

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

FORM 10-K

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

For the fiscal year ended June 30, 2020

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: **(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 if the registrant is a well-known seasoned issuer, as defined in rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. Large Accelerated Filer Accelerated Filer Non-Accelerated Filer (Do not check if a smaller reporting company) 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

The aggregate market value of voting stock held by non-affiliates of Registrant, based upon the closing price of \$3.99 for shares of the registrant's Common Stock on December 31, 2019, the last business day of the registrants most recently completed second fiscal quarter as reported by the NYSE American, was approximately \$7,135,000. In calculating such aggregate market value, shares of Common Stock held by each officer, director and holder of 5% or more of the outstanding Common Stock (including shares with respect to which a holder has the right to acquire beneficial ownership within 60 days) were excluded because such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of shares of Common Stock outstanding as of September 1, 2020 was 3,673,055.

Documents Incorporated by Reference

Part III of this Form 10-K incorporates by reference information from Registrant's Proxy Statement for its 2020 Annual Meeting of Shareholders to be filed with the Commission under Regulation 14A within 120 days of the end of the fiscal year covered by this Form 10-K.

TRIO-TECH INTERNATIONAL

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TRIO-TECH INTERNATIONAL

PART I

ITEM 1 – BUSINESS (IN THOUSANDS, EXCEPT PERCENTAGES AND SHARE AMOUNTS)

Cautionary Statement Regarding Forward-Looking Statements

The discussions of Trio-Tech International’s (the “Company”) business and activities set forth in this Form 10-K 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’s 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; on-going public health issues related to the COVID-19 pandemic; credit risks in the Chinese real estate industry; changes in macroeconomic conditions and credit market conditions; and other economic, financial and regulatory factors beyond the Company’s control. 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.

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

General

Trio-Tech International 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. The mailing address and executive offices are located at Block 1008 Toa Payoh North, Unit 03-09 Singapore 318996, Singapore, and the telephone number is (65) 6265-3300.

We make available through our website, free of charge, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements and any amendments to those reports or statements filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. The SEC also maintains an internet site at www.sec.gov that contains such reports and statements filed electronically with the SEC by the Company. Additional information about Trio-Tech is available on our website at www.triotech.com.

During the fiscal year ended June 30, 2020, the Company operated its business in four segments: manufacturing, testing services, distribution and real estate. Geographically, the Company operates in the United States (“U.S.”), Singapore, Malaysia, Thailand and China. It operates six testing service facilities; one in the U.S. and five in Asia. It operates two manufacturing facilities: one in the U.S. and the other in Asia. Its real estate segment operates in Asia and its distribution segment operates primarily in Asia. Its major customers are concentrated in Asia and they are either semiconductor chip manufacturers or testing facilities that purchase testing equipment. For information relating to revenues, profit and loss and total assets for each of the segments, see Note 18 - Business Segments contained in the consolidated financial statements included in this Form 10-K.

Company History – Certain Highlights for the Five Fiscal Years Ended June 30, 2020

- 2016 Trio-Tech (Tianjin) Co., Ltd., re-certified to ISO 14001:2004 standards. (July 2016)
Trio-Tech (Tianjin) Co., Ltd., re-certified to OHSAS 18001:2007 standards. (July 2016)
- 2017 Trio-Tech International Pte. Ltd., Singapore, re-certified to biz SAFE Level 3 Workplace Safety and Health standards.
- 2018 Trio-Tech (Tianjin) Co. Ltd. re-certified to ISO 9001:2015 standards. (Apr 2018).
Trio-Tech International Pte. Ltd. (Singapore) re-certified to ISO 9001:2015 standards. (Jun 2018)
Trio-Tech (Malaysia) Sdn. Bhd. re-certified to ISO 9001:2015 standards. (Jun 2018)
Trio-Tech (Bangkok) Co. Ltd. re-certified to ISO 9001:2015 standards. (Jun 2018)
Trio-Tech International Pte. Ltd. (Singapore) re-certified to ISO 14001:2015 standards. (Jun 2018)
- 2019 Trio-Tech (Tianjin) Co. Ltd. recertified to ISO 14001:2015 standards. (July 2019)
Trio-Tech (Tianjin) Co. Ltd. recertified to OHSAS 18001:2007 standards. (July 2019)
- 2020 Trio-Tech International certified to ISO 9001:2005 standards (March 2020)

Overall Business Strategies

Our core business is and historically has been in the semiconductor industry (testing services, manufacturing-assembly) manufacturing and distribution. Revenue from the semiconductor industry accounted for 99.8% of our total revenue for fiscal years 2020 and 2019. The semiconductor industry has experienced periods of rapid growth, but has also experienced downturns, often in connection with, or in anticipation of, maturing product cycles of both semiconductor companies' and their customers' products and declines in general economic conditions. To reduce our risks associated with sole industry focus and customer concentration, the Company continues to put effort into expanding its line of businesses. The Real Estate segment contributed only 0.2% to the total revenue for fiscal 2020 and 2019 and has been an insignificant business operation since the property market in China has slowed down due to control measures in China. We are continuing the process of winding down our oil & gas equipment fabrication operations, which discontinued its operations in December 2012.

To achieve our strategic plan for our semiconductor business, we believe that we must pursue and win new business in the following areas:

- *Primary markets* – Capturing additional market share within our primary markets by offering superior products and services to address the needs of our major customers.
- *Growing markets* – Expanding our geographic reach in areas of the world with significant growth potential.
- *New markets* – Developing new products and technologies that serve wholly new markets.
- *Complementary strategic relationships* – Through complementary acquisitions or similar arrangements, we believe we can expand our markets and strengthen our competitive position. As part of our growth strategy, the Company continues to selectively assess opportunities to develop strategic relationships, including acquisitions, investments and joint development projects with key partners and other businesses.

Business Segments

Testing Services

Our testing services are rendered to manufacturers and purchasers of semiconductors and other entities who either lack testing capabilities or whose in-house screening facilities are insufficient for testing devices in order for them to make sure that these products meet certain commercial specifications. Customers outsource their test services either to accommodate fluctuations in output or to benefit from economies that can be offered by third party service providers.

Our laboratories perform a variety of tests, including stabilization bake, thermal shock, temperature cycling, mechanical shock, constant acceleration, gross and fine leak tests, electrical testing, microprocessor equipment contract cleaning services, static and dynamic burn-in tests, reliability lab services and vibration testing. We also perform qualification testing, consisting of intense tests conducted on small samples of output from manufacturers who require qualification of their processes and devices.

We use our own proprietary equipment for certain burn-in, centrifugal and leak tests, and commercially available equipment for various other environmental tests. We conduct the majority of our testing operations in Asia with facilities in Singapore, Malaysia, Thailand and China, which have been certified to the relevant ISO quality management standards.

Manufacturing

We manufacture both front-end and back-end semiconductor test equipment and related peripherals at our facilities in Singapore and the U.S.

Front-End Products

Artic Temperature Controlled Wafer Chucks

Artic Temperature Controlled Wafer Chucks are used for test, characterization and failure analysis of semiconductor wafers and such other components at accurately controlled cold and hot temperatures. These systems provide excellent performance to meet the most demanding customer applications. Several unique mechanical design features provide excellent mechanical stability under high probing forces and across temperature ranges.

Wet Process Stations

Wet Process Stations are used for cleaning, rinsing and drying semiconductor wafers, flat panel display magnetic disks, and other microelectronic substrates. After the etching or deposition of integrated circuits, wafers are typically sent through a series of 100 to 300 additional processing steps. At many of these processing steps, the wafer is washed and dried using Wet Process Stations.

Back-End Products

Autoclaves and HAST (Highly Accelerated Stress Test) Equipment

We manufacture autoclaves, HAST systems and specialized test fixtures. Autoclaves provide pressurized, saturated vapor (100% relative humidity) test environments for fast and easy monitoring of integrated circuit manufacturing processes. HAST systems provide a fast and cost-effective alternative to conventional non-pressurized temperature and humidity testing.

Burn-in Equipment and Boards

We manufacture burn-in systems, burn-in boards and burn-in board test systems. Burn-in equipment is used to subject semiconductor devices to elevated temperatures while testing them electrically to identify early product failures and to assure long-term reliability. Burn-in boards are used to mount devices during high temperature environmental stressing tests.

We provide integrated burn-in automation solutions to improve products' yield, reduce processing downtime and improve efficiency. In addition, we develop a cooling solution, which is used to cool or maintain the temperature of high power heat dissipation semiconductor devices.

Component Centrifuges and Leak Detection Equipment

We manufacture centrifuges that perform high speed constant acceleration to test the mechanical integrity of ceramic and other hermetically sealed semiconductor devices and electronic parts for high reliability and aerospace applications. Leak detection equipment is designed to detect leaks in hermetic packaging. The bubble tester is used for gross leak detection. A visual bubble trail will indicate when a device is defective.

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, the life cycle of which can last from 3 years to 7 years, rather than consumer products which have a shorter life cycle.

Real Estate

Beginning in 2007, TTI invested in real estate property in Chongqing, China, which has generated investment income from the rental revenue 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.

Product Research and Development

We focus our research and development activities on improving and enhancing both product design and process technology. We conduct product and system research and development activities for our products in Singapore and the U.S. Research and development expenses were \$355 and \$345 in fiscal years 2020 and 2019, respectively.

Marketing, Distribution and Services

We market our products and services worldwide, directly and through independent sales representatives and our own marketing sales team. We have approximately five independent sales representatives operating in the U.S. and another twenty in various foreign countries. All sales representatives represented the testing services segment and the manufacturing segment for various products and services produced and provided from our facilities in different locations.

Dependence on Limited Number of Customers

In fiscal years 2020 and 2019, combined sales of equipment and services to our three largest customers accounted for approximately 60.3% and 58.3%, respectively, of our total net revenue. Of those sales, \$13,229 (38.4%) and \$16,421 (41.9%) of our total net revenue were from one major customer. Although the major customer is a U.S. company, the revenue generated from it was from facilities located outside of the U.S. The majority of our sales and services in fiscal years 2020 and 2019 were to customers outside of the U.S.

Backlog

The following table sets forth the Company's backlog at the dates indicated:

	For the Year Ended June 30,	
	2020	2019
Manufacturing backlog	\$ 5,010	\$ 4,210
Testing services backlog	2,915	4,292
Distribution backlog	1,409	1,494
Real estate backlog*	6	153
	\$ 9,340	\$ 10,149

*Real estate backlog is based on the rental income from a non-cancellable lease.

Based on our past experience, we do not anticipate any significant cancellations or re-negotiation of sales. The purchase orders for the manufacturing, testing services and distribution businesses generally require delivery within 12 months from the date of the purchase order and certain costs are incurred before delivery. In the event of a cancellation of a confirmed purchase order, we require our customers to reimburse us for all costs incurred. We do not anticipate any difficulties in meeting delivery schedules. For testing services, the backlog is based on estimates provided by our customers and is not based on a customer's purchase order, as it is a practice that the purchase orders are provided only during the process of delivery.

Materials and Supplies

Our products are designed by our engineers and are assembled and tested at our facilities in the U.S., China and Singapore. We purchase all parts and certain components from outside vendors for assembly purposes. We have no written contracts with any of our key suppliers. As these parts and components are available from a variety of sources, we believe that the loss of any one of our suppliers would not have a material adverse effect on our results of operations taken as a whole.

Competition

Our ability to compete depends on our ability to develop, introduce and sell new products or enhanced versions of existing products on a timely basis and at competitive prices, while reducing our costs.

There are numerous testing laboratories in the areas where we operate that perform a range of testing services similar to those, we offer. However, due to severe competition in the Asia testing and burn-in services industry there has been a reduction in the total number of competitors. The existence of competing laboratories and the purchase of testing equipment by semiconductor manufacturers and users are potential threats to our future testing services revenue and earnings. Although these laboratories and new competitors may challenge us at any time, we believe that other factors, including reputation, long service history and strong customer relationships, are instrumental in determining our position in the market.

The distribution segment sells a wide range of equipment to be used for testing products. As the semiconductor equipment industry is highly competitive, we offer a one-stop service alternative to customers by complementing our products with design consultancy and other value-added services.

The principal competitive factors in the manufacturing industry include product performance, reliability, service and technical support, product improvements, price, established relationships with customers and product familiarity. We make every effort to compete favorably with respect to each of these factors. Although we have competitors for our various products, we believe that our products compete favorably with respect to each of the above factors. We have been in business for more than 60 years and have operation facilities mostly located in Asia. Those factors combined have helped us to establish and nurture long-term relationships with customers and will allow us to continue doing business with our existing customers upon their relocation to other regions where we have a local presence or are able to reach.

Patents

In fiscal years 2020 and 2019, we did not register any patents within the U.S.

It is typical in the semiconductor industry to receive notices from time to time alleging infringement of patents or other intellectual property rights of others. We do not believe that we infringe on the intellectual property rights of any others. However, should any claims be brought against us, the cost of litigating such claims and any damages could materially and adversely affect our business, financial condition, and results of operations.

Employees

As of June 30, 2020, we had approximately 535 full time employees and no part time employees. Geographically, approximately 8 full time employees were located in the U.S. and approximately 527 full time employees in Asia. None of our employees are represented by a labor union.

There were approximately 60 employees in the manufacturing segment, 440 employees in the testing services segment, 4 employees in the distribution segment, 3 employees in the real estate segment and 28 employees in general administration, logistics and others.

ITEM 1A – RISK FACTORS

As a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934, we are not required to provide the information required by this item.

ITEM 1B – UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2 – PROPERTIES

As of the date of filing of this Form 10-K, we believe that we are utilizing approximately 80% of our fixed property capacity. We also believe that our existing facilities are adequate and suitable to cover any sudden increase in our needs in the foreseeable future.

The following table presents the relevant information regarding the location and general character of our principal manufacturing and testing facilities:

Location	Segment	Approx. Sq. Ft. Occupied	Owned (O) or Leased (L) & Expiration Date
16139 Wyandotte Street, Van Nuys, CA 91406, United States of America	Corporate, Testing Services / Manufacturing	5,200	(L) Mar 2023
1004, Toa Payoh North, Singapore Unit No. HEX 07-01/07	Testing Services	6,864	(L) Sep 2025
Unit No. HEX 07-01/07, (ancillary site)	Testing Services	2,532	(L) Sep 2025
Unit No. HEX 03-01/02/03	Testing Services / Manufacturing	2,959	(L) Sep 2025
Unit No. HEX 01-08/15	Testing Services / Manufacturing / Logistics Store	6,864	(L) Jan 2023
Unit No. HEX 01-08/15, (ancillary site)	Testing Services / Manufacturing	449	(L) Jan 2023
Unit No. HEX 07-10/11	Testing Services / Manufacturing	1,953	(L) Dec 2021
1008, Toa Payoh North, Singapore Unit No. HEX 03-09/17	Manufacturing	6,099	(L) Jan 2023
Unit No. HEX 03-09/17, (ancillary site)	Manufacturing	70	(L) Jan 2023
Unit No. HEX 01-09/10/11	Manufacturing	2,202	(L) Nov 2023
Unit No. HEX 01-15/16	Manufacturing	1,400	(L) Sep 2023
Unit No. HEX 01-08	Manufacturing	603	(L) Sep 2023
Unit No. HEX 01-12/14	Manufacturing	1,664	(L) Jul 2022
Lot No. 11A, Jalan SS8/2, Sungai Way Free Industrial Zone, 47300 Petaling Jaya, Selangor Darul Ehsan, Malaysia	Testing Services	78,706	(O)
4809-3-35,CBD Perdana 2 Persiaran Flora Cyber 12 63000 Cyberjaya	Manufacturing	2000	(L) May 2022
327, Chalongkrung Road, Lamplathew, Lat Krabang, Bangkok 10520, Thailand	Testing Services	34,433	(O)
No. 5, Xing Han Street, Block A #04-15/16, Suzhou Industrial Park China 215021	Testing Services	6,200	(L) Jan 2021
27-05, Huang Jin Fu Pan, No. 26 Huang Jin Qiao Street Hechuan District Chongqing China 401520	Real Estate	969	(L) Aug 2021
B7-2, Xiqing Economic Development Area International Industrial Park Tianjin City, China 300385	Testing Services	45,940	(L) April 2021

ITEM 3 – LEGAL PROCEEDINGS

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 our financial statements.

There are no material proceedings to which any director, officer or affiliate of the Company, any beneficial owner of more than five percent of the Company's Common Stock, or any associate of such person, is a party that is adverse to the Company or its properties.

ITEM 4 – MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5 – MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our Common Stock is traded on the NYSE American exchange under the symbol “TRT.”

As of September 1, 2020, there were 3,673,055 shares of our Common Stock issued and outstanding, and the Company had approximately 57 record holders of Common Stock. The number of holders of record does not include the number of persons whose stock is in nominee or “street name” accounts through brokers.

Dividend Policy

We did not declare any cash dividends in either fiscal year 2020 or fiscal year 2019.

The determination as to whether to pay any future cash dividends will depend upon our earnings and financial position at that time and other factors as the Board of Directors may deem appropriate. In general, California law prohibits the payment of dividends unless the corporation’s retained earnings prior to the dividend equals or exceeds the dividend or, immediately after payment of the dividends, the corporation’s assets would equal or exceed its total liabilities. There is no assurance that dividends will be paid to holders of Common Stock in the foreseeable future.

ITEM 6 - SELECTED FINANCIAL DATA

As a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934, we are not required to provide the information required by this item.

ITEM 7 – MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (IN THOUSANDS, EXCEPT PERCENTAGES AND SHARE AMOUNTS)

The following discussion and analysis should be read in conjunction with our disclaimer on “Forward-Looking Statements,” “Item 1. Business,” and our Consolidated Financial Statements, the notes to those statements and other financial information contained elsewhere in this Annual Report on Form 10-K.

During fiscal years 2020 and 2019, Trio-Tech International operated in four segments: manufacturing, testing services, distribution, and real estate. In fiscal year 2020, revenue from the manufacturing, testing services, distribution and real estate segments represented 33.7%, 43.0%, 23.1% and 0.2% of our revenue, respectively, as compared to 38.0%, 42.8%, 19.0% and 0.2%, respectively, in fiscal year 2019.

Semi-conductor testing and manufacturing (assembly) of test equipment is our core business. We provide third-party semiconductor testing and burn-in services primarily through our laboratories in Asia. At or from our facilities in the U.S. and Asia, we also design, manufacture and market equipment and systems to be used in the testing and production of semiconductors and distribute semiconductor processing and testing equipment manufactured by other vendors.

Our distribution segment operates primarily in Asia. This segment markets and supports distributing complementary products supplied by other manufacturers that are used by its customers and other semiconductor and electronics manufacturers. We believe this will help us to reduce our exposure to multiple risks arising from being a mere distributor of manufactured products from others.

