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

FORM 10-Q

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

For the Quarterly Period Ended December 31, 2019

OR

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

For the Transition Period from ___ to ___

Commission File Number 1-14523

TRIO-TECH INTERNATIONAL
(Exact name of Registrant as specified in its Charter)

California (State or other jurisdiction of incorporation or organization)	**95-2086631** (I.R.S. Employer Identification Number)
Block 1008 Toa Payoh North **Unit 03-09 Singapore** (Address of principal executive offices)	**318996** (Zip Code)

Registrant's Telephone Number, Including Area Code: **(65) 6265 3300**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange On which registered
Common Stock, no par value	TRT	NYSE American

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a nonaccelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer”, “smaller reporting company”, and "emerging growth company" in Rule 12b2 of the Exchange Act. (Check one):

Large Accelerated Filer	☐	Accelerated Filer	☐
Non-Accelerated Filer	☐	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of February 1, 2020, there were 3,673,055 shares of the issuer’s Common Stock, no par value, outstanding.

TRIO-TECH INTERNATIONAL

INDEX TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION, OTHER INFORMATION AND SIGNATURE

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 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; the trade tension between U.S. and China;public healthy issue related to the 2019 Novel Corona virus;and other economic, financial and regulatory factors beyond the Company's control. Other than statements of historical fact, all statements made in this Quarterly Report are forward-looking, including, but not limited to, statements regarding industry prospects, future results of operations or financial position, and statements of our intent, belief and current expectations about our strategic direction, prospective and future financial results and condition. In some cases, you can identify forward-looking statements by the use of terminology such as "may," "will," "expects," "plans," "anticipates," "estimates," "potential," "believes," "can impact," "continue," or the negative thereof or other comparable terminology. Forward-looking statements involve risks and uncertainties that are inherently difficult to predict, which could cause actual outcomes and results to differ materially from our expectations, forecasts and assumptions.

Unless otherwise required by law, we undertake no obligation to update forward-looking statements to reflect subsequent events, changed circumstances, or the occurrence of unanticipated events. You are cautioned not to place undue reliance on such forward-looking statements.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

TRIO-TECH INTERNATIONAL AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (IN THOUSANDS, EXCEPT NUMBER OF SHARES)

	December 31, 2019	June 30, 2019
ASSETS	(Unaudited)	
CURRENT ASSETS:		
Cash and cash equivalents	$ 4,743	$ 4,863
Short-term deposits	6,888	4,144
Trade accounts receivable, less allowance for doubtful accounts of $306 and $263, respectively	6,937	7,113
Other receivables	752	817
Inventories, less provision for obsolete inventory of $680 and $673, respectively	2,182	2,427
Prepaid expenses and other current assets	330	287
Assets held for sale	-	89
Total current assets	**21,832**	**19,740**
NON-CURRENT ASSETS:		
Deferred tax asset	421	390
Investment properties, net	734	782
Property, plant and equipment, net	11,651	12,159
Operating lease right-of-use assets	475	-
Other assets	1,626	1,750
Restricted term deposits	1,716	1,706
Total non-current assets	**16,623**	**16,787**
TOTAL ASSETS	**$ 38,455**	**$ 36,527**
LIABILITIES		
CURRENT LIABILITIES:		
Lines of credit	$ 810	$ 187
Accounts payable	3,565	3,272
Accrued expenses	3,176	3,486
Income taxes payable	395	417
Current portion of bank loans payable	422	488
Current portion of finance leases	286	283
Current portion of operating leases	343	-
Total current liabilities	**8,997**	**8,133**
NON-CURRENT LIABILITIES:		
Bank loans payable, net of current portion	2,127	2,292
Finance leases, net of current portion	570	442
Operating leases, net of current portion	134	-
Deferred tax liabilities	315	327
Income taxes payable	430	439
Other non-current liabilities	37	33
Total non-current liabilities	**3,613**	**3,533**
TOTAL LIABILITIES	**$ 12,610**	**$ 11,666**
EQUITY		
TRIO-TECH INTERNATIONAL'S SHAREHOLDERS' EQUITY:		
Common stock, no par value, 15,000,000 shares authorized; 3,673,055 shares issued outstanding as at December 31 and June 30, 2019, respectively	$ 11,424	$ 11,424
Paid-in capital	3,319	3,305
Accumulated retained earnings	7,769	7,070
Accumulated other comprehensive gain-translation adjustments	1,818	1,867
Total Trio-Tech International shareholders' equity	**24,330**	**23,666**
Non-controlling interest	1,515	1,195
TOTAL EQUITY	**$ 25,845**	**$ 24,861**
TOTAL LIABILITIES AND EQUITY	**$ 38,455**	**$ 36,527**

See notes to condensed consolidated financial statements.

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

	Three Months Ended		Six Months Ended	
	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
Revenue				
Manufacturing	$ 3,045	$ 3,352	$ 6,362	$ 6,989
Testing services	3,887	4,393	8,277	8,830
Distribution	2,014	1,916	4,113	3,860
Real Estate	16	29	33	56
	8,962	9,690	18,785	19,735
Cost of Sales				
Cost of manufactured products sold	2,383	2,646	4,938	5,503
Cost of testing services rendered	2,918	3,106	6,109	6,489
Cost of distribution	1,738	1,662	3,545	3,348
Cost of real estate	18	18	36	36
	7,057	7,432	14,628	15,376
Gross Margin	1,905	2,258	4,157	4,359
Operating Expenses:				
General and administrative	1,777	1,722	3,565	3,481
Selling	176	187	366	334
Research and development	125	122	201	194
Gain on disposal of property, plant and equipment	-	-	(24)	-
Total operating expenses	2,078	2,031	4,108	4,009
(Loss) / Income from Operations	**(173)**	**227**	**49**	**350**
Other Income / (Expenses)				
Interest expenses	(55)	(98)	(123)	(176)
Gain on sale of asset held for sale	1,172	-	1,172	-
Other income, net	40	49	150	92
Total other income / (expenses)	1,157	(49)	1,199	(84)
Income from Continuing Operations before Income Taxes	**984**	**178**	**1,248**	**266**
Income Tax (Expenses) / Benefits	**(120)**	**124**	**(120)**	**50**
Income from continuing operations before non-controlling interest, net of tax	864	302	1,128	316
Discontinued Operations				
Income / (Loss) from discontinued operations, net of tax	1	4	-	(4)
NET INCOME	**865**	**306**	**1,128**	**312**
Less: net income / (loss) attributable to non-controlling interest	439	(42)	429	(101)
Net Income Attributable to Trio-Tech International Common Shareholders	**$ 426**	**$ 348**	**$ 699**	**$ 413**
Amounts Attributable to Trio-Tech International Common Shareholders:				
Income from continuing operations, net of tax	425	346	699	415
Income / (Loss) from discontinued operations, net of tax	1	2	-	(2)
Net Income Attributable to Trio-Tech International Common Shareholders	**$ 426**	**$ 348**	**$ 699**	**$ 413**
Basic Earnings per Share:				
Basic per share from continuing operations attributable to Trio-Tech International	$ 0.12	$ 0.09	$ 0.19	$ 0.11
Basic earnings per share from discontinued operations attributable to Trio-Tech International	$ -	$ -	$ -	$ -
Basic Earnings per Share from Net Income Attributable to Trio-Tech International	**$ 0.12**	**$ 0.09**	**$ 0.19**	**$ 0.11**
Diluted Earnings per Share:				
Diluted earnings per share from continuing operations attributable to Trio-Tech International	$ 0.11	$ 0.09	$ 0.19	$ 0.11
Diluted earnings per share from discontinued operations attributable to Trio-Tech International	**$ -**	**$ -**	**$ -**	**$ -**
Diluted Earnings per Share from Net Income Attributable to Trio-Tech International	**$ 0.11**	**$ 0.09**	**$ 0.19**	**$ 0.11**
Weighted average number of common shares outstanding				
Basic	3,673	3,673	3,673	3,673

Dilutive effect of stock options	52	108	33	142
Number of shares used to compute earnings per share diluted	3,725	3,781	3,706	3,815

See notes to condensed consolidated financial statements.

TRIO-TECH INTERNATIONAL AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME / (LOSS)

	Three Months Ended		Six Months Ended	
Comprehensive Income Attributable to Trio-Tech International Common Shareholders:	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
Net income	$ 865	$ 306	$ 1,128	$ 312
Foreign currency translation, net of tax	525	(51)	(38)	(590)
Comprehensive Income / (Loss)	1,390	255	1,090	(278)
Less: comprehensive income / (loss) attributable to non-controlling interest	431	(57)	440	(192)
Comprehensive Income / (Loss) Attributable to Trio-Tech International Common Shareholders	$ 959	$ 312	$ 650	$ (86)

See notes to condensed consolidated financial statements.

TRIO-TECH INTERNATIONAL AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(IN THOUSANDS)

Six Months ended December 31, 2019

	Common Stock		Additional Paid-in	Accumulated Retained	Accumulated Other Comprehensive	Non-Controlling	
	Shares	Amount	Capital	Earnings	Income	Interest	Total
		$	$	$	$	$	$
Balance at June 30, 2019	3,673	11,424	3,305	7,070	1,867	1,195	24,861
Stock option expenses	-	-	14	-	-	-	14
Net income	-	-	-	699	-	429	1,128
Dividend declared by subsidiary	-	-	-	-	-	(120)	(120)
Exercise of stock option	-	-	-	-	-	-	-
Translation adjustment	-	-	-	-	(49)	11	(38)
Balance at Dec. 31, 2019	3,673	11,424	3,319	7,769	1,818	1,515	25,845

Six Months ended December 31, 2018

	Common Stock		Additional Paid-in	Accumulated Retained	Accumulated Other Comprehensive	Non-Controlling	
	Shares	Amount	Capital	Earnings	Income	Interest	Total
		$	$	$	$	$	$
Balance at June 30, 2018	3,553	11,023	3,249	5,525	2,182	1,522	23,501
Stock option expenses	-	-	9	-	-	-	9
Net income / (loss)	-	-	-	413	-	(101)	312
Dividend declared by subsidiary	-	-	-	-	-	(122)	(122)
Exercise of stock option	120	401	-	-	-	-	401
Translation adjustment	-	-	-	-	(499)	(91)	(590)
Balance at Dec. 31, 2018	3,673	11,424	3,258	5,938	1,683	1,208	23,511

See notes to condensed consolidated financial statements.

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

	Six Months Ended	
	Dec. 31, 2019 (Unaudited)	Dec. 31, 2018 (Unaudited)
Cash Flow from Operating Activities		
Net income	$ 1,128	$ 312
Adjustments to reconcile net income to net cash flow provided by operating activities		
Gain on sale of asset held for sale	(1,172)	-
Gain on sale of property, plant and equipment	(24)	-
Depreciation and amortization	1,576	1,145
Stock compensation	14	9
Reversal of provision for obsolete inventory	(5)	-
Reversal of income tax provision	-	(145)
Repayment of operating leases	(359)	-
Repayment of interest portion of finance leases (*Note 1b*)	(24)	(24)
Bad debt expenses (recovery)	45	(2)
Accrued interest expense, net accrued interest income	(20)	26
Warranty recovery, net	-	(22)
Deferred tax (provision) / benefit	(47)	29
Changes in operating assets and liabilities, net of acquisition effects		
Trade accounts receivable	132	753
Other receivables	65	(110)
Other assets	97	428
Inventories	247	294
Prepaid expenses and other current assets	(43)	(71)
Accounts payable and accrued expenses	(6)	(287)
Income taxes payable	(31)	(84)
Net Cash Provided by Operating Activities	**1,573**	**2,251**
Cash Flow from Investing Activities		
Proceeds from disposal of property, plant and equipment	39	3
Proceeds from sale of asset held for sale	1,261	-
Investments in unrestricted deposits	(2,672)	(1,461)
Addition to property, plant and equipment	(744)	(2,297)
Net Cash Used in Investing Activities	**(2,116)**	**(3,755)**
Cash Flow from Financing Activities		
Repayment on lines of credit	(729)	(5,908)
Repayment of bank loans	(245)	(265)
Repayment of principal portion of finance leases	(127)	(121)
Dividends paid on non-controlling interest	(120)	(122)
Proceeds from exercising stock options	-	401
Proceeds from lines of credit	1,337	5,962
Proceeds from bank loans	-	1,475
Proceeds from finance leases	279	
Net Cash Generated from Financing Activities	**395**	**1,422**
Effect of Changes in Exchange Rate	**38**	**(272)**
Net decrease in cash, cash equivalents, and restricted cash	**$ (110)**	**$ (354)**
Cash, cash equivalents, and restricted cash at beginning of period	**6,569**	**8,234**
Cash, cash equivalents, and restricted cash at end of period	**$ 6,459**	**$ 7,880**
Supplementary Information of Cash Flows		
Cash paid during the period for:		
Interest	124	150
Income taxes	$ 109	$ 104
Non-Cash Transactions		
Finance lease of property, plant and equipment	279	-
Reconciliation of Cash, cash equivalents, and restricted cash *(Note 1a)*		
Cash	**4,743**	**6,192**
Short-term deposits	**6,888**	**2,121**
Restricted term-deposits in non-current assets	**1,716**	**1,688**
Total Cash, cash equivalents, and restricted cash shown in statement of cash flows	**$ 13,347**	**$ 10,001**

See notes to condensed consolidated financial statements.

Note 1a-Amounts reflecting adoption of ASU 2016-18, Statement of Cash Flows, Restricted Cash (Topic 230) beginning in the first quarter of 2019.

Note 1b-Reclassification of repayment on interest portion of finance lease from financing activities to operating accordance ASC 842-20-45-5.

Amounts included in restricted deposits represent the amount of cash pledged to secure loans payable or trade financing granted by financial institutions and serve as collateral for public utility agreements such as electricity and water. Restricted deposits are classified as non-current assets, as they relate to long-term obligations and will become unrestricted only upon discharge of the obligations.

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 year 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 the second quarter of fiscal year 2020, TTI conducted business in four business segments: Manufacturing, Testing Services, Distribution and Real Estate. TTI has subsidiaries in the U.S., Singapore, Malaysia, Thailand, Indonesia and China 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. *	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. (100% owned by Trio-Tech Malaysia Sdn. Bhd.)	55%	Selangor, Malaysia
Prestal Enterprise Sdn. Bhd. (76% owned by Trio-Tech International Pte. Ltd.)	76%	Selangor, Malaysia
Trio-Tech (SIP) Co., Ltd. *	100%	Suzhou, 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 un-audited condensed consolidated financial statements have been prepared in accordance with United States 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 three and six months ended December 31, 2019 are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2020. 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, 2019.

Except as otherwise specifically noted in this form 10-Q, the Company's operating results are presented based on the translation of foreign currencies using the respective quarter's average exchange rate.

Certain reclassifications have been made to prior period amounts to conform to the current presentation.

Basis of Presentation and Summary of Significant Accounting Policies

Comparability

Effective on the first day of fiscal 2020, the company adopted Accounting Standards Update 2016-02, Leases (“ASC 842”). Prior periods were not retrospectively restated, and accordingly, the consolidated balance sheet as of June 30, 2019, and the condensed consolidated statements of operations for the six months ended December 31, 2018 were prepared using accounting standards that were different than those in effect for the six months ended December 31, 2019.

Leases-Company as Lessee

Accounting Standards Codification ("ASC") Topic 842 introduced new requirements to increase transparency and comparability among organizations for leasing transactions for both lessees and lessors. It requires a lessee to record a right-of-use asset and a lease liability for all leases with terms longer than 12 months. These leases will be either finance or operating, with classification affecting the pattern of expense recognition.

The standard provides an alternative modified retrospective transition method. Under this method, the cumulative effect adjustment to the opening balance of retained earnings is recognized on the date of adoption (July 1, 2019). The Company adopted ASC 842 as of July 1, 2019, and applied the alternative modified retrospective transition method requiring application of the new guidance to all leases existing at, or entered into on or after, the date of adoption, i.e. July 1, 2019.

The Company applies the guidance in ASC 842 to its individual leases of assets. When the Company receives substantially all of the economic benefits from and directs the use of specified property, plant and equipment, the transactions give rise to leases. The Company’s classes of assets include real estate leases.

Operating leases are included in operating lease right-of-use ("ROU") assets under the non-current asset portion of our consolidated balance sheets and under this current portion and non-current liabilities portion of our consolidated balance sheets. ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the related lease. Finance leases are included in property, plant and equipment under the non-current asset portion of our consolidated balance sheets and under the current portion and non-current liabilities portion of our consolidated balance sheets.

The Company has elected the practical expedient within ASC 842 to not separate lease and non-lease components within lease transactions for all classes of assets. Additionally, the Company has elected the short-term lease exception for all classes of assets, does not apply the recognition requirements for leases of 12 months or less, and recognizes lease payments for short-term leases as expense either straight-line over the lease term or as incurred depending on whether the lease payments are fixed or variable. These elections are applied consistently for all leases.

As part of applying the transition method, the Company has elected to apply the package of transition practical expedients within the new guidance. As required by the new standard, these expedients have been elected as a package and are consistently applied across the Company’s lease portfolio. Given this election, the Company need not reassess:

- whether any expired or existing contracts are or contain leases
- the lease classification for any expired or existing leases
- treatment of initial direct costs relating to any existing leases

When discount rates implicit in leases cannot be readily determined, the Company uses the applicable incremental borrowing rate at lease commencement to perform lease classification tests on lease components and to measure lease liabilities and ROU assets. The incremental borrowing rate used by the Company was based on baseline rates and adjusted by the credit spreads commensurate with the Company’s secured borrowing rate, over a similar term. At each reporting period when there is a new lease initiated, the rates established for that quarter will be used.

In applying the alternative modified retrospective transition method, the Company measured lease liabilities at the present value of the sum of remaining minimum rental payments (as defined under ASC Topic 840). The present value of lease liabilities has been measured using the Company’s incremental borrowing rates as of July 1, 2019 (the date of initial application). Additionally, ROU assets for these operating leases have been measured as the initial measurement of application lease liabilities adjusted for reinstatement liabilities.

The adoption of this new standard at July 1, 2019, and the application of the modified retrospective transition approach resulted in the following changes in the Company's financial report:

(1) assets increased by $828, primarily representing the recognition of ROU assets for operating leases
(2) liabilities increased by $828, primarily representing the recognition of lease liabilities for operating leases.

Leases- Company as Lessor

All of the leases under which the Company is the lessor will continue to be classified as operating leases under the new standard. The new standard did not have a material effect on our financial statements and will not have significant change in our leasing activities.

2. NEW ACCOUNTING PRONOUNCEMENTS

The amendments in ASU 2019-12 ASC Topic 740: *Income Taxes: Simplifying Accounting for Income Taxes* removes specific exceptions to the general principles in Topic 740 in Generally Accepted Accounting Principles (GAAP). The amendments eliminate the need for an organization to analyze whether the specific exceptions apply in a given period, improve financial statement preparers' application of income tax-related guidance and simplify GAAP. The amendments are effective for all entities for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. While early application is permitted, including adoption in an interim period, the Company has not elected to early adopt. The effectiveness 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 2018-18 ASC Topic 808: *Collaborative Arrangements: Clarifying the Interaction between Topic 808 and Topic 606* provide more comparability in the presentation of revenue for certain transactions between collaborative arrangement participants. The amendments allow organizations to only present units of account in collaborative arrangements that are within the scope of the revenue recognition standard together with revenue accounted for under the revenue recognition standard. The parts of the collaborative arrangement that are not in the scope of the revenue recognition standard are to be presented separately from revenue accounted for under the revenue recognition standard. The amendments are effective for all entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. While early application is permitted, including adoption in an interim period, the Company has not elected to early adopt. The effectiveness 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 2018-13 ASC Topic 820: *Fair Value Measurement: Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement* modify the disclosure requirements on fair value measurements based on the concepts in the Concepts Statement, including the consideration of costs and benefits. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty are to be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments are to be applied retrospectively to all periods presented upon their effective date. The amendments are effective for all entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. While early application is permitted, including adoption in an interim period, the Company has not elected to early adopt. The effectiveness 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 2017-04 ASC Topic 350 — '*Intangibles - Goodwill and Other* simplify the test for goodwill impairment. For public companies, these amendments are effective for annual periods beginning after December 15, 2019, including interim periods within those periods. While early application is permitted, including adoption in an interim period, the Company has not elected to early adopt. The effectiveness of this update is not expected to have a significant effect on the Company's presentation of consolidated financial position or results of operations.

