TRIO-TECH INTERNATIONAL
Form 10-Q
February 10, 2016

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

FORM 10-Q

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

For the Quarterly Period Ended December 31, 2015

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 x 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 x Noo

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 (Do not check if a smaller reporting company)	o	Smaller Reporting Company	x

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

As of February 05, 2016, there were 3,513,055 shares of the issuer's Common Stock, no par value, outstanding.

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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 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)

	Dec. 31, 2015 (Unaudited)	June 30, 2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$4,370	$3,711
Short-term deposits	93	101
Trade accounts receivable, less allowance for doubtful accounts of $293 and $313	7,302	7,875
Other receivables	299	389
Loans receivable from property development projects – short term	-	-
Inventories, less provision for obsolete inventory of $694 and $764	1,709	1,141
Prepaid expenses and other current assets	269	244
Assets held for sale	86	98
Total current assets	14,128	13,559
NON-CURRENT ASSETS:		
Deferred tax assets	413	453
Investments	-	-
Investment properties, net	1,421	1,540
Property, plant and equipment, net	10,825	12,522
Loans receivable from property development projects – long term	-	-
Other assets	1,737	1,823
Restricted term deposits	1,966	2,140
Total non-current assets	16,362	18,478
TOTAL ASSETS	$30,490	$32,037
LIABILITIES		
CURRENT LIABILITIES:		
Lines of credit	$1,472	$1,578
Accounts payable	3,042	2,770
Accrued expenses	2,647	3,084
Income taxes payable	232	296
Current portion of bank loans payable	319	346
Current portion of capital leases	206	197
Total current liabilities	7,918	8,271
NON-CURRENT LIABILITIES:		
Bank loans payable, net of current portion	1,792	2,198
Capital leases, net of current portion	504	475
Deferred tax liabilities	273	333
Other non-current liabilities	37	38
Total non-current liabilities	2,606	3,044
TOTAL LIABILITIES	$10,524	$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 December 31, 2015 and June 30, 2015, respectively	$10,882	$10,882
Paid-in capital	3,142	3,087
Accumulated retained earnings	2,695	2,246
Accumulated other comprehensive gain-translation adjustments	1,649	2,771
Total Trio-Tech International shareholders' equity	18,368	18,986
Non-controlling interest	1,598	1,736
TOTAL EQUITY	$19,966	$20,722
TOTAL LIABILITIES AND EQUITY	$30,490	$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		Six Months Ended	
	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Revenue				
Manufacturing	$ 3,276	$ 3,348	$ 6,416	$ 6,395
Testing services	3,701	5,073	7,484	9,691
Distribution	1,359	432	2,334	817
Others	18	44	50	87
	8,354	8,897	16,284	16,990
Cost of Sales				
Cost of manufactured products sold	2,471	2,726	4,580	5,599
Cost of testing services rendered	2,499	3,356	5,257	6,405
Cost of distribution	1,240	337	2,093	677
Others	29	35	61	69
	6,239	6,454	11,991	12,750
Gross Margin	2,115	2,443	4,293	4,240
Operating Expenses:				
General and administrative	1,599	1,711	3,261	3,438
Selling	141	165	312	296
Research and development	51	47	97	94
Impairment loss	-	55	-	70
(Gain) / loss on disposal of property, plant and equipment	(4)	28	(4)	28
Total operating expenses	1,787	2,006	3,666	3,926
Income from Operations	328	437	627	314
Other (Expenses) / Income				
Interest expenses	(51)	(58)	(104)	(122)
Other income, net	18	7	226	54
Total other (expenses) / income	(33)	(51)	122	(68)
Income from Continuing Operations before Income Taxes	295	386	749	246
Income Tax Expenses	(86)	(132)	(153)	(86)
Income from continuing operations before non-controlling interest, net of tax	209	254	596	160
Discontinued Operations (Note 19)				
Income / (loss) from discontinued operations, net of tax	6	(6)	(4)	20
NET INCOME	215	248	592	180
Less: income attributable to non-controlling interest	25	154	143	210
	$ 190	$ 94	$ 449	$ (30)

Net Income / (Loss) Attributable to Trio-Tech International Common Shareholder								
Amounts Attributable to Trio-Tech International Common Shareholders:								
Income / (loss) from continuing operations, net of tax		188		97		452		(41)
Income / (loss) from discontinued operations, net of tax		2		(3)		(3)		11
Net Income / (Loss) Attributable to Trio-Tech International Common Shareholders	$	190	$	94	$	449	$	(30)
Basic and Diluted Earnings / (Loss) per Share:								
Basic and diluted earnings / (loss) per share from continuing operations attributable to Trio-Tech International	$	0.05	$	0.03	$	0.13	$	(0.01)
Basic and diluted earnings per share from discontinued operations attributable to Trio-Tech International	$	-	$	-	$	-	$	-
Basic and Diluted Earnings / (Loss) per Share from Net Income / (Loss) Attributable to Trio-Tech International	$	0.05	$	0.03	$	0.13	$	(0.01)
Weighted average number of common shares outstanding								
Basic		3,513		3,513		3,513		3,513
Dilutive effect of stock options		16		-		12		-
Number of shares used to compute earnings per share diluted		3,529		3,513		3,525		3,513

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		Six Months Ended	
	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Comprehensive Income Attributable to Trio-Tech International Common Shareholders:				
Net income	$ 215	$ 248	$ 592	$ 180
Foreign currency translation, net of tax	22	(574)	(1,403)	(414)
Comprehensive Income / (Loss)	237	(326)	(811)	(234)
Less: comprehensive income / (loss) attributable to non-controlling interest	114	36	(138)	150
Comprehensive Income / (Loss) Attributable to Trio-Tech International Common Shareholders	$ 123	$ (362)	$ (673)	$ (384)