The main revenue component for the real estate segment was rental income.

No other investment income was recorded as “revenue” by the real estate segment in either of fiscal years 2020 or 2019.

The rental income is generated from the rental properties acquired from MaoYe Property Ltd. (“MaoYe”) and Chongqing FuLi Real Estate Development Co. Ltd (“FuLi”) in Chongqing, China. In the second quarter of fiscal 2015, the investment made with JiaSheng Property Development Co. Ltd (“JiaSheng”), which was deemed as loans receivable, was transferred to down payment for purchase of investment property in China.

Trio-Tech Chongqing Co., Ltd. (“TTCQ”) invested RMB 5,554 in rental properties in MaoYe during fiscal year 2008, RMB 3,600 in rental properties from JiangHuai Property Development Co. Ltd. (“JiangHuai”) during fiscal year 2010 and RMB 4,025 in rental properties in FuLi during fiscal year 2010. During fiscal year 2019, TTCQ completed the sale of thirteen of the fifteen units constituting the MaoYe property, which contributed a capital gain of \$685. The total investment in properties in China was RMB 9,649, in fiscal year 2020 and 2019, approximately \$1,363 and \$1,405 respectively. The carrying value of these investment properties in China was RMB 4,884 and RMB 5,367, or approximately \$690 and \$782, in fiscal years 2020 and 2019, respectively. These properties generated a total rental income of \$62 and \$98 for fiscal years 2020 and 2019, respectively. TTCQ’s investment in properties that generated rental income is discussed further in this Form 10-K.

TTCQ has yet to receive the title deed for properties purchased from JiangHuai. TTCQ was in the legal process of obtaining the title deed until the developer encountered cash flow difficulties in recent years. Since then, JinagHuai company is under liquidation and is now undergoing asset distribution. The JiangHuai property did not generate any income during fiscal 2020 or 2019.

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

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

These considerations do not include the remaining outstanding amount of RMB 2,000, or approximately \$326, which will be paid to TTCQ in cash.

The shop lots are to be delivered to TTCQ upon completion of the construction of the shop lots in the Singapore Themed Resort Project. The initial targeted date of completion was December 31, 2016. Based on discussions with the developer, the completion date is estimated to be December 31, 2022. The delay was primarily due to the time needed by the developers to work with various parties to inject sufficient funds into this project, especially during the COVID-19 pandemic. Based on the available information, management believes that the developer is capable of working with new investors to complete certain phases of this project.

Fiscal Year 2020 Highlights (in Thousands)

- Total revenue decreased by \$4,733, or 12.1%, to \$34,465 in fiscal year 2020 compared to \$39,198 in fiscal year 2019.
- Manufacturing segment revenue decreased by \$3,284, or 22.1%, to \$11,605 in fiscal year 2020 compared to \$14,889 in fiscal year 2019.
- Testing services segment revenue was \$14,840 in fiscal year 2020, a decrease of \$1,920, or 11.5%, compared to \$16,760 in fiscal year 2019.
- Distribution segment revenue was \$7,958 in fiscal year 2020, an increase of \$507, or 6.8%, compared to \$7,451 in fiscal year 2019.
- Real estate segment revenue decreased by \$36 to \$62 in fiscal year 2020 compared to \$98 in fiscal year 2019.
- Overall gross profit margin decreased by 1.9% to 21.1% in fiscal year 2020 compared to 23.0% in fiscal year 2019.
- General and administrative expenses decreased by \$73, or 1.0%, to \$6,976 in fiscal year 2020 compared to \$7,049 in fiscal year 2019.
- Selling expenses decreased by \$147, or 17.8%, to \$679 for fiscal year 2020 compared to \$826 in fiscal year 2019.
- An impairment loss on the long-lived assets amounted to \$139 for fiscal year 2020 compared to \$Nil in the fiscal year 2019.
- Gain on disposal of property, plant and equipment was \$24 for fiscal year 2020 compared to \$13 in fiscal year 2019.
- Loss from operations was \$859 in fiscal year 2020, a decrease of \$1,653 as compared to income from operations of \$794 in fiscal year 2019.
- The net other income increased by \$863 to \$1,112 in fiscal year 2020 compared to \$249 in fiscal year 2019.
- Gain on sale of properties was \$1,172 in fiscal year 2020, an increase of \$487, compared to \$685 in fiscal year 2019.
- Income from continuing operations before income taxes was \$1,195 in fiscal year 2020, a decrease of \$214, as compared to \$1,409 in fiscal year 2019.
- Net income attributable to Trio-Tech International for fiscal year 2020 was \$966 compared to \$1,545 in fiscal year 2019.
- Net income attributable to non-controlling interest for fiscal year 2020 was \$238 compared to net loss of \$97 in fiscal year 2019.
- Working capital increased by \$1,350, or 11.6 %, to \$12,957 as of June 30, 2020 compared to \$11,607 as of June 30, 2019.

The highlights above are intended to identify some of our most significant events and transactions during our fiscal year 2020. However, these highlights are not intended to be a full discussion of our results for the year. These highlights should be read in conjunction with the discussion on these items in Item 7 and with our consolidated financial statements and footnotes accompanying this Annual Report.

General Financial Information

During the fiscal year ended June 30, 2020, total assets decreased by \$867 from \$36,527 in fiscal year 2019 to \$35,660 in fiscal year 2020. The decrease was primarily due to a decrease in cash and cash equivalent, trade account receivables, inventories, assets held for sale, investment properties, property, plant and equipment, restricted term deposits, deferred tax assets and other assets. The decrease was partially offset by the increase in short term deposits, other receivables, prepaid expenses and other current assets, short-term advances and right-of-use assets.

Cash and cash equivalents at June 30, 2020 were \$4,150, a decrease of \$713, or 14.7%, compared to \$4,863 at June 30, 2019, primarily due to the placement of term deposits in the Singapore and Malaysia operations.

Trade account receivables at June 30, 2020 was \$5,951, representing a decrease of \$1,162, or 16.3%, compared to \$7,113 at June 30, 2019. The decrease was attributable to a decrease in sales in the Singapore, Malaysia and China operations. The number of days' sales outstanding in account receivables was 68 days and 69 days for the fiscal years ended June 30, 2020 and 2019, respectively.

As at June 30, 2020, other receivables were \$998, an increase of \$181, or 22.2%, compared to \$817 at June 30, 2019. The increase was primarily due to an increase in advance payment to vendors and government grant receivables in the Singapore operations.

Inventories at June 30, 2020 were \$1,922, a decrease of \$505, or 20.8%, compared to \$2,427 at June 30, 2019. The decrease in inventories was mainly due to the decrease in customers' orders amid of the global COVID-19 pandemic. The number of days' inventory held was 88 days at the end of fiscal 2020, compared to 85 days at the end of fiscal year 2019.

As of June 30, 2020, the China operation had a short-term advance of \$141, compared to Nil at June 30, 2019.

Assets held for sale as at June 30, 2020 were \$Nil, compared to \$89 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 in fiscal year 2020.

Investment properties in China as of June 30, 2020 were \$690, a decrease of \$92 from \$782 at June 30, 2019. The decrease was attributable to the depreciation charged for the year.

Property, plant and equipment at June 30, 2020 were \$10,310, a decrease of \$1,849 compared to \$12,159 at June 30, 2019. This was mainly due to depreciation charged for the period and the foreign currency exchange movement between fiscal year 2020 and 2019, coupled with an impairment loss of \$139 recognized in the China operation in fiscal 2020. The decrease was partially offset by the new acquisition of plant and equipment in the Malaysia operation.

Other assets at June 30, 2020 were \$1,609, a decrease of \$141, or 8.1%, compared to \$1,750 at June 30, 2019. The decrease in other assets was primarily due to the reclassification of down payments made for the purchase of equipment to property, plant and equipment in the Malaysia operation from other assets to property, plant and equipment.

Restricted term deposits at June 30, 2020 were \$1,660, compared to \$1,706 at June 30, 2019. The decrease was mainly due to the currency translation difference between functional currency and U.S. dollars from June 30, 2019 to June 30, 2020.

Total liabilities at June 30, 2020 were \$10,514, a decrease of \$1,152, or 9.9%, compared to \$11,666 at June 30, 2019. The decrease in liabilities was primarily due to the decrease in lines of credit, accounts payable, accrued expenses, income taxes payable, bank loan payable and finance leases, but partially offset by the increase in liabilities from the drawdown of loan amounting to \$121 under the United States Paycheck Protection Program ("PPP") and in our operating leases.

Account payables as of June 30, 2020 decreased by \$682 to \$2,590 from \$3,272 as of June 30, 2019. The decrease was mainly due to the decrease in purchases, which was in line with the softer demand from the customers amid the COVID-19 pandemic.

Accrued expenses as at June 30, 2020 decreased by \$481 to \$3,005 from \$3,486 as at June 30, 2019. The decrease was mainly due to a decrease in accrued payroll liability and customer deposits in the Singapore and China operations.

Income Tax Payable as at June 30, 2020 decreased by \$82 to \$774 from \$856 as at June 30, 2019. The decrease was mainly due to the repayment made for the Repatriation Tax that arose from the introduction of the Tax Cuts & Jobs Act 2017 in fiscal year 2020.

As of June 30, 2020, the Company received \$121 from the Paycheck Protection Program (PPP), which was created by the United States Coronavirus Aid, Relief, and Economic Security (CARES) Act.

Operating lease right of use assets and the corresponding leased liability were \$944 and \$944, respectively, as of June 30, 2020, after taking into effect the new accounting standard, ASC 842 Leases.

Impact of COVID-19 on our Business

In December 2019, a novel strain of coronavirus (“COVID-19”), was reported to have surfaced in China, resulting in shutdowns of manufacturing and commerce in the months that followed. Since then, the COVID-19 pandemic has spread to multiple countries worldwide and has resulted in authorities implementing numerous measures to try to contain the disease and slow its spread, such as travel bans and restrictions, quarantines, shelter-in-place orders and shutdowns. These measures have created significant uncertainty and economic disruption, both short-term and potentially long-term.

The health and safety of our employees and our customers are a top priority for us. In an effort to protect our employees, we took and continue to take proactive and aggressive actions, starting with the earliest signs of the outbreak, to adopt social distancing policies at our locations, including working from home and suspending employee travel. Our operations have been classified as part of the global supply chain and essential businesses in many jurisdictions, and employees who are working onsite are required to adhere to strict safety measures, including the use of masks and sanitizer, wellness screenings prior to accessing work sites, staggered break times to prevent congregation, prohibitions on physical contact with co-workers or customers, restrictions on access through only a single point of entry and exit, and utilizing video conferencing. We have also incorporated other rules such as restricting visitors to any of our facilities that remain open and proactively providing employees with hand sanitizer.

The COVID-19 pandemic situation primarily contributed to a decline in our customers’ volume of testing services in our Malaysia and China operations. It resulted in a decrease in our testing revenue in fiscal 2020. In certain cases, we accommodated customers who requested to delay the supply of their orders as a result of the travel restriction amid the pandemic, which resulted in a decrease of our manufacturing revenue in the Singapore operation in fiscal 2020.

The Company received the government assistance amounted to \$718 in the Singapore, Malaysia and China operations to mitigate the adverse impact on the business from the pandemic. The Company believes that, as with other business entities in Singapore, Malaysia and China, it will receive additional government assistance for a period to ease the financial impact caused by the pandemic.

Management is continuously examining our plans and reacting to the economic forces impacts on businesses generally. As we reported in our Form 10-Q in the third quarter of fiscal year 2020, in order to mitigate the negative impacts of the pandemic on our business, operating results and financial condition, we have reviewed the business plan and made certain adjustments in order to accommodate expectations that revenues will be impacted in the forthcoming fiscal year. These adjustments include the reduction of new hiring as well as the elimination of redundant positions. In addition, we have carefully scrutinized our capital spending and potential business opportunities. These measures are reviewed by Management regularly and, to date, remain in place.

As of June 30, 2020, the Company had cash and cash equivalents and short-term deposits totaling \$10,847 and an unused line of credit of \$5,343. We finance operations primarily through our existing cash balances, cash collected from operations, bank borrowings and capital lease financing. We believe these sources are sufficient to fund our operations for the foreseeable future.

While we have implemented safeguards and procedures to counter the impact of the COVID-19 pandemic, the full extent to which the pandemic has and will directly or indirectly impact us, including our business, financial condition, and result of operations, will depend on future developments that are highly uncertain and cannot be accurately predicted. This may include further mitigation efforts taken to contain the virus or treat its impact and the economic impact on local, regional, national and international markets. We will continue to actively monitor the situation and may take further actions that alter our business operations as may be required by the governments or that we determine are in the best interests of our employees, customers, suppliers and stockholders.

Critical Accounting Estimates & Policies

The discussion and analysis of the Company’s financial condition presented in this section are based upon our consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the U.S. During the preparation of the consolidated financial statements, we are required to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates and judgments, including those related to sales, returns, pricing concessions, bad debts, inventories, investments, fixed assets, intangible assets, income taxes and other contingencies. Due to the COVID-19 pandemic, there has been uncertainty and disruption in the global economy and financial markets. These estimates and assumptions may change as new events occur and additional information is obtained. Actual results may differ from these estimates under different assumptions or conditions.

In response to the SEC's Release No. 33-8040, *Cautionary Advice Regarding Disclosure about Critical Accounting Policy*, we have identified the most critical accounting policies upon which our financial status depends. We determined that those critical accounting policies are related to the inventory valuation, allowance for doubtful accounts, revenue recognition, impairment of property, plant and equipment, investment property and income tax. These accounting policies are discussed in the relevant sections in this management's discussion and analysis, including the Recently Issued Accounting Pronouncements discussed below.

Account Receivables and Allowance for Doubtful Accounts

During the normal course of business, we extend unsecured credit to our customers in all segments. Typically, credit terms require payment to be made between 30 to 90 days from the date of the sale. We generally do not require collateral from customers. We maintain our cash accounts at credit-worthy financial institutions.

The Company's management considers the following factors when determining the collectability of specific customer accounts: customer credit-worthiness, past transaction history with the customer, current economic industry trends, and changes in customer payment terms. The Company includes any account balances that are determined to be uncollectible, along with a general reserve, in the overall allowance for doubtful accounts. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. Based on the information available to management, the Company believed that its allowance for doubtful accounts was adequate as of June 30, 2020.

Inventory Valuation

Inventories of our manufacturing and distribution segments consisting principally of raw materials, works in progress, and finished goods are stated at the lower of cost, using the first-in, first-out ("FIFO") method, or market value. The semiconductor industry is characterized by rapid technological change, short-term customer commitments and swiftly changing demand. Provisions for estimated excess and obsolete inventory are based on regular reviews of inventory quantities on hand and the latest forecasts of product demand and production requirements from our customers. Inventories are written down for not saleable, excess or obsolete raw materials, works-in-process and finished goods by charging such write-downs to cost of sales. In addition to write-downs based on newly introduced parts, statistics and judgments are used for assessing provisions of the remaining inventory based on salability and obsolescence.

Property, Plant and Equipment & Investment Properties

Property, plant and equipment and investment properties are stated at cost, less accumulated depreciation and amortization. Depreciation is provided for over the estimated useful lives of the assets using the straight-line method. Amortization of leasehold improvements is provided for over the lease terms or the estimated useful lives of the assets, whichever is shorter, using the straight-line method.

Maintenance, repairs and minor renewals are charged directly to expense as incurred. Additions and improvements to property and equipment are capitalized. When assets are disposed of, the related cost and accumulated depreciation thereon are removed from the accounts and any resulting gain or loss is included in the consolidated statements of operations and comprehensive income or loss.

Foreign Currency Translation and Transactions

The United States dollar ("U.S. dollar") is the functional currency of the U.S. parent company. The Singapore dollar, the national currency of Singapore, is the primary currency of the economic environment in which the operations in Singapore are conducted. We also have business entities in Malaysia, Thailand, China and Indonesia, of which the Malaysian ringgit ("RM"), Thai baht, Chinese renminbi ("RMB") and Indonesian rupiah, are the national currencies. The Company uses the U.S. dollar for financial reporting purposes.

The Company translates assets and liabilities of its subsidiaries outside the U.S. into U.S. dollars using the rate of exchange prevailing at the balance sheet date, and the statement of operations is measured using average rates in effect for the reporting period. Adjustments resulting from the translation of the subsidiaries' financial statements from foreign currencies into U.S. dollars are recorded in shareholders' equity as part of accumulated comprehensive income or loss - translation adjustment. Gains or losses resulting from transactions denominated in currencies other than functional currencies of the Company's subsidiaries are reflected in income for the reporting period.

Revenue Recognition

On July 1, 2018, the Company adopted Accounting Standards Update ("ASU") No. 2014-09, ASC Topic 606, *Revenue from Contracts with Customers* ("ASC Topic 606"). This standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. We adopted using the modified retrospective method applied to all contracts that were not completed contracts at the date of initial application (i.e. July 1, 2018). Results for reporting periods after July 1, 2018 are presented under ASC Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with the Company's historic accounting under ASC Topic 605.

We apply a five-step approach as defined in ASC Topic 606 in determining the amount and timing of revenue to be recognized: (1) identifying the contract with customer; (2) identifying the performance obligations in the contracts; (3) determining the transaction price; (4) allocating the transaction price to the performance obligations in the contract; and (5) recognizing revenue when the corresponding performance obligation is satisfied.

Revenue derived from testing services is recognized when testing services are rendered. Revenue generated from sale of products in the manufacturing and distribution segments are recognized when persuasive evidence of an arrangement exists, delivery of the products has occurred, customer acceptance has been obtained (which means the significant risks and rewards of ownership have been transferred to the customer), the price is fixed or determinable and collectability is reasonably assured. Certain customers can request for installation and training services to be performed for certain products sold in the manufacturing segment. These services are mainly for helping customers with the test runs of the machines sold and are considered a separate performance obligation. Such services can be provided by other entities as well, and these do not significantly modify the product. The Company recognizes the revenue at the point in time when the Company has satisfied its performance obligation.

In the real estate segment: (1) revenue from property development is earned and recognized on the earlier of the dates when the underlying property is sold or upon the maturity of the agreement; if this amount is uncollectible, the agreement empowers the repossession of the property, and (2) rental revenue is recognized on a straight-line basis over the terms of the respective leases. This means that, with respect to a particular lease, actual amounts billed in accordance with the lease during any given period may be higher or lower than the amount of rental revenue recognized for the period. Straight-line rental revenue is commenced when the tenant assumes possession of the leased premises. Accrued straight-line rents receivable represents the amount by which straight-line rental revenue exceeds rents currently billed in accordance with lease agreements.