In June 2016, FASB issued ASU 2016-13 ASC Topic 326: Financial Instruments — Credit losses ("ASC Topic 326") for the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. ASU 2019-10 defers the effective date of ASU 2016-13 as discussed below and it also distinguishes that smaller reporting companies as defined by the SECare considered for purposes of ASU No. 2016-13 only. In November 2018, the amendments in ASU 2018-19 ASC Topic 326: Codification Improvements was issued to clarify that receivables arising from operating leases are not within the scope of the credit losses standard, but rather, should be accounted for in accordance with the lease's standard. In May 2019, another ASU 2019-05 ASC Topic 326: Targeted Transition Relief was issued to provide an option to measure certain types of assets at fair value which allows companies to irrevocably elect, upon adoption of ASU 2016-13. In November 2019, ASU2019-11: Codification improvements was issue to clarify guidance around how to report expected recoveries and also reinforces existing guidance that prohibits organizations from recording negative allowances for available-for-sale debt securities. For public companies that are SEC filers and categorized under smaller reporting companies, ASC Topic 326 is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. While early application will be permitted for all organizations for fiscal years and interim periods after November 26, 2019 as long as an entity has adopted ASU 2016-13. The Company is currently evaluating the potential impact of this accounting standard update on its consolidated financial statements.

Other new pronouncements issued but not yet effective until after December 31, 2019 are not expected to have a significant effect on the Company's consolidated financial position or results of operations.

3. TERM DEPOSITS

	Dec. 31, 2019 (Unaudited)	June 30, 2019
Short-term deposits	$ 6,844	$ 4,143
Currency translation effect on short-term deposits	44	1
Total short-term deposits	**6,888**	4,144
Restricted term deposits	1,754	1,701
Currency translation effect on restricted term deposits	(38)	5
Total restricted term deposits	**1,716**	1,706
Total term deposits	**$ 8,604**	**$ 5,850**

Restricted deposits represent the amount of cash pledged to secure loans payable to financial institutions and serve as collateral for public utility agreements such as electricity and water and performance bonds related to customs duty payable. Restricted deposits are classified as non-current assets, as they relate to long-term obligations and will become unrestricted only upon discharge of the obligations. Short-term deposits represent bank deposits, which do not qualify as cash equivalents.

4. TRADE ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Accounts receivable are customer obligations due under normal trade terms. The Company performs continuing credit evaluations of its customers' financial conditions, and although management generally does not require collateral, letters of credit may be required from the customers in certain circumstances.

Senior management reviews accounts receivable on a periodic 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 reasonable 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, 2019, and June 30, 2019 was adequate.

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

	Dec. 31, 2019 (Unaudited)	June 30, 2019
Beginning	$ 263	$ 259
Additions charged to expenses	315	94
Recovered	(270)	(84)
Currency translation effect	(2)	(6)
Ending	**$ 306**	**$ 263**

5. LOANS RECEIVABLE FROM PROPERTY DEVELOPMENT PROJECTS

The following table presents Trio-Tech (Chongqing) Co. Ltd ("TTCQ")'s loan receivable from property development projects in China as of December 31, 2019. The exchange rate is based on the historical rate published by the Monetary Authority of Singapore as of March 31, 2015, since the net loan receivable was "nil" as of December 31, 2019.

	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 receivables 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 receivables from property development projects		-	-

The short-term loan receivables of Renminbi (“RMB”) 2,000, or approximately $325 based on the historical rate, arose from TTCQ entering into a 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 in fiscal 2011. Based on TTI’s financial policy, a provision for doubtful receivables of $325 on the investment in JiangHuai was recorded during fiscal 2014. TTCQ did not generate other income from JiangHuai for the quarter ended December 31, 2019 or for the fiscal year ended June 30, 2019. TTCQ is in the legal process of recovering the outstanding amount of $325.

The long-term loan receivable of RMB 5,000, or approximately $814 based on the historical rate, arose from TTCQ entering into a Memorandum Agreement with JiaSheng Property Development Co. Ltd. (“JiaSheng”) to invest in JiaSheng’s property development projects (Project B-48 Phase 2) located in Chongqing City, China in fiscal 2011. The loan receivable was unsecured and repayable at the end of the term. The book value of the loan receivable approximates its fair value. During 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 (See Note 9).

6. INVENTORIES

Inventories consisted of the following:

	Dec. 31, 2019 (Unaudited)	June 30, 2019
Raw materials	$ 1,326	$ 1,190
Work in progress	1,047	1,306
Finished goods	486	591
Currency translation effect	3	13
Less: provision for obsolete inventory	(680)	(673)
	$ 2,182	$ 2,427

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

	Dec. 31, 2019 (Unaudited)	June 30, 2019
Beginning	$ 673	$ 695
Additions charged to expenses	9	17
Usage – disposition	(4)	(42)
Currency translation effect	2	3
Ending	**$ 680**	$ 673

7. ASSETS HELD FOR SALE

Penang Property

During the fourth quarter of the fiscal year 2015, the operations in Malaysia planned to sell its factory building in Penang, Malaysia. In accordance with ASC Topic 360, during the fiscal year 2015, the property was reclassified from investment property, which had a net book value of RM 371, or approximately $98 (based on the exchange rate as of June 30, 2015 as published by the Monetary Authority of Singapore), to assets held for sale, since there was anintention to sell the factory building. In May 2015, Trio-Tech Malaysia was approached by a potential buyer to purchase the factory building. On September 14, 2015, the application to sell the property was rejected by Penang Development Corporation (PDC).The rejection was because the business activity of the purchaser was not suitable for the industry that is being promoted on said property. PDC made an offer to purchase the property, which was not at the expected value and the offer expired on March 28, 2016. No further conversations with PDC have occurred since March 2016. Management entered into a Sales and Purchase Agreement with a potential buyer in the fourth quarter of fiscal year 2019. During the second quarter of the fiscal year 2020, the Company had obtained approval of the sale from PDC and the local government. The sale of the property was completed at the end of the second quarter of the fiscal year 2020. The sale price was RM5,600, or $1,340. In connection with the sale of the property located in Malaysia, the Company also incurred the direct expenses of RM330, or $79 which including professional fees, commissions, other selling related expenses and consent fee from local government. These expenses were directly offset against the proceeds from selling the property as these expenses were deemed as a cost of sales. The Company recognized a net gain of RM4,901 or $1,172 in the second quarter of fiscal year 2020 excluding capital gain tax. The tax on the capital gain in Malaysia from the sale of the property was approximately $94 computed after the taxable gain was determined.

The following table presents the Company's assets held for sale in Malaysia as of December 31, 2019 and June 30, 2019.

			Dec. 31, 2019 (Unaudited)	June 30, 2019
	Reclassification Date / Sale Date	Investment Amount (RM)	Investment Amount (U.S. Dollars)	Investment Amount (U.S. Dollars)
Penang Property				
Reclassification from investment property	June 30, 2015	681	181*	181*
Currency translation		-	-	(15)
Derecognition	Dec 19,2019	(681)	(181)	-
		-	-	166
Accumulated depreciation on rental property	June 30, 2015	(310)	(83)*	(83)*
Currency translation		-	-	6
Derecognition	Dec 19,2019	310	(83)	-
		-	-	(77)
Net investment in rental property - Malaysia		-	-	89

*The exchange rate is based on the exchange rate as of June 30, 2015 published by the Monetary Authority of Singapore.

8. INVESTMENT PROPERTIES

The following table presents the Company's investment in properties in China as of December 31, 2019. The exchange rate is based on the market rate as of December 31, 2019.

	Investment Date / Reclassification Date	Investment Amount (RMB)	Investment Amount (U.S. Dollars)
Purchase of rental property – Property I – MaoYe Property	Jan 04, 2008	5,554	894
Currency translation		-	(87)
Reclassification as "Assets held for sale"	July 01, 2018	(5,554)	(807)
Reclassification from "Assets held for sale"	Mar 31, 2019	2,024	301
		2,024	301
Purchase of rental property – Property II - JiangHuai	Jan 06, 2010	3,600	580
Purchase of rental property – Property III - Fu Li	Apr 08, 2010	4,025	648
Currency translation		-	(148)
Gross investment in rental property		9,649	1,381
Accumulated depreciation on rental property	Dec 31, 2019	(6,317)	(914)
Reclassified as "Assets held for sale"-Mao Ye Property	July 01, 2018	2,822	410
Reclassification from "Assets held for sale"-Mao Ye Property	Mar 31, 2019	(1,029)	(143)
		(4,524)	**(647)**
Net investment in property – China		**5,125**	734

The following table presents the Company's investment in properties in China as of June 30, 2019. The exchange rate is based on the market rate as of June 30, 2019.

	Investment Date / Reclassification Date	Investment Amount (RMB)	Investment Amount (U.S. Dollars)
Purchase of rental property – Property I – MaoYe Property	Jan 04, 2008	5,554	894
Currency translation		-	(87)
Reclassification as "Assets held for sale"	July 01, 2018	(5,554)	(807)
Reclassification from "Assets held for sale"	Mar 31, 2019	2,024	301
		2,024	301
Purchase of rental property – Property II - JiangHuai	Jan 06, 2010	3,600	580
Purchase of rental property – Property III - Fu Li	Apr 08, 2010	4,025	648
Currency translation		-	(124)
Gross investment in rental property		9,649	1,405
Accumulated depreciation on rental property	June 30, 2019	(6,075)	(890)
Reclassified as "Assets held for sale"-Mao Ye Property	July 01, 2018	2,822	410
Reclassification from "Assets held for sale"-Mao Ye Property	Mar 31, 2019	(1,029)	(143)
		(4,282)	**(623)**
Net investment in property – China		**5,367**	782

Rental Property I - Mao Ye Property

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. TTCQ identified a new tenant and signed a new rental agreement (653 square meters at a monthly rent of RMB 39, or approximately $6) on August 1, 2015 which expires on July 31, 2020. On April 1, 2019, a supplementary agreement was signed to revise the monthly rent to RMB 20, or approximately $3 for 403 square meters for the remaining 2 unsold units. During the fiscal year 2019, the Company sold thirteen of the fifteen units constituting the Mao Ye Property. Management has decided not to sell the remaining two units of Mao Ye properties in near future, considering the market conditions in China.

Property purchased from MaoYe generated a rental income of $8 and $16 during the three and six months ended December 31, 2019, respectively as compared to $21 and $43 for the same period in last fiscal year.

Depreciation expense for Mao Ye was $4 and $8 for the three and six months ended December 31, 2019, respectively and $Nil for the same period in the last fiscal year.

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. Although these units were rented in the past, all eight units are currently 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. TTCQ is in the legal process to obtain the title deed, which is dependent on JiangHuai completing the entire project.

Property purchased from JiangHuai did not generate any rental income during the three and six months ended December 31, 2019 or during the same period in the prior fiscal year.

Depreciation expense for JiangHuai was $7 and $14 for the three and six months ended December 31, 2019 and $7 and $14 for the same period in the last fiscal year.

Rental Property 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. . The total purchase price committed and paid was RMB 4,025, or approximately $648. The development was completed and the property was handed over to TTCQ in April 2013 and the title deed was received during the third quarter of fiscal 2014.

The two commercial properties were leased to third parties under two separate rental agreements. One of such leases provides for a rent increase of 6% every year on May 1, commencing in 2019 until the rental agreement expired on April 30, 2021. For the other leased property (which lease expired on March 31, 2018), TTCQ signed on November 1, 2018 a rental agreement to rent out the 161 square meter space at a monthly rent of RMB 10, or approximately $2, which lease was to expire on October 31, 2019. In September 2019, TTCQ renewed the lease agreement at the same monthly rent of RMB 10 or approximately $2 for a period of one year from November 1,2019.

Properties purchased from Fu Li generated a rental income of $8 and $17 for the three and six months ended December 31, 2019, and $8 and $13 for the same period in the last fiscal year.

Depreciation expense for Fu Li was $6 and $12 for the three and six months ended December 31, 2019, respectively and $7 and $14 for the same period in the last fiscal year.

Summary

Total rental income for all investment properties in China was $16 and $33 for the three and six months ended December 31, 2019, respectively and $29 and $56 for the same period in the last fiscal year.

Depreciation expenses for all investment properties in China were $17 and $34 for the three and six months ended December 31, 2019, respectively and $14 and $28 for the same period in the last fiscal year.

9. OTHER ASSETS

Other assets consisted of the following:

	Dec. 31, 2019 (Unaudited)	June 30, 2019
Down payment for purchase of investment properties *	$ 1,645	$ 1,645
Down payment for purchase of property, plant and equipment	-	100
Deposits for rental and utilities	169	169
Currency translation effect	(188)	(164)
Total	**$ 1,626**	**$ 1,750**

* Down payment for purchase of investment properties included:

	RMB	US Dollars
Original investment (10% if Junzhou equity)	$ 10,000	$ 1,606
Less: Management Fee	(5,000)	(803)
Net Investment	5,000	803
Less: Share of loss on Joint Venture	(137)	(22)
Net Investment as down payment(Note *a)	**4,863**	**781**
Loans Receivable	5,000	814
Interest Receivable	1,250	200
Less:Impairment of Interest	(906)	(150)
Transferred to down payment(Note *b)	**5,344**	**864**
*** Down payment for purchase of investment properties**	**10,207**	**1,645**

a) On December 2, 2010, the Company signed a Joint Venture agreement (“agreement”) with Jia Sheng Property Development Co. Ltd. (“Developer”) to form a new company, Junzhou Co., Limited (“Joint Venture” or “Junzhou”) to joint develop the “Singapore Themed Park” project (the “project”), where the Company paid RMB10 million for the 10% investment in the joint venture. The Developer paid the Company a management fee of RMB 5 million in cash upon signing of the agreement with a remaining fee of RMB5 million payable upon fulfilment of certain conditions in accordance with the agreement. The Company further reduced its investment by RMB 137, or approximately $22, through the losses from operations incurred by the Joint Venture.

On October 2, 2013, the Company disposed of its entire 10% interest in the Joint Venture. The Company recognized that disposal based on the recorded net book value of RMB5 million or equivalent to US$803K, from net considerations paid, in accordance with GAAP under ASC Topic 845 *Non-monetary Consideration*, and its presented under “Other Assets” as non-current assets to defer the recognition of the gain on the disposal of the 10% interest in joint venture investment until such time that the consideration is paid, so that the gain can be ascertained.

b) Amounts of RMB 5,000 or approximately $814 as disclosed in Note 5, plus the interest receivable on long term loan receivable of RMB 1,250 or approximately $200 and impairment on interest of RMB 906 or approximately $150.

The shop lots in the Singapore Themed Resort Project being developed by the Developer under the agreement are to be delivered to TTCQ upon completion thereof. The initial targeted date of completion was December 31, 2016. Based on discussion with the Developer, the completion date is currently estimated to be December 31, 2021. The delay was primarily due to the time needed by the developers to work with various parties to inject sufficient funds into this project. Based on the available information, management believes that the Developer is capable of working with new investors to complete certain phases of this project.

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, 2019, 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 1.83% to 5.5% and SIBOR rate +1.25%	-	$ 4,968	$ 4,472
Trio-Tech (Tianjin) Co., Ltd.	Lines of Credit	5.22% to 6.3%	-	$ 1,431	$ 1,431
Universal (Far East) Pte. Ltd	Lines of Credit	Ranging from 1.85% to 5.5%	-	$ 371	$ 57
Trio-Tech Malaysia Sdn. Bhd.	Revolving Credit	Cost of Funds Rate +2%	-	$ 365	$ 365

On November 18, 2019, Trio-Tech International Pte. Ltd. signed an agreement with JECC Leasing (Singapore) Pte. Ltd. for an Accounts Receivable Financing facility for SGD 1,000, or approximately $742 based on the market exchange rate. Interest is charged at LIBOR rate +1.3% for USD financing and SIBOR rate +1.25% for SGD financing. The financing facility was set up to facilitate the working capital needs for our operations in Singapore. The Company started to use this facility in the second quarter of the fiscal year 2020.

As of June 30, 2019, 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 1.85% to 5.5%	-	$ 4,213	$ 4,213
Trio-Tech (Tianjin) Co., Ltd.	Lines of Credit	5.22% to 6.3%	-	$ 1,492	$ 1,492
Universal (Far East) Pte. Ltd	Lines of Credit	Ranging from 1.85% to 5.5%	-	$ 370	$ 183
Trio-Tech Malaysia Sdn. Bhd.	Revolving Credit	Cost of Funds Rate +2%	-	$ 363	$ 363

11. ACCRUED EXPENSES

Accrued expenses consisted of the following:

	Dec 31, 2019 (Unaudited)	June 30, 2019
Payroll and related costs	$ 1,138	$ 1,354
Commissions	73	107
Customer deposits	42	46
Legal and audit	334	299
Sales tax	10	9
Utilities	106	120
Warranty	39	39
Accrued purchase of materials and property, plant and equipment	230	362
Provision for re-instatement	300	302
Deferred income	95	61
Contract liabilities	733	501
Other accrued expenses	81	293
Currency translation effect	(5)	(7)
Total	**$ 3,176**	**$ 3,486**

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 of the 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, 2019 (Unaudited)	June 30, 2019
Beginning	$ 39	$ 82
Additions charged to cost and expenses	1	15
Reversal	(1)	(58)
Currency translation effect	-	-
Ending	**$ 39**	**$ 39**

13. BANK LOANS PAYABLE

Bank loans payable consisted of the following:

	Dec. 31, 2019 (Unaudited)	June 30, 2019
Note payable denominated in RM for expansion plans in Malaysia, maturing in August 2028, bearing interest at the bank's prime rate less 2.00% (4.85% and 5.00% at December 31, 2019 and June 30, 2019, respectively) per annum, with monthly payments of principal plus interest through August 2028, collateralized by the acquired building with a carrying value of $2,677 and $2,683, as at December 31, 2019 and June 30, 2019, respectively.	2,483	2,638
Note payable denominated in U.S. dollars for expansion plans in Singapore and its subsidiaries, maturing in June 2020, bearing interest at the bank's lending rate (3.96% for December 31, 2019 and June 30, 2019) with monthly payments of principal plus interest through June 2020. This note payable is secured by plant and equipment with a carrying value of $128 and $148, as at December 31, 2019 and June 30, 2019, respectively.	66	142
Total bank loans payable	**$ 2,549**	**$ 2,780**
Current portion of bank loan payable	419	494
Currency translation effect on current portion of bank loan	3	(6)
Current portion of bank loan payable	**422**	**488**
Long term portion of bank loan payable	2,116	2,344
Currency translation effect on long-term portion of bank loan	11	(52)
Long term portion of bank loans payable	**$ 2,127**	**$ 2,292**

Future minimum payments (excluding interest) as at December 31, 2019 were as follows:

Remainder of fiscal 2020	$ 304
2021	368
2022	386
2023	405
2024	413
Thereafter	673
Total obligations and commitments	**$ 2,549**

Future minimum payments (excluding interest) as at June 30, 2019 were as follows:

2020	$ 488
2021	362
2022	380
2023	399
2024	407
Thereafter	744
Total obligations and commitments	**$ 2,780**

14. COMMITMENTS AND CONTINGENCIES

Trio-Tech (Malaysia) Sdn. Bhd. has capital commitments for the purchase of equipment and other related infrastructure costs amounting to RM 18, or approximately $4, as at December 31, 2019, as compared to the capital commitments as at June 30, 2019 amounting to RM 18, or approximately $4.

Trio-Tech (Tianjin) Co. Ltd. in China has capital commitments for the purchase of equipment and other related infrastructure costs amounting to RMB 87, or approximately $12, as at December 31, 2019, as compared to the capital commitments as at June 30, 2019 amounting to RMB 397, or approximately $58.

Trio-Tech (SIP) Co., Ltd. in China has capital commitments for the purchase of equipment and other related infrastructure costs amounting to RMB 117, or approximately $17, as at December 31, 2019, as compared to the capital commitments as at June 30, 2019 of RMB Nil.

Deposits with banks in China are not insured by the local government or agency, and are consequently exposed to risk of loss. The Company believes the probability of a bank failure, causing loss to the Company, is remote.

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

The Company generates revenue primarily from three different segments: Manufacturing, Testing and Distribution. The Company accounts for a contract with a customer when there is approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable. The Company's revenues are measured based on consideration stipulated in the arrangement with each customer, net of any sales incentives and amounts collected on behalf of third parties, such as sales taxes. The revenues are recognized as separate performance obligations that are satisfied by transferring control of the product or service to the customer.

In fiscal year 2020, the Company operated 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 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.

Significant Judgments

The Company's arrangements with its customers include various combinations of products and services, which are generally capable of being distinct and accounted for as separate performance obligations. A product or service is considered distinct if it is separately identifiable from other deliverables in the arrangement and if a customer can benefit from it on its own or with other resources that are readily available to the customer.

