

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, 2021

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 Office)

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 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.

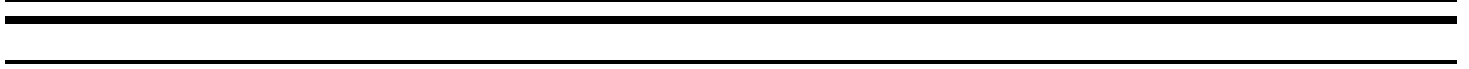
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of voting stock held by non-affiliates of Registrant, based upon the closing price of \$3.96 for shares of the registrant's Common Stock on December 31, 2020, the last business day of the registrant's most recently completed second fiscal quarter as reported by the NYSE American, was approximately \$6,644,000. 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, 2021 was 3,913,055.

Documents Incorporated by Reference

Part III of this Form 10-K incorporates by reference information from Registrant's Proxy Statement for its 2021 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; ongoing 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, 2021, 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, 2021

2017	Trio-Tech International Pte. Ltd., Singapore, recertified to biz SAFE Level 3 Workplace Safety and Health standards.
2018	Trio-Tech (Tianjin) Co. Ltd. recertified to ISO 9001:2015 standards. (Apr 2018). Trio-Tech International Pte. Ltd. (Singapore) recertified to ISO 9001:2015 standards. (Jun 2018) Trio-Tech (Malaysia) Sdn. Bhd. recertified to ISO 9001:2015 standards. (Jun 2018) Trio-Tech (Bangkok) Co. Ltd. recertified to ISO 9001:2015 standards. (Jun 2018) Trio-Tech International Pte. Ltd. (Singapore) recertified to ISO 14001:2015 standards. (Jun 2018)
2019	Trio-Tech (Tianjin) Co. Ltd. recertified to ISO 14001:2015 standards. (Jul 2019) Trio-Tech (Tianjin) Co. Ltd. recertified to OHSAS 18001:2007 standards. (Jul 2019)
2020	Trio-Tech International certified to ISO 9001:2005 standards. (March 2020)
2021	Trio-Tech (Tianjin) Co. Ltd. recertified to ISO 9001:2015 standards. (Mar 2021) Trio-Tech (Tianjin) Co. Ltd. recertified to ISO 14001:2015 standards. (Mar 2021) Trio-Tech (Tianjin) Co. Ltd. certified to ISO 45001:2018 standards. (Mar 2021) Trio-Tech International Pte. Ltd. (Singapore) recertified to ISO 9001:2015 standards. (July 2021) Trio-Tech International Pte. Ltd. (Singapore) recertified to ISO 14001:2015 standards. (July 2021) Trio-Tech (Malaysia) Sdn. Bhd. recertified to ISO 9001:2015 standards. (July 2021) Trio-Tech (Malaysia) Sdn. Bhd. recertified to ISO 14001:2015 standards. (July 2021) Trio-Tech (Bangkok) Co. Ltd. recertified to ISO 9001:2015 standards. (July 2021)

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 99.9% and 99.8% of our total revenue for fiscal years 2021 and 2020 respectively. 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 0.1% and 0.2% to the total revenue for fiscal 2021 and 2020 respectively and has been an insignificant business operation since the property market in China has slowed down due to control measures in China to cool surging property prices.

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 three years to seven 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 in the second quarter of fiscal 2015. The rental income is generated from the rental properties in MaoYe and FuLi in Chongqing, 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 \$357 and \$355 in fiscal years 2021 and 2020, 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 2021 and 2020, combined sales of equipment and services to our three largest customers accounted for approximately 55.5% and 60.3%, respectively, of our total net revenue. Of those sales, \$12,208 (37.7%) and \$13,229 (38.4%) of our total net revenue were from one major customer for fiscal years 2021 and 2020 respectively. 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 2021 and 2020 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,	
	2021	2020
Manufacturing backlog	\$ 5,040	\$ 5,010
Testing services backlog	3,775	2,915
Distribution backlog	4,648	1,409
Real estate backlog*	40	6
	\$ 13,503	\$ 9,340

* 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 renegotiation 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 2021 and 2020, 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, 2021, we had approximately 501 full time employees and no part time employees. Geographically, approximately seven full time employees were located in the U.S. and approximately 494 full time employees in Asia. None of our employees are represented by a labor union.

