and disclosures about inputs and valuation techniques. The update is effective for interim and annual reporting periods beginning on January 1, 2010, except for the disclosures of roll forward activities in Level 3 fair value measurements. Those disclosures are effective for interim and annual reporting periods beginning on January 1, 2011. The adoption of the update does not have an impact on our results of operations or financial position.

In October 2009, the FASB approved for issuance ASC Subtopic No. 605-25, Revenue Recognition Multiple-Element Arrangements, ("ASC 605-25"). ASC 605-25 provides principles for allocation of consideration among its multiple-elements, allowing more flexibility in identifying and accounting for separate deliverables under an arrangement. It introduces an estimated selling price method for valuing the elements of a bundled arrangement if vendor-specific objective evidence or third-party evidence of selling price is not available, and significantly expands related disclosure requirements. ASC 605-25 is effective on a prospective basis for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Alternatively, adoption may be on a retrospective basis, and early application is permitted. The Company does not expect the adoption of ASC 605-25 to have a significant impact on its financial statements.

4. INVENTORIES

Inventories consisted of the following:

	Mar 31, 2010 (Unaudited)	June 30, 2009
Raw Material	$ 1,068	$ 1,084
Work-in-progress	1,032	645
Finished goods	170	173
Less : Provision for obsolete inventory	(789)	(718)
	1,481	1,184

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5. STOCK OPTIONS

As of March 31, 2010, there were no outstanding options to purchase Common Stock which had been granted pursuant to the 1998 Employee Option Plan, which plan was terminated on December 2, 2005 by the Company's Board of Directors.

On September 24, 2007, the Company's Board of Directors unanimously adopted the 2007 Employee Stock Option Plan and the 2007 Directors Equity Incentive Plan, which were approved by the shareholders on December 3, 2007. The 2007 Employee Stock Option Plan provides for awards of up to 300,000 shares of the Company's Common Stock to employees, consultants and advisors. The 2007 Directors Equity Incentive Plan provides for awards of up to 200,000 shares of the Company's Common Stock to the members of the Board of Directors in the form of non-qualified options and restricted stock. These two plans are administered by the Board, which also establishes the terms of the awards.

Assumptions

The fair value for these awards was estimated using the Black-Scholes option pricing model with the following weighted average assumptions, assuming no expected dividends:

	Nine Months Ended March 31, 2010	Year Ended June 30, 2009
Expected volatility	107.18-145.18%	107.18-145.18%
Risk-free interest rate	1.27 – 2.48%	1.27 – 2.48%
Expected life (years)	2.00 - 3.25	2.00 - 3.25

The expected volatilities are based on the historical volatility of the Company's stock. The observation is made on a weekly basis. The observation period covered is consistent with the expected life of options. The expected term of options granted to employees has been determined utilizing the "simplified" method as prescribed by SAB No. 107, Share-Based Payment, as amended by SAB No. 110 on January 1, 2008, which, among other provisions, allowed companies without access to adequate historical data about employee exercise behavior to use a simplified approach for estimating the expected term of a "plain vanilla" option grant. The simplified rule for estimating the expected term of such an option was the average of the time to vesting and the full term of the option. The risk-free rate is consistent with the expected terms of the stock options and is based on the United States Treasury yield curve in effect at the time of grant.

2007 Employee Stock Option Plan

The Company's 2007 Employee Stock Option Plan (the "2007 Employee Plan"), which is shareholder-approved, permits the grant of stock options to its employees of up to 300,000 shares of Common Stock. Under the 2007 Employee Plan, all options must be granted with an exercise price of not less than "fair market value" as of the grant date and the options granted should be exercisable within a maximum of ten years after the date of grant, or such lesser period of time as is set forth in the stock option agreements. The options may be exercisable (a) immediately as of the effective date of the stock option agreement granting the option, or (b) in accordance with a schedule related to the date of the grant of the option, the date of first employment, or such other date as may be set by the Compensation Committee. Generally, options granted under the 2007 Employee Plan are exercisable within five years after the date of grant, and vest over the period as follows: 25% vesting on the grant date and the remaining balance vesting in equal installments on the next three succeeding anniversaries of the grant date. The share-based compensation will be recognized in terms of the grade method over the vesting period. Certain option awards provide for accelerated vesting if there is a change in control (as defined in the 2007 Employee Plan).