The Company allocates the transaction price to each performance obligation on a relative standalone selling price basis ("SSP"). Determining the SSP for each distinct performance obligation and allocation of consideration from an arrangement to the individual performance obligations and the appropriate timing of revenue recognition are significant judgments with respect to these arrangements. The Company typically establishes the SSP based on observable prices of products or services sold separately in comparable circumstances to similar clients. The Company may estimate SSP by considering internal costs, profit objectives and pricing practices in certain circumstances.

Warranties, discounts and allowances are estimated using historical and recent data trends. The Company includes estimates in the transaction price only to the extent that a significant reversal of revenue is not probable in subsequent periods. The Company's products and services are generally not sold with a right of return, nor has the Company experienced significant returns from or refunds to its customers.

Manufacturing

The Company primarily derives revenue from the sale of both front-end and back-end semiconductor test equipment and related peripherals, maintenance and support of all these products, installation and training services and the sale of spare parts. The Company’s revenues are measured based on consideration stipulated in the arrangement with each customer, net of any sales incentives and amounts collected on behalf of third parties, such as sales taxes.

The Company recognizes revenue at a point in time when the Company has satisfied its performance obligation by transferring control of the product to the customer. The Company uses judgment to evaluate whether the control has transferred by considering several indicators, including:

- whether the Company has a present right to payment;
- the customer has legal title;
- the customer has physical possession;
- the customer has significant risk and rewards of ownership; and
- the customer has accepted the product, or whether customer acceptance is considered a formality based on history of acceptance of similar products (for example, when the customer has previously accepted the same equipment, with the same specifications, and when we can objectively demonstrate that the tool meets all of the required acceptance criteria, and when the installation of the system is deemed perfunctory).

Not all of the indicators need to be met for the Company to conclude that control has transferred to the customer. In circumstances in which revenue is recognized prior to the product acceptance, the portion of revenue associated with its performance obligations of product installation and training services are deferred and recognized upon acceptance.

The majority of sales under the Manufacturing segment include a standard 12-month warranty. The Company has concluded that the warranty provided for standard products are assurance type warranties and are not separate performance obligations. Warranty provided for customized products are service warranties and are separate performance obligations. Transaction prices are allocated to this performance obligation using cost plus method. The portion of revenue associated with warranty service is deferred and recognized as revenue over the warranty period, as the customer simultaneously receives and consumes the benefits of warranty services provided by the Company.

Testing

The Company rendered testing services to manufacturers and purchasers of semiconductors and other entities who either lack testing capabilities or whose in-house screening facilities are insufficient. The Company primarily derives testing revenue from burn-in services, manpower supply and other associated services. SSP is directly observable from the sales orders. Revenue is allocated to performance obligations satisfied at a point in time depending upon terms of the sales order. Generally, there is no other performance obligation other than what has been stated inside the sales order for each of these sales.

Terms of contract that may indicate potential variable consideration included warranty, late delivery penalty and reimbursement to solve non-conformance issues for rejected products. Based on historical and recent data trends, it is concluded that these terms of the contract do not represent potential variable consideration. The transaction price is not contingent on the occurrence of any future event.

Distribution

The Company distributes complementary products particularly equipment, industrial products and components by manufacturers mainly from the U.S., Europe, Taiwan and Japan. The Company recognizes revenue from product sales at a point in time when the Company has satisfied its performance obligation by transferring control of the product to the customer. The Company uses judgment to evaluate whether the control has transferred by considering several indicators discussed above. The Company recognizes the revenue at a point in time, generally upon shipment or delivery of the products to the customer or distributors, depending upon terms of the sales order.

All inter-segment revenue was from the manufacturing segment to the testing and distribution segments. Total inter-segment revenue was $36 for the three months ended December 31, 2019, as compared to $116 for the same period 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, 2019 and December 31, 2018:

Business Segment Information:

	Six Months Ended Dec. 31,	Net Revenue	Operating Income / (Loss)	Total Assets	Depr. and Amort.	Capital Expenditures
Manufacturing	2019	$ 6,362	(99)	10,542	196	35
	2018	$ 6,989	183	8,835	58	1
Testing Services	2019	8,277	(93)	23,314	1,344	709
	2018	8,830	(117)	23,750	1,059	2,296
Distribution	2019	4,113	392	802	2	-
	2018	3,860	342	759	-	-
Real Estate	2019	33	(52)	3,650	34	-
	2018	56	(17)	3,449	28	-
Fabrication Services *	2019	-	-	27	-	-
	2018	-	-	26	-	-
Corporate & Unallocated	2019	-	(99)	120	-	-
	2018	-	(41)	76	-	-
Total Company	2019	$ 18,785	49	38,455	1,576	744
	2018	$ 19,735	350	36,895	1,145	2,297

* Fabrication services is a discontinued operation.

The following segment information is un-audited for the three month periods referenced below:

Business Segment Information:

	Three Months Ended Dec. 31,	Net Revenue	Operating Income / (Loss)	Total Assets	Depr. and Amort.	Capital Expenditures
Manufacturing	2019	$ 3,045	(87)	10,542	110	16
	2018	$ 3,352	76	8,835	29	-
Testing Services	2019	3,887	(161)	23,314	663	189
	2018	4,393	21	23,750	547	1,083
Distribution	2019	2,014	188	802	1	-
	2018	1,916	170	759	-	-
Real Estate	2019	16	(35)	3,650	17	-
	2018	29	(5)	3,449	14	-
Fabrication Services *	2019	-	-	27	-	-
	2018	-	-	26	-	-
Corporate & Unallocated	2019	-	(78)	120	-	-
	2018	-	(35)	76	-	-
Total Company	2019	$ 8,962	(173)	38,455	791	205
	2018	$ 9,690	227	36,895	590	1,083

* Fabrication services is a discontinued operation.

16. OTHER INCOME

Other income consisted of the following:

	Three Months Ended		Six Months Ended	
	Dec. 31, 2019 Unaudited	Dec. 31, 2018 Unaudited	Dec. 31, 2019 Unaudited	Dec. 31, 2018 Unaudited
Interest income	52	26	84	36
Other rental income	30	29	60	56
Exchange loss	(66)	(28)	(61)	(67)
Bad debt recovery	-	-	11	2
Other miscellaneous income	24	22	56	65
Total	**$ 40**	**$ 49**	**$ 150**	**$ 92**

17. INCOME TAX

The Company is subject to income taxes in the U.S. and numerous foreign jurisdictions. Significant judgment is required in determining the provision for income taxes and income tax assets and liabilities, including evaluating uncertainties in the application of accounting principles and complex tax laws. The statute of limitations, in general, is open for years 2014 to 2019 for tax authorities in those jurisdictions to audit or examine income tax returns. The Company is under annual review by the tax authorities of the respective jurisdiction to which the subsidiaries belong.

The Tax Cuts and Jobs Act (the “Tax Act”) was enacted on December 22, 2017, and reduces the U.S. federal corporate tax rate from 35% to 21%, eliminated corporate Alternative Minimum Tax, modified rules for expensing capital investment, and limited the deduction of interest expense for certain companies. The Act is a fundamental change to the taxation of multinational companies, including a shift from a system of worldwide taxation with some deferral elements to a territorial system, current taxation of certain foreign income, a minimum tax on low tax foreign earnings, and new measures to curtail base erosion and promote U.S. production.

Due to the enactment of Tax Act, the Company is subject to a tax on global intangible low-taxed income (“GILTI”). GILTI is a tax on foreign income in excess of a deemed return on tangible assets of foreign corporations. Companies subject to GILTI have the option to account for the GILTI tax as a period cost if and when incurred, or to recognize deferred taxes for temporary differences including outside basis differences expected to reverse as GILTI. The Company has elected to account for GILTI as a period cost, and therefore has included GILTI expense amounting to $35 for the three and six months ended December 31, 2019, respectively.

The Company's income tax expense was $120 for the three months ended December 31, 2019 as compared to the income tax benefit of $124 for the same period of last fiscal year. Our effective tax rate (“ETR”) from continuing operations was 12% and (69%) for the quarter ended December 31, 2019 and December 31, 2018 respectively. The following items caused the quarterly ETR is significantly different:

1). During the three months ended December 31, 2018 , the Company recording a tax reversal of $145 upon finalization of a one-time transition tax.

2). During the three months ended December 31, 2019, there was a capital gain tax of $94 arising from the sale of an asset held for sale.

The Company accrues penalties and interest related to unrecognized tax benefits when necessary as a component of penalties and interest expenses, respectively.
The Company had no unrecognized tax benefits or related accrued penalties or interest expenses at December 31, 2019.

In assessing the ability to realize the deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based on these criteria, management believes it is more likely than not the Company will not realize the benefits of the federal, state, and foreign deductible differences. Accordingly, a full valuation allowance has been established.

18. CONTRACT BALANCES

The timing of revenue recognition, billings and collections may result in billed accounts receivable, unbilled receivables (contract assets), and customer advances and deposits (contract liabilities). The Company's payment terms and conditions vary by contract type, although terms generally include a requirement of payment of 70% to 90% of total contract consideration within 30 to 60 days of shipment, with the remainder payable within 30 days of acceptance. In instances where the timing of revenue recognition differs from the timing of invoicing, the Company has determined that its contracts generally do not include a significant financing component.

Contract assets were recorded under other receivable while contract liabilities were recorded under accrued expenses in the balance sheet.

The following table is the reconciliation of contract balances.

	Dec. 31, 2019 (Unaudited)	Jun. 30, 2019
Trade Accounts Receivable	6,937	7,113
Accounts Payable	3,565	3,272
Contract Assets	431	419
Contract Liabilities	733	501

Remaining Performance Obligation

As at December 31, 2019, the Company had $900 of remaining performance obligations, which represents our obligation to deliver products and services. Given the profile of contract terms, approximately 53.3 percent of this amount is expected to be recognized as revenue over the next two years, remaining of the amount is expected to be recognized between three and five years.

Refer to note 15 "Business Segments" of the Notes to Condensed Consolidated Financial Statements for information related to revenue.

19. EARNINGS PER SHARE

The Company adopted ASC Topic 260, *Earnings Per Share.* Basic Earnings Per Share ("EPS") is 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 623,500 shares of Common Stock at exercise prices ranging from $2.69 to $5.98 per share were outstanding as of December 31, 2019. No outstanding options were excluded in the computation of diluted EPS for fiscal year 2020 since all options were dilutive.

Options to purchase 533,500 shares of Common Stock at exercise prices ranging from $2.69 to $5.98 per share were outstanding as of December 31, 2018. No outstanding options were excluded in the computation of diluted EPS for fiscal year 2019 since all options were dilutive.

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

	Three Months Ended		Six Months Ended	
	Dec. 31, 2019 (Unaudited)	Dec. 31, 2018 (Unaudited)	Dec. 31, 2019 (Unaudited)	Dec. 31, 2018 (Unaudited)
Income attributable to Trio-Tech International common shareholders from continuing operations, net of tax	$ 425	$ 346	$ 699	$ 415
Income / (loss) attributable to Trio-Tech International common shareholders from discontinued operations, net of tax	1	2	-	(2)
Net Income Attributable to Trio-Tech International Common Shareholders	**$ 426**	**$ 348**	**$ 699**	**$ 413**
Weighted average number of common shares outstanding - basic	3,673	3,673	3,673	3,673
Dilutive effect of stock options	52	108	33	142
Number of shares used to compute earnings per share - diluted	**3,725**	**3,781**	**3,706**	**3,815**
Basic earnings per share from continuing operations attributable to Trio-Tech International	$ 0.12	0.09	0.19	0.11
Basic earnings per share from discontinued operations attributable to Trio-Tech International	-	-	-	-
Basic earnings per share from net income attributable to Trio-Tech International	**$ 0.12**	**$ 0.09**	**$ 0.19**	**$ 0.11**
Diluted earnings per share from continuing operations attributable to Trio-Tech International	$ 0.11	0.09	0.19	0.11
Diluted earnings per share from discontinued operations attributable to Trio-Tech International	-	-	-	-
Diluted earnings per share from net income attributable to Trio-Tech International	**$ 0.11**	**$ 0.09**	**$ 0.19**	**$ 0.11**

20. STOCK OPTIONS

On September 24, 2007, the Company's Board of Directors unanimously adopted the 2007 Employee Stock Option Plan (the "2007 Employee Plan") and the 2007 Directors Equity Incentive Plan (the "2007 Directors Plan") each of which was approved by the shareholders on December 3, 2007. Each of those plans was amended during the term of such plan to increase the number of shares covered thereby. As of the last amendment thereof, the 2007 Employee Plan covered an aggregate of 600,000 shares of the Company's Common Stock and the 2007 Directors Plan covered an aggregate of 500,000 shares of the Company's Common Stock. Each of those plans terminated by its respective terms on September 24, 2017. These two plans were administered by the Board, which also established the terms of the awards.

On September 14, 2017, the Company's Board of Directors unanimously adopted the 2017 Employee Stock Option Plan (the "2017 Employee Plan") and the 2017 Directors Equity Incentive Plan (the "2017 Directors Plan") each of which was approved by the shareholders on December 4, 2017. Each of these plans is administered by the Board of Directors of the Company.

Assumptions

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

	Six Months Ended December 31,	
	2019	2018
Expected volatility	45.38%to 97.48%	47.29% to 104.94 %
Risk-free interest rate	0.30% to 2.35%	0.30% to 0.78 %
Expected life (years)	2.5 -3.25	2.50

The expected volatilities are based on the historical volatility of the Company's stock. Due to higher volatility, the observation is made on a daily basis for the three months ended December 31, 2019. The observation period covered is consistent with the expected life of options. The expected life of the options granted to employees has been determined utilizing the "simplified" method as prescribed by ASC Topic 718 *Stock Based Compensation*, which, among other provisions, allows companies without access to adequate historical data about employee exercise behavior to use a simplified approach for estimating the expected life of a "plain vanilla" option grant. The simplified rule for estimating the expected life of such an option is the average of the time to vesting and the full term of the option. The risk-free rate is consistent with the expected life of the stock options and is based on the United States Treasury yield curve in effect at the time of grant.

2017 Employee Stock Option Plan

The Company's 2017 Employee Plan permits the grant of stock options to its employees covering up to an aggregate of 300,000 shares of Common Stock. Under the 2017 Employee Plan, all options must be granted with an exercise price of not less than fair value as of the grant date and the options granted must 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 2017 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 on a straight-line basis for each separately vesting portion of the award. Certain option awards provide for accelerated vesting if there is a change in control (as defined in the 2017 Employee Plan).

During the second quarter of fiscal year 2020, the Company did not grant any options pursuant to the 2017 Employee Plan. There were no stock options exercised during the six-month period ended December 31, 2019. The Company recognized $14 stock-based compensation expenses during the six months ended December 31, 2019.

During the second quarter of fiscal year 2019, the Company did not grant any options pursuant to the 2017 Employee Plan. There were no stock options exercised during the six-month period ended December 31, 2018. The Company recognized $8 stock-based compensation expenses during the three months ended December 31, 2018.

As of December 31, 2019, there were vested stock options granted under the 2017 Employee Plan covering a total of 53,000 shares of Common Stock. The weighted-average exercise price was $4.88 and the weighted average remaining contractual term was 3.63 years.

As of December 31, 2018, there were vested stock options granted under the 2017 Employee Plan covering a total of 19,000 shares of Common Stock. The weighted-average exercise price was $5.51 and the weighted average remaining contractual term was 4.37 years.

A summary of option activities under the 2017 Employee Plan during the six months period ended December 31, 2019 is presented as follows:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at July 1, 2019	136,000	$ 4.53	4.28	$ -
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited or expired	-	-	-	-
Outstanding at December 31, 2019	136,000	$ 4.53	3.77	$ 46.44
Exercisable at December 31, 2019	53,000	$ 4.88	3.63	$ 12.57

A summary of the status of the Company's non-vested employee stock options granted under the 2017 Employee Plan during the six months ended December 31, 2019 is presented below:

	Options	Weighted Average Grant-Date Fair Value
Non-vested at July 1, 2019	87,000	$ 4.28
Granted	-	-
Vested	(4,000)	-
Forfeited	-	-
Non-vested at December 31, 2019	83,000	$ 4.30

A summary of option activities under the 2017 Employee Plan during the six months period ended December 31, 2018 is presented as follows:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at July 1, 2018	60,000	$ 5.98	4.73	$ -
Granted	16,000	3.75	4.93	-
Exercised	-	-	-	-
Forfeited or expired	-	-	-	-
Outstanding at December 31, 2018	76,000	$ 5.51	4.37	$ -
Exercisable at December 31, 2018	19,000	$ 5.51	4.37	$ -

A summary of the status of the Company's non-vested employee stock options granted under the 2017 Employee Plan during the six months ended December 31, 2018 is presented below:

	Options		Weighted Average Grant-Date Fair Value
Non-vested at July 1, 2018	45,000	$	5.98
Granted	16,000		3.75
Vested	(4,000)		(5.51)
Forfeited	-		-
Non-vested at December 31, 2018	57,000	$	5.51

2007 Employee Stock Option Plan

The 2007 Employee Plan terminated by its terms on September 24, 2017 and no further options may be granted thereunder. However, the options outstanding thereunder continue to remain outstanding and in effect in accordance with their terms. The 2007 Employee Plan permitted the issuance of options to employees.

As the 2007 Plan has terminated, the Company did not grant any options pursuant to the 2007 Employee Plan during the six months ended December 31, 2019 and December 31, 2018 respectively.

There were no options exercised during the six months ended December 31, 2019. There were 50,000 of options exercised during the six months ended December 31, 2018. The Company did not recognize any stock-based compensation expenses during the six months ended December 31, 2019. The Company recognized stock-based compensation expenses of $1 in the six months ended December 31, 2018 under the Employee Plan.

As of December 31, 2019, there were vested stock options granted under the 2007 Employee Plan covering a total of 68,125 shares of Common Stock. The weighted-average exercise price was $3.62 and the weighted average remaining contractual term was 1.64 years.

As of December 31, 2018, there were vested employee stock options covering a total of 48,750 shares of Common Stock. The weighted-average exercise price was $3.59 and the weighted average contractual term was 2.61 years.

A summary of option activities under the 2007 Employee Plan during the six months ended December 31, 2019 is presented as follows:

	Options		Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)		Aggregate Intrinsic Value
Outstanding at July 1, 2019	77,500	$	3.69	2.22	$	-
Granted	-		-	-		-
Exercised	-		-	-		-
Forfeited or expired	-		-	-		-
Outstanding at December 31, 2019	77,500		3.69	1.71		29.20
Exercisable at December 31, 2019	68,125	$	3.62	1.64	$	29.20

A summary of the status of the Company's non-vested employee stock options under the 2007 Employee Plan during the six months ended December 31, 2019 is presented below:

	Options	Weighted Average Grant-Date Fair Value
Non-vested at July 1, 2019	9,375	$ 4.14
Granted	-	-
Vested	-	-
Forfeited	-	-
Non-vested at December 31, 2019	9,375	$ 4.14

A summary of option activities under the 2007 Employee Plan during the six months ended December 31, 2018 is presented as follows:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at July 1, 2018	127,500	$ 3.52	2.10	$ 121
Granted	-	-	-	-
Exercised	(50,000)	3.25	-	-
Forfeited or expired	-	-	-	-
Outstanding at December 31, 2018	77,500	$ 3.68	2.71	$ -
Exercisable at December 31, 2018	48,750	$ 3.59	2.61	$ -

A summary of the status of the Company's non-vested employee stock options under the 2007 Employee Plan during the three months ended December 31, 2018 is presented below:

	Options	Weighted Average Grant-Date Fair Value
Non-vested at July 1, 2018	28,750	$ 3.83
Granted	-	-
Vested	-	-
Forfeited	-	-
Non-vested at December 31, 2018	28,750	$ 3.83

2017 Directors Equity Incentive Plan

The 2017 Directors Plan permits the grant of options covering up to an aggregate of 300,000 shares of Common Stock to its directors in the form of non-qualified options and restricted stock. The exercise price of the non-qualified options is 100% of the fair value of the underlying shares on the grant date. The options have five-year contractual terms and are exercisable immediately as of the grant date.

During the first two quarters of fiscal year 2020, the Company did not grant any options pursuant to the 2017 Directors Plan. There were no stock options exercised during the six months ended December 31, 2019. The Company did not recognize any stock-based compensation expenses during the six months ended December 31, 2019.

During the first two quarters of fiscal year 2019, the Company did not grant any options pursuant to the 2017 Directors Plan. There were no stock options exercised during the six months ended December 31, 2018. The Company did not recognize any stock-based compensation expenses during the six months ended December 31, 2018.

As all of the stock options granted under the 2017 Directors Plan vest immediately on the date of grant, there were no unvested stock options granted under the 2017 Directors Plan as of December 31, 2019.