Joint Venture

The Company analyzes its investments in joint ventures to determine if the joint venture is a variable interest entity (a “VIE”) and would require consolidation. The Company (a) evaluates the sufficiency of the total equity at risk, (b) reviews the voting rights and decision-making authority of the equity investment holders as a group, and whether there are any guaranteed returns, protection against losses, or capping of residual returns within the group and (c) establishes whether activities within the venture are on behalf of an investor with disproportionately few voting rights in making this VIE determination. The Company would consolidate a venture that is determined to be a VIE if it was the primary beneficiary. Beginning January 1, 2010, a new accounting standard became effective and changed the method by which the primary beneficiary of a VIE is determined. Through a primarily qualitative approach, the variable interest holder, if any, who has the power to direct the VIE’s most significant activities is the primary beneficiary. To the extent that the joint venture does not qualify as VIE, the Company further assesses the existence of a controlling financial interest under a voting interest model to determine whether the venture should be consolidated.

Equity Method

The Company analyzes its investments in joint ventures to determine if the joint venture should be accounted for using the equity method. Management evaluates both Common Stock and in-substance Common Stock as to whether they give the Company the ability to exercise significant influence over operating and financial policies of the joint venture even though the Company holds less than 50% of the Common Stock and in-substance Common Stock. If so, the net income of the joint venture will be reported as “Equity in earnings of unconsolidated joint ventures, net of tax” in the Company’s consolidated statements of operations and comprehensive income or loss.

Cost Method

Investee companies not accounted for under the consolidation or the equity method of accounting are accounted for under the cost method of accounting. Under this method, the Company’s share of the earnings or losses of such investee companies is not included in the consolidated balance sheet or consolidated statements of operations and comprehensive income or loss. However, impairment charges are recognized in the consolidated statements of operations and comprehensive income or loss. If circumstances suggest that the value of the investee company has subsequently recovered, such recovery is not recorded.

Long-Lived Assets & Impairment

Our business requires heavy investment in manufacturing facilities and equipment that are technologically advanced but can quickly become significantly under-utilized or rendered obsolete by rapid changes in demand. We have recorded intangible assets with finite lives related to our acquisitions.

We evaluate our long-lived assets with finite lives for impairment whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. Factors considered important that could result in an impairment review include significant underperformance relative to expected historical or projected future operating results, significant changes in the manner of use of the assets or the strategy for our business, significant negative industry or economic trends, and a significant decline in our stock price for a sustained period of time. Impairment is recognized based on the difference between the fair value of the asset and its carrying value, and fair value is generally measured based on discounted cash flow analysis, if there is significant adverse change.

During the third quarter of 2020, our operation in China provided impairment loss of \$139 for seven pieces of equipment because one of our customer's products came to the end of its product burn-in cycle earlier than expected. The cost of converting the seven pieces of equipment outweighed the benefit of utilizing said equipment. Operations did not foresee any future usage of these assets. There will be no future economic cash inflow generated from these assets. Based on these events, we concluded that it was more likely than not that value-in-use of these assets was less than their carrying value. Full impairment of these assets had been recorded.

While we have not identified any changes in circumstances requiring further impairment test in fiscal year 2020, we will continue to monitor impairment indicators, such as disposition activity, stock price declines or changes in forecasted cash flows in future periods. If the fair value of our reporting unit declines below the carrying value in the future, we may incur additional impairment charges. There was no impairment in fiscal year 2019.

Fair Value Measurements

Under the standard ASC Topic 820, *Fair Value Measurements and Disclosures* ("ASC Topic 820"), fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between participants in the market in which the reporting entity transacts its business. ASC Topic 820 clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability. In support of this principle, ASC Topic 820 establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. Under the standard, fair value measurements would be separately disclosed by level within the fair value hierarchy.

Income Tax

We account for income taxes using the liability method in accordance with the provisions of ASC Topic 740, *Accounting for Income Taxes* ("ASC Topic 740"), which requires an entity to recognize deferred tax liabilities and assets. Deferred tax assets and liabilities are recognized for the future tax consequence attributable to the difference between the tax bases of assets and liabilities and their reported amounts in the financial statements, which will result in taxable or deductible amounts in future years. Further, the effects of enacted tax laws or rate changes are included as part of deferred tax expenses or benefits in the period that covers the enactment date. Management believed it was more likely than not that the future benefits from these timing differences would not be realized. Accordingly, a full allowance was provided as of June 30, 2020 and 2019.

The calculation of tax liabilities involves dealing with uncertainties in the application of complex global tax regulations. We recognize potential liabilities for anticipated tax audit issues in the U.S. and other tax jurisdictions based on our estimate of whether, and the extent to which, additional taxes will be due. If the estimate of tax liabilities proves to be less than the ultimate assessment, a further charge to expense would result.

Stock Based Compensation

Under ASC Topic 718, *Compensation – Stock Compensation* ("ASC Topic 718"), stock-based compensation cost is measured at the grant date, based on the estimated fair value of the award using an option pricing model for stock options (Black-Scholes) and market price for restricted stock units, and is recognized as expense over the employee's requisite service period.

Non-controlling Interests in Consolidated Financial Statements

We adopted ASC Topic 810, *Consolidation* ("ASC Topic 810"). This guidance establishes accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. This guidance requires that non-controlling interests in subsidiaries be reported in the equity section of the controlling company's balance sheet. It also changes the manner in which the net income of the subsidiary is reported and disclosed in the controlling company's income statement.

Loan Receivables

The loan receivables are classified as current assets carried at face value and are individually evaluated for impairment. The allowance for loan losses reflects management's best estimate of probable losses determined principally on the basis of historical experience and specific allowances for known loan accounts. All loans or portions thereof deemed to be uncollectible or to require an excessive collection cost are written off to the allowance for losses.

Interest Income

Interest income on loans is recognized on an accrual basis. Discounts and premiums on loans are amortized to income using the interest method over the remaining period to contractual maturity. The amortization of discounts into income is discontinued on loans that are contractually 90 days past due or when collection of interest appears doubtful.

Recent Accounting Pronouncements

In August 2020, the FASB issued ASU 2020-06: *Debt – Debt with Conversion and Other options (Subtopic 470-20) and Derivative and Hedging – Contracts in Entity’s Own Equity (Subtopic 815-40)*. This ASU reduces number of accounting models for convertible debt instruments and convertible preferred stock. As well as amend the guidance for the derivatives scope exception for contracts in an entity’s own equity to reduce form-over-substance-based accounting conclusion. In addition, this ASU improves and amends the related EPS guidance. This amendments are effective for the Company for fiscal years beginning after December 15, 2023, including interim period within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. Adoption is either a modified retrospective method or a fully retrospective method of transition. The Company is currently evaluating the impacts of the provisions of ASU 2020-06 on its consolidated financial statements and related disclosures.

In March 2020, FASB issued ASU 2020-04 ASC Topic 848: *Reference Rate Reform: Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships and other transactions affected by the discontinuation of the London Interbank Offered Rate (“LIBOR”) or by another reference rate expected to be discontinued. The amendments are effective for all entities as of March 12, 2020, and the Company may elect to apply the amendments prospectively through December 31, 2022. The Company is currently evaluating the impacts of the provisions of ASU 2020-04 on its consolidated financial statements and related disclosures.

The amendments in ASU 2019-12 ASC Topic 740: *Income Taxes: Simplifying Accounting for Income Taxes* remove 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. The Company has completed its assessment and concluded that this update has no significant impact to the Company’s financial statements.

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. The Company has completed the assessment and concluded that this update has no significant impact to the Company’s consolidated statements of operations and comprehensive income.

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. The Company has completed its assessment and concluded that this update has no significant impact to 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. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. ASC Topic 326 is effective for the Company for annual periods beginning after December 15, 2022. 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 June 30, 2020 are not expected to have a significant effect on the Company’s consolidated financial position or results of operations.

Comparison of Operating Results

The following table presents certain data from the consolidated statements of operating income as a percentage of net sales for the fiscal years ended June 30, 2020 and 2019:

	For the Year Ended June 30,	
	2020	2019
Revenue	100.0%	100.0%
Cost of sales	78.9	77.0
Gross Margin	21.1%	23.0%
Operating expenses:		
General and administrative	20.2%	18.0%
Selling	2.0	2.1
Research and development	1.0	0.9
Impairment loss on long-lived assets	0.4	-
Total operating expenses	23.6%	21.0%
(Loss)/Income from Operations	(2.5)%	2.0%

Overall Revenue

The overall revenue is composed of the revenues from the manufacturing, testing services, distribution and real estate segments. The following table presents the components of the overall revenue realized in fiscal years 2020 and 2019 in percentage format.

	For the Year Ended June 30,	
	2020	2019
Manufacturing	33.7%	38.0%
Testing	43.0	42.8
Distribution	23.1	19.0
Real estate	0.2	0.2
Total	100.0%	100.0%

Revenue in fiscal year 2020 was \$34,465, a decrease of \$4,733, or 12.1%, compared to \$39,198 in fiscal year 2019. The decrease in revenue was due to a decrease in sales across all segments amid the COVID-19 pandemic except the distribution segment.

As a percentage of total revenue, the revenue generated by the manufacturing segment in fiscal year 2020 accounted for 33.7%, a decrease of 4.3%, as compared to 38.0% in fiscal year 2019. In terms of dollar amount, the revenue generated by the manufacturing segment in fiscal year 2020 was \$11,605, reflecting a decrease of \$3,284, or 22.1%, compared to \$14,889 in fiscal year 2019. The decrease in revenue generated by the manufacturing segment was due to a decrease in the manufacturing segment in the Singapore operation as a result of softer demand for capital expenditure by our customers amid the global pandemic. The decreases were partially offset by an increase in the manufacturing segment in the U.S. operation.

Backlog in the manufacturing segment was \$5,010 as of June 30, 2020, representing an increase of \$800 from \$4,210 as of June 30, 2019. We expect the demand for our products to increase at a slower pace in fiscal year 2021 as compared to fiscal year 2020, depending on the recovery speed of the global market for testing equipment and systems from the pandemic.

As a percentage of total revenue, the revenue generated by the testing services segment in fiscal year 2020 accounted for 43.0% of total sales compared to 42.8% in fiscal year 2019. In terms of dollar amounts, the revenue generated by the testing services segment for fiscal year 2020 was \$14,840, reflecting a decrease of \$1,920, compared to \$16,760 for fiscal year 2019. The decrease in revenue generated by the testing segment was primarily attributable to a decrease in revenue in the Malaysia and China operations. The decrease was attributable to a decrease in the volume of testing services requested by our customers in these operations amid of the global pandemic. These decreases were partially offset by the increase in revenue as a result of higher volume in the Singapore and Thailand operations during fiscal year 2020. Demand for testing services varies from country to country, depending on changes taking place in the market and our customers' forecasts. Because it is difficult to accurately forecast fluctuations in the market, we believe that it is necessary to maintain testing facilities in close proximity to our 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.

Backlog in the testing services segment as of June 30, 2020 was \$2,915, a decrease of \$1,377 as compared to \$4,292 at June 30, 2019. The decrease in backlog was mainly from the Malaysia and China operations. The backlog depends on the estimates volume provided by customers, which are in turn dependent upon the customers' inventory levels and demand.

As a percentage of total revenue, the revenue generated by the distribution segment in fiscal year 2020 accounted for 23.1% of total sales, an increase of 4.1% compared to 19.0% in fiscal year 2019. In terms of dollar amounts, revenue for fiscal year 2020 was \$7,958, an increase of \$507, or 6.8%, compared to \$7,451 for fiscal year 2019. The increase in revenue in our distribution segment was due to the increase in orders for certain products from customers in our Singapore and China operations.

Backlog in the distribution segment as of June 30, 2020 was \$1,409, reflecting a decrease of \$85 compared to the backlog of \$1,494 at June 30, 2019. The decrease in backlog was mainly due to a decrease in demands from customers as a result of the slowing economic environment. We believe that our competitive advantage in the distribution segment is our design and engineering capabilities in components and touch screen products, which allow customization to meet the specific requirement of our customers. Product volume for the distribution segment depends on sales activities such as placing orders and queries for products and backlog. Equipment and electronic component sales are very competitive, as the products are readily available in the market.

As a percentage of total revenue, the revenue generated by the real estate segment was 0.2% of total sales in fiscal year 2020 and 2019. In terms of dollar value, revenue generated by the real estate segment for fiscal years 2020 was \$62, a decrease of \$36, or 36.7%, compared to \$98 for fiscal year 2019. Our real estate segment saw a decrease in rental income due to the sale of a majority of the MaoYe properties in fiscal year 2019, coupled with the tenant's withdrawal from the tenancy agreement amid of the adverse impact of the pandemic.

Backlog in the real estate segment as of June 30, 2020 was \$6, a decrease of \$147 as compared to \$153 at June 30, 2019.

Overall Gross Margin

Overall gross margin as a percentage of revenue was 21.1% in fiscal year 2020, a decrease of 1.9% compared to 23.0% in fiscal year 2019. The decrease in gross margin as a percentage of revenue was mainly attributable to the testing segments. In terms of dollar value, the overall gross profit for fiscal year 2020 was \$7,266, a decrease of \$1,735, or 19.3%, compared to \$9,001 for fiscal year 2019. The decrease in the dollar value of the overall gross margin was mainly due to a decrease of sales in the manufacturing and testing segments, which was partially offset by an increase in sales in the distribution segment.

The gross margin as a percentage of revenue in the manufacturing segment was 23.1% in fiscal year 2020, comparable with 23.5% in fiscal year 2019. In terms of dollar amounts, the gross profit for the manufacturing segment in fiscal year 2020 was \$2,678, a decrease of \$818, or 23.4%, compared to \$3,496 in fiscal year 2019. The decrease in the absolute dollar amount of gross margin was mainly due to a decrease in revenue in our Singapore operations amid the pandemic.

The gross margin as a percentage of revenue in the testing services segment was 23.5% in fiscal year 2020, a decrease of 3.7% compared to 27.2% in fiscal year 2019. In terms of dollar amounts, gross profit in the testing services segment in fiscal year 2020 was \$3,487, a decrease of \$1,071, or 23.5%, compared to \$4,558 in fiscal year 2019. The decrease in gross profit margin was primarily due to the decrease in revenue brought about by a decrease in orders in the China and Malaysia operations. A significant portion of our cost of goods sold is 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. The negative impact on gross profit margin was partially offset by the continuous effort of cost savings in the China and Malaysia operations.

The gross margin as a percentage of revenue in the distribution segment was 14.0% in fiscal year 2020, an increase of 1.3% compared to 12.7% in fiscal year 2019. The increase in gross margin percentage was due to an increase in sales and a change in the product mix. The distribution segment had more sales of products with a higher profit margin compared to the same period of last fiscal year. In terms of dollar amounts, gross profit in the distribution segment was \$1,111, an increase of \$165, or 17.4%, compared to \$946 in fiscal year 2019. The gross margin of the distribution segment was not only affected by the market price of our products, but also our product mix, which changed frequently as a result of the changes in market demand.

The gross margin as a percentage of revenue in the real estate segment was a negative of 16.1% in fiscal year 2020, a deterioration of 17.1% compared to a gross margin of 1.0% in fiscal year 2019. In absolute dollar amount, gross margin in the real estate segment was a loss of \$10 in fiscal year 2020, a decrease of \$11 as compared to a gross margin of \$1 in fiscal year 2019. The increase in gross loss was due to lower rental income caused by the sales of properties in fiscal year 2019, coupled with the adverse impact of the pandemic to our tenants.

Operating Expenses

Operating expenses for the fiscal years ended June 30, 2020 and 2019 were as follows:

	For the Year Ended June 30,	
	2020	2019
General and administrative	\$ 6,976	\$ 7,049
Selling	679	826
Research and development	355	345
Impairment loss on long-lived assets	139	-
Gain on disposal of property, plant and equipment	(24)	(13)
Total	\$ 8,125	\$ 8,207

General and administrative expenses decreased by \$73, or 1.0%, from \$7,049 in fiscal year 2019 to \$6,976 in fiscal year 2020. The decrease was mainly attributable to a decrease in payroll-related expenses in the China operation, and a decrease in medical expenses in the Singapore operation. These decreases were partially offset by an increase in payroll expenses in the Singapore operations.

Selling expenses decreased by \$147, or 17.8%, to \$679 in fiscal year 2020, compared to \$826 in fiscal year 2019. The decrease in selling expenses was primarily attributable to a decrease in commission expenses in the manufacturing segment of the Singapore operations as a result of fewer commissionable sales, coupled with lower traveling expenses due to the worldwide travel restrictions imposed to contain the spread of the pandemic.

There was an impairment loss on long-lived assets in the China operation as a result of the end of the product life for certain products. A detailed assessment was carried out by Management, and this assessment indicated that these assets would not generate future economic benefits to the Company.

During fiscal year 2020, there was a gain in disposal of property, plant and equipment of \$24, as compared to a gain on disposal of \$13 in fiscal year 2019.

(Loss) / Income from Operations

Loss from operations was \$859 in fiscal year 2020, a deterioration of \$1,653, as compared to an income from operations of \$794 in fiscal year 2019. The decrease was mainly due to a decrease in revenue, resulting in a decrease in the gross margin, which was partially offset by the decrease in operating expenses, as discussed earlier.

Interest Expenses

The interest expenses for fiscal years 2020 and 2019 were as follows:

	For the Year Ended June 30,	
	2020	2019
Interest expenses	\$ 230	\$ 319

Interest expenses decreased by \$89, or 27.9%, to \$230 in fiscal year 2020 from \$319 in fiscal year 2019. The decrease in interest expenses was mainly due to lower utilization of short-term loans in the Singapore and China operations. Additionally, the bank loan payable decreased by \$574 to \$2,206 in fiscal year 2020, as compared to \$2,780 in fiscal year 2019.

Other Income, Net

Other income, net for fiscal years 2020 and 2019 was as follows:

	For the Year Ended June 30,	
	2020	2019
Interest income	\$ 177	\$ 100
Other rental income	110	113
Exchange loss	(35)	(135)
Government grants	778	77
Bad debt recovery	59	2
Other miscellaneous income	23	92
Total	\$ 1,112	\$ 249

Other income increased by \$863 to \$1,112 for fiscal year 2020 as compared to \$249 for fiscal year 2019. The increase in other income in fiscal year 2020 was mainly due to a decrease in exchange loss, which resulted from the favorable exchange movement in fiscal year 2020, coupled with an increase in interest income. Additionally, the Company received government grants of \$718 from the local government in the Singapore, China, and Malaysia operations to mitigate the negative impact on the businesses amid the pandemic. The Company believes that, as with other business entities in Singapore, Malaysia and China, it will receive additional government assistance for a period to ease the financial impact caused by the pandemic.