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	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
Stock option expenses	-	-	55	-	-	-	55
Net income	-	-	-	449	-	143	592
Translation adjustment	-	-	-	-	(1,122)	(281)	(1,403)
Balance at Dec. 31, 2015	3,513	10,882	3,142	2,695	1,649	1,598	19,966

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)

	Six Months Ended	
	Dec. 31, 2015 (Unaudited)	Dec. 31, 2014 (Unaudited)
Cash Flow from Operating Activities		
Net income	$ 592	$ 180
Adjustments to reconcile net income to net cash flow provided by operating activities		
Depreciation and amortization	937	1,189
Bad debt (recovery) / expense, net	(6)	56
Inventory recovery	(45)	(73)
Warranty recovery, net	(14)	(9)
Accrued interest expense, net of interest income	98	101
(Gain) / loss on sale of property, plant and equipment - continued operations	(4)	28
Impairment loss	-	70
Contribution to capital – payable forgiveness	-	9
Stock option expenses	55	89
Write-off of property, plant and equipment	2	-
Deferred tax provision	(14)	(50)
Changes in operating assets and liabilities, net of acquisition effects		
Accounts receivables	261	354
Other receivables	63	(94)
Other assets	-	78
Inventories	(559)	(318)
Prepaid expenses and other current assets	(36)	(58)
Accounts payable and accrued liabilities	71	190
Income tax payable	(52)	55
Net Cash Provided by Operating Activities	1,349	1,797
Cash Flow from Investing Activities		
Proceeds from maturing of restricted and un-restricted term deposits	63	-
Additions to property, plant and equipment	(314)	(899)
Proceeds from disposal of property, plant and equipment	55	16
Net Cash Used in Investing Activities	(196)	(883)
Cash Flow from Financing Activities		
Repayment on lines of credit	(152)	(943)
Repayment of bank loans and capital leases	(339)	(473)
Proceeds from long-term bank loans	192	32
Net Cash Used in Financing Activities	(299)	(1,384)
Effect of Changes in Exchange Rate	(195)	(59)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	659	(529)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	3,711	2,938
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 4,370	$ 2,409

Supplementary Information of Cash Flows				
Cash paid during the period for:				
Interest	$	105	$	125
Income taxes	$	157	$	76
Non-Cash Transactions				
Capital lease of property, plant and equipment	$	192	$	32

See notes to condensed consolidated financial statements.

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TRIO-TECH INTERNATIONAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT EARNINGS 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. In fiscal 2013, TTI conducted business in five business segments: Testing Services, Manufacturing, Distribution, Real Estate and Fabrication Services. The Fabrication segment was discontinued during the fourth quarter of fiscal year 2013, hence in fiscal year 2016, TTI carried its business in four segments and has subsidiaries in the U.S., 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 (Dormant)	100%	Dublin, Ireland
Trio-Tech International Pte. Ltd.	100%	Singapore
Universal (Far East) Pte. Ltd. *	100%	Singapore
Trio-Tech International (Thailand) Co. Ltd. *	100%	Bangkok, Thailand
Trio-Tech (Bangkok) Co. Ltd. (49% owned by Trio-Tech International Pte. Ltd. and 51% owned by Trio-Tech International (Thailand) Co. Ltd.)	100%	Bangkok, Thailand
Trio-Tech (Malaysia) Sdn. Bhd. (55% owned by Trio-Tech International Pte. Ltd.)	55%	Penang and Selangor, Malaysia
Trio-Tech (Kuala Lumpur) Sdn. Bhd.	55%	Selangor, Malaysia
(100% owned by Trio-Tech Malaysia Sdn. Bhd.)		
Prestal Enterprise Sdn. Bhd. (76% owned by Trio-Tech International Pte. Ltd.)	76%	Selangor, Malaysia
Trio-Tech (Suzhou) Co. Ltd. *	100%	Suzhou, China
Trio-Tech (Shanghai) Co. Ltd. * (Dormant)	100%	Shanghai, China
Trio-Tech (Chongqing) Co. Ltd. *	100%	Chongqing, China
SHI International Pte. Ltd. (Dormant) (55% owned by Trio-Tech International Pte. Ltd)	55%	Singapore
PT SHI Indonesia (Dormant) (100% owned by SHI International Pte. Ltd.)	55%	Batam, Indonesia
Trio-Tech (Tianjin) Co. Ltd. *	100%	Tianjin, China

* 100% owned by Trio-Tech International Pte. Ltd.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles (“GAAP”) 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 GAAP 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 six months ended December 31, 2015 are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2016. 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, 2015.

The Company’s operating results are presented based on the translation of foreign currencies using the respective quarter’s average exchange rate. Strengthening of U.S. dollar relative to the foreign currencies caused the translation difference during the current year as compared to the same period of last year, affecting the revenue and operating profitability, which negatively impacted the Company’s results.

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2. NEW ACCOUNTING PRONOUNCEMENTS

The amendments in Accounting Standards Updates (“ASU”) 2015-17 eliminates the current requirement for organizations to present deferred tax liabilities and assets as current and non-current in a classified balance sheet. Instead, organizations will be required to classify all deferred tax assets and liabilities as non-current. For a public entity, the amendments in ASU 2015-17 are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early application is permitted and the Company has adopted this ASU and there is no significant effect on the Company’s consolidated financial position or results of operations.

The amendments in ASU 2015-14 ASC Topic 606: Deferral of the Effective Date (“ASC Topic 606”) defers the effective date of update 2014-09 for all entities by one year. For a public entity, the amendments in ASU 2014-09 are effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early application is not permitted. The adoption of this update is not expected to have a significant effect on the Company’s consolidated financial position or results of operations.