As of December 31, 2019, there were vested stock options granted under the 2017 Directors Plan covering a total of 160,000 shares of Common Stock. The weighted-average exercise price was $4.63 and the weighted average remaining contractual term was 3.75 years.

As of December 31, 2018, there were vested stock options granted under the 2017 Directors Plan covering a total of 80,000 shares of Common Stock. The weighted-average exercise price was $5.98 and the weighted average remaining contractual term was 4.22 years.

A summary of option activities under the 2017 Directors Plan during the six months ended December 31, 2019 is presented as follows:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at July 1, 2019	160,000	$ 4.63	4.25	$ -
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited or expired	-	-	-	-
Outstanding at December 31, 2019	160,000	$ 4.63	3.75	$ 56.80
Exercisable at December 31, 2019	160,000	$ 4.63	3.75	$ 56.80

A summary of option activities under the 2017 Directors Plan during the six months ended December 31, 2018 is presented as follows:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at July 1, 2018	80,000	$ 5.98	4.73	$ -
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited or expired	-	-	-	-
Outstanding at December 31, 2018	80,000	$ 5.98	4.22	$ -
Exercisable at December 31, 2018	80,000	$ 5.98	4.22	$ -

2007 Directors Equity Incentive Plan

The 2007 Directors Plan terminated by its terms on September 24, 2017 and no further options may be granted thereunder. However, the options outstanding thereunder continue to remain outstanding and in effect in accordance with their terms. The 2007 Employee Plan permitted the issuance of options to employees.

As the 2007 Plan has terminated, the Company did not grant any options pursuant to the 2007 Employee Plan during the six months ended December 31, 2019 and December 31, 2018.

There were no stock options exercised during the six months ended December 31, 2019. The Company did not recognize any stock-based compensation expenses during the six months ended December 31, 2019.

There were no stock options exercised during the six months ended December 31, 2018. The Company did not recognize any stock-based compensation expenses during the six months ended December 31, 2018.

As of December 31, 2019, there were vested stock options granted under the 2007 Directors Plan covering a total of 250,000 shares of Common Stock. The weighted-average exercise price was $3.32 and the weighted average remaining contractual term was 1.33 years.

As of December 31, 2018, there were vested stock options granted under the 2007 Directors Plan covering a total of 300,000 shares of Common Stock. The weighted-average exercise price was $3.40 and the weighted average remaining contractual term was 2.08 years.

A summary of option activities under the 2007 Directors Plan during the six months ended December 31, 2019 is presented as follows:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at July 1, 2019	300,000	$ 3.40	1.58	$ 9
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited or expired	(50,000)	(3.81)	-	-
Outstanding at December 31, 2019	250,000	3.32	1.33	174.50
Exercisable at December 31, 2019	250,000	$ 3.32	1.33	$ 174.50

A summary of option activities under the 2007 Directors Plan during the six months ended December 31, 2018 is presented as follows:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at July 1, 2018	390,000	$ 3.41	2.05	$ 412
Granted	-	-	-	-
Exercised	(70,000)	3.39	-	-
Forfeited or expired	(20,000)	(3.62)	-	-
Outstanding at December 31, 2018	300,000	3.40	2.08	-
Exercisable at December 31, 2018	300,000	$ 3.40	2.08	-

21. LEASES

Company As Lessor

Operating leases under which the Company is the lessor arise from the leasing of the Company's commercial real estate investment property to third parties. Initial lease terms generally range from 12 to 60 months. Depreciation expense for assets subject to operating leases is taken into account primarily on the straight-line method over a period of twenty years in amounts necessary to reduce the carrying amount of the asset to its estimated residual value. Depreciation expenses relating to the property held as investments in operating leases were $17 and $34 for the three and six months ended December 31, 2019 and $14 and $28 for the same period in the last fiscal year.

Future minimum rental income in China to be received from fiscal year 2020 to fiscal year 2021 on non-cancellable operating leases is contractually due as follows as of December 31, 2019:

Remainder of fiscal 2020	$	34
2021	$	20
	$	**54**

Future minimum rental income in China to be received from fiscal year 2020 to fiscal year 2021 on non-cancellable operating leases is contractually due as follows as of June 30, 2019:

2020	$	72
2021	$	6
	$	**78**

Company As Lessee

The Company has operating leases for corporate offices and research and development facilities with remaining lease terms of 1 year to 3 years and finance leases for plant and equipment.

Supplemental balance sheet information related to leases is as follows (in thousands):

Components of Lease Balances	**Classification**		Dec. 31, 2019 (Unaudited)
Assets			
Operating Lease Assets	Right-of-use asset-operating, net	**$**	**475**
Finance Lease Assets	Property, plant & equipment		1,998
Accumulated Amortization ROU			751
Assets	Property, plant & equipment	**$**	**1,247**
Total leased assets		$	1,722
Liabilities			
Operating Lease Liabilities			
Current Portion	Current portion of lease liability-operating	$	343
Long-term portion	Lease liability- Operating, net of Current portion		134
Total operating lease liabilities		$	477
Finance Lease Liabilities			
Current portion of finance leases	Current portion of lease liability-finance	$	286
Net of current portion of finance leases	Lease liability- Finance, net of Current portion		570
Total finance lease liabilities		$	856
Total lease liabilities		$	1,333

	3 Months Ended	6 Months Ended
	Dec. 31, 2019	
Lease Cost		
Finance Lease Cost:		
Interest on Lease Liability	3	$ 24
Amortisation of Right-of-use Asset	69	136
Total Finance Lease Cost	72	150
Operating Lease Costs $	184	$ 359

Other information related to leases were as follows (in thousands except lease term and discount rate):

	Dec. 31, 2019 (Unaudited)
Cash Paid for amounts included in the measurement of lease liabilities	
Operating cash flows from finance leases	$ 24
Operating cash flows from operating leases	$ 359
Finance cash flows from finance leases	$ 127
Right-of-use assets obtained in exchange for new operating lease liabilities	
Weighted-average remaining lease term:	
Finance leases	3.67
Operating leases	0.97
Weighted-average Discount Rate:	
Finance leases	3.43%
Operating leases	3.25%

As of December 31, 2019, the maturities of the Company's operating and finance lease liabilities are as follow:

	Operating lease Liabilities	Finance Lease Liabilities
Fiscal Year		
Remainder of 2020	$ 309	$ 199
2021	155	276
2022	29	220
2023	-	139
2024	-	99
Thereafter		22
Total future minimum lease payments	$ 493	$ 955
Less: amount representing interest	(16)	(99)
Present value of net minimum lease payments	477	856
Presentation on statement of financial position		
Current	$ 343	$ 286
Non Current	$ 134	$ 570

As of Jun 30, 2019, future minimum lease payments under finance leases and non-cancelable operating leases were as follows:

	Operating lease Liabilities	Finance Lease Liabilities
Fiscal Year		
2020	$ 620	$ 283
2021	216	187
2022	47	143
2023	1	68
2024	-	44
Total future minimum lease payments	$ 884	$ 725

22. FAIR VALUE OF FINANCIAL INSTRUMENTS APPROXIMATE CARRYING VALUE

In accordance with ASC Topics 825 and 820, the following presents assets and liabilities measured and carried at fair value and classified by level of fair value measurement hierarchy:

There were no transfers between Levels 1 and 2 during the six months ended December 31, 2019 and 2018.

Term deposits (Level 2) – The carrying amount approximates fair value because of the short maturity of these instruments.

Restricted term deposits (Level 2) – The carrying amount approximates fair value because of the short maturity of these instruments.

Lines of credit (Level 3) – The carrying value of the lines of credit approximates fair value due to the short-term nature of the obligations.

Bank loans payable (Level 3) – The carrying value of the Company's bank loan payables approximates its fair value as the interest rates associated with long-term debt is adjustable in accordance with market situations when the Company borrowed funds with similar terms and remaining maturities.

23. SUBSEQUENT EVENTS

The Company's operations in Tianjin, China which is a significant operation to the Company, encountered numerous limitations due to the outbreak of the Novel Coronavirus in China, named Covid-19 during early 2020. The Chinese government had taken emergency measures to combat the spread of the virus, including an extension of the Lunar New Year holidays. Management is currently assessing the impact of the outbreak on the Tianjin, China operation, which is likely to be material. Nonetheless, Management continues to explore various options to minimize the financial impact.

Numerous variables and uncertainties related to this outbreak has restricted the ability of the Management to calculate the impact on the Tianjin operations in the third quarter of fiscal year 2020. It is expected that the extended Lunar New Year Holidays and the shortage of manpower due to travel restrictions will limit ability of the Company to generate the same level of revenue under normal circumstances.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

Overview

The following should be read in conjunction with the condensed consolidated financial statements and notes in Item I above and with the audited consolidated financial statements and notes, the information under the headings "Risk Factors" and "Management's discussion and analysis of financial condition and results of operations" in our Annual Report on Form 10-K for the fiscal year ended June 30, 2019.

Trio-Tech International ("TTI") was incorporated in 1958 under the laws of the State of California. As used herein, the term "Trio-Tech" or "Company" or "we" or "us" or "Registrant" includes Trio-Tech International and its subsidiaries unless the context otherwise indicates. Our mailing address and executive offices are located at Block 1008 Toa Payoh North, Unit 03-09 Singapore 318996, and our telephone number is (65) 6265 3300.

The Company primarily is a provider of reliability test equipment and services to the semiconductor industry. Our customers rely on us to verify that their semiconductor components meet or exceed the rigorous reliability standards demanded for aerospace, communications and other electronics products.

TTI generated approximately 99.8% of its revenue from its three core business segments in the test and measurement industry, i.e. manufacturing of test equipment, testing services and distribution of test equipment during the three months ended December 31, 2019. The Real Estate segment contributed only 0.2% to the total revenue and was immaterial to the overall business.

Manufacturing

TTI develops and manufactures an extensive range of test equipment used in the "front end" and the "back end" manufacturing processes of semiconductors. Our equipment includes leak detectors, autoclaves, centrifuges, burn-in systems and boards, HAST testers, temperature controlled chucks, wet benches and more.

Testing

TTI provides comprehensive electrical, environmental, and burn-in testing services to semiconductor manufacturers in our testing laboratories in Asia and the U.S. Our customers include both manufacturers and end-users of semiconductor and electronic components, who look to us when they do not want to establish their own facilities. The independent tests are performed to industry and customer specific standards.

Distribution

In addition to marketing our proprietary products, we distribute complementary products made by manufacturers mainly from the U.S., Europe, Taiwan and Japan. The products include environmental chambers, handlers, interface systems, vibration systems, shaker systems, solderability testers and other semiconductor equipment. Besides equipment, we also distribute a wide range of components such as connectors, sockets, LCD display panels and touch-screen panels. Furthermore, our range of products are mainly targeted for industrial products rather than consumer products whereby the life cycle of the industrial products can last from 3 years to 7 years.

Real Estate

Beginning in 2007, TTI has invested in real estate property in Chongqing, China, which has generated investment income from the rental revenue from real estate we purchased in Chongqing, China, and investment returns from deemed loan receivables, which are classified as other income. The rental income is generated from the rental properties in MaoYe and FuLi in Chongqing, China. In the second quarter of fiscal 2015, the investment in JiaSheng, which was deemed as loans receivable, was transferred to down payment for purchase of investment property in China.

Second Quarter Fiscal Year 2020 Highlights

- Total revenue decreased by $728 or 7.5%, to $8,962 in the second quarter of fiscal year 2020, compared to $9,690 for the same period in fiscal year 2019.
- Manufacturing segment revenue decreased by $307, or 9.2%, to $3,045 for the second quarter of fiscal year 2020, compared to $3,352 for the same period in fiscal year 2019.
- Testing segment revenue decreased by $506, or 11.5%, to $3,887 for the second quarter of fiscal year 2020, compared to $4,393 for the same period in fiscal year 2019.
- Distribution segment revenue increased by $98, or 5.1%, to $2,014 for the second quarter of fiscal year 2020, compared to $1,916 for the same period in fiscal year 2019.
- Real estate segment rental revenue decreased by $13 or 44.8% to $16 for the second quarter of fiscal year 2020 compared to $29 for the same period in fiscal year 2019.
- The overall gross profit margin decreased by 2.0% to 21.3% for the second quarter of fiscal year 2020, from 23.3% for the same period in fiscal year 2019.
- Loss from operations was $173 for the second quarter of fiscal year 2020, a decrease of $400, as compared to the income from operations of $227 for the same period in fiscal year 2019.
- General and administrative expenses increased by $55, or 3.2%, to $1,777 for the second quarter of fiscal year 2020, from $1,722 for the same period in fiscal year 2019.
- Selling expenses decreased by $11, or 5.9%, to $176 for the second quarter of fiscal year 2020, from $187 for the same period in fiscal year 2019.
- Other income decreased by $9 to $40 in the second quarter of fiscal year 2020 compared to $49 in the same period in fiscal year 2019.
- There was a gain of sale of asset held for sale amounted to $1,172 in the second quarter of fiscal year 2020.
- Income tax expense was $120 in the second quarter of fiscal year 2020, a change of $244 as compared to the income tax benefits of $124 in the same period in fiscal year 2019.
- During the second quarter of fiscal year 2020, income from continuing operations before non-controlling interest, net of tax was $864, as compared to $302 for the same period in fiscal year 2019.
- Net profit attributable to non-controlling interest for the second quarter of fiscal year 2020 was $439, an increase of $481, as compared to net loss attributable to non-controlling interest of $42 in the same period in fiscal year 2019.
- Basic Earnings per share for the second quarter of fiscal year 2020 were $0.12, as compared to earnings per share of $0.09 for the same period in fiscal year 2019.
- Dilutive Earnings per share for the second quarter of fiscal year 2020 were $0.11, as compared to earnings per share of $0.09 for the same period in fiscal year 2019.
- Total assets increased by $1,928, or 5.3% to $38,455 as of December 31, 2019 compared to $36,527 as of June 30, 2019.
- Total liabilities increased by $944, or 8.1% to $12,610 as of December 31, 2019 compared to $11,666 as of June 30, 2019.

Results of Operations and Business Outlook

The following table sets forth our revenue components for the three and six months ended December 31, 2019 and 2018, respectively.

Revenue Components	Three Months Ended		Six Months Ended	
	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
Manufacturing	34.0%	34.6%	33.9%	35.4%
Testing Services	43.4	45.3	44.1	44.7
Distribution	22.4	19.8	21.8	19.6
Real Estate	0.2	0.3	0.2	0.3
Total	100.0%	100.0%	100.0%	100.0%

Revenue for the three and six months ended December 31, 2019 was $8,962 and $18,785, respectively, a decrease of $728 and $950, respectively, when compared to the revenue for the same period of the prior fiscal year. As a percentage, revenue decreased by 7.5% and 4.8% for the three and six months ended December 31, 2019, respectively, when compared to revenue for the same period of the prior year.

For the three months ended December 31, 2019, the $728 decrease in overall revenue was primarily due to

- decrease in the manufacturing segment in the U.S. and Singapore operations; and
- decrease in the testing segment in the Malaysia and China operations

These decreases were partially offset by the

- an increase in the distribution segment in the Singapore operations; and
- an increase in the testing segment in the Singapore and Thailand operations

For the six months ended December 31, 2019, the $950 decrease in overall revenue was primarily due to

- decrease in the manufacturing segment in the Singapore operations; and
- decrease in the testing segment in the Malaysia and China operations

These decreases were partially offset by the

- an increase in the testing segment in the Singapore and Thailand operations; and
- an increase in the distribution segment in the Singapore and China operations

Total revenue into and within China, the Southeast Asia regions and other countries (except revenue into and within the United States) decreased by $629 (or 6.7%), to $8,831 and by $1,017 (or 5.3%) to $18,018 for the three and six months ended December 31, 2019 respectively, as compared with $9,460 and $19,035, respectively, for the same period of last fiscal year.

Total revenue into and within the U.S. was $131 and $767 for the three and six months ended December 31, 2019, respectively, a decrease of $99 and an increase of $67 from $230 and $700 for the same period of the prior year.

Revenue within our four current segments for the three and six months ended December 31, 2019 is discussed below.

Manufacturing Segment

Revenue in the manufacturing segment was 34.0% and 33.9% as a percentage of total revenue for the three and six months ended December 31, 2019, respectively, a decrease of 0.6% and 1.5% of total revenue, respectively, when compared to the same period of the last fiscal year. The absolute amount of revenue decreased by $307 to $3,045 from $3,352 and decreased by $627 to $6,362 from $6,989 for the three and six months ended December 31, 2019, respectively, compared to the same period of the last fiscal year.

Revenue in the manufacturing segment for the three months ended December 31, 2019 decreased primarily due to a decrease in orders by customers in the Singapore operations in the second quarter. The decrease was mainly due to our customers' capital purchases were being affected by the uncertainty associated with the trade disputes between the U.S. and China. In addition, the customers' requests to delay the delivery of the orders in the U.S. operation also contributed to the decrease.

Revenue in the manufacturing segment from one customer accounted for 39.7% and 39.0% of our total revenue in the manufacturing segment for the three and six months ended December 31, 2019 and 2018, respectively, and 39.5% and 39.4% of our total revenue in the manufacturing segment for the six months ended December 31, 2019, and 2018, respectively.

The future revenue in our manufacturing segment will be affected by the purchase and capital expenditure plans of this one customer if the customer base cannot be increased.

Testing Services Segment

Revenue in the testing segment was 43.4% and 44.1% as a percentage of total revenue for the three and six months ended December 31, 2019, respectively, a decrease of 1.9% and 0.6% of the total revenue when compared to the same period of the last fiscal year. The absolute amount of revenue decreased by $506 to $3,887 from $4,393 and decreased by $553 to $8,277 from $8,830 for the three and six months ended December 31, 2019, respectively, as compared to the same period of the last fiscal year.

The revenue in the testing segment from the one customer noted above accounted for 61.6% and 73.3% of our revenue in the testing segment for the three months ended December 31, 2019 and 2018, respectively, and 64.1% and 74.6% of our total revenue in the testing segment for the six months ended December 31, 2019 and 2018, respectively. The future revenue in the testing segment will be affected by the demands of this customer if the customer base cannot be increased. Demand for testing services varies from country to country, depending on any changes taking place in the market and our customers' forecasts. As it is difficult to forecast fluctuations in the market accurately, management believes it is necessary to maintain testing facilities in close proximity to the customers in order to make it convenient for them to send us their newly manufactured parts for testing and to enable us to maintain a share of the market.

Distribution Segment

Revenue in the distribution segment was 22.4% and 21.8% as a percentage of total revenue for the three and six months ended December 31, 2019, an increase of 2.6% and 2.2%, respectively, when compared to the same period of the last fiscal year. The absolute amount of revenue increased by $98 to $2,014 from $1,916 and increased by $253 to $4,113 from $3,860 for the three and six months ended December 31, 2019, respectively, compared to the same period of the last fiscal year.

Demand for the distribution segment varies depending on the demand for our customers' products, the changes taking place in the market and our customers' forecasts. Hence it is difficult to forecast fluctuations in the market accurately.

Real Estate Segment

The real estate segment accounted for 0.2% of total revenue for the three and six months ended December 31, 2019, respectively. The absolute amount of revenue in the real estate segment decreased by $13 to $16 from $29 and decreased by $23 to $33 from $56 for the three and six months ended December 31, 2019, respectively, compared to the same periods of the last fiscal year. This was due to the sales of properties in the real estate segment in the China operation after the third quarter of the last fiscal year, which resulted in a decrease in rental income.

Uncertainties and Remedies

There are several influencing factors which create uncertainties when forecasting performance, such as the constantly changing nature of technology, specific requirements from the customer, decline in demand for certain types of burn-in devices or equipment, decline in demand for testing services and fabrication services, and other similar factors. One factor that influences uncertainty is the highly competitive nature of the semiconductor industry. Another is that some customers are unable to provide a forecast of the products required in the upcoming weeks; hence it is difficult to plan for the resources needed to meet these customers' requirements due to short lead time and last minute order confirmation. This will normally result in a lower margin for these products, as it is more expensive to purchase materials in a short time frame. However, the Company has taken certain actions and formulated certain plans to deal with and to help mitigate these unpredictable factors. For example, in order to meet manufacturing customers' demands upon short notice, the Company maintains higher inventories, but continues to work closely with its customers to avoid stock piling. We believe that we have improved customer service from staff through our efforts to keep our staff up to date on the newest technology and stressing the importance of understanding and meeting the stringent requirements of our customers. Finally, the Company is exploring new markets and products, looking for new customers, and upgrading and improving burn-in technology while at the same time searching for improved testing methods for higher technology chips.

We are in the process of implementing an Enterprise Resource Planning ("ERP") system, as part of a multi-year plan to integrate and upgrade our systems and processes. The implementation of this ERP system is scheduled to occur in phases over next few years, and began with the migration of certain of our operational and financial systems in our Singapore operations to the new ERP system during the second quarter of fiscal 2017.