Gain on Sale of Properties

During the fourth quarter of fiscal year 2019, Management entered into a Sales and Purchase Agreement with a potential buyer. During the second quarter of 2020, the Company obtained approval of the sale from Penang Development Corporation and the local government. The Company completed the sale and recognized a net gain of RM4,901 or \$1,172 in the same period, excluding capital gain tax.

During the third quarter of 2019, TTCQ completed the sale of thirteen of the fifteen units constituting the MaoYe property, which resulted in a gain of \$685.

Income Tax Benefits

Income tax benefits for fiscal year 2020 were \$12, as compared to \$42 for fiscal year 2019.

At June 30, 2020, the Company had no federal net operating loss carry-forwards, and a state net operating loss carry forward of \$1,236, which expires in 2033. These carryovers may be subject to limitations under I.R.C. Section 382. Management of the Company is uncertain whether it is more likely than not that these future benefits will be realized. Accordingly, a full valuation allowance was established.

Loss from Discontinued Operations

Loss from discontinued operations was \$3 in fiscal years 2020 and 2019. We discontinued our fabrication segment in fiscal year 2013.

Non-controlling Interest

As of June 30, 2020, we held an indirect 55% interest each in Trio-Tech (Malaysia) Sdn. Bhd. (“TTM”), Trio-Tech (Kuala Lumpur) Sdn. Bhd. (“TTKL”), SHI and PT SHI, and a 76% interest in Prestal Enterprise Sdn. Bhd. (“Prestal”). The non-controlling interest for fiscal year 2020, in the net income of subsidiaries, was \$238, a change of \$335 compared to a non-controlling interest in the net loss of \$97 for the previous fiscal year. The change in the non-controlling interest was primarily attributable to the net income generated by the Malaysia operations from the sales of assets held for sale in fiscal year 2020, as compared to net loss generated by the Malaysia operation in the previous fiscal year.

Net Income Attributable to Trio-Tech International Common Shareholders

Net income for fiscal year 2020 was \$966, a decrease of \$579, as compared to \$1,545 for fiscal year 2019. The decrease in net income during fiscal year 2020 was mainly due to the decrease in gross profit, as discussed earlier. This was partially offset by the gain on the sale of assets held for sale and the receipt of government grants in response to the adverse impact brought by the pandemic.

Earnings per Share

Basic earnings per share from continuing operations was \$0.26 in fiscal year 2020, as compared to \$0.42 in fiscal year 2019. Basic loss per share from discontinued operations was \$nil for fiscal year 2020 and \$nil for fiscal year 2019.

Diluted earnings per share from continuing operations was \$0.26 in fiscal year 2020, as compared to \$0.41 in fiscal year 2019. Diluted loss per share from discontinued operations was \$nil for fiscal year 2020 and \$nil for fiscal year 2019.

Segment Information

The revenue, gross margin and income or loss from each segment for fiscal years 2020 and 2019 are presented below. As the segment revenue and gross margin have been discussed in previous sections, 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 fiscal years 2020 and 2019 were as follows:

	For the Year Ended June 30,	
	2020	2019
Revenue	\$ 11,605	\$ 14,889
Gross margin	23.1%	23.5%
Loss/Income from operations	\$ (326)	\$ 575

Loss from operations in the manufacturing segment was \$326 in fiscal year 2020, a deterioration of \$901 as compared to an income from operations of \$575 in fiscal year 2019. The net loss was attributable to a decrease in the absolute amount of gross margin amounting to \$818 and an increase in operating expenses of \$83. Operating expenses were \$3,004 and \$2,921 for fiscal years 2020 and 2019, respectively. The increase in operating expenses was mainly due to an increase in general and administrative expenses of \$159, an increase in research and development of \$10 and an increase in corporate overhead allocation of \$10. The increase was partially offset by the decrease in selling expenses of \$96.

The increase in general and administrative expenses was mainly attributable to an increase in payroll-related expenses and a provision of doubtful debts in the Singapore operation. The decrease in selling expenses was primarily due to fewer commission expenses incurred in fiscal year 2020 as a result of fewer commissionable sales, coupled with lower traveling expenses amid the pandemic.

Testing Services Segment

The revenue, gross margin and loss from operations for the testing services segment for fiscal years 2020 and 2019 were as follows:

	For the Year Ended June 30,	
	2020	2019
Revenue	\$ 14,840	\$ 16,760
Gross margin	23.5%	27.2%
Loss from operations	\$ (1,040)	\$ (164)

Loss from operations in the testing services segment in fiscal year 2020 was \$1,040, an increase of \$876 compared to \$164 in fiscal year 2019. The increase in operating loss was attributable to a decrease in gross margin of \$1,071, partially offset by a decrease in operating expense of \$195. Operating expenses were \$4,527 and \$4,722 for fiscal years 2020 and 2019, respectively. The decrease in operating expenses was mainly attributable to a decrease in selling expenses, general and administrative expenses and corporate overheads.

Selling expenses decreased due to fewer traveling expenses incurred in the Singapore operations amid the pandemic. The decrease in general and administrative expenses was primarily due to further cost-saving measures implemented in the China operation to mitigate a further drop in the customer's estimated demands amid the pandemic. The decrease in corporate overhead expenses was due to a decrease in the corporate overhead allocation, which is allocated on a predetermined fixed charge basis. Impairment on the long-lived asset partially offset these decreases.

Distribution Segment

The revenue, gross margin and income from operations for the distribution segment for fiscal years 2020 and 2019 were as follows:

	For the Year Ended June 30,	
	2020	2019
Revenue	\$ 7,958	\$ 7,451
Gross margin	14.0%	12.7%
Income from operations	\$ 751	\$ 598

Income from operations in the distribution segment was \$751 in fiscal year 2020 as compared to \$598 in fiscal year 2019. The increase was mainly due to the increase in gross margin of \$165, as discussed earlier. These increases were partly offset by an increase in operating expenses. Operating expenses were \$362 and \$348 for fiscal years 2020 and 2019, respectively.

Real Estate

The revenue, gross margin and loss from operations for the real estate segment for fiscal years 2020 and 2019 were as follows:

	For the Year Ended June 30,	
	2020	2019
Revenue	\$ 62	\$ 98
Gross margin	(16.1)%	1%
Loss from operations	\$ (97)	\$ (92)
Gain on sale of properties	-	685

Loss from operations in the real estate segment was \$97 in fiscal year 2020 as compared to \$92 in fiscal year 2019. The increase in operating loss was primarily due to the decrease in gross margin of \$11, as discussed earlier. Operating expenses were \$87 and \$92 in fiscal years 2020 and 2019, respectively. There was other income arising from gain on sale of properties amounting to \$685 in fiscal year 2019.

Corporate

The following table presents the loss from operations for Corporate for fiscal years 2020 and 2019, respectively:

	For the Year Ended June 30,	
	2020	2019
Loss from operations	\$ (147)	\$ (123)

In fiscal year 2020, corporate operating loss was \$147, an increase of \$24 compared to an operating loss of \$123 in fiscal year 2019.

Liquidity

The Company's core businesses testing services, manufacturing and distribution, operate in a volatile industry, in which its average selling prices and product costs are influenced by competitive factors. These factors create pressures on sales, costs, earnings and cash flows, which impact liquidity.

Net cash provided by operating activities decreased by \$1,443 to \$3,011 for the twelve months ended June 30, 2020 from \$4,454 in the same period of last fiscal year. The decrease in net cash provided by operating activities was primarily due to a decrease in net income of \$244, an increase of \$727 in repayment of operating leases, and an increase in cash outflow of \$900 from accounts payables and accrued expenses. The decrease was partially offset by an increase in depreciation and amortization of \$650.

Net cash used in investing activities decreased by \$2,723 to an outflow of \$2,617 for the twelve months ended June 30, 2020 from an outflow of \$5,340 for the same period of last fiscal year. The decrease in net cash used in investing activities was primarily due to a decrease of \$780 for investments in restricted and unrestricted deposits and a decrease of \$1,824 for the acquisition of plant and equipment.

Net cash used in financing activities for the twelve months ended June 30, 2020 was \$732, representing an increase of \$142 compared to \$590 in net cash used in financing activities during the twelve months ended June 30, 2019. Cash outflow increased mainly due to a decrease in a cash inflow of \$401, \$1,475 and \$5,900 from proceeds from exercising stock options, bank loans, and lines of credit, respectively. The increase in cash outflow was partially offset by a decrease in repayment on lines of credit by \$7,700.

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 loans will provide the necessary financial resources to meet our projected cash requirements for at least the next 12 months. Should we find an attractive capital investment, we may seek additional debt or equity financing in order to fund the transaction, in the form of bank financing, convertible debt, or the issuance of Common Stock.

Capital Resources

Our working capital (defined as current assets minus current liabilities) has historically been generated primarily from the following sources: operating cash flow, availability under our revolving line of credit, and short-term loans. The working capital was \$12,957 as of June 30, 2020, representing an increase of \$1,350, or 11.6%, compared to working capital of \$11,607 as of June 30, 2019. The increase in working capital was mainly due to increases in current assets such as short-term deposits, other receivable, prepaid expenses other current assets and short-term advances, and decreases in current liabilities such as lines of credit, accounts payable, accrued expenses, income taxes payable and finance leases. Such fluctuations were partially offset by decreases in current assets such as cash and cash equivalents, account receivables, inventories and assets held for sale, and increases in current liabilities such as operating lease payable, as discussed above.

The majority of our capital expenditures are based on demands from our customers, as we are operating in a capital-intensive industry. Our capital expenditures were \$1,017 and \$2,841 for fiscal year 2020 and fiscal year 2019, respectively. The capital expenditures in fiscal year 2020 were mainly in the Malaysia and Thailand operations, which provide testing services to our customers. We financed our capital expenditures and other operating expenses through operating cash flows, PPP loan and long-term debts.

Our credit rating provides us with ready and adequate access to funds in the global market. At June 30, 2020, 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%, SIBOR rate +1.25% and LIBOR rate +1.30%	-	\$ 4,806	\$ 4,806
Universal (Far East) Pte. Ltd.	Lines of Credit	Ranging from 1.85% to 5.5%	-	\$ 359	\$ 187
Trio-Tech Malaysia Sdn. Bhd.	Revolving Credit	Cost of Funds Rate +2%	-	\$ 350	\$ 350

On November 18, 2019, Trio-Tech International Pte. Ltd. signed an agreement with JECC Leasing (Singapore) Pte. Ltd. for an Account Receivables 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 in our operations in Singapore. The Company started to use this facility in the second quarter of 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%, SIBOR rate +1.25% and LIBOR rate +1.30%	-	\$ 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

Off-Balance Sheet Arrangements

We do not consider the Company to have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

ITEM 7A – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934, we are not required to provide the information required by this item.

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information called for by this item is included in the Company's consolidated financial statements beginning on page F-2 of this Annual Report on Form 10-K.

ITEM 9 – CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A – CONTROLS AND PROCEDURES

An evaluation was carried out by the Company's Chief Executive Officer and Chief Financial Officer (the principal executive and principal financial officers, respectively, of the Company) of the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended) as of June 30, 2020, the end of the period covered by this Form 10-K. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of June 30, 2020.

Additionally, Management has the responsibility for establishing and maintaining adequate internal control over financial reporting for the Company, and thus also assessed the effectiveness of our internal controls over financial reporting as of June 30, 2020. Management used the framework set forth in the report entitled "Internal Control – Integrated Framework" published by the Committee of Sponsoring Organizations of the Treadway Commission in 2013 to evaluate the effectiveness of the Company's internal control over financial reporting.

Internal control over financial reporting refers to the process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purpose in accordance with U.S. generally accepted accounting principles, and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorization of management and directors of the Company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, and use or disposition of the Company's assets that could have a material effect on the financial statements.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, the risk.

Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's internal controls over financial reporting were effective as of June 30, 2020.

Changes in Internal Control Over Financial Reporting

Except as discussed below, there have been no changes in the Company's internal control over financial reporting during the fourth quarter of fiscal 2020 which were identified in connection with management's evaluation required by paragraph (d) of rules 13a-15 and 15d-15 under the Exchange Act, 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 was scheduled to occur in phases over a few years. The operational and financial systems in our Singapore and Malaysia operations were transitioned to the new system in fiscal 2018 and fiscal 2019, respectively.

The operational systems in our Tianjin and Suzhou operations were substantially transitioned to the new system during the third quarter of fiscal 2020. This implementation effort will continue until the financial systems of these two operations are fully transitioned to the new system, and until the Group's consolidation process is substantially automated using 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.

ITEM 9B – OTHER INFORMATION

None.

PART III

The information required by Items 10 through 14 of Part III of this Form 10-K (information regarding our directors and executive officers, executive compensation, security ownership of certain beneficial owners, management, related stockholder matters, and certain relationships and related transactions and principal accountant fees and services) is hereby incorporated by reference from the Company's Proxy Statement to be filed with the Securities and Exchange Commission within 120 days after the end of fiscal year 2020.

PART IV

ITEM 15 – EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) (1 and 2) FINANCIAL STATEMENTS AND SCHEDULES:

The following financial statements, including notes thereto and the independent auditors' report with respect thereto, are filed as part of this Annual Report on Form 10-K, starting on page 34 hereof:

1. Report of Independent Registered Public Accounting Firm
2. Consolidated Balance Sheets
3. Consolidated Statements of Operations and Comprehensive Income (Loss)
4. Consolidated Statements of Shareholders' Equity
5. Consolidated Statements of Cash Flows
6. Notes to Consolidated Financial Statements

(b) The exhibits filed as part of this Annual Report on Form 10K are set forth on the Exhibit Index immediately preceding such exhibits, and are incorporated herein by reference.

ITEM 16 – FORM 10-K SUMMARY

Not applicable.

Pursuant to the requirements of Section 13 or 15(d) 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
September 23, 2020

Pursuant to the requirement of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacity and on the dates indicated.

/s/ A. Charles Wilson
A. Charles Wilson, Director
Chairman of the Board
September 23, 2020

/s/ S.W.Yong
S. W. Yong, Director
President, Chief Executive Officer
(Principal Executive Officer)
September 23, 2020

/s/ Victor H. M. Ting
Victor H.M. Ting, Director
Vice President, and Chief Financial Officer
(Principal Financial Officer)
September 23, 2020

/s/ Jason T. Adelman
Jason T. Adelman, Director
September 23, 2020

/s/ Richard M. Horowitz
Richard M. Horowitz, Director
September 23, 2020

EXHIBITS:

<u>Number</u>	<u>Description</u>
3.1	Articles of Incorporation, as currently in effect. [Incorporated by reference to Exhibit 3.1 to the Registrant’s Annual Report on Form 10-K for June 30, 1988.]
3.2	Bylaws, as currently in effect. [Incorporated by reference to Exhibit 3.2 to the Registrant’s Annual Report on Form 10-K for June 30, 1988.]
10.1	Amendment to 2007 Employee Stock Option Plan [Incorporated by reference to Exhibit A to the Registrant’s Proxy Statement for its Annual Meeting held December 14, 2010.]**
10.2	Amendment to 2007 Directors Equity Incentive Plan [Incorporated by reference to Exhibit B to the Registrant’s Proxy Statement for its Annual Meeting held December 14, 2010.]**
10.3	Amendment to 2007 Directors Equity Incentive Plan [Incorporated by reference to Appendix A to the Registrant’s Proxy Statement for its Annual Meeting held December 9, 2013.]**
10.4	2017 Employee Stock Option Plan [Incorporated by reference to Appendix 1 to the Registrant’s Proxy Statement for its Annual Meeting held December 4, 2017.]**
10.5	2017 Directors Equity Incentive Plan [Incorporated by reference to Appendix 2 to the Registrant’s Proxy Statement for its Annual Meeting held December 4, 2017.]**
21.1	Subsidiaries of the Registrant (100% owned by the Registrant except as otherwise stated) Express Test Corporation (Dormant), a California Corporation Trio-Tech Reliability Services (Dormant), a California Corporation KTS Incorporated, dba Universal Systems (Dormant), a California Corporation European Electronic Test Center. Ltd., a Cayman Islands Corporation (Operation ceased on November 1, 2005) Trio-Tech International Pte. Ltd., a Singapore Corporation Universal (Far East) Pte. Ltd., a Singapore Corporation Trio-Tech International (Thailand) Co., Ltd., a Thailand Corporation Trio-Tech (Bangkok) Co., Ltd., a Thailand Corporation Trio-Tech (Malaysia) Sdn Bhd., a Malaysia Corporation (55% owned by the subsidiary of Registrant) Trio-Tech (Kuala Lumpur) Sdn Bhd., a Malaysia Corporation (100% owned by Trio-Tech Malaysia) Prestal Enterprise Sdn. Bhd., a Malaysia Corporation (76% owned by Trio-Tech International Pte. Ltd., a Singapore Corporation) Trio-Tech (SIP) Co., Ltd., a China Corporation Trio-Tech (Shanghai) Co., Ltd., a China Corporation (Winding up in March 30, 2017) Trio-Tech (Chongqing) Co. Ltd., (100% owned by Trio-Tech International Pte. Ltd., a Singapore Corporation) SHI International Pte. Ltd, a Singapore Corporation (55% owned Trio-Tech International Pte. Ltd., a Singapore Corporation) PT SHI Indonesia, an Indonesia Corporation (100% owned by SHI International Pte. Ltd., a Singapore Corporation) Trio-Tech (Tianjin) Co., Ltd., a China Corporation (100% owned by Trio-Tech International Pte. Ltd., a Singapore Corporation)
23.1	Consent of Independent Registered Public Accounting Firm*
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

* Filed electronically herewith.