The Financial Accounting Standards Board (“FASB”) has issued converged standards on revenue recognition. Specifically, the Board has issued ASU 2014-09, ASC Topic 606. ASU 2014-09 affects any entity using U.S. GAAP that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of non-financial assets unless those contracts are within the scope of other standards (e.g., insurance contracts or lease contracts). ASU 2014-09 will supersede the revenue recognition requirements in ASC Topic 605, Revenue Recognition, (“ASC Topic 605”) and most industry-specific guidance. ASU 2014-09 also supersedes some cost guidance included in Subtopic 605-35, Revenue Recognition—Construction-Type and Production-Type Contracts. In addition, the existing requirements for the recognition of a gain or loss on the transfer of non-financial assets that are not in a contract with a customer (e.g., assets within the scope of ASC Topic 360, Property, Plant, and Equipment, (“ASC Topic 360”) and intangible assets within the scope of Topic 350, Intangibles—Goodwill and Other) are amended to be consistent with the guidance on recognition and measurement (including the constraint on revenue) in ASU 2014-09. For a public entity, the amendments in ASU 2014-09 are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period.

The amendments in ASU 2015-11 ASC Topic 330: Simplifying the Measurement of Inventory (“ASC Topic 330”) specify that an entity should measure inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Subsequent measurement is unchanged for inventory measured using Last-In-First-Out or the retail inventory method. The amendments in ASU 2015-011 are effective for public business entities for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. A reporting entity should apply the amendments retrospectively to all periods presented. While early adoption is permitted, the Company has not elected to early adopt. The adoption of this update is not expected to have a significant effect on the Company’s consolidated financial position or results of operations.

FASB amended ASU 2015-07 ASC Topic 820: Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent), which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. The amendments in ASU 2015-07 are effective for public business entities for fiscal years beginning after December 15, 2015 and interim periods within those fiscal years. A reporting entity should apply the amendments retrospectively to all periods presented. While early adoption is permitted, the Company has not elected to early adopt. The adoption of this update is not expected to have a significant effect on the Company’s consolidated financial position or results of operations.

The amendments in ASU 2015-06 ASC Topic 260: Effects on Historical Earnings per Unit of Master Limited Partnership Dropdown Transactions (“ASC Topic 260”) specify that for purposes of calculating historical earnings per unit under the two-class method, the earnings or losses of a transferred business before the date of a dropdown transaction should be allocated entirely to the general partner. The amendments in ASU 2015-06 are effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. While early adoption is permitted, the Company has not elected to early adopt. The amendments should be applied retrospectively for all financial statements presented. The adoption of this update is not expected to have a significant effect on the Company’s consolidated financial position or results of operations.

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The amendments in ASU 2015-02 ASC Topic 810: Amendments to the Consolidation Analysis are intended to improve targeted areas of consolidation guidance for legal entities such as limited partnerships, limited liability corporations, and securitization structures (collateralized debt obligations, collateralized loan obligations, and mortgage-backed security transactions). The amendments in ASU 2015-02 are effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. While early adoption is permitted, including adoption in an interim period, the Company has not elected to early adopt. ASU 2015-02 may be applied retrospectively in previously issued financial statements for one or more years with a cumulative-effect adjustment to retained earnings as of the beginning of the first year restated. The company has not yet determined the effects on the Company's consolidated financial position or results of operations on the adoption of this update.

The amendments in ASU 2015-01 eliminate from U.S. GAAP the concept of extraordinary items. Subtopic 225-20, Income Statement - Extraordinary and Unusual Items ("ASC Topic 225"), requires that an entity separately classify, present, and disclose extraordinary events and transactions. Presently, an event or transaction is presumed to be an ordinary and usual activity of the reporting entity unless evidence clearly supports its classification as an extraordinary item. The amendments in ASU 2015-01 are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. A reporting entity may apply the amendments prospectively. A reporting entity also may apply the amendments retrospectively to all prior periods presented in the financial statements. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. The Company has not elected to early adopt. The adoption of this update is not expected to have a significant effect on the Company's consolidated financial position or results of operations.

FASB amended ASU 2014-15 Subtopic 205-40, Presentation of Financial Statements – Going Concern ("ASC Topic 205"), to define management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. Under GAAP, financial statements are prepared under the presumption that the reporting organization will continue to operate as a going concern, except in limited circumstances. The going concern basis of accounting is critical to financial reporting because it establishes the fundamental basis for measuring and classifying assets and liabilities. Currently, GAAP lacks guidance about management's responsibility to evaluate whether there is substantial doubt about the organization's ability to continue as a going concern or to provide related footnote disclosures. ASU 2014-15 provides guidance to an organization's management, with principles and definitions that are intended to reduce diversity in the timing and content of disclosures that are commonly provided by organizations today in the financial statement footnotes. The amendments in ASU 2014-15 are effective for annual periods ending after December 15, 2016, and interim periods within annual periods beginning after December 15, 2016. While early application is permitted for annual or interim reporting periods for which the financial statements have not previously been issued, the Company has not elected to early adopt. The adoption of this update is not expected to have a significant effect on the Company's consolidated financial position or results of operations.

The FASB has issued ASU No. 2014-08, ASC Topic 205 Presentation of Financial Statements ("ASC Topic 205") and ASC Topic 360 Property, Plant, and Equipment ("ASC Topic 360"): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. The amendments in ASU 2014-08 change the criteria for reporting discontinued operations while enhancing disclosures in this area. It also addresses sources of confusion and inconsistent application related to financial reporting of discontinued operations guidance in U.S. GAAP. Under the new guidance, only disposals representing a strategic shift in operations should be presented as discontinued operations. Those strategic shifts should have a major effect on the organization's operations and financial results. Examples include a disposal of a major geographic area, a major line of business, or a major equity method investment. In addition, the new guidance requires expanded disclosures about discontinued operations that will provide financial statement users with more information about the assets, liabilities, income, and expenses of discontinued operations. The new guidance also requires disclosure of the pre-tax income attributable to a disposal of a significant part of an organization that does not qualify for discontinued operations reporting. This disclosure will provide users with information about the ongoing trends in a reporting organization's results from continuing operations. The amendments in the ASU 2014-08 are effective in the first quarter of 2015 for public organizations with calendar year ends. For most nonpublic organizations, it is effective for annual financial statements with fiscal years beginning on or after December 15, 2014. Early adoption is permitted. The adoption of this update did not have a significant effect on the Company's consolidated financial position or results of operations.