The Company did not grant any options pursuant to the 2007 Employee Plan during the nine months ended March 31, 2010. The Company recognized stock-based compensation expenses of $127 in the nine months ended March 31, 2010 under the 2007 Employee Plan. The balance of unamortized stock-based compensation of $105 based on fair value on the grant date related to options granted under the 2007 Employee Plan is expected to be recognized over a period of two years.

During the nine months ended March 31, 2009 pursuant to the 2007 Employee Plan, 50,000 shares of stock options were granted to certain officers and employees with an exercise price equal to the fair market value of the Company's Common Stock (as defined under the 2007 Employee Plan in conformity with Regulation 409A of the Internal Revenue Code of 1986, as amended) at the date of grant. These options vest over the period as follows: 25% vesting on the grant date, and the balance vesting in equal installments on the next three succeeding anniversaries of the grant date. The fair market value of 50,000 shares of the Company's Common Stock issuable upon exercise of stock options granted was approximately $136 based on the fair value of $2.71 per share determined by using the Black Scholes option pricing model.

The Company recognized stock-based compensation expense of approximately $138 in the nine months ended March 31, 2009 under the 2007 Employee Plan. Unamortized stock-based compensation of $105 based on fair value on the grant date related to options granted under the 2007 Employee Plan is expected to be recognized over a period of three years.

As of March 31, 2010, there were vested employee stock options covering a total of 98,625 shares of Common Stock. The weighted-average exercise price was $4.73 and the weighted average remaining contractual term was 3.52 years. The total intrinsic value of vested employee stock options during the nine month period ended March 31, 2010 was $231. A summary of option activities under the 2007 Employee Plan during the nine month period ended March 31, 2010 is presented as follows:

	Options		Weighted-Average Exercise Price	Weighted - Average Remaining Contractual Term (Years)		Aggregate Intrinsic Value
Outstanding at July 1, 2009	283,000	$	3.32	4.47		-
Granted	-		-	-		-
Exercised	-		-			
Forfeited or expired	(9,000)		3.62	3.44		
Outstanding at March 31, 2010	274,000	$	3.32	3.73	$	873
Exercisable at March 31, 2010	98,625	$	4.73	3.52	$	231

A summary of the status of the Company's non-vested employee stock options during the nine months ended March 31, 2010 is presented below:

	Options		Weighted-Average Grant-Date Fair Value
Non-vested at July 1, 2009	202,375	$	3.84
Granted	-		-
Vested	(18,000)		4.26
Forfeited	(9,000)		2.04
Non-vested at March 31, 2010	175,375	$	4.97

2007 Directors Equity Incentive Plan

The 2007 Directors Equity Incentive Plan (the "2007 Directors Plan"), which is shareholder-approved, permits the grant of 200,000 shares of Common Stock to its duly elected non-employee directors in the form of non-qualified options and restricted stock. The exercise price of the non-qualified options is 100% of the fair market value of the underlying shares on the grant date. The options have five-year contractual terms and are generally exercisable immediately as of the grant date.

During the nine months ended March 31, 2010, the Company did not grant any options pursuant to the 2007 Directors Plan.

During the nine months ended December 31, 2009, pursuant to the 2007 Directors Plan, stock options covering 60,000 shares of Common Stock were granted to its directors with an exercise price equal to the fair market value of its Common Stock (as defined under the 2007 Directors Plan in conformity with Regulation 409A or the Internal Revenue Code of 1986, as amended) at the date of grant. The fair market value of the 60,000 shares of the Company's Common Stock issuable upon exercise of such stock options was approximately $163 based on the fair value of $2.71 per share determined by the Black Scholes option pricing model.

There were no options exercised under the 2007 Directors Equity Incentive Plan during the nine months ended March 31, 2010 and 2009. The Company recognized stock-based compensation expense of zero and $163 in the nine month period ended March 31, 2010 and 2009, respectively, under the 2007 Directors Plan.