** Indicates management contracts or compensatory plans or arrangements required to be filed as an exhibit to this report.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
Trio-Tech International
Van Nuys, California

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Trio-Tech International and Subsidiaries (the “Company”) as of June 30, 2020 and 2019, and the related consolidated statements of operations and comprehensive income (loss), shareholders’ equity and cash flows for each of the two years in the period ended June 30, 2020, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of June 30, 2020 and 2019, and the consolidated results of its operations and its cash flows for each of the two years in the period ended June 30, 2020, in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in fiscal year 2020.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Mazars LLP
PUBLIC ACCOUNTANTS AND
CHARTERED ACCOUNTANTS
We have served as the company’s auditors since 2009

/s/ Mazars LLP

Singapore
September 23, 2020

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 4,150	\$ 4,863
Short-term deposits	6,697	4,144
Trade account receivables, less allowance for doubtful accounts of \$314 and \$263, respectively	5,951	7,113
Other receivables	998	817
Inventories, less provision for obsolete inventories of \$678 and \$673, respectively	1,922	2,427
Prepaid expenses and other current assets	341	287
Short-term advances	141	-
Assets held for sale	-	89
Total current assets	<u>20,200</u>	<u>19,740</u>
NON-CURRENT ASSETS:		
Deferred tax assets	247	390
Investment properties, net	690	782
Property, plant and equipment, net	10,310	12,159
Operating lease right-of-use assets	944	-
Other assets	1,609	1,750
Restricted term deposits	1,660	1,706
Total non-current assets	<u>15,460</u>	<u>16,787</u>
TOTAL ASSETS	<u>\$ 35,660</u>	<u>\$ 36,527</u>
LIABILITIES		
CURRENT LIABILITIES:		
Lines of credit	\$ 172	\$ 187
Accounts payable	2,590	3,272
Accrued expenses	3,005	3,486
Income taxes payable	344	417
Current portion of bank loans payable	370	488
Current portion of finance leases	231	283
Current portion of operating leases	477	-
Current portion of PPP loan	54	-
Total current liabilities	<u>7,243</u>	<u>8,133</u>
NON-CURRENT LIABILITIES:		
Bank loans payable, net of current portion	1,836	2,292
Finance leases, net of current portion	435	442
Operating leases, net of current portion	467	-
Deferred tax liabilities	-	327
Income taxes payable	430	439
PPP loan, net of current portion	67	-
Other non-current liabilities	36	33
Total non-current liabilities	<u>3,271</u>	<u>3,533</u>
TOTAL LIABILITIES	<u>\$ 10,514</u>	<u>\$ 11,666</u>
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 June 30, 2020 and June 30, 2019, respectively	\$ 11,424	\$ 11,424
Paid-in capital	3,363	3,305
Accumulated retained earnings	8,036	7,070
Accumulated other comprehensive gain-translation adjustments	1,143	1,867
Total Trio-Tech International shareholders' equity	<u>23,966</u>	<u>23,666</u>
Non-controlling interest	1,180	1,195
TOTAL EQUITY	<u>\$ 25,146</u>	<u>\$ 24,861</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 35,660</u>	<u>\$ 36,527</u>

See notes to consolidated financial statements.

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

	For the Year Ended	
	June 30, 2020	June 30, 2019
Revenue		
Manufacturing	\$ 11,605	\$ 14,889
Testing services	14,840	16,760
Distribution	7,958	7,451
Real estate	62	98
	<u>34,465</u>	<u>39,198</u>
Cost of Sales		
Cost of manufactured products sold	8,927	11,393
Cost of testing services rendered	11,353	12,202
Cost of distribution	6,847	6,505
Cost of real estate	72	97
	<u>27,199</u>	<u>30,197</u>
Gross Margin	7,266	9,001
Operating Expenses:		
General and administrative	6,976	7,049
Selling	679	826
Research and development	355	345
Impairment loss on long-lived assets	139	-
Gain on disposal of property, plant and equipment	(24)	(13)
Total operating expenses	<u>8,125</u>	<u>8,207</u>
(Loss) / Income from Operations	(859)	794
Other Income		
Interest expenses	(230)	(319)
Other income, net	1,112	249
Gain on sale of properties	1,172	685
Total other income	<u>2,054</u>	<u>615</u>
Income from Continuing Operations before Income Taxes	1,195	1,409
Income Tax Benefits	12	42
Income from continuing operations before non-controlling interests, net of tax	1,207	1,451
Discontinued Operations		
Loss from discontinued operations, net of tax	(3)	(3)
NET INCOME	1,204	1,448
Less: net income/(loss) attributable to non-controlling interests	238	(97)
Net Income Attributable to Trio-Tech International Common Shareholders	\$ 966	\$ 1,545
Amounts Attributable to Trio-Tech International Common Shareholders:		
Income from continuing operations, net of tax	967	1,548
Loss from discontinued operations, net of tax	(1)	(3)
Net Income Attributable to Trio-Tech International Common Shareholders	\$ 966	\$ 1,545
Basic Earnings per Share:		
Basic earnings per share from continuing operations attributable to Trio-Tech International	\$ 0.26	\$ 0.42
Basic loss per share from discontinued operations attributable to Trio-Tech International	\$ -	\$ -
Basic Earnings per Share from Net Income		
Attributable to Trio-Tech International	\$ 0.26	\$ 0.42
Diluted Earnings per Share:		
Diluted earnings per share from continuing operations attributable to Trio-Tech International	\$ 0.26	\$ 0.41
Diluted loss per share from discontinued operations attributable to Trio-Tech International	-	-
Diluted Earnings per Share from Net Income		
Attributable to Trio-Tech International	\$ 0.26	\$ 0.41

Weighted average number of common shares outstanding		
Basic	3,673	3,673
Dilutive effect of stock options	49	89
Number of shares used to compute earnings per share diluted	<u>3,722</u>	<u>3,762</u>

See notes to consolidated financial statements.

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

	For the Year Ended	
	June 30, 2020	June 30, 2019
Comprehensive Income Attributable to Trio-Tech International Common Shareholders:		
Net income	1,204	1,448
Foreign currency translation, net of tax	(742)	(420)
Comprehensive Income	462	1,028
Less: comprehensive income / (loss) attributable to the non-controlling interests	220	(202)
Comprehensive Income Attributable to Trio-Tech International Common Shareholders	\$ 242	\$ 1,230

See notes to consolidated financial statements.

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

	<u>Common Stock</u>		<u>Paid-in Capital</u>	<u>Accumulated Retained Earnings</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Non- Controlling Interests</u>	<u>Total</u>
	<u>No. of Shares</u>	<u>Amount</u>					
Balance at June 30, 2018	3,553	\$ 11,023	\$ 3,249	\$ 5,525	\$ 2,182	\$ 1,522	\$ 23,501
Stock option expenses	-	-	56	-	-	-	56
Net income	-	-	-	1,545	-	(97)	1,448
Dividend declared by subsidiary	-	-	-	-	-	(125)	(125)
Exercise of options	120	401	-	-	-	-	401
Issue of restricted shares to consultant	-	-	-	-	-	-	-
Translation adjustment	-	-	-	-	(315)	(105)	(420)
Balance at June 30, 2019	<u>3,673</u>	<u>11,424</u>	<u>3,305</u>	<u>7,070</u>	<u>1,867</u>	<u>1,195</u>	<u>24,861</u>
Stock option expenses	-	-	58	-	-	-	58
Net income	-	-	-	966	-	238	1,204
Dividend declared by subsidiary	-	-	-	-	-	(235)	(235)
Exercise of options	-	-	-	-	-	-	-
Translation adjustment	-	-	-	-	(724)	(18)	(742)
Balance at June 30, 2020	<u><u>3,673</u></u>	<u><u>11,424</u></u>	<u><u>3,363</u></u>	<u><u>8,036</u></u>	<u><u>1,143</u></u>	<u><u>1,180</u></u>	<u><u>25,146</u></u>

See accompanying notes to consolidated financial statements.

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

	Year Ended	
	June 30, 2020	June 30, 2019
Cash Flow from Operating Activities		
Net income	\$ 1,204	\$ 1,448
Adjustments to reconcile net income to net cash flow provided by operating activities		
Gain on sale of assets held for sale	(1,172)	(685)
Depreciation and amortization	3,100	2,450
Impairment loss on long-lived assets	139	-
Stock compensation	58	56
Provision for obsolete inventories	18	(25)
Reversal of income tax provision	-	(299)
Payment of interest portion of finance leases (<i>Note 1b</i>)	(61)	-
Bad debt recovery	59	10
Accrued interest expense, net accrued interest income	(69)	(9)
Gain on sale of property, plant and equipment – continued operations	(24)	1
Warranty recovery, net	(26)	(43)
Fixed assets written off	-	(33)
Deferred tax benefit	63	5
Changes in operating assets and liabilities, net of acquisition effects		
Trade account receivables	1,110	630
Other receivables	(181)	64
Other assets	100	432
Inventories	430	539
Prepaid expenses and other current assets	(54)	(79)
Accounts payable and accrued expenses	(968)	(68)
Income taxes payable	12	60
Payment of operating leases	(727)	-
Net Cash Provided by Operating Activities	3,011	4,454
Cash Flow from Investing Activities		
Proceeds from sale of assets held for sale	1,167	943
Proceeds from disposal of property, plant and equipment	39	3
Investments in restricted and unrestricted deposits	(2,665)	(3,445)
Addition to property, plant and equipment	(1,017)	(2,841)
Investments in short-term advances	(141)	-
Net Cash Used in Investing Activities	(2,617)	(5,340)
Cash Flow from Financing Activities		
Payment on lines of credit	(2,437)	(10,137)
Payment of bank loans	(486)	(440)
Payment of principal portion of finance leases	(344)	(247)
Dividends paid on non-controlling interest	(235)	(125)
Proceeds from exercising stock options	-	401
Proceeds from lines of credit	2,370	8,270
Proceeds from bank loans	-	1,475
Proceeds from finance leases	279	213
Proceeds from PPP loan	121	-
Net Cash Used in Financing Activities	(732)	(590)
Effect of Changes in Exchange Rate	(421)	(189)
Net Decrease in Cash, Cash Equivalents, and Restricted Cash	(759)	(1,665)
Cash, Cash Equivalents, and Restricted Cash at Beginning of Period	6,569	8,234
Cash, Cash Equivalents, and Restricted Cash at End of Period	\$ 5,810	\$ 6,569
Supplementary Information of Cash Flows		
Cash paid during the period for:		
Interest	\$ 229	\$ 284
Income taxes	\$ 126	\$ 106
Non-Cash Transactions		
Finance lease of property, plant and equipment	\$ 279	\$ 214

See accompanying notes to consolidated financial statements.

Reconciliation of Cash, Cash Equivalents, and Restricted Cash

Cash	4,150	4,863
Short-Term Deposits	6,697	4,144
Restricted Term-Deposits	1,660	1,706
Total Cash, Cash Equivalents, and Restricted Cash Shown in Statement of Cash Flows	\$ 12,507	\$ 10,713

See notes to 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 of interest portion of finance lease from financing activities in accordance with 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
YEARS ENDED JUNE 30, 2020 AND 2019
(IN THOUSANDS, EXCEPT EARNINGS PER SHARE)

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

Basis of Presentation and Principles of Consolidation - Trio-Tech International (the “Company” or “TTI” hereafter) was incorporated in fiscal 1958 under the laws of the State of California. TTI provides third-party semiconductor testing and burn-in services primarily through its laboratories in Southeast Asia. In addition, TTI operates testing facilities in the United States. The Company also designs, develops, manufactures and markets a broad range of equipment and systems used in the manufacturing and testing of semiconductor devices and electronic components. In fiscal 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, Ireland 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 consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The basis of accounting differs from that used in the statutory financial statements of the Company’s subsidiaries and equity investee companies, which are prepared in accordance with the accounting principles generally accepted in their respective countries of incorporation. In the opinion of management, the consolidated financial statements have reflected all costs incurred by the Company and its subsidiaries in operating the business.

All dollar amounts in the financial statements and in the notes herein are presented in thousands of United States dollars (US\$’000) unless otherwise designated.

Liquidity – The Company earned net income attributable to common shareholders of \$966 and \$1,545 for fiscal years 2020 and 2019, respectively.

The Company’s core businesses - testing services, manufacturing and distribution - operate in a volatile industry, whereby its average selling prices and product costs are influenced by competitive factors. These factors create pressures on sales, costs, earnings and cash flows, which will impact liquidity.

Foreign Currency Translation and Transactions — The U.S. dollar is the functional currency of the U.S. parent company. The Singapore dollar, the national currency of Singapore, is the primary currency of the economic environment in which the operations in Singapore are conducted. The Company also has business entities in Malaysia, Thailand, China and Indonesia of which the Malaysian ringgit (“RM”), Thai baht, Chinese renminbi (“RMB”) and Indonesian rupiah, are the national currencies. The Company uses the U.S. dollar for financial reporting purposes.

The Company translates assets and liabilities of its subsidiaries outside the U.S. into U.S. dollars using the rate of exchange prevailing at the fiscal year end, and the consolidated statements of operations and comprehensive income or loss is translated at average rates during the reporting period. Adjustments resulting from the translation of the subsidiaries’ financial statements from foreign currencies into U.S. dollars are recorded in shareholders’ equity as part of accumulated other comprehensive gain - translation adjustments. Gains or losses resulting from transactions denominated in currencies other than functional currencies of the Company’s subsidiaries are reflected in income for the reporting period.

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Among the more significant estimates included in these financial statements are the estimated allowance for doubtful account receivables, reserve for obsolete inventory, reserve for warranty, impairments and the deferred income tax asset allowance. Actual results could materially differ from those estimates.

Revenue Recognition — On July 1, 2018, the Company adopted ASU No. 2014-09, ASC Topic 606, *Revenue from Contracts with Customers* (“ASC Topic 606”). This standard update outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. We adopted using the modified retrospective method applied to all contracts that were not completed contracts at the date of initial application (i.e. July 1, 2019). Results for reporting periods after July 1, 2019 are presented under ASC Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with the Company’s historic accounting under ASC Topic 605.

We apply a five-step approach as defined in ASC Topic 606 in determining the amount and timing of revenue to be recognized: (1) identifying the contract with customer; (2) identifying the performance obligations in the contracts; (3) determining the transaction price; (4) allocating the transaction price to the performance obligations in the contract; and (5) recognizing revenue when the corresponding performance obligation is satisfied.

Revenue derived from testing services is recognized when testing services are rendered. Revenue generated from sale of products in the manufacturing and distribution segments are recognized when persuasive evidence of an arrangement exists, delivery of the products has occurred, customer acceptance has been obtained (which means the significant risks and rewards of ownership have been transferred to the customer), the price is fixed or determinable and collectability is reasonably assured. Certain customers can request for installation and training services to be performed for certain products sold in the manufacturing segment. These services are mainly for helping customers with the test runs of the machines sold and are considered a separate performance obligation. Such services can be provided by other entities as well and these do not significantly modify the product. The Company recognizes the revenue at point in time when the Company has satisfied its performance obligation.

In the real estate segment: (1) revenue from property development is earned and recognized on the earlier of the dates when the underlying property is sold or upon the maturity of the agreement; if this amount is uncollectible, the agreement empowers the repossession of the property, and (2) rental revenue is recognized on a straight-line basis over the terms of the respective leases. This means that, with respect to a particular lease, actual amounts billed in accordance with the lease during any given period may be higher or lower than the amount of rental revenue recognized for the period. Straight-line rental revenue is commenced when the tenant assumes possession of the leased premises. Accrued straight-line rents receivable represents the amount by which straight-line rental revenue exceeds rents currently billed in accordance with lease agreements.

GST / Indirect Taxes — The Company’s policy is to present taxes collected from customers and remitted to governmental authorities on a net basis. The Company records the amounts collected as a current liability and relieves such liability upon remittance to the taxing authority without impacting revenues or expenses.

Trade Account Receivables and Allowance for Doubtful Accounts — During the normal course of business, the Company extends unsecured credit to its customers in all segments. Typically, credit terms require payment to be made between 30 to 90 days from the date of the sale. The Company generally does not require collateral from our customers.

The Company's management considers the following factors when determining the collectability of specific customer accounts: customer credit-worthiness, past transaction history with the customer, current economic industry trends, and changes in customer payment terms. The Company includes any account balances that are determined to be uncollectible, along with a general reserve, in the overall allowance for doubtful accounts. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. Based on the information available to management, the Company believed that its allowance for doubtful accounts was adequate as of June 30, 2020 and 2019.

Warranty Costs — The Company provides for the estimated costs that may be incurred under its warranty program at the time the sale is recorded in its manufacturing segment. The Company estimates 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.

Cash and Cash Equivalents — The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Term Deposits — Term deposits consist of bank balances and interest-bearing deposits having maturities of 3 to 6 months. As of June 30, 2020, the Company held approximately \$3,226 of unrestricted term deposits in the Company's 55% Malaysia subsidiary which were denominated in RM; \$2,481 of unrestricted term deposits in the Company's 100% owned Trio-Tech International Pte. Ltd., which were denominated in Singapore dollars; and \$990 of unrestricted term deposits in the Company's 100% owned China subsidiary, which were denominated in RMB. As of June 30, 2019, the Company held approximately \$1,426 of unrestricted term deposits in the Company's Malaysia subsidiary which were denominated in RM; \$113 of unrestricted term deposits in the Company's 100% owned Thailand subsidiary, which were denominated in Thai Baht; \$1,876 of unrestricted term deposits in the Company's 100% owned Trio-Tech International Pte. Ltd., which were denominated in Singapore dollars; and \$728 of unrestricted term deposits in the Company's 100% owned China subsidiary, which were denominated in RMB.

Restricted Term Deposits — The Company held certain term deposits in the Singapore and Malaysia operations which were considered restricted, as they were held as security against certain facilities granted by the financial institutions. As of June 30, 2020 the Company held approximately \$1,434 of restricted term deposits in the Company's 100% owned Trio-Tech International Pte. Ltd., which were denominated in Singapore dollars, and \$226 of restricted term deposits in the Company's 55% owned Malaysian subsidiary, which were denominated in RM. Whereas at June 30, 2019, the Company held approximately \$1,478 of restricted term deposits in the Company's 100% owned Trio-Tech International Pte. Ltd., which were denominated in Singapore dollars, and \$228 of restricted term deposits in the Company's 55% owned Malaysian subsidiary, which were denominated in the currency of Malaysia.

Short-term advances — The Company held a short-term bank financial products of \$141 with maturity period of 182 days, of which the principal amount is secured. Its interest rate is not fixed and based on a floating interest rate upon the maturity date. This financial product was classified into other current assets as short-term advances, recognized at amortized cost.

Inventories — Inventories in the Company's manufacturing and distribution segments consisting principally of raw materials, works in progress, and finished goods, are stated at the lower of cost, using the first-in, first-out ("FIFO") method, or market value. The semiconductor industry is characterized by rapid technological change, short-term customer commitments and rapid fluctuations in demand. Provisions for estimated excess and obsolete inventory are based on our regular reviews of inventory quantities on hand and the latest forecasts of product demand and production requirements from our customers. Inventories are written down for not saleable, excess or obsolete raw materials, works-in-process and finished goods by charging such write-downs to cost of sales. In addition to write-downs based on newly introduced parts, statistics and judgments are used for assessing provisions of the remaining inventory based on salability and obsolescence.

Property, Plant and Equipment and Investment Properties — Property, plant and equipment, and investment properties are stated at cost, less accumulated depreciation and amortization. Depreciation is provided for over the estimated useful lives of the assets using the straight-line method. Amortization of leasehold improvements is provided for over the lease terms or the estimated useful lives of the assets, whichever is shorter, using the straight-line method.