Other new pronouncements issued but not yet effective until January 1, 2016 are not expected to have a significant effect on the Company's consolidated financial position or results of operations.

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3. 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 customers' financial conditions.

Senior management reviews accounts receivable on a periodical basis 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, management believed the allowance for doubtful accounts as of December 31, 2015 and June 30, 2015 was adequate.

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

	Dec. 31, 2015 (Unaudited)	June 30, 2015
Beginning	$ 313	$ 438
Additions charged to expenses	-	84
Recovered/ written-off	(6)	(180)
Currency translation effect	(14)	(29)
Ending	$ 293	$ 313

4. LOANS RECEIVABLE FROM PROPERTY DEVELOPMENT PROJECTS

The following table presents Trio-Tech Chongqing's ("TTCQ") loans receivable from property development projects in China as of December 31, 2015. The exchange rate is based on the historical rate published by the Monetary Authority of Singapore as on March 31, 2015, since the net loans receivable was "nil" as at December 31, 2015.

	Loan Expiry Date	Loan Amount (RMB)	Loan Amount (U.S. Dollars)
Short-term loan receivables			
JiangHuai (Project - Yu Jin Jiang An)	May 31, 2013	2,000	325
Less: allowance for doubtful receivables		(2,000)	(325)
Net loan receivable from property development projects		-	-
Long-term loan receivables			
Jun Zhou Zhi Ye	Oct 31, 2016	5,000	814
Less: transfer – down-payment for purchase of investment property		(5,000)	(814)
Net loan receivable from property development projects		-	-

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The following table presents TTCQ's loans receivable from property development projects in China as of June 30, 2015. The exchange rate is based on the historical rate published by the Monetary Authority of Singapore as on March 31, 2015, since the net loans receivable was "nil" as at June 30, 2015.

	Loan Expiry Date	Loan Amount (RMB)	Loan Amount (U.S. Dollars)
Short-term loan receivables			
Investment in JiangHuai (Project - Yu Jin Jiang An)	May 31, 2013	2,000	325
Less: allowance for doubtful receivables		(2,000)	(325)
Net loan receivable from property development projects		-	-
Long-term loan receivables			
Jun Zhou Zhi Ye	Oct 31, 2016	5,000	814
Less: transfer – down-payment for purchase of investment property		(5,000)	(814)
Net loan receivable from property development projects		-	-

On November 1, 2010, TTCQ entered into another Memorandum Agreement with JiangHuai Property Development Co. Ltd. ("JiangHuai") to invest in their property development projects (Project - Yu Jin Jiang An) located in Chongqing City, China. Due to the short-term nature of the investment, the amount was classified as a loan based on ASC Topic 310-10-25 Receivables, amounting to renminbi ("RMB") 2,000, or approximately $325. The loan was renewed, but expired on May 31, 2014. TTCQ is in the legal process of recovering the outstanding amount of $325. TTCQ did not generate other income from JiangHuai for both the three and six months ended December 31, 2015, or for the same periods in the last fiscal year. Based on TTI's financial policy, an impairment of $325 on the investment in JiangHuai was provided for during the second quarter of fiscal 2014.

On November 1, 2010, TTCQ entered into another Memorandum Agreement with JiaSheng Property Development Co. Ltd. ("JiaSheng") to invest in their property development projects (Project B-48 Phase 2) located in Chongqing City, China. Due to the short-term nature of the investment, the amount was classified as a loan based on ASC Topic 310, amounting to RMB 5,000, or approximately $814 based on the exchange rate as at March 31, 2015 published by the Monetary Authority of Singapore. The amount was unsecured and repayable at the end of the term. The loan was renewed in November 2011 for a period of one year, which expired on October 31, 2012 and was again renewed in November 2012 and expired in November 2013. On November 1, 2013 the loan was transferred by JiaSheng to, and is now payable by, Chong Qing Jun Zhou Zhi Ye Co. Ltd. ("Jun Zhou Zhi Ye"), and the transferred agreement expires on October 31, 2016. Hence the loan receivable was reclassified as a long-term receivable. The book value of the loan receivable approximates its fair value. TTCQ did not generate other income from this investment for both the three and six months ended December 31, 2015. However, for the three and six months ended December 31, 2014, TTCQ recorded other income of RMB 104, or approximately $16 and RMB 417, or approximately $68, respectively, from Jun Zhou Zhi Ye. In fiscal year 2015, an allowance for doubtful deemed interest receivables from Jun Zhou Zhi Ye of $68 was made on the other income. In the second quarter of fiscal year 2015, the loan receivable was transferred to down payment for purchase of investment property that is being developed in the Singapore Themed Resort Project.

5. INVENTORIES

Inventories consisted of the following:

	Dec. 31, 2015 (Unaudited)	June 30, 2015

Raw materials	$ 935	$ 1,038
Work in progress	1,029	611
Finished goods	501	348
Less: provision for obsolete inventory	(694)	(764)
Currency translation effect	(62)	(92)
	$ 1,709	$ 1,141

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The following table represents the changes in provision for obsolete inventory:

	Dec. 31, 2015 (Unaudited)	June 30, 2015
Beginning	$764	$ 844
Additions charged to expenses	10	67
Usage - disposition	(56)	(103)
Currency translation effect	(24)	(44)
Ending	$694	$ 764

6. ASSETS HELD FOR SALE

During the fourth quarter of 2015, the operations in Malaysia planned to sell its factory building in Penang, Malaysia. In accordance to ASC Topic 360, the property was reclassified from investment property, which had a net book value of Malaysia ringgit ("RM") 371, or approximately $98, to assets held for sale since there was an intention to sell the factory building. In May 2015, Trio-Tech Malaysia ("TTM") was approached by a potential buyer to purchase the factory building. On September 14, 2015, application to sell the property was rejected by Penang Development Corporation ("PDC"). The rejection was based on the business activity of the purchaser not suitable to the industry that is being promoted on the said property. However, management is still actively looking for a suitable buyer. As of December 31, 2015 the net book value was RM 369, or approximately $86.