During the third quarter of fiscal 2018, the operational and financial systems in Singapore were substantially transitioned to the new system. The operational and financial systems in our Malaysia operation were substantially transitioned to the new system during the first quarter of fiscal 2019.

This implementation effort will continue in fiscal 2020, when the operational and financial system in our Tianjin and Suzhou operations will be substantially transitioned to the new system.

As a phased implementation of this system occurs, we are experiencing certain changes to our processes and procedures which, in turn, result in changes to our internal control over financial reporting. While we expect the new ERP system to strengthen our internal financial controls by automating certain manual processes and standardizing business processes and reporting across our organization, management will continue to evaluate and monitor our internal controls as processes and procedures in each of the affected areas evolve.

The Company's primary exposure to movements in foreign currency exchange rates relates to non-U.S. dollar-denominated sales and operating expenses in its subsidiaries. Strengthening of the U.S. dollar relative to foreign currencies adversely affects the U.S. dollar value of the Company's foreign currency-denominated sales and earnings, and generally leads the Company to raise international pricing, potentially reducing demand for the Company's products. Margins on sales of the Company's products in foreign countries and on sales of products that include components obtained from foreign suppliers could be materially adversely affected by foreign currency exchange rate fluctuations. In some circumstances, for competitive or other reasons, the Company may decide not to raise local prices to fully offset the dollar's strengthening, or at all, which would adversely affect the U.S. dollar value of the Company's foreign currency-denominated sales and earnings. Conversely, a strengthening of foreign currencies relative to the U.S. dollar, while generally beneficial to the Company's foreign currency denominated sales and earnings could cause the Company to reduce international pricing, thereby limiting the benefit. Additionally, strengthening of foreign currencies may also increase the Company's cost of product components denominated in those currencies, thus adversely affecting gross margins.

Our operation in Tianjin, China, encountered numerous limitations due to the outbreak of the Novel Coronavirus, named Covid-19 in China during early 2020. The Chinese government had taken emergency measures to combat the spread of the virus, including an extension of the Lunar New Year holidays. Management is currently assessing the impact of the outbreak on our Tianjin, China operation, and exploring various options to minimize the financial impact.

Numerous variables and uncertainties related to this outbreak has restricted our ability to calculate the impact on the Tianjin operation in the third quarter of fiscal year 2020. We expect that the extended Lunar New Year Holidays and the shortage of manpower due to travel restriction will limit our ability to generate the same level of revenue under normal circumstances.

There are several influencing factors which create uncertainties when forecasting performance of our real estate segment, such as obtaining the rights by the joint venture to develop the real estate projects in China, inflation in China, currency fluctuations and devaluation, and changes in Chinese laws, regulations, or their interpretation.

Comparison of the Three Months Ended December 31, 2019 and December 31, 2018

The following table sets forth certain consolidated statements of income data as a percentage of revenue for the three months ended December 31, 2019 and 2018 respectively:

	Three Months Ended December 31,	
	2019	2018
Revenue	**100.0%**	**100.0%**
Cost of sales	78.7	76.7
Gross Margin	**21.3%**	**23.3%**
Operating expenses		
General and administrative	19.8%	17.8%
Selling	2.0	1.9
Research and development	1.4	1.3
Total operating expenses	23.2%	21.0%
(Loss)/Income from Operations	**(1.9)%**	**2.3%**

Overall Gross Margin

Overall gross margin as a percentage of revenue decreased by 2.0% to 21.3% for the three months ended December 31, 2019, from 23.3% for the same period of the last fiscal year.

Gross profit margin as a percentage of revenue in the manufacturing segment increased by 0.6% to 21.7% for the three months ended December 31, 2019, as compared to 21.1% for the same period in the last fiscal year. In absolute dollar amounts, gross profits in the manufacturing segment decreased by $44 to $662 for the three months ended December 31, 2019, from $706 for the same period in the last fiscal year.

Gross profit margin as a percentage of revenue in the testing segment decreased by 4.4% to 24.9% for the three months ended December 31, 2019, from 29.3% in the same period of the last fiscal year. The further deterioration of the testing revenue in Malaysia and China operations resulted in a decrease in gross profit margin in the testing segment where significant portions of the cost of goods sold are fixed in the testing segment. Thus, as the demand for services and factory utilization decreases, the fixed costs are spread over the decreased output, which decreases the gross profit margin. However, the negative impact was mitigated by the management's effort in cost-saving measure. In absolute dollar amounts, gross profit in the testing segment decreased by $318 to $969 for the three months ended December 31, 2019 from $1,287 for the same period of the last fiscal year.

Gross profit margin of the distribution segment is not only affected by the market price of the products we distribute, but also the mix of products we distribute, which frequently changes as a result of changes in market demand. Gross profit margin as a percentage of revenue in the distribution segment increased by 0.4% to 13.7% for the three months ended December 31, 2019, from 13.3% in the same period of the last fiscal year. In terms of absolute dollar amounts, gross profit in the distribution segment for the three months ended December 31, 2019 was $276 as compared to $254 in the same period of the last fiscal year.

In absolute dollar amounts, for the three months ended December 31, 2019, gross loss in the real estate segment was $2, as compared to the gross profit margin of $11 for the same period of last fiscal year. The increase in gross loss was mainly due to the sales of properties in the real estate segment after the third quarter of the last fiscal year, which resulted in a decrease in rental income.

Operating Expenses

Operating expenses for the three months ended December 31, 2019 and 2018 were as follows:

	Three Months Ended December 31,	
(Unaudited)	2019	2018
General and administrative	$ 1,777	$ 1,722
Selling	176	187
Research and development	125	122
Total	**$ 2,078**	**$ 2,031**

General and administrative expenses increased by $55, or 3.1%, from $1,722 to $1,777 for the three months ended December 31, 2019 compared to the same period of last fiscal year. The increase in general and administrative expenses was mainly attributable to the increase in payroll-related expenses and a provision of doubtful debt in the manufacturing segment of the Singapore operations.

Selling expenses decreased by $11, or 5.9%, from $187 to $176 for the three months ended December 31, 2019, compared to the same period of the last fiscal year. The decrease was mainly due to the lower of traveling and entertainment expenses incurred in the Singapore operations.

Loss/Income from Operations

Loss from operations was $173 for the three months ended December 31, 2019, a decrease of $400, as compared to income from operations of $227 for the three months ended December 31, 2018. The result was mainly due to the decrease in gross profit and the increase in operating expenses, as previously discussed.

Interest Expense

Interest expense for the three months ended December 31, 2019 and 2018 were as follows:

	Three Months Ended December 31,	
(Unaudited)	2019	2018
Interest expenses	**$ 55**	**$ 98**

Interest expense was $55 for the three months ended December 31, 2019, a decrease of $43, or 44% as compared to $98 for the three months ended December 31, 2018. The decrease was due to a decrease in the utilization of short-term loans in the Singapore and China operations. As of December 31, 2019, the Company had an unused line of credit of $6,325 as compared to $6,251 at June 30, 2019.

Other Income

Other income for the three months ended December 31, 2019 and 2018 were as follows:

	Three Months Ended December 31,	
	2019	2018
Interest income	52	26
Other rental income	30	29
Exchange loss	(66)	(28)
Other miscellaneous income	24	22
Total	**$ 40**	**$ 49**

Other income decreased by $9 to $40 for the three months ended December 31, 2019 from $49 as compared to the same period of last fiscal year. The decrease was primarily due to an increase in exchange loss, which was resulted by the unfavorable foreign exchange movement for the three months ended December 31, 2019 as compared to same period in the last fiscal year. The decrease was partially offset by the increase from interest income, which resulted from the increase of fixed deposit placement.

Income Tax Expenses/Benefits

The Company's income tax expense was $120 for the three months ended December 31, 2019, a change of $224 as compared to income tax benefit of $124 for the same period in the last fiscal year. The change was mainly due to the reversal of $145 from provision of income tax, which was arising from the One-Time Mandatory Repatriation Tax in last fiscal year. In addition, there was provision for GILTI of $35 and a capital gain tax of $94 incurred from the sale of asset held for sale in the Malaysia operation for the three months ended December 31, 2019.

Non-controlling Interest

As of December 31, 2019, we held a 55% interest in Trio-Tech (Malaysia) Sdn. Bhd., Trio-Tech (Kuala Lumpur) Sdn. Bhd., SHI International Pte. Ltd., and PT. SHI Indonesia. We also held a 76% interest in Prestal Enterprise Sdn. Bhd. The share of net income from the subsidiaries by the non-controlling interest for the three months ended December 31, 2019 was $439, an increase of $481 compared to the net loss of $42 for the same period of the previous fiscal year. The increase in the net income of the non-controlling interest in the subsidiaries was attributable to the increase in net income generated by the Malaysia operation from the sale of the asset held for sale.

Net Income

Net income for the three months ended December 31, 2019 was $426, an increase of $78, as compared to a net income of $348 for the same period last fiscal year.

Earnings per Share

Basic earnings per share from continuing operations were $0.12 for the three months ended December 31, 2019 as compared to $0.09 for the same period in the last fiscal year. Basic earnings per share from discontinued operations were Nil for both the three months ended December 31, 2019 and 2018.

Diluted earnings per share from continuing operations were $0.11 for the three months ended December 31, 2019 as compared to $0.09 for the same period in the last fiscal year. Diluted earnings per share from discontinued operations were $Nil for both the three months ended December 31, 2019 and 2018.

Segment Information

The revenue, gross margin and income or loss from operations for each segment during the second quarter of fiscal year 2020 and fiscal year 2019 are presented below. As the revenue and gross margin for each segment have been discussed in the previous section, only the comparison of income or loss from operations is discussed below.

Manufacturing Segment

The revenue, gross margin and (loss)/income from operations for the manufacturing segment for the three months ended December 31, 2019 and 2018 were as follows:

	Three Months Ended December 31,	
(Unaudited)	2019	2018
Revenue	$ 3,045	$ 3,352
Gross margin	21.7%	21.1%
(Loss)/Income from operations	$ (87)	$ 76

Loss from operations from the manufacturing segment was $87 as compared to income from operation of $76 in the same period of the last fiscal year, primarily due to a decrease in gross margin of $44 and an increase in operating expenses of $119. Operating expenses for the manufacturing segment were $749 and $630 for the three months ended December 31, 2019 and 2018, respectively. The increase in operating expenses was mainly due to an increase of $86 in general and administrative expenses and an increase of $27 in corporate overhead expenses. The increase in general and administrative expenses was mainly attributable to an increase in payroll-related expenses and a provision of doubtful debt in Singapore operations. The increase in corporate overhead expenses was due to a change in the corporate overhead allocation as compared to the same period last fiscal year. Corporate charges are allocated on a pre-determined fixed charge basis.

Testing Segment

The revenue, gross margin and (loss)/income from operations for the testing segment for the three months ended December 31, 2019 and 2018 were as follows:

	Three Months Ended December 31,	
(Unaudited)	2019	2018
Revenue	$ 3,887	$ 4,393
Gross margin	24.9%	29.3%
(Loss)/Income from operations	$ (161)	$ 21

Loss from operations in the testing segment for the three months ended December 31, 2019 was $161, reflecting a net decrease of $182 compared to income from operations of $21 in the same period of the last fiscal year. The decrease in operating income were mainly attributable to a decrease in gross profit margin, as discussed earlier. The decreases in the operating income were partially offset with a decrease in operating expenses. Operating expenses were $1,130 and $1,266 for the three months ended December 31, 2019 and 2018, respectively. The decrease of $136 in operating expenses was mainly due to a decrease in general and administrative expenses, which was mainly due to lower payroll-related expenses incurred in the Malaysia and China operations as part of the cost-saving measures, as discussed earlier.

Distribution Segment

The revenue, gross margin and income from operations for the distribution segment for the three months ended December 31, 2019 and 2018 were as follows:

	Three Months Ended December 31,	
(Unaudited)	2019	2018
Revenue	$ 2,014	$ 1,916
Gross margin	13.7%	13.3%
Income from operations	$ 188	$ 170

Income from operations in the distribution segment was $188, for the three months ended December 31, 2019, as compared to $170 for the same period of last fiscal year. The increase in income from operations of $18 was mainly due to an increase of $22 in the gross margin, as discussed earlier. Operating expenses were $88 and $84 for the three months ended December 31, 2019 and 2018, respectively.

Real Estate Segment

The revenue, gross margin and loss from operations for the real estate segment for the three months ended December 31, 2019 and 2018 were as follows:

	Three Months Ended December 31,	
(Unaudited)	2019	2018
Revenue	$ 16	$ 29
Gross (loss)/margin	(12.5)%	37.9%
Loss from operations	$ (35)	$ (5)

Loss from operations in the real estate segment for the three months ended December 31, 2019 was $35 compared to a loss $5 for the same period of last fiscal year. The increase in operations loss of $30 was mainly due to the decrease in gross margin of $13 and the increase in operating expenses by $17. Operating expenses were $33 and $16 for the three months ended December 31, 2019 and 2018, respectively. The increase in operating expenses was mainly due to one-off payroll-related expenses made during the three months ended December 31, 2019.

Corporate

The loss from operations for Corporate for the three months ended December 31, 2019 and 2018 was as follows:

	Three Months Ended December 31,	
(Unaudited)	2019	2018
Loss from operations	$ (78)	$ (35)

The increase in loss from operations of $43 was mainly due to a change in the corporate overhead allocation as compared to the same period last fiscal year. Corporate charges are allocated on a pre-determined fixed charge basis.

Comparison of the Six Months Ended December 31, 2019 and December 31, 2018

The following table sets forth certain consolidated statements of income data as a percentage of revenue for the six months ended December 31, 2019 and 2018, respectively:

	Six Months Ended	
	Dec. 31, 2019	Dec. 31, 2018
Revenue	**100.0%**	**100.0%**
Cost of sales	77.9	77.9
Gross Margin	**22.1%**	**22.1%**
Operating expenses:		
General and administrative	19.0%	17.6%
Selling	1.9	1.7
Research and development	1.0	1.0
Gain on disposal of plant and equipment	(0.1)	-
Total operating expenses	21.8%	20.3%
Income from Operations	**0.3%**	**1.8%**

Overall Gross Margin

Overall gross margin as a percentage of revenue remained consistent as 22.1% for the six months ended December 31, 2019, as compared to the same period of the last fiscal year. In terms of absolute dollar amounts, gross profits decreased by $202 to $4,157 for the six months ended December 31, 2019, from $4,359 for the same period of the last fiscal year.

Gross profit margin as a percentage of revenue in the manufacturing segment increased by 1.1% to 22.4% for the six months ended December 31, 2019, from 21.3% in the same period of the last fiscal year. In absolute dollar amounts, gross profit decreased by $62 to $1,424 for the six months ended December 31, 2019 as compared to $1,486 for the same period in last fiscal year. The decrease in absolute dollar amount of gross margin was primarily due to the decrease in orders in the Singapore operation. However, the orders in the second quarter of fiscal year had the higher margin as compared to the same period of the last fiscal year, which contributed to an increase in the gross margin as a percentage of revenue.

Gross profit margin as a percentage of revenue in the testing segment decreased by 0.3% to 26.2% for the six months ended December 31, 2019 from 26.5% in the same period of the last fiscal year. There was a further deterioration in testing revenue in Malaysia and Chinas operation where significant portions of our cost of goods sold are fixed. As the demand of services and factory utilization decrease, the fixed costs are spread over the decreased output, which decreases the gross profit margin. However, this negative impact was partially mitigated by the management's effort in reducing the cost in Malaysia and China operations. In terms of absolute dollar amounts, gross profit in the testing segment decreased by $173 to $2,168 for the six months ended December 31, 2019, from $2,341 for the same period of the last fiscal year.

Gross profit margin as a percentage of revenue in the distribution segment increased by 0.5% to 13.8% for the six months ended December 31, 2019, from 13.3% in the same period of the last fiscal year. In terms of absolute dollar amounts, gross profit in the distribution segment for the six months ended December 31, 2019 was $568, an increase of $56 as compared to $512 in the same period of the last fiscal year. The increase in absolute dollar amount of gross margin was due to the increase of distribution revenue in Singapore Operation. The gross profit margin of the distribution segment was not only affected by the market price of our products, but also our product mix, which changes frequently as a result of changes in market demand**.**

Gross loss margin as a percentage of revenue in the real estate segment increased by 44.8% to 9.1% for the six months ended December 31, 2019, from the gross profit margin of 35.7% in the same period of the last fiscal year. In terms of absolute dollar amounts, gross loss increased by $23 to $3 for the six months ended December 31, 2019 as compared to gross profit of $20 for the same period of the last fiscal year. The increase in gross loss was mainly due to the sales of properties in the real estate segment in the China operation after the third quarter of the last fiscal year, which resulted in a decrease in rental income.

Operating Expenses

Operating expenses for the six months ended December 31, 2019 and 2018 were as follows:

	Six Months Ended	
	Dec. 31, 2019	Dec. 31, 2018
(Unaudited)		
General and administrative	$ 3,565	$ 3,481
Selling	366	334
Research and development	201	194
Gain on disposal of plant and equipment	(24)	-
Total	$ 4,108	$ 4,009

General and administrative expenses increased by $84, or 2.4%, from $3,481 to $3,565 for the six months ended December 31, 2019 compared to the same period of the last fiscal year. The increase in general and administrative expenses was primarily due to the increase in payroll-related expenses in the U.S. and Singapore operations.

Selling expenses increased by $32, or 9.6%, for the six months ended December 31, 2019, from $334 to $366 compared to the same period of the last fiscal year. The increase was mainly due to an increase in commission expenses in the manufacturing segment of the Singapore operations.

Research and development expenses increased by $7, for the six months ended December 31, 2019, from $194 to $201, as compared to the same period of the last fiscal year.

During the six months ended December 31, 2019, there was a gain on disposal of plant and equipment of $24 as compared to $nil in the same period of last fiscal year.

Income from Operations

Income from operations was $49 for the six months ended December 31, 2019 as compared to $350 for the same period of the last fiscal year. The decrease was mainly due to the decrease in gross profit margin and an increase in operating expenses, as discussed earlier.

Interest Expense

Interest expense for the six months ended December 31, 2019 and 2018 were as follows:

	Six Months Ended	
	Dec. 31, 2019	Dec. 31, 2018
(Unaudited)		
Interest expense	$ 123	$ 176

Interest expense decreased by $53 to $123 from $176 for the six months ended December 31, 2019 as compared to the same period of the last fiscal year. The decrease was mainly due to lower utilization of short-term loans in the Singapore and China Operations. Additionally, the bank loan payable decreased by $231 to $2,549 as of December 31, 2019 as compared to $2,780 as at June 30, 2019.

Other Income

Other income for the six months ended December 31, 2019 and 2018 were as follows:

	Six Months Ended	
	Dec. 31, 2019	Dec. 31, 2018
(Unaudited)		
Interest income	$ 84	$ 36
Other rental income	60	56
Exchange loss	(61)	(67)
Bad debt recovery	11	2
Other miscellaneous income	56	65
Total	**$ 150**	**$ 92**

Other income for the six months ended December 31, 2019 was $150, an increase of $58 as compared to $92 for the same period of last fiscal year. This increase mainly due to the higher interest income earned from the placement of fixed deposits during the six months ended December 31, 2019.

Income Tax Expenses

Income tax expenses for the six months ended December 31, 2019 was $120, a change of $170 as compared to income tax benefits of $50 for the same period last fiscal year. This change was mainly due to the reversal from provision of One-Time Mandatory Repatriation Tax for the six months ended December 31, 2018. The provisions for the six months ended December 31, 2019 was primarily due to provision for GILTI and the capital gain tax incurred from the sale of asset held for sale in the Malaysia operation, offset by the tax refund in the China operation.

Non-controlling Interest

As of December 31, 2019, we held a 55% interest in Trio-Tech Malaysia, Trio-Tech (Kuala Lumpur) Sdn. Bhd., SHI International Pte. Ltd. and PTSHI Indonesia, and a 76% interest in Prestal Enterprise Sdn. Bhd. The net income attributable to the non-controlling interest in these subsidiaries for the six months ended December 31, 2019 was $429, a change of $530, as compared to net loss of $101 for the same period of last fiscal year. The increase was attributable to the increase in net income generated by the Malaysia operation from the sale of asset held for sale.

Net Income

Net income was $699 for the six months ended December 31, 2019, an increase of $286, as compared to $413 for the same period of the last fiscal year. The increase was mainly due to the gain on sale of asset held for sale in the Malaysia operation. However, the increase was partially offset by a decrease in revenue, gross margin and increase in operating expenses, as discussed earlier.