Maintenance, repairs and minor renewals are charged directly to expense as incurred. Additions and improvements to the assets are capitalized. When assets are disposed of, the related cost and accumulated depreciation thereon are removed from the accounts and any resulting gain or loss is included in the consolidated statements of operations and comprehensive income or loss.

Long-Lived Assets and Impairment — The Company's business requires heavy investment in manufacturing facilities and equipment that are technologically advanced but can quickly become significantly under-utilized or rendered obsolete by rapid changes in demand.

The Company evaluates the long-lived assets, including property, plant and equipment and investment property, for impairment whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. Factors considered important that could result in an impairment review include significant underperformance relative to expected historical or projected future operating results, significant changes in the manner of use of the assets or the strategy for our business, significant negative industry or economic trends, and a significant decline in the stock price for a sustained period of time. Impairment is recognized based on the difference between the fair value of the asset and its carrying value, and fair value is generally measured based on discounted cash flow analysis, if there is significant adverse change.

The Company applies the provisions of ASC Topic 360, *Accounting for the Impairment or Disposal of Long-Lived Assets* ("ASC Topic 360"), to property, plant and equipment. ASC Topic 360 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable through the estimated undiscounted cash flows expected to result from the use and eventual disposition of the assets. Whenever any such impairment exists, an impairment loss will be recognized for the amount by which the carrying value exceeds the fair value.

Leases - Company as Lessee

Accounting Standards Codification Topic 842 ("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 effective date of adoption (July 1, 2019). The Company adopted ASC Topic 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 effective date of adoption, i.e. July 1, 2019.

The Company applies the guidance in ASC Topic 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 Topic 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 as of 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 \$1,073, primarily representing the recognition of ROU assets for operating leases;
- (2) liabilities increased by \$1,073, 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 a significant change in our leasing activities.

Comprehensive Income or Loss — ASC Topic 220, *Reporting Comprehensive Income*, (“ASC Topic 220”), establishes standards for reporting and presentation of comprehensive income or loss and its components in a full set of general-purpose financial statements. The Company has chosen to report comprehensive income or loss in the statements of operations. Comprehensive income or loss is comprised of net income or loss and all changes to shareholders’ equity except those due to investments by owners and distributions to owners.

Income Taxes — The Company accounts for income taxes using the liability method in accordance with ASC Topic 740, *Accounting for Income Taxes* (“ASC Topic 740”). ASC Topic 740 requires an entity to recognize deferred tax liabilities and assets. Deferred tax assets and liabilities are recognized for the future tax consequence attributable to the difference between the tax bases of assets and liabilities and their reported amounts in the financial statements, which will result in taxable or deductible amounts in future years. Further, the effects of enacted tax laws or rate changes are included as part of deferred tax expenses or benefits in the period that covers the enactment date.

The calculation of tax liabilities involves dealing with uncertainties in the application of complex global tax regulations. The Company recognizes potential liabilities for anticipated tax audit issues in the U.S. and other tax jurisdictions based on its estimate of whether, and the extent to which, additional taxes will be due. If payment of these amounts ultimately proves to be unnecessary, the reversal of the liabilities would result in tax benefits being recognized in the period when the Company determines the liabilities are no longer necessary. If the estimate of tax liabilities proves to be less than the ultimate assessment, a further charge to expense would result.

Retained Earnings — It is the intention of the Company to reinvest earnings of its foreign subsidiaries in the operations of those subsidiaries. These taxes are undeterminable at this time. The amount of earnings retained in subsidiaries was \$15,585 and \$14,019 at June 30, 2020 and 2019, respectively.

Research and Development Costs — The Company incurred research and development costs of \$355 and \$345 in fiscal year 2020 and in fiscal year 2019, respectively, which were charged to operating expenses as incurred.

Stock Based Compensation — Under ASC Topic 718, *Compensation – Stock Compensation* (“ASC Topic 718”), stock-based compensation cost is measured at the grant date, based on the estimated fair value of the award using an option pricing model for stock options (Black-Scholes) and market price for restricted stock units, and is recognized as expense over the employee’s requisite service period.

Earnings per Share — Computation of basic earnings per share is conducted by dividing net income available to common shares (numerator) by the weighted average number of common shares outstanding (denominator) during a reporting period. Computation of diluted earnings per share gives effect to all dilutive potential common shares outstanding during a reporting period. In computing diluted earnings per share, the average market price of common shares for a reporting period is used in determining the number of shares assumed to be purchased from the exercise of stock options.

Fair Values of Financial Instruments — Carrying values of trade account receivables, accounts payable, accrued expenses, and term deposits approximate their fair value due to their short-term maturities. Carrying values of the Company’s lines of credit and long-term debt are considered to approximate their fair value because the interest rates associated with the lines of credit and long-term debt are adjustable in accordance with market situations when the Company tries to borrow funds with similar terms and remaining maturities. See Note 16 for detailed discussion of the fair value measurement of financial instruments.

ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The financial assets and financial liabilities that require recognition under the guidance include available-for-sale investments, employee deferred compensation plan and foreign currency derivatives. The guidance establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of us. Unobservable inputs are inputs that reflect our assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available under the circumstances. As such, fair value is a market-based measure considered from the perspective of a market participant who holds the asset or owes the liability rather than an entity-specific measure. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1—Valuations based on quoted prices in active markets for identical assets or liabilities that we have the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment. Financial assets utilizing Level 1 inputs include U.S. treasuries, most money market funds, marketable equity securities and our employee deferred compensation plan;
- Level 2—Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly. Financial assets and liabilities utilizing Level 2 inputs include foreign currency forward exchange contracts, most commercial paper and corporate notes and bonds; and
- Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Concentration of Credit Risk — Financial instruments that subject the Company to credit risk compose trade account receivables. The Company performs ongoing credit evaluations of its customers for potential credit losses. The Company generally does not require collateral. The Company believes that its credit policies do not result in significant adverse risk and historically it has not experienced significant credit related losses.

Investments — The Company analyzes its investments to determine if it is a variable interest entity (a “VIE”) and would require consolidation. The Company (a) evaluates the sufficiency of the total equity at risk, (b) reviews the voting rights and decision-making authority of the equity investment holders as a group, and whether there are any guaranteed returns, protection against losses, or capping of residual returns within the group, and (c) establishes whether activities within the venture are on behalf of an investor with disproportionately few voting rights in making this VIE determination. The Company would consolidate an investment that is determined to be a VIE if it was the primary beneficiary. The primary beneficiary of a VIE is determined by a primarily qualitative approach, whereby the variable interest holder, if any, has the power to direct the VIE’s most significant activities and is the primary beneficiary. A new accounting standard became effective and changed the method by which the primary beneficiary of a VIE is determined. Through a primarily qualitative approach, the variable interest holder, who has the power to direct the VIE’s most significant activities is determined to be the primary beneficiary. To the extent that the investment does not qualify as VIE, the Company further assesses the existence of a controlling financial interest under a voting interest model to determine whether the investment should be consolidated.

Equity Method — The Company analyzes its investments to determine if they should be accounted for using the equity method. Management evaluates both Common Stock and in-substance Common Stock to determine whether they give the Company the ability to exercise significant influence over operating and financial policies of the investment even though the Company holds less than 50% of the Common Stock and in-substance Common Stock. The net income of the investment, if any, will be reported as “Equity in earnings of unconsolidated joint ventures, net of tax” in the Company’s consolidated statements of operations and comprehensive income.

Cost Method — Investee companies not accounted for under the consolidation or the equity method of accounting are accounted for under the cost method of accounting. Under this method, the Company’s share of the earnings or losses of such Investee companies is not included in the consolidated balance sheet or statements of operations and comprehensive income or loss. However, impairment charges are recognized in the consolidated statements of operations and comprehensive income or loss. If circumstances suggest that the value of the investee Company has subsequently recovered, such recovery is not recorded.

Loan Receivables from Property Development Projects — The loan receivables from property development projects are classified as current asset, carried at face value, and are individually evaluated for impairment. The allowance for loan losses reflects management’s best estimate of probable losses determined principally on the basis of historical experience and specific allowances for known loan accounts. All loans or portions thereof deemed to be uncollectible or to require an excessive collection cost are written off to the allowance for losses.

Interest income on the loan receivables from property development projects are recognized on an accrual basis. Discounts and premiums on loans are amortized to income using the interest method over the remaining period to contractual maturity. The amortization of discounts into income is discontinued on loans that are contractually 90 days past due or when collection of interest appears doubtful.

Contingent Liabilities — Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Company, but which will only be resolved when one or more future events occur or fail to occur. The Company’s management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company or un-asserted claims that may result in such proceedings, the Company’s legal counsel evaluates the perceived merits of any legal proceedings or un-asserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company’s financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed.

2. NEW ACCOUNTING PRONOUNCEMENTS

In August 2020, the FASB issued ASU 2020-06: *Debt – Debt with Conversion and Other options (Subtopic 470-20) and Derivative and Hedging – Contracts in Entity’s Own Equity (Subtopic 815-40)*. This ASU reduces number of accounting models for convertible debt instruments and convertible preferred stock. As well as amend the guidance for the derivatives scope exception for contracts in an entity’s own equity to reduce form-over-substance-based accounting conclusion. In addition, this ASU improves and amends the related EPS guidance. This amendments are effective for the Company for fiscal years beginning after December 15, 2023, including interim period within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. Adoption is either a modified retrospective method or a fully retrospective method of transition. The Company is currently evaluating the impacts of the provisions of ASU 2020-06 on its consolidated financial statements and related disclosures.

In March 2020, FASB issued ASU 2020-04 ASC Topic 848: *Reference Rate Reform: Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships and other transactions affected by the discontinuation of the London Interbank Offered Rate (“LIBOR”) or by another reference rate expected to be discontinued. The amendments are effective for all entities as of March 12, 2020, and the Company may elect to apply the amendments prospectively through December 31, 2022. The Company is currently evaluating the impacts of the provisions of ASU 2020-04 on its consolidated financial statements and related disclosures.

The amendments in ASU 2019-12 ASC Topic 740: *Income Taxes: Simplifying Accounting for Income Taxes* remove 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. The Company has completed its assessment and concluded that this update has no significant impact to the Company’s financial statements.

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. The Company has completed the assessment and concluded that this update has no significant impact to the Company’s consolidated statements of operations and comprehensive income.

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. The Company has completed its assessment and concluded that this update would have no significant impact to 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. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. ASC Topic 326 is effective for the Company for annual periods beginning after December 15, 2022. 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 June 30, 2020 are not expected to have a significant effect on the Company’s consolidated financial position or results of operations.

3. TERM DEPOSITS

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Short-term deposits	\$ 6,887	\$ 4,143
Currency translation effect on short-term deposits	(190)	1
Total short-term deposits	<u>6,697</u>	<u>4,144</u>
Restricted term deposits	1,712	1,701
Currency translation effect on restricted term deposits	(52)	5
Total restricted term deposits	<u>1,660</u>	<u>1,706</u>
Total term deposits	<u>\$ 8,357</u>	<u>\$ 5,850</u>

Restricted deposits represent the amount of cash pledged to secure loans payable granted by 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 ACCOUNT RECEIVABLES AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Account receivables 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 its customers in certain circumstances.

Senior management reviews trade account receivables on a periodic basis to determine if any receivables will potentially be uncollectible. Management includes any trade account receivables balances that are determined to be uncollectible in the allowance for doubtful accounts. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. Based on the information available to us, management believed the allowance for doubtful accounts as of June 30, 2020 and June 30, 2019 was adequate.

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

	<u>For the Year Ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Beginning	\$ 263	\$ 259
Additions charged to expenses	351	94
Recovered	(284)	(84)
Write-off	(9)	-
Currency translation effect	(7)	(6)
Ending	<u>\$ 314</u>	<u>\$ 263</u>

5. LOANS RECEIVABLE FROM PROPERTY DEVELOPMENT PROJECTS

The following table presents TTCQ's loans receivable from property development projects in China as of June 30, 2020 and as of June 30, 2019. The exchange rate is based on the historical rate published by the Monetary Authority of Singapore as on March 31, 2015, since the net loan receivable was "nil" as at June 30, 2020 and as at June 30, 2019.

	<u>Loan Expiry Date</u>	<u>Loan Amount (RMB)</u>	<u>Loan Amount (U.S. Dollars)</u>
Short-term loan receivables			
JiangHuai (Project - Yu Jin Jiang An)	May 31, 2013	2,000	326
Less: allowance for doubtful receivables		(2,000)	(326)
Net loan receivable from property development projects		<u>-</u>	<u>-</u>
Long-term loan receivables			
Jun Zhou Zhi Ye	Oct 31, 2016	5,000	814
Less: transfer – down-payment for purchase of investment property		(5,000)	(814)
Net loan receivable from property development projects		<u>-</u>	<u>-</u>

The short-term loan receivables of renminbi ("RMB") 2,000, or approximately \$326 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 \$326 on the investment in JiangHuai was recorded during fiscal 2014. TTCQ did not generate other income from JiangHuai for the fiscal year ended June 30, 2020 and June 30, 2019. TTCQ is in the legal process of recovering the outstanding amount of \$326.

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 10).

6. INVENTORIES

Inventories consisted of the following:

	For the Year Ended June 30,	
	2020	2019
Raw materials	\$ 1,281	\$ 1,190
Work in progress	968	1,306
Finished goods	422	591
Less: provision for obsolete inventory	(678)	(673)
Currency translation effect	(71)	13
	\$ 1,922	\$ 2,427

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

	For the Year Ended June 30,	
	2020	2019
Beginning	\$ 673	\$ 695
Additions charged to expenses	26	17
Usage - disposition	(8)	(42)
Currency translation effect	(13)	3
Ending	\$ 678	\$ 673

7. ASSETS HELD FOR SALE

Penang Property

During the fourth quarter of fiscal year 2015, the operation 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 an intention 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 was 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. During the fourth quarter of fiscal year 2019, management entered into a Sales and Purchase Agreement with a potential buyer. During the second quarter of fiscal year 2020, the Company 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 fiscal year 2020. The sale price was RM 5,600, or \$1,340. In connection with the sale of the property located in Malaysia, the Company also incurred the direct expenses of RM 330, or \$79, which included professional fees, commissions, other selling related expenses and consent fees from the 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 RM 4,901, 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 June 30, 2020 and June 30, 2019.

			<u>June 30, 2020</u>	<u>June 30, 2019</u>
	<u>Reclassification Date/ Sale Date</u>	<u>Investment Amount (RM)</u>	<u>Investment Amount (U.S. Dollars)</u>	<u>Investment Amount (U.S. Dollars)</u>
Penang Property				
Reclassification from investment property	June 30, 2015	681	181*	181*
Currency translation		-	-	(15)
Derecognition	Dec 19,2019	<u>(681)</u>	<u>(181)</u>	<u>-</u>
		-	-	166
Accumulated depreciation on rental property	June 30, 2015	(310)	(83)*	(83)*
Currency translation		-	-	6
Derecognition	Dec 19,2019	<u>310</u>	<u>(83)</u>	<u>-</u>
		-	-	(77)
Net investment in rental property - Malaysia		<u>-</u>	<u>-</u>	<u>89</u>

*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 June 30, 2020. The exchange rate is based on the market rate as of June 30, 2020.

	<u>Investment Date / Reclassification Date</u>	<u>Investment Amount (RMB)</u>	<u>Investment Amount (U.S. Dollars)</u>
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
		<u>2,024</u>	<u>301</u>
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		-	(166)
Gross investment in rental property		<u>9,649</u>	<u>1,363</u>
Accumulated depreciation on rental property	June 30, 2020	(6,558)	(940)
Reclassified as “Assets held for sale”	July 01, 2018	2,822	410
Reclassification from “Assets held for sale”	Mar 31, 2019	(1,029)	(143)
		<u>(4,765)</u>	<u>(673)</u>
Net investment in property – China		<u>4,884</u>	<u>690</u>

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.

	<u>Investment Date / Reclassification Date</u>	<u>Investment Amount (RMB)</u>	<u>Investment Amount (U.S. Dollars)</u>
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
		<u>2,024</u>	<u>301</u>
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		<u>9,649</u>	<u>1,405</u>
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)
		<u>(4,282)</u>	<u>(623)</u>
Net investment in property – China		<u>5,367</u>	<u>782</u>

Rental Property I - MaoYe 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. 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 the near future, considering the market conditions in China.

Property purchased from MaoYe generated a rental income of \$32 and \$66 for the years ended June 30, 2020 and 2019, respectively.

Depreciation expense for MaoYe was \$13 and \$30 for the years ended June 30, 2020 and 2019, respectively.

Rental Property II - JiangHuai

In fiscal year 2010, TTCQ purchased eight units of commercial property in Chongqing, China from Chongqing JiangHuai Real Estate Development Co. Ltd. (“JiangHuai”) for a total purchase price of RMB 3,600, or approximately \$580. TTCQ had yet to receive the title deed for these properties. TTCQ was in the legal process of obtaining the title deed until the developer encountered cash flow difficulties in the recent years. Since then, JiangHuai company is under liquidation and is now undergoing asset distribution. Nonetheless, this is not expected to affect the property’s market value but, in view of the COVID-19 pandemic and current economic situation, it is likely to be more tedious and time-consuming for the Court in their execution of the sale.

Property purchased from JiangHuai did not generate any rental income for both the years ended June 30, 2020 and 2019.

Depreciation expense for JiangHuai was \$26 and \$26 for the years ended June 30, 2020 and 2019, respectively.

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 expires on April 30, 2021. The agreement was terminated in April 2020 due to the current slow and cautious market rental conditions. Management is still actively looking for a tenant.

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 \$30 and \$32 for the years ended June 30, 2020 and 2019, respectively.

Depreciation expense for Fu Li was \$28 and \$30 for the years ended June 30, 2020 and 2019, respectively.

Summary

Total rental income for all investment properties in China was \$62 for the year ended June 30, 2020, and \$98 for the same period in the prior fiscal year.

Depreciation expenses for all investment properties in China were \$67 and \$86 for the years ended June 30, 2020 and 2019, respectively.

9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following:

	Estimated Useful Life in Years	June 30,	
		2020	2019
Building and improvements	3-20	\$ 5,102	\$ 5,082
Leasehold improvements	3-27	6,170	6,150
Machinery and equipment	3-7	26,578	26,140
Furniture and fixtures	3-5	1,134	1,111
Equipment under capital leases	3-5	1,066	928
Property, plant and equipment, gross		\$ 40,050	\$ 39,411
Less: accumulated depreciation		(27,148)	(25,083)
Accumulated amortization on equipment under capital leases		(719)	(808)
Total accumulated depreciation		\$ (27,867)	\$ (25,891)
Property, plant and equipment before currency translation effect, net		12,183	13,520
Currency translation effect		(1,873)	(1,361)
Property, plant and equipment, net		\$ 10,310	\$ 12,159

Depreciation and amortization expenses for property, plant and equipment during fiscal years 2020 and 2019 were \$2,341 and \$2,364, respectively.