7. INVESTMENTS

Investments were nil as at December 31, 2015 and as at June 30, 2015.

During the second quarter of fiscal year 2011, the Company entered into a joint-venture agreement with JiaSheng to develop real estate projects in China. The Company invested RMB 10,000, or approximately $1,606 based on the exchange rate as of March 31, 2014 published by the Monetary Authority of Singapore, for a 10% interest in the newly formed joint venture, which was incorporated as a limited liability company, Chong Qing Jun Zhou Zhi Ye Co. Ltd. (the "joint venture"), in China. The agreement stipulated that the Company would nominate two of the five members of the Board of Directors of the joint venture and had the ability to assign two members of management to the joint venture. The agreement also stipulated that the Company would receive a fee of RMB 10,000, or approximately $1,606 based on the exchange rate as of March 31, 2014 published by the Monetary Authority of Singapore, for the services rendered in connection with obtaining priority to bid in certain real estate projects from the local government. Upon signing of the agreement, JiaSheng paid the Company RMB 5,000 in cash, or approximately $803 based on the exchange rate published by the Monetary Authority of Singapore as of March 31, 2014. The remaining RMB 5,000, which was not recorded as a receivable as the Company considered the collectability uncertain, would be paid over 72 months commencing in 36 months from the date of the agreement when the joint venture secured a property development project stated inside the joint venture agreement. The Company considered the RMB 5,000, or approximately $803 based on the exchange rate as of March 31, 2014 published by the Monetary Authority of Singapore, received in cash from JiaSheng, the controlling venturer in the joint venture, as a partial return of the Company's initial investment of RMB 10,000, or approximately $1,606 based on the exchange rate as of March 31, 2014 published by the Monetary Authority of Singapore. Therefore, the RMB 5,000 received in cash was offset against the initial investment of RMB 10,000, resulting in a net investment of RMB 5,000 as of March 31, 2014. The Company further reduced its investments by RMB 137, or approximately $22, towards the losses from operations incurred by the joint-venture, resulting in a net investment of RMB 4,863, or approximately $781 based on exchange rates published by the Monetary Authority of Singapore as of March 31, 2014.

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“Investments” in the real estate segment were the cost of an investment in a joint venture in which we had a 10% interest. During the second quarter of fiscal year 2014, TTCQ disposed of its 10% interest in the joint venture. The joint venture had to raise funds for the development of the project. As a joint-venture partner, TTCQ was required to stand guarantee for the funds to be borrowed; considering the amount of borrowing, the risk involved was higher than the investment made and hence TTCQ decided to dispose of the 10% interest in the joint venture investment. On October 2, 2013, TTCQ entered into a share transfer agreement with Zhu Shu. Based on the agreement, the purchase price was to be paid by (1) RMB 10,000 worth of commercial property in Chongqing China, or approximately $1,634 based on exchange rates published by the Monetary Authority of Singapore as of October 2, 2013, by non-monetary consideration and (2) the remaining RMB 8,000, or approximately $1,307 based on exchange rates published by the Monetary Authority of Singapore as of October 2, 2013, by cash consideration. The consideration consists of (1) commercial units measuring 668 square meters to be delivered in June 2016 and (2) sixteen quarterly equal installments of RMB 500 per quarter commencing from January 2014. Based on ASC Topic 845 Non-monetary Consideration, the Company deferred the recognition of the gain on disposal of the 10% interest in joint venture investment until such time that the consideration is paid, so that the gain can be ascertained. The recorded value of the disposed investment amounting to $783, based on exchange rates published by the Monetary Authority of Singapore as of June 30, 2014, is classified as “other assets” under non-current assets, because it is considered a down payment for the purchase of the commercial property in Chongqing. The first three installment amounts of RMB 500 each due in January 2014, April 2014 and July 2014 were all outstanding until the date of disposal of the investment in the joint venture. Out of the outstanding RMB 8,000, TTCQ had received RMB 100 during May 2014. However, the transferee, Jun Zhou Zhi Ye, has not registered the share transfer (10% interest in the joint venture) with the relevant authorities in China as of the date of this report.

On October 14, 2014, TTCQ and Jun Zhou Zhi Ye entered into a memorandum of understanding. Based on the memorandum of understanding, both parties have agreed to register a sales and purchase agreement upon Jun Zhou Zhi Ye obtaining the license to sell the commercial property (the Singapore Themed Resort Project) located in Chongqing, China. The proposed agreement is for the sale of shop lots with a total area of 1,484.55 square meters as consideration for all the outstanding amounts owed to TTCQ by Jun Zhou Zhi Ye as follows:

a) Long term loan receivable RMB 5,000, or approximately $814, as disclosed in Note 4, plus the interest receivable on long term loan receivable of RMB 1,250;
b) Commercial units measuring 668 square meters, as mentioned above; and
c) RMB 5,900 for the part of the unrecognized cash consideration of RMB 8,000 relating to the disposal of the joint venture.

The shop lots are to be delivered to TTCQ upon completion of the construction of the shop lots in the Singapore Themed Resort Project, which is expected to be no later than December 31, 2016. However, should there be further delays in the project completion, based on the discussion with the developers it is estimated to be completed by June 30, 2017. The consideration does not include the remaining outstanding amount of RMB 2,000, or approximately $326, which will be paid in cash.

8. INVESTMENT PROPERTIES

The following table presents the Company’s investment in properties in China as of December 31, 2015. The exchange rate is based on the exchange rate as of December 31, 2015 published by the Monetary Authority of Singapore.