Earnings per Share

Basic earnings per share from continuing operations was $0.19 for the six months ended December 31, 2019 as compared to $0.11 for the same period of the last fiscal year. Basic earnings per share from discontinued operations were nil for both the six months ended December 31, 2019 and 2018.

Diluted earnings per share from continuing operations was $0.19 for the six months ended December 31, 2019 as compared to $0.11 for the same period of the last fiscal year. Diluted earnings per share from discontinued operations were nil for both the six months ended December 31, 2019 and 2018.

Segment Information

The revenue, gross profit margin, and income or loss from operations in each segment for the six months ended December 31, 2019 and 2018, respectively, are presented below. As the segment revenue and gross margin for each segment have been discussed in the previous section, only the comparison of income from operations is discussed below.

Manufacturing Segment

The revenue, gross margin and (loss)/income from operations for the manufacturing segment for the six months ended December 31, 2019 and 2018 were as follows:

	Six Months Ended	
	Dec. 31, 2019	Dec. 31, 2018
(Unaudited)		
Revenue	$ 6,362	$ 6,989
Gross margin	22.4%	21.3%
(Loss)/Income from operations	$ (99)	$ 183

Loss from operations from the manufacturing segment was $99 for the six months ended December 31, 2019, a change of $282 as compared to income from operations $183 in the same period of the last fiscal year, due to a decrease in gross margin and an increase in operating expenses. Operating expenses for the manufacturing segment were $1,523 and $1,303 for the six months ended December 31, 2019 and 2018, respectively. The increase in operating expenses of $220 was mainly due to an increase in general and administrative expenses by $146, increased in selling expenses by $58, increase in corporate overhead by $8 and increase in research and development expenses by $8 as compared to the same period of last fiscal year. The increase in general and administrative expenses was mainly attributable to an increase in payroll-related expenses and a provision of doubtful debt in Singapore operations. The increase in selling expenses was primarily due to higher commission expenses incurred for the six months ended December 31, 2019.

Testing Segment

The revenue, gross margin and loss from operations for the testing segment for the six months ended December 31, 2019 and 2018 were as follows:

	Six Months Ended	
	Dec. 31, 2019	Dec. 31, 2018
(Unaudited)		
Revenue	$ 8,277	$ 8,830
Gross margin	26.2%	26.5%
Loss from operations	$ 93	$ 117

Loss from operations in the testing segment for the six months ended December 31, 2019 was $93, an improvement of $24 compared to loss from operation of $117 in the same period of the last fiscal year. The improvement was attributable to management's efforts in cost savings although there was deterioration of the revenue. The decrease in gross margin of $173 offset with a further decrease in operating expenses of $197, also contributable to the decrease in operating loss. Operating expenses were $2,261 and $2,458 for the six months ended December 31, 2019 and 2018, respectively. The lower operating expenses were mainly attributable to a decrease in general and administrative expenses by $96 and a decrease in corporate overheads by $55. The decrease in general and administrative expenses was due to decrease in payroll-related expenses in the Malaysia and China operations as part of the cost savings measures, as discussed earlier. The decrease in corporate overhead expenses was due to a change in the corporate overhead allocation as compared to the same period last fiscal year. Corporate charges are allocated on a pre-determined fixed charge basis.

Distribution Segment

The revenue, gross margin and income from operations for the distribution segment for the six months ended December 31, 2019 and 2018 were as follows:

	Six Months Ended	
	Dec. 31, 2019	Dec. 31, 2018
(Unaudited)		
Revenue	$ 4,113	$ 3,860
Gross margin	13.8%	13.3%
Income from operations	$ 392	$ 342

Income from operations in the distribution segment for the six months ended December 31, 2019 was $392, an increase by $50 as compared to $342 in the same period of the last fiscal year. The increase in operating income was primarily due to an increase in gross margin as discussed earlier which was partially offset by the increase of operating expenses of $6. Operating expenses were $176 and $170 for the six months ended December 31, 2019 and 2018, respectively.

Real Estate Segment

The revenue, gross margin and loss from operations for the real estate segment for the six months ended December 31, 2019 and 2018 were as follows:

	Six Months Ended	
	Dec. 31, 2019	Dec. 31, 2018
(Unaudited)		
Revenue	$ 33	$ 56
Gross margin	(9.1)%	35.7%
Loss from operations	$ (52)	$ (17)

Loss from operations in the real estate segment for the six months ended December 31, 2019 was $52, a further deterioration of $35 as compared to a loss from operations of $17 for the same period of the last fiscal year. The increase in operating loss was mainly due to a decrease in gross margin, as discussed earlier. Operating expenses were $49 and $37 for the six months ended December 31, 2019 and 2018, respectively. The increase in operating expenses was mainly due to one-off payroll-related expenses made during the six months ended December 31, 2019.

Corporate

The loss from operations for corporate for the six months ended December 31, 2019 and 2018 were as follows:

	Six Months Ended	
	Dec. 31, 2019	Dec. 31, 2018
(Unaudited)		
Loss from operations	$ (99)	$ (41)

The increase of $58 was mainly due to a change in the corporate overhead allocation as compared to the same period of last fiscal year. Corporate charges are allocated on a pre-determined fixed charge basis.

Financial Condition

During the six months ended December 31, 2019 total assets increased by $1,928 from $36,527 as at June 30, 2019 to $38,455. The increase in total assets was due to an increase in short term deposits, prepaid expenses and other current assets, deferred tax assets, operating lease right-of-use assets and restricted term deposits, which was partially offset by a decrease in cash and cash equivalents, trade account receivable, other receivables, inventory, asset held for sale, investment properties, property, plant and equipment and other assets.

Cash and cash equivalents were $4,743 as at December 31, 2019, reflecting a decrease of $120 from $4,863 as at June 30, 2019, primarily due to further placement made into fixed deposits in the Singapore and China operations.

Short term deposits were $6,888 as at December 31, 2019, reflecting an increase of $2,744 from $4,144 as at June 30, 2019, primarily due to an increase in deposits in the Singapore and China operations. The short term deposits include proceeds received from the sale of assets held for sale.

As at December 31, 2019, the trade accounts receivable balance decreased by $176 to $6,937, from $7,113 as at June 30, 2019, primarily due to the decrease in revenue for the six months ended December 31, 2019 in the Singapore, Malaysia and U.S. operations. The number of days' sales outstanding in accounts receivables for the Group was 67 and 74 days at the end of the second quarter of fiscal year 2020 and for the end of fiscal year of 2019, respectively.

As at December 31, 2019, other receivables were $752, reflecting a decrease of $65 from $817 as at June 30, 2019. The decrease was primarily due to a decrease in advance payments made to suppliers in the Singapore operation and a decrease in contract asset, recognized in accordance to the *ASC 606 Revenue from contracts with customers* in the China entity.

Inventories as at December 31, 2019 were $2,182, a decrease of $245, as compared to $2,427 as at June 30, 2019. The decrease in inventories was in line with a decrease in orders by customers in the manufacturing segment of Singapore operations

Prepaid expenses were $330 as at December 31, 2019 compared to $287 as at June 30, 2019. The increase of $43 was primarily due to the prepaid insurance and accounting software expenses in the Singapore operation.

Investment properties, net in China were $734 as at December 31, 2019 and $782 as at June 30, 2019. The decrease was primarily due to the depreciation charged for the period and the foreign currency exchange movement between June 30, 2019 and December 31, 2019.

Assets held for sales were $nil as at December 31, 2019 and $89 as at June 30, 2019. Management entered into a Sales and Purchase Agreement with a potential buyer during fiscal year 2019 and the sale was completed during the second quarter of fiscal 2020.

Property, plant and equipment decreased by $508 from $12,159 as at June 30, 2019, to $11,651 as at December 31, 2019, mainly due to depreciation charged for the period and the foreign currency exchange movement between June 30, 2019 to December 31, 2019. The decrease was partially offset by the new acquisition of plant and equipment in the Malaysia operation.

Other assets decreased by $124 to $1,626 as at December 31, 2019, as compared to $1,750 as at June 30, 2019. This was mainly due to the reclassification of down payments made for the purchase of equipment to property, plant and equipment in the Malaysia operation.

Accounts payable increased by $293 to $3,565 as at December 31, 2019, as compared to $3,272 as at June 30, 2019. This was due to less payments made in the second quarter of the fiscal year 2020.

Accrued expenses decreased by $310 to $3,176 as at December 31, 2019, as compared to $3,486 as at June 30, 2019. The decrease in accrued expenses was mainly due to a decrease in the accrued purchase in the Singapore operation and a decrease in accrued payroll liability in the Singapore and China operations during the six months ended December 31, 2019.

Bank loans payable decreased by $231 to $2,549 as at December 31, 2019, as compared to $2,780 as at June 30, 2019. This was due to the repayments made in the Singapore and Malaysia operations during the six months ended December 31, 2019.

Finance leases increased by $131 to $856 as at December 31, 2019, as compared to $725 as at June 30, 2019. This was due to the increase of finance leases in the Singapore and Malaysia operation.

Operating lease right of use assets and the corresponding leased liability were $475 and $477 as of December 31, 2019 and June 30, 2019 respectively, after taking into effect the new accounting standard, *ASC 842 leases*.

Liquidity Comparison

Net cash provided by operating activities decreased by $678 to an inflow of $1,573 for the six months ended December 31, 2019 from an inflow of $2,251 for the same period of the last fiscal year. The decrease in net cash inflow provided by operating activities was primarily due to a decrease in cash inflow of $621 from account receivable, a decrease in cash inflow of $331 from other assets and increase of cash outflow of $ 359 from repayment of operating leases. These were partially offset by an increase in depreciation and amortization of $431, an increase in cash inflow of $175 from other receivable and also absent of reversal of income tax provision of $145.

Net cash used in investing activities decreased by $1,639 to an outflow of $2,116 for the six months ended December 31, 2019 from an outflow of $3,755 for the same period of the last fiscal year. The decrease in cash outflow was primarily due to an increase in proceeds from sale of asset held for sale of $1,261 and also decrease in capital expenditure of $1,553. These were partially offset by a increase of $1,211 from the investment in unrestricted deposits.

Net cash generated in financing activities for the six months ended December 31, 2019 was $395, representing a decrease of $1,027, as compared to net cash generated in financing activities of $1,422 during the six months ended December 31, 2018. The decrease in cash inflow was mainly attributable to a decrease in cash inflow by $4,625 from proceeds of lines of credit and a decrease of $1,475 from bank loans. These were partially offset by a decrease in cash outflow of $5,179 from repayment of lines of credit.

We believe that our projected cash flows from operations, borrowing availability under our revolving lines of credit, cash on hand, trade credit and the secured bank loan will provide the necessary financial resources to meet our projected cash requirements for at least the next 12 months.

Critical Accounting Estimates & Policies

Effective as of July 1, 2019, the Company has adopted *ASU 2016-02, Leases (Topic 842)*, and its related amendments using modified retrospective transition method. We have completed our adoption and implemented policies, processes and controls to support the standard’s measurement and disclosure requirements as described in note 1 to the financial statements included in item 1 of this Form 10-Q.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

An evaluation was carried out by the Company's Chief Executive Officer and Chief Financial Officer of the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of December 31, 2019, the end of the period covered by this Form 10-Q. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that these disclosure controls and procedures were effective at a reasonable level.

Changes in Internal Control Over Financial Reporting

Except as discussed below, there has been no change in the Company's internal control over financial reporting during the fiscal quarter ended December 31, 2019, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Enterprise Resource Planning (ERP) Implementation

We are in the process of implementing an ERP System, as part of a multi-year plan to integrate and upgrade our systems and processes. The implementation of this ERP system is scheduled to occur in phases over a few years, and began with the migration of certain of our operational and financial systems in our Singapore operations to the new ERP system during the second quarter of fiscal 2017.

During the third quarter of fiscal 2018, the operational and financial systems in Singapore were substantially transitioned to the new system. The operational and financial systems in our Malaysia operation were substantially transitioned to the new system during the first quarter of fiscal 2019.

This implementation effort will continue in fiscal 2020, when the operational and financial systems in our Tianjin and Suzhou operations will be substantially transitioned to the new system.

As a phased implementation of this system occurs, we are experiencing certain changes to our processes and procedures which, in turn, result in changes to our internal control over financial reporting. While we expect the new ERP system to strengthen our internal financial controls by automating certain manual processes and standardizing business processes and reporting across our organization, management will continue to evaluate and monitor our internal controls as processes and procedures in each of the affected areas evolve.

TRIO-TECH INTERNATIONAL
PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Not applicable.

Item 1A. Risk Factors

Not applicable

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Malaysia and Singapore regulations prohibit the payment of dividends if the Company does not have sufficient retained earnings and tax credit. In addition, the payment of dividends can only be made after making deductions for income tax pursuant to the regulations. Furthermore, the cash movements from the Company's 55% owned Malaysian subsidiary to overseas are restricted and must be authorized by the Central Bank of Malaysia. California law also prohibits the payment of dividends if the Company does not have sufficient retained earnings or cannot meet certain asset to liability ratios.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

On June 12, 2019, Trio-Tech Malaysia Sdn. Bhd., a subsidiary of the Company ("TTM"), and Cortex Robotics Sdn. Bhd, entered into a sales and purchase agreement for the sale of for TTM's Penang Property. The agreement provided for, among other things, a purchase price for the Penang Property of RM5,600,000, approximately $1,340,000. The sale was subject to certain conditions. The conditions to the consummation of the transaction were satisfied and the sale was completed on December 20, 2019. The foregoing description of the sale and purchase agreement is a summary and is qualified in its entirety by reference to the complete text of the sales and purchase agreement attached as Exhibit 10.1 hereto and incorporated by reference into this Form 10-Q.

Item 6. Exhibits

10.1	The Sale and Purchase agreement between Trio-tech Malaysia Sdn Bhd and Cortex Robotics Sdn Bhd
31.1	Rule 13a-14(a) Certification of Principal Executive Officer of Registrant
31.2	Rule 13a-14(a) Certification of Principal Financial Officer of Registrant
32	Section 1350 Certification
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

SIGNATURES

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.

TRIO-TECH INTERNATIONAL

By: /s/ Victor H.M. Ting
VICTOR H.M. TING
Vice President and Chief Financial Officer
(Principal Financial Officer)
Dated: February 13, 2020

Exhibit 10.1

THIS SALE AND PURCHASE AGREEMENT is made the day of 12 Jun 2019.

BETWEEN

TRIO-TECH (MALAYSIA) SDN. BHD. (Company No.105390-V), a company incorporated in Malaysia with its registered address at Suite 18.05, MWE Plaza, 8, Lebuh Farquhar, 10400 Georgetown, Pulau Pinang and having a place of business at Lot 11A, Jalan 558/2, Sungai Way Free Industrial Zone, 47300 Petaling Jaya, Selangor Darul Ehsan ("Vendor");

AND

CORTEX ROBOTICS SDN, BHD. (Company No. 1284575-A), a company incorporated in Malaysia and having its registered office at Suite 18.01, 18th Floor, MVVE Plaza, No, 8, Lebuh Farquhar, 10200, Georgetown, Penang and a business address at No. 72-2-5, Arena Curve, Jalan Mahsuri, 11950 Bayan Lepas, Penang ("Purchaser"),

WHEREAS:-

(A) The Vendor is the registered and beneficial owner of the leasehold land held under H.S.(D) 19983, Lot No. 5840, Mukim 12, District of Barat Daya and State of Pulau Pinang together with a factory erected thereon with a postal address at No. 1A, Jalan Sultan Azlan Shah, Bayan Lepas FTZ Zone 1, 11900 Bayan Lepas, Penang measuring approximately 3903 square metres ("Sale Property"),

(B) The Sale Property is free from all Encumbrances (as hereinafter defined).

(C)The category of land use endorsed on the issue document of title states as follows:-

"Bangunan"

(D) There are also express conditions endorsed on the issue document of title which states:-

(4.)*The proprietor shall within two years from the date of alienation or within such further term as may be approved by the State Authority erect a factory building or buildings on the land hereby alienated in accordance with the plan approved by the local authority, and shall maintain the building or buildings so erected to the satisfaction of the Collector of Land Revenue, Balik Pulau.*

(ii) The proprietor shall treat and dispose of, or cause to be treated or disposed of trade effluents in a manner to the satisfaction of the Collector of Land Revenue, Balik Pulau.

(iii) The proprietor shall pay and discharge all taxes, rates, assessments and charges whatsoever which may be payable for the time being in respect of the land hereby alienated or any part thereof, whether levied by the Rural District Council, Penang island, or any other authority;

(iv) The proprietor shall ensure that 25% of the employees engaged in the business for which the land is hereby alienated shall be Malays."

(E) There is a restriction in interest endorsed on the issue document of title that states:-

"The land hereby alienated shall not be transferred, charged, leased, sub-leased or otherwise in any manner dealt with or disposed of without the written sanction of the State Authority."

(F)The Sale Property is situated at the Bayan Lepas Industrial Zone developed by PERBADANAN PEMBANGUNAN PULAU PINANG a statutory body incorporated under the Penang Development Corporation Enactment, 1971 and having its registered and business office at Bangunan Tun Dr. Lim Chong Eu, No. 1, Persiaran Mahsuri, Bandar Bayan Baru, 11909 Bayan Lepas, Pulau Pinang, Malaysia ("PDC").

(G)The Vendor is desirous of selling to the Purchaser and the Purchaser is desirous of purchasing from the Vendor the Sale Property with vacant possession free from all Encumbrances subject however to:-

(a) the conditions of title expressed or implied;

(b) the existing "as is where is" condition of the Sale Property; and

(c) upon the terms and subject to the conditions herein contained in this Agreement.

(H)The sale and transfer of the Sale Property from the Vendor to the Purchaser is subject to the receipt by the Purchaser's Solicitors of the following:-

(a) of a letter of support or consent of the Penang Development Corporation ("PDC Consent"); and

(b) the consent to transfer from the Vendor to the Purchaser by the State Authority as required in the restriction in interest on the issue document of title ("State Authority Consent").

(I)Further to the amendment to the Penang Land Rules 2005 the State Authority and or PDC has imposed an application fee of 0.1% of the Purchase Price which the Vendor will pay and 0.1% of the Loan Amount which the Purchaser will pay and PDC will impose a payment of either be RM10.00 per square foot or RM20.00 per square foot of the area of the Sale Property for which both parties have agreed to share equally ("PDC Consent Fee").

(J)In this transaction:-

(a) the Purchaser is represented by Messrs Chambers of Cheong & Law, Advocates & Solicitors, 1-2-15 Tingkat Kenari 5, Kenari Avenue, 11900 Bayan Lepas, Penang ("Purchaser's Solicitors"); and

(b) the Vendor is represented by Messrs Wong Lu Peen & Tunku Alina, Advocates and Solicitors of 21-6 & 23-6, Block B, The Boulevard, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur ("Vendor's Solicitors").

