

BONSO ELECTRONICS INTERNATIONAL INC
Form 6-K
March 29, 2019

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

Report of Foreign Issuer
Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For March 29, 2019

Commission File Number: 0-17601

BONSO ELECTRONICS INTERNATIONAL INC.
(Exact name of Registrant as specified in its charter)

British Virgin Islands
(Jurisdiction of incorporation or organization)

Unit 1404, 14/F, Cheuk Nang Centre,
9 Hillwood Road, Tsimshatsui
Kowloon, Hong Kong
(Address of principal executive offices)

Albert So, Chief Financial Officer and Secretary
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9 Hillwood Road, Tsimshatsui
Kowloon, Hong Kong
(Name, Telephone, email and/or fax number and address of Company Contact Person)

[Indicate by check mark whether the Registrant files or will file annual reports under cover of Form 20-F or Form 40-F.]

Form 20-F Form 40-F

[Indicate by check mark whether the Registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.]

Yes No

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Unaudited Consolidated Balance Sheets
(Expressed in United States Dollars)

| | March 31, 2018 \$ in thousands (Audited) | September 30, 2018 \$ in thousands (Unaudited) |
|--|--|---|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 8,751 | 8,400 |
| Trade receivables, net | 794 | 1,216 |
| Other receivables, deposits and prepayments | 745 | 474 |
| Inventories, net | 1,012 | 681 |
| Income tax recoverable | 5 | 0 |
| Financial instruments at fair value | 78 | 0 |
| Total current assets | 11,385 | 10,771 |
| Investment in life settlement contracts | 149 | 151 |
| Other intangible assets | 2,787 | 2,410 |
| Property, plant and equipment, net | 10,434 | 9,442 |
| Total assets | 24,755 | 22,774 |
| Liabilities and stockholders' equity | | |
| Current liabilities | | |
| Notes payable - secured | 99 | 130 |
| Bank loans - secured | 0 | 552 |
| Accounts payable | 924 | 582 |
| Accrued charges and deposits | 3,178 | 3,164 |
| Payable to affiliated party | 73 | 0 |
| Current portion of capital lease obligations | 28 | 28 |
| Loan from affiliated party - current portion | 67 | 0 |
| Total current liabilities | 4,369 | 4,456 |
| Capital lease obligations, net of current portion | 32 | 17 |
| Long-term deposit received | 738 | 738 |
| Long-term loan | 2,527 | 2,248 |
| Total liabilities | 7,666 | 7,459 |
| Stockholders' equity | | |
| Common stock par value \$0.003 per share | | |
| - authorized shares - 23,333,334 | | |
| - issued shares: Mar 31, 2018 - 5,543,639; Sep 30, 2018 - 5,543,639 | 17 | 17 |
| outstanding shares: Mar 31, 2018 - 4,795,622; Sep 30, 2018 - 4,712,300 | | |
| Additional paid-in capital | 22,474 | 22,474 |
| Treasury stock at cost: Mar 31, 2018 - 748,017; Sep 30, 2018 - 831,339 | (2,409) | (2,671) |
| Accumulated deficit | (6,029) | (6,117) |
| Accumulated other comprehensive income | 3,036 | 1,612 |

| | | |
|--|--------|--------|
| | 17,089 | 15,315 |
| Total liabilities and stockholders' equity | 24,755 | 22,774 |