	Investment Date	Investment Amount (RMB)	Investment Amount (U.S. Dollars)

Purchase of Property I – MaoYe	Jan 04, 2008	5,554	894
Purchase of Property II – JiangHuai	Jan 06, 2010	3,600	580
Purchase of Property III – FuLi	Apr 08, 2010	4,025	648
Currency translation		-	(93)
Gross investment in rental properties		13,179	2,029
Accumulated depreciation on rental properties		(3,949)	(608)
Net investment in properties – China		9,230	1,421

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The following table presents the Company's investment properties in China as of June 30, 2015. The exchange rate is based on the exchange rate as of June 30, 2015 published by the Monetary Authority of Singapore.

	Investment Date	Investment Amount (RMB)	Investment Amount (U.S. Dollars)
Purchase of Property I – MaoYe	Jan 04, 2008	5,554	894
Purchase of Property II – JiangHuai	Jan 06, 2010	3,600	580
Purchase of Property III – FuLi	Apr 08, 2010	4,025	648
Currency translation		-	1
Gross investment in rental properties		13,179	2,123
Accumulated depreciation on rental properties		(3,619)	(583)
Net investment in properties – China		9,560	1,540

Rental Property I - MaoYe

In fiscal 2008, TTCQ purchased an office in Chongqing, China from MaoYe Property Ltd. ("MaoYe"), for a total cash purchase price of RMB 5,554, or approximately $894 based on the exchange rate as of December 31, 2015 published by the Monetary Authority of Singapore. TTCQ rented this property to a third party on July 13, 2008. The term of the rental agreement was five years. The rental agreement was renewed on July 16, 2014 for a further period of five years. The rental agreement provides for a rent increase of 8% every year after July 15, 2015. The renewed agreement expires on July 15, 2018; however, this rental agreement (1,104 square meters at a monthly rental of RMB 39 or approximately $6) was terminated on July 31, 2015. TTCQ identified a new tenant and signed a new rental agreement (653 square meters at a monthly rental of RMB 39, or approximately $6) on August 1, 2015. This rental agreement provides for a rent increase of 5% every year on January 31, commencing the year 2017 till the rental agreement expires on July 31, 2020. TTCQ signed a new rental agreement (451 square meters at a monthly rental of RMB 27, or approximately $4) on January 29, 2016. This rental agreement provides for a rent increase of 5% every year on January 29, commencing the year 2017 till the rental agreement expires on January 29, 2019.

Property purchased from MaoYe generated a rental income of $6 and $28 for the three and six months ended December 31, 2015, respectively, and $30 and $59 for the same periods in the last fiscal year, respectively.

Rental Property II - JiangHuai

In fiscal year 2010, TTCQ purchased eight units of commercial property in Chongqing, China from Chongqing JiangHuai Real Estate Development Co. Ltd. ("JiangHuai") for a total purchase price of RMB 3,600, or approximately $580 based on the exchange rate as of December 31, 2015 published by the Monetary Authority of Singapore. TTCQ rented all of these commercial units to a third party until the agreement expired in January 2012. TTCQ then rented three of the eight commercial units to another party during the fourth quarter of fiscal year 2013 under a rental agreement that expired on March 31, 2014. Currently all the units are vacant and TTCQ is working with the developer to find a suitable buyer to purchase all the commercial units. TTCQ has yet to receive the title deed for these properties; however TTCQ has the vacancies in possession with the exception of two units, which are in the process of clarification. TTCQ is in the legal process to obtain the title deed, which is dependent on JiangHuai completing the entire project. In September 2014, TTCQ performed a valuation on one of the commercial units and its market value was higher than the carrying amount. As of the date of this report, there was no other valuation performed.

Property purchased from JiangHuai did not generate any rental income during the three and six months ended December 31, 2015 and 2014.

Rental Properties III – FuLi

In fiscal 2010, TTCQ entered into a Memorandum Agreement with Chongqing FuLi Real Estate Development Co. Ltd. (“FuLi”) to purchase two commercial properties totaling 311.99 square meters (“office space”) located in Jiang Bei District Chongqing. Although TTCQ currently rents its office premises from a third party, it intends to use the office space as its office premises. The total purchase price committed and paid was RMB 4,025, or approximately $648 based on the exchange rate as of December 31, 2015 published by the Monetary Authority of Singapore. The development was completed and the property was handed over during April 2013 and the title deed was received during the third quarter of fiscal 2014.

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The two commercial properties were leased to third parties under two separate rental agreements, one of which expired in April 2014 and the other of which expired in August 2014.

For the unit for which the agreement expired in April 2014, a new tenant was identified and a new agreement was executed, which expires on April 30, 2017. The new agreement carries an increase in rent by 20% in the first year, as compared to the expired rental agreement. Thereafter the rent increases by approximately 8% for the subsequent years until April 2017.

For the unit for which the agreement expired in August 2014, a new tenant was identified and a rental agreement was executed, which agreement was to expire on August 9, 2016. The agreement carried an increase in rent of approximately 21% in the first year, as compared to the expired rental agreement. Thereafter the rent was to increase by approximately 6% for the subsequent year. The tenant of this unit had defaulted on payment of the quarterly rental due in August 2015, however the rental deposit is available to offset the outstanding rent. In early October 2015, TTCQ issued a legal letter to this tenant on the outstanding amounts to which the tenant has not responded. As of the date of this report, the August 2014 rental agreement (161 square meters at a monthly rental of RMB 16, and approximately $2) was terminated. A new rental agreement with a new tenant (161 square meters at a monthly rental of RMB 14, or approximately $2) was signed on October 21, 2015. This latest rental agreement provides for a rent increase of 6% after the first year, commencing from the year 2016 until the rental agreement expires on October 20, 2017.