NOW IT IS HEREBY AGREED as follows:

1. .DEFINITIONS

1.1In this Agreement, unless the context otherwise requires, the following expressions shall have the following meanings:-

Balance Purchase Price	the sum of Ringgit Malaysia Five Million and Forty Thousand (RM5,040,000.00) only, being the Purchase Price less the Deposit;
Business Day	a day (excluding gazetted public holidays, Saturdays and Sundays) on which banks are open for business in Penang, Selangor and Kuala Lumpur;
Completion	the full performance by both parties of their respective obligations in respect of the sale and purchase of the Sale Property hereunder as set out in Clause 10 hereof;
Completion Date	a day falling within the Completion Period or the Extended Completion Period on which the Purchaser pays the Balance Purchase Price and interest (if any) in accordance with Clause 3;
Completion Period	the period of three (3) months from the Unconditional Date;the period of three (3) months from the Unconditional Date;
Conditions Precedent	means the receipt by the Vendor's Solicitor of (a) PDC Consent; (b) the State Authority Consent;
Cut Off Date	the date which is six (6) months from the date of this Agreement or such other longer period as may be agreed between the parties;
Deposit	Ringgit Malaysia Five Hundred and Sixty Thousand (RM560,000.00) only which sum shall include the Earnest Deposit earlier paid and the RPGT Retention Sum equivalent to ten per cent (10%) of the Purchase Price;
DGIR	Director General of Inland Revenue Board of Malaysia;
Earnest Deposit	Ringgit Malaysia One Hundred and Twelve Thousand (RM112,000.00) only equivalent to two per cent (2%) of the Purchase Price;
Encumbrances	any mortgage, pledge, lien, charge (whether fixed or floating), caveats or assignment, tenants, occupiers, squatters and/or any other person(s), but shall not include any caveat lodged by the Purchaser or any person claiming under the Purchaser;
Extended Completion Period	has the meaning ascribed to it in Clause 3.5 hereof;
Indirect Taxes	goods and services tax, sales tax, value added tax or any other form of indirect taxes levied on the sale and purchase of the Sale Property;
Land Code	the National Land Code, 1965;
Land Title	the original issue document of title for the Sale Property registered in the name of the Vendor;

Outgoings	has the meaning ascribed to it in Clause 11 hereof;
PDC	is as defined in Recital (F) above;
PDC Consent	is the letter of support or consent of the PDC to the sale and transfer of the Sale Property to the Purchaser;
Purchase Price	Ringgit Malaysia Five Million Six Hundred Thousand (RM5,600,000.00) only excluding any Indirect Taxes;
Purchaser	CORTEX ROBOTICS SDN. BHD. (Company No. 1284575- A), a company incorporated in Malaysia and having its registered office at Suite 18.01, 18th Floor, MWE Plaza, No. 8, Lebuh Farquhar, 10200 Georgetown, Penang and a business address at No. 72-2-5, Arena Curve, Jalan Mahsuri, 11950 Bayan Lepas, Penang and shall include its respective successors-in-title and assigns;
Purchaser's Solicitors	Messrs Chambers of Cheong & Law, Advocates & Solicitors, 1-2-15 Tingkat Kenari 5,Kenari Avenue, 11900 Bayan Lepas, Penang and shall include such other firm of solicitors as may from time to time be appointed by the Purchaser in substitution thereof;
RPGT Retention Sum	the sum of Ringgit Malaysia Three Hundred and Ninety Two Thousand (RM392,000.00) only equivalent to seven per cent (7%) of the Purchase Price;
RPGT Termination Letter	a letter from the Purchaser addressed to the DGIR confirming the termination of this Agreement;
State Authority	the state authority or any other relevant authority;
State Authority Consent	the consent of the State Authority (or such other relevant authority) for the acquisition of the Sale Property by the Purchaser as required in the restriction in interest on the issue document of title;
Sale Property	as is described in Recital (A);
Transfer	a valid, executed and registrable (save for stamp duty payable by the Purchaser thereon) instrument of transfer in the form as prescribed by the Land Code in respect of the Sale Property duly executed by the Vendor in favour of the Purchaser;
Transfer Documents	shall mean:- (i) the Transfer; and/or (ii) Land Title whichever shall be applicable;
Unconditional Date	the date of fulfilment of the last of the Conditions Precedent;

Vendor	TRIO.TECH (MALAYSIA) SDN. BHD. (Company No. 105390.V), a company incorporated in Malaysia with its registered address at Suite 18.05, MWE Plaza, 8, Lebuh Farquhar, 10400 Georgetown, Pulau Pinang and having a place of business at Lot 11A, Jalan SS8/2, Sungai Way Free Industrial Zone, 47300 Petaling Jaya, Selangor Darul Ehsan and shall include its successors-in-title and assigns;
Vendor's Solicitors	Messrs Wong Lu Peen & Tunku Mina, Advocates and Solicitors of 21-6 & 23-6, Block B, The Boulevard, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur and shall include such other firm of solicitors as may from time to time be appointed by the Vendor in substitution thereof; and
Unconditional Date	the date on which the PDC Consent & State Authority Consent is obtained and fulfilled, whichever is later.

1.2 In this Agreement, unless the context otherwise requires:-

(a) words denoting the singular number include the plural number and vice-versa;

(b) words denoting the masculine gender shall include the feminine and neuter genders and vice-versa;

(c) words denoting natural persons include bodies corporate and unincorporated;

(d) reference to clauses and the Annexures are to the clauses and the annexures to this Agreement;

(e) references to any legislation or to any provision of legislation shall include any modification or re-enactment of that legislation or any legislative provision substituted for, and all regulations and statutory instruments issued under such legislation or provision and where references are to any rules or regulations, they shall include any such rules and regulations as amended, modified, consolidated or replaced, from time to time;

(f) headings to the clauses, the Schedule and the Annexures of this Agreement are inserted for convenience only and shall not affect the construction or interpretation of this Agreement;

(g) where a word or a phrase is defined, other parts of speech and grammatical forms of that word or phrase have corresponding meanings;

(h) references to any agreement or instrument shall include references to such agreement or instrument as amended, novated supplemented, varied or replaced from time to time;

(i) references to Ringgit or "RM" shall be taken as referring to amounts in Malaysian currency;

(j) the annexure to this Agreement and its recitals and all certificates and other agreements delivered pursuant to this Agreement shall form part of this Agreement;

(k) if an event must occur on a stipulated day which is not a Business Day then the stipulated day will be taken to be the next Business Day; and

(1) references to payment to any party include payments to another person on the direction of that party.

1.3 If a provision of this Agreement is inconsistent with a provision of any other prior agreement between the parties, the provision of this Agreement shall prevail.

1.4 No rule of construction applies to the disadvantage of one party merely because that party was responsible for the preparation of this Agreement.

2.AGREEMENT TO SELL AND TO PURCHASE

Subject to the terms and conditions hereinafter stipulated and in consideration of the Deposit, the Vendor shall sell to the Purchaser and the Purchaser shall purchase from the Vendor the Sale Property with vacant possession free from Encumbrances subject however to:-

(a) the conditions of title of the Sale Property expressed or implied;

(b) the existing "as is where is" condition of the Sale Property; and

(c) upon the terms and conditions hereinafter contained.

3. PURCHASE PRICE AND DEPOSIT

3.1 The purchase price for the Sale Property agreed between the parties hereto, on a willing buyer and willing seller basis, is the sum of Ringgit Malaysia Five Million Six Hundred Thousand (RM5,600,000.00) only excluding any Indirect Taxes ("Purchase Price") to be paid by the Purchaser to the Vendor in the manner stipulated in Clause 3 hereof.

3.2 Upon execution of this Agreement, the Purchaser shall in addition to the Earnest Deposit already paid pay to the Vendor's Solicitors the balance of the Deposit of Ringgit Malaysia Four Hundred and Forty Eight Thousand (RM448,000.00) only.

3.3 The Vendor's Solicitors shall deal with the Deposit in the following manner:-

(a) the RPGT Retention Sum to be dealt with in accordance with Clause 16 herein;

(b) the balance of the Deposit to be released to the Vendor on the Unconditional Date.

3.4 The Purchaser shall, on a day falling within the Completion Period pay the Balance Purchase Price to the Vendor's Solicitors as stakeholders.

3.5 Subject to the provisions herein, if the Purchaser shall be unable to pay the Balance Purchase Price within the Completion Period, the Vendor shall grant to the Purchaser an extension of a period of thirty (30) days (the "Extended Completion Period") from the day immediately after the expiry of the Completion Period to pay the Balance Purchase Price SUBJECT TO the Purchaser paying to the Vendor interest on the Balance Purchase Price or such part thereof which shall be outstanding at the rate of eight per cent (8%) per annum calculated on a daily basis commencing on the day immediately following the expiry of the Completion Period up to and excluding the Completion Date and such interest shall be paid together with the Balance Purchase Price.

3.6 Subject always to Clause 5, the Vendor shall deliver the Land Title to the Purchaser's Solicitors within seven (7) days of the Completion Date subject to clearance of funds.

3A. INDIRECT TAX

3A.1 The Purchaser acknowledges and agrees that the Purchase Price is not inclusive of any Indirect Taxes charged or chargeable on the supply and agrees that any Indirect Taxes (if applicable) shall be the sole responsibility of the Purchaser (notwithstanding any taxation law to the contrary) and that the Purchaser will pay such Indirect Taxes (if relevant) PROVIDED THAT the valid invoice shall be issued by the Vendor (if required) to the Purchaser prior to the payment thereof.

3A.2 Any Indirect Taxes payable on the Purchase Price (if applicable) shall be paid within fourteen (14) days or such shorter period as may be prescribed by the relevant law from the date of the Purchaser's receipt of an invoice from the Vendor or concurrently with the payment of the Deposit or Balance Purchase Price whichever is the earlier failing which the Vendor shall be entitled to utilize any portion of the Purchase Price paid towards payment of such Indirect Tax and in such an event, the sum so utilized shall remain a debt due and owing to the Vendor.

3A.3 In the event of termination or determination of this Agreement for any reasons whatsoever, the parties hereby expressly acknowledge and agree that the Purchaser shall seek for the refund of any Indirect Tax paid pursuant to this Agreement directly from the Royal Malaysian Customs Department or such applicable authority.

4. CONDITIONS PRECEDENT

4.1 The Conditions Precedent This Agreement is conditional upon and subject to the fulfilment of the following Conditions Precedent occurring on or before the Cut Off Date the receipt by the Purchaser's Solicitors of:

(a) the PDC Consent; and

(b) the State Authority Consent. (hereinafter collectively referred to as "Conditions Precedent" and "Condition Precedent" shall refer to any one of them).

4.2 Extension of CutOff Date

In the event that any of the Conditions Precedent are not fulfilled by the Cut-Off Date, the date for fulfilment of the Conditions Precedent shall automatically be extended for a further three (3) months from the Cut-Off Date and thereafter, for such longer period as may be mutually agreed (such extended date shall hereinafter be referred to as the "Extended CutOff Date").

4.3 Application for Approvals

(a)The Parties shall use their best endeavours to, and at their own cost and expense to procure the fulfilment of the respective Conditions Precedent the relevant Party is responsible for by the Cut-Off Date and shall inform the other Party within five (5) Business Days of the application and fulfilment thereof

(b) The Vendor shall make the application for PDC Consent as soon as possible but not later than one (1) month from the date of this Agreement provided that all relevant documents required for such applications have been provided by the Purchaser.

(c) Upon fulfillment of clause 4(b) as mentioned above, the Parties shall expedite all applications and shall within fourteen (14) days from the date of PDC consent being obtained and where Clause 4.4 does not apply the Vendor shall proceed to apply for the State Consent and where required the Purchaser shall apply for consent to charge. The Parties shall furnish any information and/or documents reasonably required by the other party responsible for making of the applications necessary for the purposes of fulfilling the Conditions Precedent, without unreasonable delay and in any case, within ten (10) Business Days from the date of requisition.

(d) One Party shall forward to the other Party a copy of all applications and appeals and all approvals or rejections, as the case may be, forthwith upon submission or receipt of the same and in any event within five (5) Business Days from the date of submission or receipt of the same.

(e) The wilful neglect, failure and/or refusal by any Party to do any procedural or preparatory deed and/or act required to submit the relevant applications in order that the applications may be considered by PDC or State Authority as the case may be, shall be a breach of condition on the part of that party and if the Conditions Precedent are not fulfilled as a result of such neglect, failure or refusal as aforesaid, Clause 12 and Clause 13 shall apply mutandis mutatis.

4.4 Adverse Condition

(a)In the event that any condition ("Adverse Condition") is imposed by PDC or the State Authority in respect of the approvals referred to in Clause 4.1 which will have a substantial financial adverse impact on that Party (save and except for PDC Consent which will be paid by the Party in equal shares) and is not acceptable to that Party (the "Affected Party"), the Affected Party shall be entitled to, by notice in writing to the other party on or before the expiry fourteen (14) Business Days from the date of receipt of the notification of the Adverse Condition, elect to:

(i) accept the Adverse Condition; or

(ii) appeal against the Adverse Condition provided that such Appeal is made before the expiry of the Cut-Off Date.

(b) The Affected Party may elect to terminate this Agreement Provided that the Affected Party has exhausted all avenues of appeal against the Adverse Condition imposed, including having used its best efforts to put forward all information in its possession or knowledge to support its appeal and in the event the Affected Party elects to terminate this Agreement, the Vendor shall refund to the Purchaser the Deposit within fourteen (14) days of such termination free of interest failing which the Vendor shall pay interest on the Deposit or part thereof which is not refunded at the rate of eight per cent (8%) per annum with daily rests calculated from the expiry of the aforesaid fourteen (14) days until the date of actual payment thereof. In exchange therefor, the Purchaser shall or cause the Purchaser's Solicitors to:-

(i) redeliver all documents released by the Vendor to the Purchaser to the Vendor;

(ii) deliver to the Vendor's Solicitors a valid and registrable withdrawal of private caveat duly executed by the Purchaser in accordance with Clause 17 hereof together with the requisite registration fees; and

(iii) thereafter, this Agreement shall be null and void and be of no further effect and neither party shall have any right or claim against the other save in respect of any antecedent breach.

(c) In the event that the Affected Party elects to appeal to the relevant authority against the Adverse Condition and the appeal is not allowed or is partially allowed or the results of such appeal is not obtained within the Cut Off Period, then the Affected Party shall be entitled, by notice in writing to the other party on or before the expiry of fourteen (14) Business Days from the date of receipt of the results of the appeal, to elect either:

(i) to accept the Adverse Condition; or

to reject the Adverse Condition and terminate this Agreement whereupon Clause 4.4(b) shall apply with such modifications as are necessary;

PROVIDED ALWAYS that where the Affected Party is not the party who submitted for the relevant consent ("Submitting Party"), the Submitting Party shall if required submit the appeal to be lodged by the Affected Party in a timely manner.

(d) In the event that the Affected Party accepts the Adverse Condition imposed by the relevant authority as modified (if at all) pursuant to Clause 4.4(a)(i) or 4.4(c)(i), as the case may be, the Conditions Precedent in respect of which such Adverse Condition is imposed shall be deemed to have been fulfilled on the date the Affected Party notifies the other party of its acceptance of the Adverse Condition.

4.5 Non-fulfilment of Conditions Precedent

Subject to Clause 4.6, in the event that any of the other Conditions Precedent is not fulfilled on or before the Cut-Off Date or the Extended Cut-Off Date, as the case may be, either party shall be entitled, by written notice to the other, to terminate this Agreement and, upon such notice being served on the other, Clause 4.4(b) shall apply.

4.6 Waiver

The Parties hereto hereby agree that the Purchaser shall, in its sole and absolute discretion, be entitled to waive the fulfilment of any of the Conditions Precedent to the extent permitted by law on or before the Cut-Off Date or the Extended Cut-Off Date, as the case may be.

4.7 Unconditional Date

On the date of the relevant Party's Solicitor's receipt of written notification and documentary evidence from the other Party or its Solicitors that the last of the Conditions Precedent is fulfilled or waived in accordance with the provisions of this Clause 4, this Agreement shall become unconditional and such date shall hereinafter be referred to as the "Unconditional Date".

4.8 Payment of Fees

The PDC Consent fees is to be borne equally by the Vendor and the Purchaser and the Parties will each pay half of the PDC Consent Fee and or other costs levies, consent fees or other charges or financial imposition issued by PDC on the Vendor and each party shall pay their portion within seven (7) Business days of notice to pay.

5. FINANCING BY THE PURCHASER

5.1 In the event the Purchaser is obtaining a loan ("the Loan") to finance the purchase of the Sale Property from a bank or financial institution ("Financier"), the Vendor undertakes to provide the Financier with an undertaking to refund in the event of the non-registration of the Transfer by any reason save for the Purchaser's default and also undertake to release the Land Title to the Financier or its solicitors within seven (7) working days upon the fulfillment of the following:-

(i) upon the Vendor's Solicitors receiving as stakeholders the difference between the Purchase Price and the Loan (if any) before the expiry of the Completion Period or the Extended Completion Period; and upon the Vendor's Solicitors receiving a letter addressed to the Vendor directly from the Financier undertaking to release the Loan upon presentation of the Transfer and charge in favour of the Purchaser and the Financier respectively.

6. PARTIES' REPRESENTATIONS, WARRANTIES AND UNDERTAKINGS

6.1 Each of the Parties represents, warrants and undertakes to and with the other Party as follows:-

(a) that it has full power and capacity to execute, deliver, observe and perform this Agreement;

(b) that this Agreement constitutes legal, valid and binding obligations enforceable against the Party in accordance with its terms and the execution, delivery, observance and performance of this Agreement by the Party does not contravene or constitute a default under any provision of any applicable law or regulation or of any judgment, injunction, order, decree, agreement or instrument binding upon the Party;

(c) that there is no action, suit, proceeding or investigation pending or, to the best of the Party's knowledge, threatened against or affecting the Party before any court or arbitrator or any governmental body, agency or authority which would materially and adversely affects its ability to perform its obligations under this Agreement or which in any manner questions or challenges the validity of this Agreement or the consummation of the transactions contemplated by this Agreement; and

(d) that it is not wound up nor are there any winding up proceeding(s) pending or threatened against the Party which may render the sale and purchase of the Sale Property to be invalid or improper.

6.2 The Vendor further represents, warrants and covenants with the Purchaser as follows:-

(a) the Vendor is the registered proprietor and beneficial owner of the Sale Property and is legally entitled to sell and transfer the Sale Property to the Purchaser;

(b) the Sale Property is not subject to any Encumbrances;

(c) the Vendor has not at any time prior to and up to the date hereof entered into any agreement or arrangement, whether written or otherwise for the sale of the Sale Property to any person, firm, corporation, or any body (corporate or unincorporate) nor granted any option or the right of first refusal whether in writing or otherwise, in favour of any person, firm, corporation or any body (corporate or unincorporate) for the purchase of the Sale Property, which is still subsisting;

(d) all Outgoings in respect of the Sale Property have been or will be duly paid by the Vendor up to the date of payment of the full Purchase Price and the Vendor has not done or suffered to be done or omitted, and shall not at any time hereafter do or suffer to be done or omit any act matter or thing in or in respect of the Sale Property which may render the Sale Property or any part thereof liable to forfeiture or attachment or which shall contravene the provisions or any legislation now or hereafter in force affecting the Sale Property;

(e) all matters set out in the Recitals to this Agreement are true and correct save and except for Recital J(a).

6.3 Each of the Parties further represents, warrants and undertakes to and with the other Party that:-

(a) all the representations, warranties and undertakings on its part contained in this Clause 6.1, and Clause 6.2 will be true and correct on the Completion Date in all respects as if they had been entered into afresh on the Completion Date; and

(b) each of the Parties agrees and acknowledges that the other is entering this Agreement and agreeing to purchase the Sale Property in reliance upon the representations, warranties and undertakings set forth above and the Purchaser may treat the same as conditions of this Agreement and none of the said representations, warranties and undertakings shall be deemed in any way modified or discharged by the completion of the sale and purchase hereunder of the Sale Property. Each of the parties shall at all times save harmless and keep indemnified each other against all actions, proceedings, damages, penalties, costs, claims and demands by reason of or on account of any breach or misrepresentations, warranties and undertakings set forth in this Clause 6.

7. VACANT POSSESSION

7.1 Delivery of vacant possession

Vacant possession of the Sale Property shall be delivered by the Vendor by way of the delivery of the keys to the main gate of the Sale Property to the Purchaser within seven (7) working days of the Completion Date provided all outgoings apportioned pursuant to Clause 11 herein has been paid ("the Vacant Possession Delivery Date").

7.2 In the event Vendor shall fail to the deliver vacant possession on the Sale Property by the Vacant Possession Delivery Date, the Vendor shall pay to the Purchaser interest at the rate of eight per centum (8%) per annum calculated on a daily basis on the Purchase Price from the expiry of the Vacant Possession Delivery Date until the date of actual delivery of vacant possession of the Sale Property to the Purchaser and the Vendor's Solicitors are hereby authorised by the parties herein to retain the Balance Purchase Price until the Vendor delivers vacant possession of the Sale Property to the Purchaser and deduct the said interest from the Balance Purchase Price to be paid to the Purchaser together with the delivery of vacant possession of the Sale Property.

8. DELIVERY OF DOCUMENTS

8.1 On the execution of this Agreement, the Vendor shall deliver to the Purchaser's Solicitors a copy of each of the following documents:-

(a) three (3) duly certified copies each by the Vendor's Company Secretary of the Vendor's certificate of incorporation and constitution;

(b) three (3) duly certified copies each by the Vendor's Company Secretary of the Vendor's return of allotment of shares under Section 78 of Act (formerly Form 24), change of registered address under Section 46 (formerly Form 44) and notification of change of directors, managers and secretaries under Section 58 of the Act (formerly Form 49);

(c) three (3) duly certified copies each by the Vendor's Company Secretary of the Vendor's board of directors' and members' resolutions (if required) approving the disposal of the Sale Property and authorising the execution, delivery and performance of this Agreement and the affixation of the common seal of the Vendor in accordance with the Vendor's constitution (memorandum and articles of association) on the Transfer and all other relevant documents in respect of the sale and transfer of the Sale Property to the Purchaser;

(d) a certified true copy each by a solicitor of the quit rent and assessment (if any) receipts in respect of the Sale Property for the current year;

(e) a certified true copy by a solicitor of the Land Title; and

(f) the income tax number and branch address of the Vendor.