Unaudited Consolidated Statements of Operations and Comprehensive Income
(Expressed in United States Dollars)

| | Six months ended September 30, 2017 \$ in thousands (unaudited) | Six months ended September 30, 2018 \$ in thousands (unaudited) |
|--|---|---|
| Net revenue | 7,210 | 5,631 |
| Cost of revenue | (4,481) | (3,602) |
| Gross profit | 2,729 | 2,029 |
| Selling, general and administrative expenses | (2,062) | (2,099) |
| Other income, net | 148 | 16 |
| Income / (loss) from operations | 815 | (54) |
| Non-operating (expenses) / income, net | (127) | (34) |
| Income / (loss) before income taxes | 688 | (88) |
| Income tax expense | 0 | 0 |
| Net income / (loss) | 688 | (88) |
| Other comprehensive loss, net of tax: | | |
| Foreign currency translation adjustments, net of tax | 455 | (1,424) |
| Comprehensive income | 1,143 | (1,512) |
| Earnings / (loss) per share | | |
| Weighted average number of shares outstanding | 4,967,713 | 4,715,384 |
| Diluted weighted average number of shares outstanding | 5,300,353 | 4,715,384 |
| Earnings per common share (in U.S.Dollars) | 0.14 | (0.02) |
| Earnings per common share (in U.S.Dollars) - assuming dilution | 0.13 | (0.02) |

Certain amounts in the statement of operations for the six-month period ended September 30, 2017 have been reclassified to conform to the presentation for the six-month period ended September 30, 2018.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

Bonso Electronics designs, develops, manufactures, assembles and markets a comprehensive line of electronic scales, weighing instruments, health care products and pet electronics products.

During the six-month period ended September 30, 2018, our net revenue decreased approximately \$1,579,000, or 21.9%, as compared to the six-month period ended September 30, 2017. The primary reason for the decrease in net revenue was the decreased overall demand for our products during the period. We recognized net loss of approximately \$88,000 for the six-month period ended September 30, 2018, as compared to net income of approximately \$688,000 during the six-month period ended September 30, 2017.

On March 29, 2019, the Company issued a press release disclosing its results of operations for the six-month period ended September 30, 2018. A copy of this press release is attached to this Form 6-K as exhibit 99.1.

Results of Operations

Six-Month Period Ended September 30, 2018 Compared to the Six-Month Period Ended September 30, 2017

Net Revenue. During the six-month period ended September 30, 2018, our net revenue decreased 21.9%, or approximately \$1,579,000, from approximately \$7,210,000 for the six-month period ended September 30, 2017 to approximately \$5,631,000. The decreased revenue were primarily the result of a decrease in overall demand for our products during the period.

Cost of Revenue. During the six-month period ended September 30, 2018, cost of revenue decreased to approximately \$3,602,000 from approximately \$4,481,000 during the six-month period ended September 30, 2017, a decrease of approximately \$879,000, or 19.6%. As a percentage of revenue, the cost of revenue increased from 62.1% to 64.0%. The increase was primarily the result of increased labor cost.

Gross Margin. As a result of the factors noted above, gross margin as a percentage of revenue decreased to 36.0% during the six-month period ended September 30, 2018 as compared to 37.9% during the same period in the prior year.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by 1.8%, or approximately \$37,000, from approximately \$2,062,000 for the six-month period ended September 30, 2017 to approximately \$2,099,000 for the six-month period ended September 30, 2018. The increase was primarily the result of increased selling expenses from trade exhibition costs during the six-month period ended September 30, 2018, compared to the same period in the prior year.

Other Income, Net. Other income, net decreased approximately \$132,000, or 89.2%, from approximately \$148,000 for the six-month period ended September 30, 2017 to approximately \$16,000 for the six-month period ended September 30, 2018. The decrease was a result of decreased gain from investment in marketable securities during the six-month period ended September 30, 2018.

Income / (Loss) From Operations. As a result of the above changes, loss from operations was approximately \$54,000 for the six-month period ended September 30, 2018, compared to an income from operations of approximately \$815,000 for the six-month period ended September 30, 2017, a decrease of approximately \$869,000.

Non-operating (Expenses) / Income, Net. Non-operating (expenses) / income, net decreased from a net loss of approximately \$127,000 for the six-month period ended September 30, 2017 to approximately \$34,000 for the six-month period ended September 30, 2018. The decrease in net loss was primarily the result of increased interest income from approximately \$15,000 during the six-month period ended September 30, 2017, to approximately \$128,000 during the six-month period ended September 30, 2018. The increase in interest income was the result of increased amounts on deposit with banks during the six-month period ended September 30, 2018.