Property purchased from FuLi generated a rental income of $12 and $22 for the three and six months ended December 31, 2015, respectively, while it generated a rental income of $14 and $28, respectively, for the same periods in the last fiscal year.

Penang Property I

During the fourth quarter of 2015, the operations in Malaysia planned to sell its factory building in Penang, Malaysia. In accordance to ASC Topic 360, the property was reclassified from investment property, which had a net book value of RM 371, or approximately $98, to assets held for sale since there was an intention to sell the factory building. In May 2015, TTM was approached by a potential buyer to purchase the factory building. On September 14, 2015, application to sell the property was rejected by PDC. The rejection was based on the business activity of the purchaser not suitable to the industry that is being promoted on the said property. However, management is still actively looking for a suitable buyer. As of December 31, 2015 the net book value was RM 369, or approximately $86.

Summary

Total rental income for all investment properties (Property I, II and III) in China was $18 and $50 for the three and six months ended December 31, 2015, respectively, and was $44 and $87, respectively, for the same periods in the last fiscal year.

Depreciation expenses for all investment properties in China were $26 and $52 for the three and six months ended December 31, 2015, respectively, and were $27 and $54, respectively, for the same periods in the last fiscal year.

9. OTHER ASSETS

Other assets consisted of the following:

	Dec. 31, 2015 (Unaudited)	June 30, 2015

Down-payment for purchase of investment properties	$ 1,572	$ 1,645
Down-payment for purchase of property, plant and equipment	34	31
Deposit for rental and utilities	131	147
Ending balance	$ 1,737	$ 1,823

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10. LINES OF CREDIT

Carrying value of the Company's lines of credit approximates its fair value because the interest rates associated with the lines of credit are adjustable in accordance with market situations when the Company borrowed funds with similar terms and remaining maturities.

The Company's credit rating provides it with readily and adequate access to funds in global markets. As of December 31, 2015, the Company had certain lines of credit that are collateralized by restricted deposits.

Entity with Facility	Type of Facility	Interest Rate	Expiration Date	Credit Limitation	Unused Credit
Trio-Tech International Pte. Ltd., Singapore	Lines of Credit	Ranging from 1.9% to 5.6%	-	$ 5,482	$ 4,010
Trio-Tech (Malaysia) Sdn. Bhd.	Lines of Credit	Ranging from 6.3% to 6.7%	-	$ 384	$ 384
Trio-Tech (Tianjin) Co., Ltd.	Lines of Credit	Ranging from 4.9% to 6.3%	-	$ 1,232	$ 1,232

The Company's credit rating provides it with readily and adequate access to funds in global markets. As of June 30, 2015, the Company had certain lines of credit that are collateralized by restricted deposits.

Entity with Facility	Type of Facility	Interest Rate	Expiration Date	Credit Limitation	Unused Credit
Trio-Tech International Pte. Ltd., Singapore	Lines of Credit	Ranging from 1.9% to 5.6%	-	$ 7,422	$ 6,161
Trio-Tech (Malaysia) Sdn. Bhd.	Lines of Credit	Ranging from 6.3% to 6.7%	-	$ 396	$ 79
Trio-Tech (Tianjin) Co., Ltd.	Lines of Credit	Ranging from 4.9% to 6.3%	-	$ 1,289	$ 1,289

On April 10, 2015, Trio-Tech Tianjin signed an agreement with a bank for an Accounts Receivable Financing facility for RMB 8,000, or approximately $1,289, wherein interest is charged at the bank's lending rate plus a floating interest rate. The effective interest rate is 130% of the bank's lending rate. The financing facility was set up to facilitate the growing testing operations in our Tianjin operations in China. The immediate holding company, Trio-Tech International Pte. Ltd., acted as the guarantor for this bank facility. The bank account for this facility was set up on August 24, 2015.

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11. ACCRUED EXPENSES

Accrued expenses consisted of the following:

	Dec.31, 2015 (Unaudited)	June 30, 2015
Payroll and related costs	$1,151	$1,513
Commissions	55	52
Customer deposits	29	41
Legal and audit	294	244
Sales tax	120	131
Utilities	107	129
Warranty	89	109
Accrued purchase of materials and property, plant and equipment	348	430
Provision for re-instatement of leasehold properties	410	422
Other accrued expenses	200	243
Currency translation effect	(156)	(230)
Total	$2,647	$3,084

12. WARRANTY ACCRUAL

The Company provides for the estimated costs that may be incurred under its warranty program at the time the sale is recorded. The warranty period for products manufactured by the Company is generally one year or the warranty period agreed with the customer. The Company estimates the warranty costs based on the historical rates of warranty returns. The Company periodically assesses the adequacy of its recorded warranty liability and adjusts the amounts as necessary.

	Dec. 31, 2015 (Unaudited)	June 30, 2015
Beginning	$ 103	$ 60
Additions charged to cost and expenses	25	114
Utilization/ reversal	(39)	(65)
Currency translation effect	(5)	(6)
Ending	$ 84	$ 103

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13. BANK LOANS PAYABLE

Bank loans payable consisted of the following:

	Dec. 31, 2015 (Unaudited)	June 30, 2015
Note payable denominated in RM to a commercial bank for expansion plans in Malaysia, maturing in August 2024, bearing interest at the bank's prime rate (7.4% at December 31, 2015 and June 30, 2015) per annum, with monthly payments of principal plus interest through August 2024, collateralized by the acquired building with a carrying value of $2,751.	$ 1,885	$ 2,218
Note payable denominated in U.S. dollars to a financial institution for working capital plans in Singapore and its subsidiaries, maturing in December 2015, bearing interest at the bank's prime rate plus 1.50% (4.1% to 6.9% at December 31, 2015 and June 30, 2015) with monthly payments of principal plus interest through April 2017. This note payable is secured by plant and equipment with a carrying value of $339.	226	326
Current portion	(319)	(346)
Long term portion of bank loans payable	$ 1,792	$ 2,198

Future minimum payments (excluding interest) as at December 31, 2015 were as follows:

2016	$ 319
2017	214
2018	165
2019	175
2020	184
Thereafter	1,054
Total obligations and commitments	$ 2,111

Future minimum payments (excluding interest) as at June 30, 2015 were as follows:

2016	$ 346
2017	322
2018	183
2019	193
2020	203
Thereafter	1,297
Total obligations and commitments	$ 2,544

14. COMMITMENTS AND CONTINGENCIES

Trio-Tech (Malaysia) Sdn. Bhd. has expansion plans to meet the growing demands of a major customer in Malaysia, as the existing facility is inadequate to meet the demands of that customer. The Company has capital commitments for the purchase of equipment and other related infrastructure costs amounting to RM 527, or approximately $123 based on the exchange rate as on December 31, 2015 published by the Monetary Authority of Singapore, in the

Malaysia operations.