The total intrinsic value of directors' stock options during the nine month period ended March 31, 2010 was $412. A summary of option activities under the 2007 Employee Plan during the nine month period ended March 31, 2010 is presented as follows:

	Options		Weighted-Average Exercise Price	Weighted - Average Remaining Contractual Term (Years)		Aggregate Intrinsic Value
Outstanding at July 1, 2009	200,000	$	5.00	4.15		-
Granted	-		-	-		-
Exercised	-		-			
Forfeited or expired	-		-			
Outstanding at March 31, 2010	200,000	$	5.00	3.40	$	412
Exercisable at March 31, 2010	200,000	$	5.00	3.40	$	412

1998 Stock Option Plan

A summary of option activities under the 1998 Plan during the nine month period ended March 31, 2010 is presented as follows:

	Options		Weighted-Average Exercise Price	Weighted - Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at July 1, 2009	2,750	$	4.40	-	-
Granted	-		-	-	-
Exercised	-		-	-	-
Forfeited or expired	(2,750)	$	4.40	-	
Outstanding at March 31, 2010	-		-	-	-
Exercisable at March 31, 2010	-		-	-	-

6. EARNINGS PER SHARE

The Company adopted ASC Topic 215, Statement of Shareholder Equity. Basic EPS are computed by dividing net income available to common shareholders (numerator) by the weighted average number of common shares outstanding (denominator) during the period. Diluted EPS give effect to all dilutive potential common shares outstanding during a period. In computing diluted EPS, the average price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options and warrants.

Options to purchase 474,000 shares of Common Stock at exercise prices ranging from $1.72 to $9.57 per share as of March 31, 2010 were excluded from the computation of diluted earnings per share because their effect would have been anti-dilutive.

Options to purchase 214,750 shares of Common Stock at exercise prices ranging from $4.40 to $9.57 per share that were outstanding as of March 31, 2010 were excluded from the computation of diluted earnings per share because their effect would have been anti-dilutive.

The following table is a reconciliation of the weighted average shares used in the computation of basic and diluted EPS for the years presented herein:

	Nine Months Ended		Three Months Ended	
	Mar. 31, 2010 (Unaudited)	Mar. 31, 2009 (Unaudited)	Mar. 31, 2010 (Unaudited)	Mar. 31, 2009 (Unaudited)
Income/(Loss) from continuing operations, attributable to Trio-Tech International common shareholders	$ (740)	$ (843)	$ 5	$ (138)
Income/(Loss) from discontinued operation	$ (32)	$ (464)	$ 14	$ (24)
Net Income/(loss) attributable to Trio-Tech International common shareholders	$ (772)	$ (1,307)	$ 19	$ (162)
Basic Income/(Loss) Per Share attributable to Trio-Tech International common shareholders				
Basic income/(loss) per share from continuing operations	$ (0. 23)	$ (0.27)	$ 0.00	$ (0.04)
Basic income/(loss) per share from discontinued operation	(0.01)	(0.14)	0. 01	(0.01)
Basic income/(loss) per share from net income	$ (0. 24)	$ (0.41)	$ 0. 01	$ (0.05)
Diluted Income/(Loss) Per Share attributable to Trio-Tech International common shareholders				
Diluted income/(loss) per share from continuing operations	$ (0. 23)	$ (0.27)	$ 0.00	$ (0.04)
	(0.01)	(0.15)	0.01	(0.01)

Diluted income/(loss) per share from discontinued operation								
Diluted income/(loss) per share from net income	$	(0. 24)	$	(0.41)	$	0.01	$	(0.05)
Weighted average number of common shares outstanding – basic		3,227		3,227		3,227		3,227
Number of shares used to compute earnings per share – diluted		3,227		3,227		3,227		3,227

7. ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Accounts receivable consists of customer obligations due under normal trade terms. Although management generally does not require collateral, letters of credit may be required from the customers in certain circumstances. Management periodically performs credit evaluations of the customers' financial conditions.

Accounts receivable is reviewed on a monthly basis by the senior management to determine if any receivables will potentially be uncollectible. Management includes any accounts receivable balances that are determined to be uncollectible in the allowance for doubtful accounts. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. Based on the information available to us, management believed the allowance for doubtful accounts as of March 31, 2010 and June 30, 2009 was adequate.

The following table represents the changes in the allowance for doubtful accounts:

	Mar. 31, 2010	June 30,