8.2 On the execution of this Agreement, the Purchaser shall deliver to the Vendor's Solicitors for onward transmission to the Vendor the following:-

(a) three (3) duly certified copies each by the Purchaser's Company Secretary of the Purchaser's certificate of incorporation and constitution;

(b) three (3) duly certified copies each by the Purchaser's Company Secretary of Purchaser's return of allotment of shares under Section 78 of Act (formerly Form 24), change of registered address under Section 46 (formerly Form 44) and notification of change of directors, managers and secretaries under Section 58 of the Act (formerly Form 49);

(c) three (3) duly certified copies each by the Purchaser's Company Secretary of the Purchaser's board of directors' and members' resolutions approving the acquisition of the Sale Property and authorising the execution, delivery and performance of this Agreement and the affixation of the common seal of the Purchaser in accordance with the Purchaser's constitution (memorandum and articles of association) on the Transfer and all other relevant documents in respect of the purchase of the Sale Property by the Purchaser; and

(d) the Purchaser's income tax number and branch address.

8.3 Within fourteen (14) days of the Unconditional Date the Vendor shall deliver to and deposit with the Purchaser's Solicitors the Transfer as stakeholders duly authorised to present the Transfer to the stamp office for purposes only of adjudication of stamp duty payable and not deal with the Transfer in any other manner subject to the following:-

(a) until the completion of the sale of the Sale Property has taken place in accordance with Clause 3 whereupon the Purchaser's Solicitors shall be authorized to deal with the Transfer in accordance with Clause 10; OR

(b) in the case where the Purchaser has taken the Loan, upon fulfilment of Clauses 5.1(i) and (ii).

8.4 The Vendor shall deposit the original Land Title with the Vendor's Solicitors on the execution of this Agreement for onward transmission to the Purchaser's Solicitors on the Completion Date.

9.STATE OF THE SALE PROPERTY

9.1 As-is-where-is condition

The Purchaser agrees and acknowledges that the Sale Property shall be deemed to have been sold on an "as is where is" basis and is therefore sold subject to the following:-

(a) all zoning, road widening, drainage improvement or other schemes whatsoever, present or future, affecting the Sale Property and the Purchaser shall be deemed to have full knowledge of the nature and effect thereof;

(b) all rights, easements, rights of way, roads, back lanes, frontages, set-backs, improvements, schemes whatsoever over or affecting the same and all works, alterations, additions, extensions and/ or renovations done to or at the Sale Property (if any, and as applicable);

(c) the Purchaser is deemed to be fully aware of and fully satisfied with the state and condition of and all matters relating to the Sale Property, and has made and conducted its own independent inquiries, assessments and investigations and all necessary searches in respect of the Sale Property;

(d) the Vendor is not obliged to remove any structures on the Sale Property;

(e) no representation is made as to the accuracy of the area of the Sale Property as stated in the Land Title;

AND the Purchaser shall not be entitled to rescind the purchase or to make any claim for compensation or reduction of the Purchase Price or to claim for damages or to have any other claim against the Vendor in respect of any of the above.

9.2 Soil Tests

At anytime after the Unconditional Date shall have occurred, the Purchaser may request in writing to allow the Purchaser to enter upon the Sale Property to conduct soil tests for a period not exceeding fourteen (14) days ("Access Period") and provided the Purchaser is not in breach of the terms of this Sale and Purchase Agreement the Vendor shall allow the Purchaser access to the Sale Property by delivering the keys to the Sale Property to the Vendor strictly based on the following terms and conditions:-

(a) the Purchaser agrees to indemnify the Vendor against all claims, proceedings, loss, damages, costs, fines or charges that may arise out of any of the works/activities carried out on the Sale Property by the Purchaser his agents and or consultants including any damages to any neighbouring properties, roads, drains and other infrastructure as a result of works/ activities carried out on the Sale Property by the Purchaser. The Purchaser shall ensure that an appropriate third party liability insurance policy shall be taken out (if required);

(b) that all works and activities on the Sale Property shall be at the sole risk and expense of the Purchaser and shall not be carried out within the Buildings;

(c) the lands and buildings on the Property shall not be disturbed or affected and left intact;

(d) any consultants appointed by or for or on behalf of the Purchaser in respect of the soil tests shall have no claim against the Vendor;

(e) the Purchaser shall redeliver possession of the Sale Property on the expiry of the Access Period;

(f) the Purchaser shall reinstate and restore the Sale Property into its original condition (including covering up any holes on the Sale Property); and

(g) in the event the Sale and Purchase Agreement is terminated for any reason whatsoever there shall be no compensation payable by the Vendor to the Purchaser in respect of any soil tests carried out.

FOR THE AVOIDANCE OF DOUBT, the results of the soil test shall are not a condition precedent to this sale and purchase nor will it form a basis for this purchase.

10. REGISTRATION OF TRANSFER AND RELEASE OF BALANCE PURCHASE PRICE

10.1 Subject always to Clause 5, the Purchaser shall cause the Purchaser's Solicitors to present the Transfer and all other documents necessary for registration at the relevant land office/registry forthwith upon receipt of the original Land Title and in any event on or after the Completion Date.

10.2 In the event that the Vendor is required to furnish any further document or to execute any further document to facilitate the presentation of the Transfer, the Vendor undertakes with the Purchaser that it will do so within seven (7) days upon request by the Purchaser, failing which the number of days in excess of the said seven (7) days shall be excluded in computing the Completion Period and the Extended Completion Period which dates shall be extended by the number of days delayed after the expiry of the aforesaid period and the Vendor shall not charge any interest on the Balance Purchase Price for such extended period.

10.3 The Vendor's Solicitors shall be authorised to release the Balance Purchase Price to the Vendor upon the expiry of fourteen (14) days from the date of presentation of the Transfer or twenty one (21) days from the date of delivery of the original Land Title to the Purchaser's Solicitors or Financier's Solicitors, whichever is the earlier.

11. APPORTIONMENT OF OUTGOINGS

The Vendor hereby agrees and covenants that it will settle all outgoings in respect of the Sale Property including but not limited to quit rent, assessment, rates and taxes, water, electricity, sewerage (if any) (collectively, the "Outgoings") up to the Completion Date and shall forward the relevant receipts to the Purchaser's Solicitors for apportionment between the parties and any sum or sums by virtue of such apportionment shall be paid or allowed as the case may be to the party entitled to the same forthwith upon the delivery of vacant possession of the Sale Property.

12. DEFAULT BY THE PURCHASER

12.1 Provided Always That the Vendor is ready, willing and able to perform the Vendor's obligation under this Agreement, in the event:-

(a) the Purchaser shall fail to pay the Purchase Price within the time and in the manner stated in Clause 3 hereof; or

(b) the Purchaser shall be in breach of any material term of this Agreement, without any default by the Vendor, the Vendor shall require the Purchaser to remedy such breach within fourteen (14) days of receipt of such notice and if the Purchaser fails to remedy the relevant default or breach within the stipulated fourteen (14) days; then, the Vendor shall be at liberty to terminate this Agreement by a notice in writing to the Purchaser whereupon:

(i)the Deposit shall be forfeited to the Vendor absolutely as agreed compensation and the Vendor shall be entitled to retain or recover the same (if unpaid) and be at liberty to sell or otherwise dispose of the Property as the Vendor shall think fit without being liable to the Purchaser for any profit made on such sale or dealing; and

(ii) the Vendor shall refund or cause to be refunded to the Purchaser all other monies paid by the Purchaser to the Vendor towards payment of the Balance Purchase Price free of interest in exchange for the Purchaser's compliance with Clause 12.2 herein.

12.2 In the event of termination of this Agreement pursuant to Clause 12.1 above, the Purchaser shall in exchange for the refund provided in Clause 12.1(ii) hereof (if applicable) or where there is no money required to be refunded, the Purchaser shall in exchange comply with the following:-

(a) return or cause to be returned to the Vendor all documents (inclusive of the Transfer Documents) which were delivered to the Purchaser or the Purchaser's Solicitors or the

Financier or the Financier's solicitors under the provisions of this Agreement with the Vendor's right, title and interests intact;

(b) remove or cause to be removed any private caveat entered on the Sale Property by the Purchaser or the Purchaser's Financier or any other person claiming under the Purchaser, at the Purchaser's own costs and expenses;

(c) deliver the RPGT Termination Letter; and

(d) upon the Purchaser's compliance with the above, neither party shall thereafter have any claims whatsoever against the other in respect of this Agreement save on any antecedent breach of this Agreement.

13. DEFAULT BY THE VENDOR

13.1 If the Vendor is in breach of any fundamental term or condition of this Agreement or if it wilfully fails to complete this sale under this Agreement the Purchaser shall be entitled to give notice in writing to the Vendor specifying the default or breach and requiring the Vendor to remedy the said default or breach within fourteen (14) days of receipt of such notice failing which the Purchaser shall be entitled to terminate this Agreement whereupon the Vendor shall within fourteen (14) days of the notice of termination refund all monies paid by the Purchaser or the Financier under this Agreement free of interest in addition to a sum of equivalent to Ten per centum (10%) of the Purchase Price of the Sale Property as agreed liquidated damages and in exchange the Purchaser shall:-

(a) return or cause to be returned to the Vendor all documents (inclusive of the Transfer Documents) which were delivered to the Purchaser or the Purchaser's Solicitors or the Financier or the Financier's solicitors under the provisions of this Agreement with the Vendor right, title and interests intact;

(a) remove or cause to be removed any private caveat entered on the Property by the Purchaser or the Financier or any other person claiming under the Purchaser, at the Purchaser's own costs and expenses;

(b) deliver the RPGT Termination Letter; and

(d) upon the Purchaser's compliance with the above, neither party shall thereafter have any claims whatsoever against the other in respect of this Agreement save on any antecedent breach of this Agreement.

13.2 The Purchaser hereby agrees to waive its rights to specific performance and damages in lieu and agrees that its remedies shall be as set out in Clause 13.1 above.

14. NON-REGISTRATION

14.1 In the event that the Transfer cannot be registered in the name of the Purchaser for reason which is not caused by any default, wilful neglect, omission or blameworthy conduct of any of the parties to this Agreement, the Purchaser shall be entitled by notice in writing to terminate this Agreement whereupon the Vendor shall refund to the Purchaser all monies paid by the Purchaser pursuant to this Agreement (including the Deposit) towards the Purchase Price within fourteen (14) days from the date of such notice of termination free of interest, in exchange whereof the Purchaser shall:-

(a) return or cause to be returned to the Vendor all documents (inclusive of the Transfer Documents) which were delivered to the Purchaser or the Purchaser's Solicitors or the Financier or the Financier's solicitors under the provisions of this Agreement with the Vendor's right, title and interests intact;

(b) remove or cause to be removed any private caveat entered on the Property by the Purchaser or the Purchaser's Financier or any other person claiming under the Purchaser, at the Purchaser's own costs and expenses;

(c) deliver the RPGT Termination Letter; and

(d) upon the Purchaser's compliance with the above, neither party shall thereafter have any claims whatsoever against the other in respect of this Agreement save on any antecedent breach of this Agreement.

14.2 For the purposes of this Clause, any non-registration by virtue of any errors or mistakes in the preparation of the registration documents or otherwise that can be remedied shall not be a ground of termination of this Agreement.

15. GOVERNMENT ACQUISITION

15.1 The Vendor hereby declares that as at the date of this Agreement it is not aware of nor has itreceived any notice of acquisition or intended acquisition of the Sale Property or any part thereof from the acquiring authorities and it is hereby agreed between the parties hereto that in the event the Vendor shall, after execution hereof but before the Completion Date or date of presentation of the Transfer whichever is the earlier, receive any notice of acquisition or intended acquisition of the Sale Property or any part thereof from the acquiring authorities, it shall immediately notify the Purchaser of the same and the Purchaser shall have the right to:-

(a) terminate this Agreement, whereupon, the Vendor shall refund to the Purchaser the Deposit free of interest and all other monies paid by the Purchaser to the Vendor pursuant to this Agreement (if any) shall be refunded free of interest. Subject as aforesaid, Clauses 14.1(a), (b), (c) and (d) shall apply with such modifications as are necessary; or

(b) continue with the purchase and in such an event, the Vendor shall immediately notify or procure the requisite notice to be given to the acquiring authorities of this Agreement and the Purchaser's interest in the Sale Property and the terms of this Agreement and the Vendor shall immediately having given notice thereof keep the Purchaser notified of the exercise of all steps taken by the acquiring authority as well as obtain the Purchaser's consent prior to the taking of any steps by the Vendor in respect of the acquisition of the Sale Property PROVIDED THAT where the Purchaser pays the Purchase Price in accordance with this Agreement it shall be entitled to all compensation (if any) offered or paid by the acquiring authorities in respect of such acquisition.

16. REAL PROPERTY GAINS TAX

16.1 The Vendor and the Purchaser do hereby agree covenant and undertake with each other to inform the relevant authorities of the sale herein contained within Sixty (60) days from the date of the Unconditional Date and each party shall individually do all acts execute all letters documents or instruments and file all returns as may be necessary under the Real Property Gains Tax Act, 1976.

16.2 The Vendor hereby further covenants and undertakes to pay all tax payable (if any) under pursuant or incidental to the Real Property Gains Tax Act, 1976 and to keep the Purchaser, the Purchaser's Solicitors and the Vendor's Solicitors fully indemnified against all tax liabilities of the Vendor under pursuant or incidental to the Real Property Gains Tax Act 1976 including all penalty fine action proceeding cost and interests for late payment or non-payment thereof.

16.3 The Vendor's Solicitors shall within fifty (50) days of the Unconditional Date pay the ,RPGT Sum to the DGIR as required under the provisions of the Real Property Gains Tax Act 1976 and shall forward to the Purchaser's Solicitors within seven (7) working days of such payment a copy of the DGIR's remission receipt thereof.

17. LODGMENT OF PRIVATE CAVEAT

Forthwith upon the execution of this Agreement, it is hereby agreed that the Purchaser shall be entitled at its own cost and expense to present and register a private caveat over the Sale Property for the purpose of protecting the Purchaser's interest therein and rights in respect thereof PROVIDED THAT the Purchaser shall have together with the execution of the entry of private caveat form executed a valid and registrable withdrawal of private caveat form and deposited the same with the Purchaser's Solicitors as stakeholders and who are hereby irrevocably authorised to deal with the same in the manner provided in this Agreement. In the event this Agreement is terminated pursuant to the terms herein, the Purchaser's Solicitors shall cause the valid and registrable withdrawal of private caveat form duly executed by the Purchaser in respect of the Sale Property together with the relevant registration fees to be delivered to the Vendor's Solicitors in exchange for the refund of all sums due and owing to the Purchaser pursuant to this Agreement.

18. WHOLE AGREEMENT

This Agreement (together with any documents referred herein) shall constitute the whole agreement between the parties hereto and it is expressly declared that no variation hereof shall be effective unless made by the parties hereto in writing.

19. FURTHER ASSURANCE

The Vendor and the Purchaser shall execute and do and procure all other necessary persons or companies, if any, to execute and do all such further deeds, assurance, act and things as may be reasonably required so that full effect may be given to the terms and conditions of this Agreement.

20. NOTICE

Notices required or permitted to be given hereunder shall be in writing and shall be deemed to have been validly given to the Vendor or to the Purchaser if delivered personally or sent by facsimile or registered post to the respective party at the address specified above or such other address as the recipient may have notified to the other party hereto in writing and if so given shall be deemed to have been received:-

(a) in the case of a letter delivered by hand, upon receipt thereof;

(b) in the case of a letter sent by registered post, on the fifth (5th) Business Day after posting (subject to proof of posting); and

(c) in the case of a facsimile on the Business Day immediately following transmission.

21. COSTS

Save as otherwise provided in this Agreement:-

(a) the stamp duty, registration fees and all other costs and expenses in connection with or incidental to the acquisition and the transfer of the Sale Property shall be borne by the Purchaser;

(b) the application fee for State Consent shall be borne by the Vendor and the PDC Consent Fee and or any costs levies, consent fees or other charges or financial imposition issued by PDC or the State Authority on the Vendor shall be borne equally by the Purchaser and Vendor; and

(c) each party shall bear its own solicitors' costs in the preparation of this Agreement.

22. LAW

This Agreement shall be governed by the laws of Malaysia.

23. TIME

Time shall be of the essence of this Agreement.

24.SUCCESSORS BOUND

This Agreement shall be binding upon the successors in title and permitted assigns of the respective parties hereto.

25.SEVERABILITY

Any terms, conditions, stipulations, provisions, covenants or undertaking in this Agreement which is illegal, void, prohibited or unenforceable shall be ineffective to the extent of such illegality, voidness, prohibition or unenforceability without invalidating the remaining provisions hereof, and any such illegality, voidness, prohibition or unenforceability shall not invalidate or render illegal, void or unenforceable any other terms, conditions, stipulations, provisions, covenants or undertaking contained herein.

26. COUNTERPARTS

This Agreement may consist of any number of counterparts and all counterparts taken together shall be deemed to constitute one and the same agreement.

27. REFUND BY THE VENDOR TO THE PURCHASER

27.1 Notwithstanding anything to the contrary herein contained, where the Vendor is liable to refund the Purchase Price to the Purchaser under the provisions of this Agreement, the Parties hereto hereby agree that:-

(a) such refund shall only be made in respect of all moneys paid by the Purchaser to the Vendor towards the account of the Purchase Price;

(b) such refund shall be made against and in exchange for all documents forwarded by the Vendor or the Vendor's Solicitors to the Purchaser or the Purchaser's Solicitors or the Purchaser's Financier's Solicitors, save and except the Transfer which shall be submitted to the Stamp Duty Office for the purposes of cancellation and refund of the stamp duty endorsed thereon and return the same thereafter after cancellation thereof, with the Vendor's title and interest in the Sale Property intact as well as re-delivery of vacant possession of the Sale Property to the Vendor (if so delivered); and

(c) subject to Clause 27.1(b), where the Vendor fails to pay to the Purchaser the refund or any other monies payable by the Vendor to the Purchaser pursuant to the provisions of this Agreement within the time prescribed by the provisions of this Agreement, the Vendor shall pay to the Purchaser interest on the amount of the refund or other monies payable at the rate of eight percent (8%) per annum calculated from the date when such moneys became due for payment until the date of full settlement.

28. COMPUTATION OF TIME

For the avoidance of doubt, Provided that the Unconditional Date shall have occurred, in the event any documents is not received by the Purchaser's Solicitors or the solicitors for the Purchaser's Financier, as the case may be from the Vendor/Vendor's Solicitors within fourteen (14) days of the request of the same, the period from the fifteenth (15th) day until the day when the requested documents is delivered to the Purchaser's Solicitors or the solicitors for the Purchaser's Financier, as the case may be shall not be taken into account in the computation of the Completion Date and/or the Extended Completion Date and the Completion Date and/ or the Extended Completion Date shall be automatically extended to a time equivalent to such period free of interest.

IN WITNESS WHEREOF the parties hereto hereunto set their hands the day and year first abovewritten.

The Common Seal of the Vendor
Was hereunto affixed in the presence of

s/Ting Hock Ming
Director
Name: Ting Hock Ming
Nric No.S0117093G

s/Soon Siew Kuan
Director
Name: Soon Siew Kuan
Nric No. S1298989Z

The Common Seal of the Purchaser
Was hereunto affixed in the presence

s/Tan Wei Wei
Director
Name : Tan Wei Wei
Nric No. 791227-07-5108

S/Vincent Leong Wai Shun
Director
Name: Vincent Leong Shun
Nric No. 771212-14-5283

Sale and Purchase of No. **1A, Jalan Sultan Azlan Shah,**
Bayan Lepas FTZ Zone 1, 11900 Penang

Exhibit 31.1

CERTIFICATIONS

I, S. W. Yong, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Trio-Tech International, a California corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a–15(e) and 15d–15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: February 13, 2020

/s/ S. W. Yong
S. W. Yong, Chief Executive Officer
and President (Principal Executive Officer)

Exhibit 31.2

I, Victor H.M. Ting, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Trio-Tech International, a California corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a–15(e) and 15d–15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: February 13, 2020

/s/ Victor H.M. Ting
Victor H.M. Ting, Chief Financial Officer
and Vice President (Principal Financial Officer)

Exhibit 32

SECTION 1350 CERTIFICATION

Each of the undersigned, S.W. Yong, President and Chief Executive Officer of Trio-Tech International, a California corporation (the "Company"), and Victor H.M. Ting, Vice President and Chief Financial Officer of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge (1) the quarterly report on Form 10-Q of the Company for the six months ended December 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ S. W. Yong
Name: S. W. Yong
Title: President and Chief Executive Officer
Dated: February 13, 2020

/s/ Victor H.M. Ting
Name: Victor H.M. Ting
Title: Vice President and Chief Financial Officer
Dated: February 13, 2020

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.