10. OTHER ASSETS

	June 30,	
	2020	2019
Down payment for purchase of investment properties*	\$ 1,645	\$ 1,645
Down payment for purchase of property, plant and equipment	8	100
Deposits for rental and utilities	171	169
Currency translation effect	(215)	(164)
Total	\$ 1,609	\$ 1,750

*Down payment for purchase of investment properties included:

	RMB	U.S. Dollars
Original Investment (10% of 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 jointly develop the “Singapore Themed Park” project (the “project”). 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 RMB 5 million payable upon fulfillment 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 but to date has not received payment in full therefor. The Company recognized that disposal based on the recorded net book value of RMB 5 million, or equivalent to \$803K, from net considerations paid, in accordance with GAAP under ASC Topic 845 *Non-monetary Consideration*. It is presented under “Other Assets” as non-current assets to defer the recognition of the gain on the disposal of the 10% interest in the 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, 2022. The delay was primarily due to the time needed by the developer to work with various parties to inject sufficient funds into this project, especially during the COVID-19 pandemic. Based on the available information, management believes that the Developer is capable of working with new investors to complete certain phases of this project.

11. LINES OF CREDIT

The 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 June 30, 2020, the Company had certain lines of credit that are collateralized by restricted deposits.

<u>Entity with Facility</u>	<u>Type of Facility</u>	<u>Interest Rate</u>	<u>Expiration Date</u>	<u>Credit Limitation</u>	<u>Unused Credit</u>
Trio-Tech International Pte. Ltd., Singapore	Lines of Credit	Ranging from 1.85% to 5.5%, SIBOR rate +1.25% and LIBOR rate +1.30%	-	\$ 4,806	\$ 4,806
Universal (Far East) Pte. Ltd.	Lines of Credit	Ranging from 1.85% to 5.5%	-	\$ 359	\$ 187
Trio-Tech Malaysia Sdn. Bhd.	Revolving Credit	Cost of Funds Rate +2%	-	\$ 350	\$ 350

On November 18, 2019, Trio-Tech International Pte. Ltd. signed an agreement with JECC Leasing (Singapore) Pte. Ltd. for an Account Receivables 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 in our operations in Singapore. The Company started to use this facility in the second quarter of fiscal year 2020.

As of June 30, 2019, the Company had certain lines of credit that are collateralized by restricted deposits.

<u>Entity with Facility</u>	<u>Type of Facility</u>	<u>Interest Rate</u>	<u>Expiration Date</u>	<u>Credit Limitation</u>	<u>Unused Credit</u>
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

12. ACCRUED EXPENSES

Accrued expenses consisted of the following:

	<u>For the Year Ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Payroll and related costs	1,185	1,354
Commissions	104	107
Customer deposits	30	46
Legal and audit	315	299
Sales tax	19	9
Utilities	80	120
Warranty	12	39
Accrued purchase of materials and property, plant and equipment	186	362
Provision for re-instatement	300	302
Deferred income	88	61
Contract liabilities	476	501
Other accrued expenses	287	293
Currency translation effect	(77)	(7)
Total	\$ 3,005	\$ 3,486

13. WARRANTY ACCRUAL

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

	For the Year Ended June 30,	
	2020	2019
Beginning	\$ 39	\$ 82
Additions charged to cost and expenses	1	15
Utilization / reversal	(27)	(58)
Currency translation effect	(1)	-
Ending	\$ 12	\$ 39

14. BANK LOANS PAYABLE

Bank loans payable consisted of the following:

	June 30, 2020	June 30, 2019
Note payable denominated in RM for expansion plans in Malaysia, maturing in August 2024, bearing interest rates at 3.85% and 4.80% at June 30, 2020 and June 30, 2019 per annum, respectively, with monthly payments of principal plus interest through August 2024, collateralized by the acquired building with a carrying value of \$2,543 and \$2,683, as at June 30, 2020 and June 30, 2019, respectively.	\$ 2,295	\$ 2,696
Note payable denominated in U.S. dollars for expansion plans in Singapore and its subsidiaries, maturing in April 2020, bearing interest at the bank's lending rate (3.96% for both June 30, 2020 and June 30, 2019) with monthly payments of principal plus interest through April 2017. This note payable is secured by plant and equipment with a carrying value of \$nil as of June 30, 2020 and \$187 as of June 30, 2019. The loans were fully repaid in June 2020.	-	142
Total bank loans payable	2,295	2,838
Current portion of bank loan payable	384	494
Currency translation effect on current portion of bank loan	(14)	(6)
Current portion of bank loan payable	370	488
Long term portion of bank loan payable	1,911	2,344
Currency translation effect on long-term portion of bank loan	(75)	(52)
Long term portion of bank loans payable	\$ 1,836	\$ 2,292

Future minimum payments (excluding interest) as of June 30, 2020 were as follows:

2021	\$	370
2022		384
2023		400
2024		403
2025		158
Thereafter		491
Total obligations and commitments	\$	<u>2,206</u>

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

2020	\$	488
2021		362
2022		380
2023		399
2024		407
Thereafter		744
Total obligations and commitments	\$	<u>2,780</u>

15. COMMITMENTS AND CONTINGENCIES

Trio-Tech (Malaysia) Sdn. Bhd. in Malaysia did not have capital commitments as at June 30, 2020, as compared to capital commitments for the purchase of equipment and other related infrastructure costs as at June 30, 2019 amounting to RM 18, or approximately \$4.

Trio-Tech (Tianjin) Co. Ltd. in China did not have capital commitments as at June 30, 2020, as compared to capital commitments for the purchase of equipment and other related infrastructure costs as at June 30, 2019 amounting to RMB 397, or approximately \$58.

Trio-Tech (SIP) Co., Ltd. in China did not have capital commitments as at June 30, 2020 and as at June 30, 2019.

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.

16. FAIR VALUE OF FINANCIAL INSTRUMENTS APPROXIMATE CARRYING VALUE

In accordance with ASC Topic 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 fiscal year ended June 30, 2020 or for the same period in the prior fiscal year.

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.

PPP Loan (Level 2) – The carrying amount approximates its fair value based on similar long-term debt issues available to the Company.

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.

17. CONCENTRATION OF CUSTOMERS

The Company had one major customer that accounted for the following revenue and trade account receivables:

	<u>For the Year Ended June 30,</u> <u>2020</u>	<u>2019</u>
Revenue		
Customer A	38.4%	41.9%
Customer B	17.6%	11.4%
Trade Account Receivables		
Customer A	40.6%	41.3%
Customer B	6.3%	3.3%

18. BUSINESS SEGMENTS

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 (assembly of equipment tests the structural integrity of integrated circuits and other products), distribution of various products from other manufacturers in Singapore and 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.

All inter-segment sales were sales from the manufacturing segment to the testing and distribution segment. Total inter-segment sales were \$816 in fiscal year 2020 and \$484 in fiscal year 2019. 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 on a pre-determined fixed amount calculated based on the annual budgeted sales, except the Malaysia operation, which is calculated based on actual sales. The following segment information table includes segment operating income or loss after including corporate expenses allocated to the segments, which gets eliminated in the consolidation.

Business Segment Information:	Year Ended June 30,	Net Revenue	Operating Income (Loss)	Total Assets	Depr. and Amort.	Capital Expenditures
Manufacturing	2020	\$ 11,605	\$ (326)	\$ 9,807	\$ 346	\$ 183
	2019	\$ 14,889	\$ 575	\$ 9,576	\$ 120	\$ 52
Testing Services	2020	14,840	(1,040)	21,086	2,578	834
	2019	16,760	(164)	22,182	2,244	2,789
Distribution	2020	7,958	751	875	100	-
	2019	7,451	598	785	-	-
Real Estate	2020	62	(97)	3,587	76	-
	2019	98	(92)	3,826	86	-
Fabrication Services*	2020	-	-	27	-	-
	2019	-	-	27	-	-
Corporate & Unallocated	2020	-	(147)	278	-	-
	2019	-	(123)	131	-	-
Total Company	2020	\$ 34,465	\$ (859)	\$ 35,660	\$ 3,100	\$ 1,017
	2019	\$ 39,198	\$ 794	\$ 36,527	\$ 2,450	\$ 2,841

* Fabrication services is a discontinued operation.

19. OTHER INCOME, NET

Other income, net consisted of the following:

	For the Year Ended June 30,	
	2020	2019
Interest income	177	100
Other rental income	110	113
Exchange gain / (loss)	(35)	(135)
Government grants	778	77
Bad debt recovery	59	2
Other miscellaneous income	23	92
Total	\$ 1,112	\$ 249

During fiscal year 2020, the Company received government grants amounting to \$778, of which \$718 were the financial assistance received from the Singapore, Malaysia and China governments amid the COVID-19 pandemic.

20. INCOME TAXES

(Loss)/Income before provision for income taxes consists of the following:

	For the Year Ended June 30,	
	2020	2019
United States	(662)	(308)
International	1,857	1,717
Total	\$ 1,195	\$ 1,409

The components of the provision for income taxes are as follows:

	For the Year Ended June 30,	
	2020	2019
Current:		
Federal	\$ (1)	\$ (337)
State	2	2
Foreign	212	289
	<u>\$ 213</u>	<u>\$ (46)</u>
Deferred:		
Federal	\$ -	\$ -
State	-	-
Foreign	(225)	4
	<u>(225)</u>	<u>4</u>
Total provisions	\$ (12)	\$ (42)

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A reconciliation of income tax benefit compared to the amount of income tax benefit that would result by applying the U.S. federal statutory income tax rate to pre-tax income is as follows:

	For the Year Ended June 30,	
	2020	2019
Statutory federal tax rate	21.00%	21.00%
State taxes, net of federal benefit	(0.50)	(0.22)
Permanent items and credits	13.95	11.23
Foreign rate differential	(33.86)	(4.76)
Other	2.14	4.71
Changes in valuation allowance	(3.73)	(11.11)
Tax reform related to one-time repatriation tax	-	(23.83)
Effective rate	(1.00)%	(2.98)%

The provision for income taxes has been determined based upon the tax laws and rates in the countries in which we operate. 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.

Due to the enactment of Tax Cuts and Jobs 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 in its effective tax rate calculation for the year ended June 30, 2020.

On March 27, 2020, The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted by the US Government in response to the COVID-19 pandemic. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations and technical corrections to tax depreciation methods for qualified improvement property. The CARES Act did not have a materially impact to the financial statements as of June 30, 2020.

The Company has maintained an indefinite reinvestment assertion as of June 30, 2020. Accordingly, no deferred taxes related to withholding taxes or unrealized foreign currency gains or losses have been recorded.

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.

Temporary differences that give rise to a significant portion of deferred tax assets and deferred tax liabilities is as follows for the year ended June 30:

	For the Year Ended June 30,	
	2020	2019
Deferred tax assets:		
Net operating losses and credits	\$ 487	\$ 363
Inventory valuation	121	64
Provision for bad debts	785	296
Accrued vacation	37	94
Accrued expenses	188	325
Fixed asset basis	1	23
Investment in subsidiaries	277	-
Unrealized gain	24	55
Other	51	73
Total deferred tax assets	<u>\$ 1,971</u>	<u>\$ 1,293</u>
Deferred tax liabilities:		
Depreciation	(359)	(390)
Others	(76)	(78)
Total deferred income tax liabilities	<u>\$ (435)</u>	<u>\$ (468)</u>
Subtotal	1,536	825
Valuation allowance	(1,289)	(762)
Net deferred tax assets	<u>\$ 247</u>	<u>\$ 63</u>
Presented as follows in the balance sheets:		
Deferred tax assets	247	390
Deferred tax liabilities	-	(327)
Net deferred tax assets	<u>\$ 247</u>	<u>\$ 63</u>

The valuation allowance increased by \$527 and decreased by \$355 in fiscal years 2020 and 2019, respectively.

At June 30, 2020, the Company had federal net operating loss carry-forwards and state net operating loss carryforward of \$1,236, which expire through 2033. These carryovers may be subject to limitations under I.R.C. Section 382. Management of the Company is uncertain whether it is more likely than not that these future benefits will be realized. Accordingly, a full valuation allowance was established.

Generally, U.S. federal, state, and foreign authorities may examine the Company's tax returns for three years, four years, and five years, respectively, from the date an income tax return is filed. However, the taxing authorities may continue to adjust the Company's net operating loss carryforwards until the statute of limitations closes on the tax years in which the net operating losses are utilized.

21. UNRECOGNIZED TAX BENEFITS

The Company adopted ASC Topic 740, *Accounting for Income Taxes* - Interpretation of Topic 740.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	For the Year Ended June 30,	
	2020	2019
Unrecognized tax benefits	\$ (250)	\$ (250)

The Company accrues penalties and interest on unrecognized tax benefits as a component of penalties and interest expenses, respectively. The Company has not accrued any penalties or interest expense relating to the unrecognized benefits at June 30, 2020 and June 30, 2019.

The major tax jurisdictions in which the Company files income tax returns are the U.S., Singapore, China and Malaysia. The statute of limitations, in general, is open for years 2013 to 2019 for tax authorities in those jurisdictions to audit or examine income tax returns. The Company is under annual review by the governments of Singapore, Malaysia, China, and Thailand. However, the Company is not currently under tax examination in any other jurisdiction, including the United States.

22. REVENUE

The Company generates revenue primarily from 3 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.

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 renders 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.

Method and Impact of Adoption

Effective as of July 1, 2018, the Company adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and its related amendments using the modified retrospective transition method. This method was applied to contracts that were not complete as of the date of adoption. Under the modified retrospective transition approach, periods prior to the adoption date were not adjusted and continue to be reported in accordance with ASC Topic 605.

An assessment was made on the impact of all existing arrangements as at the date of adoption, under ASC Topic 606, to identify the cumulative effect of applying ASC Topic 606 on the beginning retained earnings. The Company quantified the impact of the adoption on its financial position, results of operations and cash flow, and the impact was insignificant to the Company.

The impact is primarily driven by the changes related to the accounting of standard warranty. Prior to adoption of ASC Topic 606, the Company accounted for the estimated warranty cost as a charge to costs of sales when revenue was recognized. Upon adoption of ASC Topic 606, the standard warranty for customized products is recognized as a separate performance obligation.

The Company has completed its adoption and implemented policies, processes and controls to support the standard's measurement and disclosure requirements. The Company recognizes net product revenue when it satisfies the obligations as evidenced by the transfer of control of its products and services to customers. The guidance did not have material impact on the Company's consolidated financial results.

Contract Balances

The timing of revenue recognition, billings and collections may result in billed account receivables, 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.

	June 30,	
	2020	2019
Trade Accounts Receivables	5,951	7,113
Accounts Payable	2,590	3,272
Contract Assets	216	419
Contract Liabilities	476	501

Remaining Performance Obligation

As at June 30, 2020, the Company had \$505 of remaining performance obligations, which represents our obligation to deliver products and services. Given the profile of contract terms, approximately 62.1% of this amount is expected to be recognized as revenue over the next two years, while the remaining amount is expected to be recognized between three and five years.

Refer to note 18 "Business Segments" of the Notes to Consolidated Financial Statements for information related to revenue.

Practical Expedients

The Company applies the following practical expedients:

- The Company accounts for shipping and handling costs as activities to fulfil the promise to transfer the goods, instead of a promised service to its customer.
- The Company has not elected to adjust the promised amount of consideration for the effects of a significant financing component as the Company expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will generally be one year or less.
- The Company has elected to adopt the practical expedient for contract costs, specifically in relation to incremental costs of obtaining a contract.

Costs to obtain a contract are not material, and the Company generally expenses such costs as incurred because the amortization period is one year or less.

23. EARNINGS PER SHARE

The Company adopted ASC Topic 260, *Earnings Per Share*. Basic earnings per share (“EPS”) are computed by dividing net income available to common shareholders (numerator) by the weighted average number of common shares outstanding (denominator) during the period. Diluted EPS give effect to all dilutive potential common shares outstanding during a period. In computing diluted EPS, the average price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options and warrants.

Options to purchase 763,500 shares of Common Stock at exercise prices ranging from \$2.53 to \$5.98 per share were outstanding as of June 30, 2020. 220,500 stock options were excluded in the computation of diluted EPS for fiscal year 2020 because they were anti-dilutive.

Options to purchase 673,500 shares of Common Stock at exercise prices ranging from \$2.69 to \$5.98 per share were outstanding as of June 30, 2019. 110,000 options were excluded in the computation of diluted EPS for fiscal year 2019 because they were anti-dilutive.

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

	For the Year Ended June 30,	
	2020	2019
Income attributable to Trio-Tech International common shareholders from continuing operations, net of tax	\$ 967	\$ 1,548
Loss attributable to Trio-Tech International common shareholders from discontinued operations, net of tax	\$ (1)	\$ (3)
Net income attributable to Trio-tech International common shareholders	966	1,545
Weighted average number of common shares outstanding - basic	3,673	3,673
Dilutive effect of stock options	49	89
Number of shares used to compute earnings per share - diluted	3,722	3,762
Basic Earnings per Share:		
Basic earnings per share from continuing operations attributable to Trio-Tech International	\$ 0.26	\$ 0.42
Basic loss per share from discontinued operations attributable to Trio-Tech International	\$ -	\$ -
Basic Earnings per Share from net income attributable to Trio-Tech International	\$ 0.26	\$ 0.42
Diluted Earnings per Share:		
Diluted earnings per share from continuing operations attributable to Trio-Tech International	\$ 0.26	\$ 0.41
Diluted loss per share from discontinued operations attributable to Trio-Tech International	-	-
Diluted Earnings per Share from net income attributable to Trio-Tech International	\$ 0.26	\$ 0.41

24. 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:

	For the Year Ended June 30,	
	2020	2019
Expected volatility	45.38% to 65.49%	45.38% to 97.48%
Risk-free interest rate	0.30% to 2.35%	0.30% to 2.35%
Expected life (years)	2.5-3.25	2.5-3.25

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 twelve months ended June 30, 2020. The observation period covered is consistent with the expected life of the 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 no 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).

The Company granted options to purchase 60,000 shares of its Common Stock to employees pursuant to the 2017 Employee Plan during the twelve months ended June 30, 2020.

There were no stock options exercised during the twelve months ended June 30, 2020. The Company recognized stock-based compensation expenses of \$6 and \$34 in the three and twelve months ended June 30, 2020, respectively under the 2017 Employee Plan. The balance of unamortized stock-based compensation of \$29 based on fair value on the grant date related to options granted under the 2017 Employee Plan is to be recognized over a period of three years. The weighted-average remaining contractual term for non-vested options was 2.03 years.