Net Income / (Loss). As a result of the above changes, net income decreased from a net income of approximately \$688,000 for the six-month period ended September 30, 2017 to a net loss of approximately \$88,000 for the six-month period ended September 30, 2018, a decrease of approximately \$776,000.

Foreign Currency Translation Adjustments, Net of Tax. Foreign currency translation adjustments, net of tax decreased from a gain of approximately \$455,000 for the six-month period ended September 30, 2017 to a loss of approximately \$1,424,000 for the six-month period ended September 30, 2018, an decrease of approximately \$1,879,000. The loss was primarily attributable to the result of the revaluation of assets denominated in Chinese Yuan due to different CNY/USD exchange rates at the balance sheet dates of March 31, 2018 and September 30, 2018.

Comprehensive Income. As a result of the factors described above, comprehensive income decreased from an income of approximately \$1,143,000 for the six-month period ended September 30, 2017, to a loss of approximately \$1,512,000 for the six-month period ended September 30, 2018.

Liquidity and Capital Resources

We have financed our growth and cash needs to date primarily from internally generated funds and bank debt. We do not use off-balance sheet financing arrangements, such as securitization of receivables or obtaining access to assets through special purpose entities, as sources of liquidity. Our primary uses of cash have been to fund operations, expansions and upgrades of our manufacturing facilities.

As of September 30, 2018 we had approximately \$8,400,000 in cash and cash equivalents as compared to approximately \$8,751,000 as of March 31, 2018. At September 30, 2018 working capital was approximately \$6,315,000, compared to approximately \$7,016,000 at March 31, 2018. We believe that the decrease was the result of loss generated from operations, during the six-month period ended September 30, 2018.

We believe that our cash flows from operations, our current cash balance and funds available under our working capital and credit facilities will be sufficient to meet our working capital needs and planned capital expenditures for the next twelve months.

Stock Repurchase Program

On April 25, 2018, the Board of Directors approved the expenditure of an additional \$3,000,000 to repurchase shares of the Company's common stock, bringing the aggregate amount available for repurchases to \$6,000,000. The following table contains the Company's purchases of equity securities during the six-month period ended September 30, 2018.

Issuer Purchases of Equity Securities

| Period | (a) Total Number of Shares (or Units) Purchased | (b) Average Price Paid per Share (or Unit) | (c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs | (d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs |
|---|---|--|---|---|
| April 1, 2018 to April 30, 2018 | 77,931 | \$ 3.14 | 77,931 | \$ 3,254,202 |
| May 1, 2018 to May 31, 2018 | 2,800 | \$ 3.10 | 2,800 | \$ 3,245,522 |
| June 1, 2018 to June 30, 2018 | 2,591 | \$ 3.38 | 2,591 | \$ 3,236,776 |
| July 1, 2018 to July 31, 2018 | 0 | 0 | 0 | \$ 3,236,776 |
| August 1, 2018 to August 31, 2018 | 0 | 0 | 0 | \$ 3,236,776 |
| September 1, 2018 to September 30, 2018 | 0 | 0 | 0 | \$ 3,236,776 |
| TOTAL | 83,322 | \$ 3.15 | 83,322 | |

During the six-month period ended September 30, 2018, the Company has purchased 83,322 shares of its common stock under the share repurchase program. As of September 30, 2018, the Company (through its subsidiary) had repurchased an aggregate of 831,339 shares of its common stock. The Company may from time to time repurchase additional shares of its Common Stock under this program.

Exhibits

99.1 Press Release disclosing Results of Operations dated March 29, 2019.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BONSO ELECTRONICS
INTERNATIONAL, INC.
(Registrant)

Date: March 29, 2019 By: /s/ Albert So
Chief Financial Officer and Secretary