Trio-Tech (Tianjin) Co. Ltd. in China has capital commitments for the purchase of equipment and other related infrastructure costs amounting to RMB 5,728, or approximately $882 based on the exchange rate as on December 31, 2015 published by the Monetary Authority of Singapore.

As of December 31, 2015, Trio-Tech International Pte. Ltd. in Singapore had no capital commitments for the purchase of equipment and other related infrastructure costs.

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The Company leases office space and equipment under non-cancelable capital and operating leases with various expiration dates. The lease term begins on the date of the initial possession of the leased property for the purposes of recognizing lease expense on a straight-line basis over the term of the lease. The Company does not assume renewals in the determination of the lease terms unless the renewals are deemed to be reasonably assured at lease inception.

The Company is, from time to time, the subject of litigation claims and assessments arising out of matters occurring in its normal business operations. In the opinion of management, resolution of these matters will not have a material adverse effect on the Company’s financial statements.

15. BUSINESS SEGMENTS

In fiscal year 2016, the Company operates in four segments; the testing service industry (which performs structural and electronic tests of semiconductor devices), the designing and manufacturing of equipment (which equipment tests the structural integrity of integrated circuits and other products), distribution of various products from other manufacturers in Singapore and Southeast Asia and the real estate segment in China.

The real estate segment recorded other income of $18 and $50, respectively, for the three and six months ended December 31, 2015 as compared to $16 and $68, respectively, for the same periods in the last fiscal year. Due to the short-term nature of the investments, the investments were classified as loan receivables based on ASC Topic 310-10-25 Receivables. Thus the investment income was classified under other income, which is not part of the below table.

The revenue allocated to individual countries was based on where the customers were located. The allocation of the cost of equipment, the current year investment in new equipment and depreciation expense have been made on the basis of the primary purpose for which the equipment was acquired.

All inter-segment revenue was from the manufacturing segment to the testing and distribution segments. Total inter-segment revenue was $29 and $144 for the three and six months ended December 31, 2015, respectively, as compared to $97 and $142, respectively, for the same periods in the last fiscal year. Corporate assets mainly consisted of cash and prepaid expenses. Corporate expenses mainly consisted of stock option expenses, salaries, insurance, professional expenses and directors' fees. Corporate expenses are allocated to the four segments. The following segment information table includes segment operating income or loss after including the corporate expenses allocated to the segments, which gets eliminated in the consolidation.

The following segment information is un-audited for the six months ended December 31:

Business Segment Information:

	Six months Ended Dec. 31,	Net Revenue	Operating Income / (Loss)	Total Assets	Depr. and Amort.	Capital Expenditures
Manufacturing	2015	$ 6,416	$ 371	$ 5,870	$ 107	$ 19
	2014	$ 6,395	$ (735)	$ 13,460	$ 70	$ 23
Testing Services	2015	7,484	360	20,285	777	295
	2014	9,691	1,274	14,896	1,065	870
Distribution	2015	2,334	70	803	-	-
	2014	817	-	678	-	6

Real Estate	2015		50		(70)		3,424		53		-
	2014		87		(91)		3,686		54		-
Fabrication *	2015		-		-		28		-		-
Services	2014		-		-		33		-		-
Corporate &	2015		-		(104)		80		-		-
Unallocated	2014		-		(134)		117		-		-
Total Company	2015	$	16,284	$	627	$	30,490	$	937	$	314
	2014	$	16,990	$	314	$	32,870	$	1,189	$	899

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The following segment information is un-audited for the three months ended December 31:

Business Segment Information:

	Three months Ended Dec. 31,	Net Revenue	Operating Income / (Loss)	Total Assets	Depr. and Amort.	Capital Expenditures
Manufacturing	2015	$ 3,276	$ 129	$ 5,870	$ 53	$ 2
	2014	$ 3,348	$ (117)	$ 13,460	$ 43	$ 6
Testing Services	2015	3,701	282	20,285	374	58
	2014	5,073	687	14,896	496	426
Distribution	2015	1,359	51	803	-	-
	2014	432	36	678	-	-
Real Estate	2015	18	(46)	3,424	26	-
	2014	44	(44)	3,686	27	-
Fabrication *	2015	-	-	28	-	-
Services	2014	-	-	33	-	-
Corporate &	2015	-	(88)	80	-	-
Unallocated	2014	-	(126)	117	-	-
Total Company	2015	$ 8,354	$ 328	$ 30,490	$ 453	$ 60
	2014	$ 8,897	$ 437	$ 32,870	$ 566	$ 432

* Fabrication services is a discontinued operation (Note 19).

16. OTHER INCOME, NET

Other income / (expenses) consisted of the following:

	Three Months Ended		Six Months Ended	
	Dec. 31, 2015 Unaudited	Dec. 31, 2014 Unaudited	Dec. 31, 2015 Unaudited	Dec. 31, 2014 Unaudited
Investment income deemed interest income	$ -	$ 16	$ -	$ 68
Allowance for doubtful loan receivables	-	(16)	-	(68)
Interest income				