As of June 30, 2020, there were vested employee stock options granted under the 2017 Employee Plan covering a total of 98,000 shares of Common Stock. The weighted-average exercise price was \$4.44, and the weighted average contractual term was 3.41 years. The total fair value of vested employee stock options as of June 30, 2020 was \$435.

The Company granted options to purchase 76,000 shares of its Common Stock to employees pursuant to the 2017 Employee Plan during the twelve months ended June 30, 2019. There were no stock options exercised during the twelve months ended June 30, 2019. The Company recognized stock-based compensation expenses of \$18 and \$29 in the three and twelve months ended June 30, 2019, respectively, under the 2017 Employee Plan. The balance of unamortized stock-based compensation of \$14 based on fair value on the grant date related to options granted under the 2017 Employee Plan is to be recognized over a period of three years. The weighted-average remaining contractual term for non-vested options was 2.37 years.

As of June 30, 2019, there were vested employee stock options granted under the 2017 Employee Plan covering a total of 49,000 shares of Common Stock. The weighted-average exercise price was \$4.97, and the weighted average contractual term was 4.11 years. The total fair value of vested employee stock options as of June 30, 2019 was \$244.

A summary of option activities under the 2017 Employee Plan during the twelve-month period ended June 30, 2020 is presented as follows:

	<u>Options</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term (Years)</u>	<u>Aggregate Intrinsic Value</u>
Outstanding at July 1, 2019	136,000	\$ 4.53	4.28	\$ -
Granted	60,000	2.53	2.73	36
Exercised	-	-	-	-
Forfeited or expired	-	-	-	-
Outstanding at June 30, 2020	<u>196,000</u>	3.92	3.72	36
Exercisable at June 30, 2020	<u>98,000</u>	4.44	3.41	9

A summary of the status of the Company's non-vested employee stock options during the twelve months ended June 30, 2020 is presented below:

	<u>Options</u>	<u>Weighted Average Grant-Date Fair Value</u>
Non-vested at July 1, 2019	87,000	\$ 4.28
Granted	60,000	2.53
Vested	(49,000)	(4.44)
Forfeited	-	-
Non-vested at June 30, 2020	<u>98,000</u>	<u>\$ 3.39</u>

A summary of option activities under the 2017 Employee Plan during the twelve-month period ended June 30, 2019 is presented as follows:

	<u>Options</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term (Years)</u>	<u>Aggregate Intrinsic Value</u>
Outstanding at July 1, 2018	60,000	\$ 5.98	4.73	\$ -
Granted	76,000	3.38	-	-
Exercised	-	-	-	-
Forfeited or expired	-	-	-	-
Outstanding at June 30, 2019	<u>136,000</u>	<u>4.53</u>	<u>4.28</u>	-
Exercisable at June 30, 2019	<u>49,000</u>	<u>4.97</u>	<u>4.11</u>	-

A summary of the status of the Company's non-vested employee stock options during the twelve months ended June 30, 2019 is presented below:

	<u>Options</u>	<u>Weighted Average Grant-Date Fair Value</u>
Non-vested at July 1, 2018	45,000	\$ 5.98
Granted	76,000	3.38
Vested	(34,000)	(4.53)
Forfeited	-	-
Non-vested at June 30, 2019	<u>87,000</u>	<u>\$ 4.28</u>

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.

There was no option exercised during the twelve months ended June 30, 2020. The Company recognized stock-based compensation expenses of \$Nil in the twelve months ended June 30, 2020 under the 2007 Employee Plan.

There were 50,000 options exercised during the twelve months ended June 30, 2019. The Company recognized stock-based compensation expenses of \$1 in the twelve months ended June 30, 2019 under the 2007 Employee Plan.

As of June 30, 2020, there were vested employee stock options that were exercisable covering a total of 77,500 shares of Common Stock. The weighted-average exercise price was \$3.69 and the weighted average contractual term was 1.22 years. The total fair value of vested employee stock options as of June 30, 2019 was \$286.

As of June 30, 2019, there were vested employee stock options that were exercisable covering a total of 68,125 shares of Common Stock. The weighted-average exercise price was \$3.62 and the weighted average contractual term was 2.15 years. The total fair value of vested employee stock options as of June 30, 2020 was \$247.

A summary of option activities under the 2007 Employee Plan during the twelve-month period ended June 30, 2020 is presented as follows:

	<u>Options</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term (Years)</u>	<u>Aggregate Intrinsic Value</u>
Outstanding at July 1, 2019	77,500	\$ 3.69	2.22	\$ -
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited or expired	-	-	-	-
Outstanding at June 30, 2020	<u>77,500</u>	<u>\$ 3.69</u>	<u>1.22</u>	<u>\$ -</u>
Exercisable at June 30, 2020	<u>77,500</u>	<u>\$ 3.69</u>	<u>1.22</u>	<u>\$ -</u>

A summary of option activities under the 2007 Employee Plan during the twelve-month period ended June 30, 2019 is presented as follows:

	<u>Options</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term (Years)</u>	<u>Aggregate Intrinsic Value</u>
Outstanding at July 1, 2018	127,500	\$ 3.52	2.10	\$ 121
Granted	-	-	-	-
Exercised	(50,000)	3.26	-	-
Forfeited or expired	-	-	-	-
Outstanding at June 30, 2019	<u>77,500</u>	<u>\$ 3.69</u>	<u>2.22</u>	<u>\$ -</u>
Exercisable at June 30, 2019	<u>68,125</u>	<u>\$ 3.62</u>	<u>2.15</u>	<u>\$ -</u>

A summary of the status of the Company's non-vested employee stock options during the twelve months ended June 30, 2020 is presented below:

	Options	Weighted Average Grant-Date Fair Value
Non-vested at July 1, 2019	9,375	\$ 4.14
Granted	-	-
Vested	(9,375)	(3.69)
Forfeited	-	-
Non-vested at June 30, 2020	<u>-</u>	<u>\$ -</u>

A summary of the status of the Company's non-vested employee stock options during the twelve months ended June 30, 2019 is presented below:

	Options	Weighted Average Grant-Date Fair Value
Non-vested at July 1, 2018	28,750	\$ 3.83
Granted	-	-
Vested	(19,375)	(3.69)
Forfeited	-	-
Non-vested at June 30, 2019	<u>9,375</u>	<u>\$ 4.14</u>

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 generally exercisable immediately as of the grant date.

In the fiscal year ended June 30, 2020, the Company granted options to purchase 80,000 shares of its Common Stock to directors pursuant to the 2017 Directors Plan with an exercise price equal to the fair market value of Common Stock (as defined under the 2017 Directors Plan in conformity with Regulation 409A or the Internal Revenue Code of 1986, as amended) at the date of grant. The fair value of the options granted to purchase 80,000 shares of the Company's Common Stock was approximately \$202 based on the fair value of \$2.53 per share determined by the Black Scholes option pricing model. As all of the stock options granted under the 2017 Directors Plan vest immediately at the date of grant, there were no unvested stock options granted under the 2017 Directors Plan as of June 30, 2020. There were no options exercised during the twelve months ended June 30, 2020. The Company recognized stock-based compensation expenses of \$24 in the twelve months ended June 30, 2020 under the 2017 Directors Plan.

In the fiscal year ended June 30, 2019, the Company granted options to purchase 80,000 shares of its Common Stock to directors pursuant to the 2017 Directors Plan with an exercise price equal to the fair market value of Common Stock (as defined under the 2017 Directors Plan in conformity with Regulation 409A or the Internal Revenue Code of 1986, as amended) at the date of grant. The fair value of the options granted to purchase 80,000 shares of the Company's Common Stock was approximately \$262 based on the fair value of \$3.28 per share determined by the Black Scholes option pricing model. As all of the stock options granted under the 2017 Directors Plan vest immediately at the date of grant, there were no unvested stock options granted under the 2017 Directors Plan as of June 30, 2019. There were no options exercised during the twelve months ended June 30, 2019. The Company recognized stock-based compensation expenses of \$26 in the twelve months ended June 30, 2019 under the 2017 Directors Plan.

A summary of option activities under the 2017 Directors Plan during the twelve months ended June 30, 2020 is presented as follows:

	<u>Options</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term (Years)</u>	<u>Aggregate Intrinsic Value</u>
Outstanding at July 1, 2019	160,000	\$ 4.63	4.25	\$ -
Granted	80,000	2.53	4.73	48
Exercised	-	-	-	-
Forfeited or expired	-	-	-	-
Outstanding at June 30, 2020	<u>240,000</u>	3.93	3.75	48
Exercisable at June 30, 2020	<u>240,000</u>	3.93	3.75	48

A summary of option activities under the 2017 Directors Plan during the twelve months ended June 30, 2019 is presented as follows:

	<u>Options</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term (Years)</u>	<u>Aggregate Intrinsic Value</u>
Outstanding at July 1, 2018	80,000	\$ 5.98	4.73	\$ -
Granted	80,000	3.28	4.78	-
Exercised	-	-	-	-
Forfeited or expired	-	-	-	-
Outstanding at June 30, 2019	<u>160,000</u>	4.63	4.25	-
Exercisable at June 30, 2019	<u>160,000</u>	4.63	4.25	-

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 Directors Plan permitted the grant of options covering up to an aggregate of 500,000 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 generally exercisable immediately as of the grant date.

There were 50,000 stock options expired, while no stock options were exercised during the twelve month period ended June 30, 2020. The Company did not recognize any stock-based compensation expenses during the twelve month ended June 30, 2020.

As the 2007 Directors plan terminated in fiscal 2018, the Company did not grant any options pursuant to the 2007 Director Plan during the twelve months ended June 30, 2019. There were 70,000 worth of stock options exercised during the twelve month period ended June 30, 2019. The Company did not recognize any stock-based compensation expenses during the twelve months ended June 30, 2019.

As of June 30, 2020, there were vested director stock options 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 0.83 years. The total fair value of vested directors' stock options as of June 30, 2020 was \$831. All director stock options vest immediately at the date of grant. There were no unvested director stock options as of June 30, 2020.

As of June 30, 2019, there were vested director stock options 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 1.58 years. The total fair value of vested directors' stock options as of June 30, 2019 was \$1,021. All of our director stock options vest immediately at the date of grant. There were no unvested director stock options as of June 30, 2019.

A summary of option activities under the 2007 Directors Plan during the twelve months ended June 30, 2020 is presented as follows:

	<u>Options</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term (Years)</u>	<u>Aggregate Intrinsic Value</u>
Outstanding at July 1, 2019	300,000	3.40	1.58	9
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited or expired	(50,000)	3.81	-	-
Outstanding at June 30, 2020	<u>250,000</u>	3.32	0.83	22
Exercisable at June 30, 2020	<u>250,000</u>	3.32	0.83	22

A summary of option activities under the 2007 Directors Plan during the twelve months ended June 30, 2019 is presented as follows:

	<u>Options</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term (Years)</u>	<u>Aggregate Intrinsic Value</u>
Outstanding at July 1, 2018	390,000	3.41	2.05	412
Granted	-	-	-	-
Exercised	(70,000)	3.40	-	-
Forfeited or expired	(20,000)	3.62	-	-
Outstanding at June 30, 2019	<u>300,000</u>	3.40	1.58	9
Exercisable at June 30, 2019	<u>300,000</u>	3.40	1.58	9

25. LEASES

Company as Lessor

Operating leases under which the Company is the lessor arise from leasing 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 \$67 and \$86 for the years ended June 30, 2020 and 2019, respectively.

Future minimum rental income in China and Thailand to be received from fiscal year 2021 to fiscal year 2022 on non-cancellable operating leases is contractually due as of June 30, 2020 as follows:

2021	\$	120
2022	\$	114
	\$	234

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

2020	\$	93
2021	\$	6
	\$	99

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	June 30, 2020
Assets		
Operating lease assets	Right-of-use asset-operating, net	\$ 944
Finance lease assets	Property, plant & equipment	1,372
Accumulated amortization		(526)
Right-of-use asset		(846)
Assets	Property, plant & equipment	\$ 846
Total Leased Assets		\$ 1,790
Liabilities		
Operating Lease Liabilities		
Current portion	Current portion of lease liability- operating	\$ 477
Long-term portion	Lease liability- operating, net of current portion	467
Total Operating Lease Liabilities		\$ 944
Finance Lease Liabilities		
Current portion of finance leases	Current portion of lease liability- finance	\$ 231
Net of current portion of finance leases	Lease liability- finance, net of current portion	435
Total Finance Lease Liabilities		\$ 666
Total Lease Liabilities		\$ 1,610

	<u>3 Months Ended</u>	<u>12 Months Ended</u>
	<u>June 30, 2020</u>	
Lease Cost		
Finance lease cost:		
Interest on lease liability	11	\$ 48
Amortization of right-of-use asset	60	272
Total Finance Lease Cost	<u>71</u>	<u>320</u>
Operating Lease Costs \$	185	\$ 727

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

	<u>June 30, 2020</u>
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from finance leases	\$ (61)
Operating cash flows from operating leases	\$ (727)
Finance cash flows from finance leases	\$ 279
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 944
Weighted-average remaining lease term:	
Finance leases	3.40
Operating leases	1.88
Weighted-average discount rate:	
Finance leases	3.36
Operating leases	4.5

As of June 30, 2020, the maturities of the Company's operating and finance lease liabilities were as follow:

Fiscal Year	Operating Lease Liabilities	Finance Lease Liabilities
2021	509	265
2022	317	211
2023	168	133
2024	-	107
Thereafter	-	20
Total future minimum lease payments	\$ 994	\$ 736
Less: amount representing interest	(50)	(70)
Present value of net minimum lease payments	<u>944</u>	<u>666</u>
Presentation on statement of financial position		
Current	\$ 477	\$ 231
Non-Current	\$ 467	\$ 435

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

Fiscal Year	Operating Lease Liabilities	Finance Lease Liabilities
2020	\$ 646	\$ 283
2021	216	187
2022	47	143
2023	1	68
2024	-	44
Total future minimum lease payments	<u>\$ 910</u>	<u>\$ 725</u>

26. NON-CONTROLLING INTEREST

In accordance with the provisions of ASC Topic 810, the Company has classified the non-controlling interest as a component of stockholders' equity in the accompanying consolidated balance sheets. Additionally, the Company has presented the net income attributable to the Company and the non-controlling ownership interests separately in the accompanying consolidated financial statements.

Non-controlling interest represents the minority stockholders' share of 45% of the equity of Trio-Tech Malaysia Sdn. Bhd., 45% interest in SHI International Pte. Ltd., and 24% interest in Prestal Enterprise Sdn. Bhd., which are subsidiaries of the Company.

The table below reflects a reconciliation of the equity attributable to non-controlling interest:

	For the Year Ended June 30,	
	2020	2019
Non-controlling interest		
Beginning balance	\$ 1,195	\$ 1,522
Net income	238	(97)
Dividend declared by a subsidiary	(235)	(125)
Translation adjustment	(18)	(105)
Ending balance	<u>\$ 1,180</u>	<u>\$ 1,195</u>

27. PAYCHECK PROTECTION PROGRAM LOAN

The Coronavirus Aid, Relief, and Economic Security (CARES) Act created the Paycheck Protection Program (PPP) to provide certain small businesses with liquidity to support their operations during the COVID-19 pandemic. The PPP is a loan program designed to provide a direct incentive for small businesses to keep their employees on payroll.

The loans have a 1% fixed interest rate and are due in two years with payment deferred for the first six months. However, they are eligible for forgiveness (in full or in part, including any accrued interest) under certain conditions and are subject to audit by the U.S. government. The loans will be forgiven if the loan proceeds were used for eligible purposes, including payroll, benefits, rent and utilities, and the Company maintained its payroll levels for eight weeks.

In May 2020, the Company received loan proceeds in the amount of approximately \$121 under the PPP. The Company accounted for the PPP loan as a financial liability in accordance with Accounting Standards Codification (ASC) 470 Debt after considering the following aspects: (1) the legal form of a PPP loan is debt, regardless of whether the Company expects the loan to be forgiven (2) given the degree of uncertainty and complexity surrounding the PPP loan forgiveness process, this may impact a Company's initial assessment.

Under ASC 470, the Company recognizes a liability for the full amount of PPP proceeds received and accrues interest over the term of the loan. No additional interest was imputed at a market rate because the guidance on imputing interest in ASC 835-30 excludes transactions where interest rates are prescribed by a government agency. If any amount is ultimately forgiven (i.e., the Company is legally released from being the loan's primary obligor in accordance with ASC 405-20), income from the extinguishment of the liability would be recognized in the income statement as a gain on loan extinguishment. The Company intends to use the proceeds for purposes consistent with the PPP. Hence, the Company expects that its use of the loan proceeds will meet the conditions for forgiveness of the loan. In considering the term of the loan and payment deferred portion, the Company determined that the loan would be presented as a current portion of \$54 and non current portion of \$67 in the balance sheet.

28. OTHER SIGNIFICANT TRANSACTIONS

In accordance with the accounting guidance for property, plant and equipment, assets are measured at the lower of the carrying value or fair value less costs to sell. As a result of one of our customer's products coming to the end of its product burn-in cycle earlier than expected, the Company determined the carrying value of the group of assets that served the above mentioned product was higher than the fair value less costs to sell. As a result, an impairment charge of \$139 was recorded within operating costs during the third quarter of 2020. The Company does not expect to record a significant gain or loss upon disposition of the assets. The Company did not have similar transactions in the previous fiscal year.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Trio-Tech International
Van Nuys, California

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 No. 333-38082, Form S-8 No. 333-222920, Form S-8 No. 333-193515, Form S-8 No. 171569 and Form S-8 No. 333-14781 of Trio-Tech International of our report dated September 23, 2020, relating to the consolidated financial statements which appear in this Form 10-K.

Mazars LLP
PUBLIC ACCOUNTANTS
AND CHARTERED ACCOUNTANTS

/s/ Mazars LLP

Singapore
September 23, 2020

CERTIFICATIONS

Exhibit 31.1

I, S. W. Yong, certify that:

1. I have reviewed this Annual Report on Form 10-K 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 15(d)-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 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 year quarter (the registrant's fourth fiscal year 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.
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.

Date: September 23, 2020

/s/ S.W.Yong

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

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

1. I have reviewed this Annual Report on Form 10-K 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 15(d)-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 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 year quarter (the registrant's fourth fiscal year 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.
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.

Date: September 23, 2020

/s/ Victor H. M. Ting

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

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 annual report on Form 10-K of the Company for the year ended June 30, 2020, 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

Date: September 23, 2020

/s/ Victor H. M. Ting

Name: Victor H. M. Ting

Title: Vice President and Chief Financial Officer

Date: September 23, 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.