There were approximately sixty-two employees in the manufacturing segment, 404 employees in the testing services segment, four employees in the distribution segment, three employees in the real estate segment and twenty-eight 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 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 2022
27-05, Huang Jin Fu Pan. No. 26 Huang Jin Qiao Street Hechuan District Chongqing China 401520	Real Estate	969	(L) Aug 2023
B7-2, Xiqing Economic Development Area International Industrial Park Tianjin City, China 300385	Testing Services	45,940	(L) April 2026

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 consolidated 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, 2021, there were 3,913,055 shares of our Common Stock issued and outstanding, and the Company had approximately fifty six 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 2021 or fiscal year 2020.

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 - [RESERVED]

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 2021 and 2020, Trio-Tech International operated in four segments: manufacturing, testing services, distribution, and real estate. In fiscal year 2021, revenue from the manufacturing, testing services, distribution and real estate segments represented 40.5%, 42.7%, 16.7% and 0.1% of our revenue, respectively, as compared to 33.7%, 43.0%, 23.1% and 0.2%, respectively, in fiscal year 2020.

Semiconductor 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 2021 or 2020.

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 2021 and 2020, approximately \$1,493 and \$1,363 respectively. The carrying value of these investment properties in China was RMB 4,402 and RMB 4,884, or approximately \$681 and \$690, in fiscal years 2021 and 2020, respectively. These properties generated a total rental income of \$28 and \$62 for fiscal years 2021 and 2020, 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, JiangHuai company is under liquidation and is now undergoing asset distribution. The JiangHuai property did not generate any income during fiscal 2021 or 2020.

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 \$773, as disclosed in Note 6, plus the interest receivable on the long-term loan receivable of RMB 1,250;
- b) Commercial units measuring 668 square meters 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 \$309, 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 developer to work with various parties to inject sufficient funds into this project, especially during the COVID-19 pandemic. Based on the available information, the developer had applied for asset reorganization and this application is currently pending for further approvals by the local government departments.

The Company recorded a one-time, non-cash impairment charge of \$1,580 in the fourth quarter of fiscal 2021 related to the doubtful recovery of a down payment on shop lots in the Singapore Theme Resort Project in Chongqing, China. We elected to take this non-cash impairment charge because of increased uncertainties regarding the project’s viability given the developers weakening financial condition as well as uncertainties arising from the negative real-estate environment in China, implementation of control measures on real-estate lending and its relevant government policies, together with effects of the ongoing pandemic.

Fiscal Year 2021 Highlights (in Thousands)

- Total revenue decreased by \$2,003, or 5.8%, to \$32,462 in fiscal year 2021 compared to \$34,465 in fiscal year 2020.
- Manufacturing segment revenue increased by \$1,546, or 13.3%, to \$13,151 in fiscal year 2021 compared to \$11,605 in fiscal year 2020.
- Testing services segment revenue was \$13,846 in fiscal year 2021, a decrease of \$994, or 6.7%, compared to \$14,840 in fiscal year 2020.
- Distribution segment revenue was \$5,437 in fiscal year 2021, a decrease of \$2,521, or 31.7%, compared to \$7,958 in fiscal year 2020.
- Real estate segment revenue decreased by \$34 to \$28 in fiscal year 2021 compared to \$62 in fiscal year 2020.
- Overall gross profit margin increased by 2.5% to 23.6% in fiscal year 2021 compared to 21.1% in fiscal year 2020.
- General and administrative expenses decreased by \$126 to \$6,938 in fiscal year 2021 compared to \$7,064 in fiscal year 2020 (restated).
- Selling expenses decreased by \$233, or 34.3%, to \$446 for fiscal year 2021 compared to \$679 in fiscal year 2020.
- Loss from operations was \$70 in fiscal year 2021, a decrease of \$877 as compared to loss from operations of \$947 in fiscal year 2020.
- An impairment loss on other assets of \$1,580 recorded for fiscal year 2021 arise from the doubtful recovery of down payment made to Jun Zhou Zhi Ye for the shop lots in the Singapore Themed Resort Project located in Chongqing, China.
- The net other income increased by \$29 to \$363 in fiscal year 2021 compared to \$334 in fiscal year 2020.
- Loss from continuing operations before income taxes was \$899 in fiscal year 2021, a decrease of \$2,001, as compared to income from continuing operations of \$1,107 in fiscal year 2020.(restated)
- Net loss attributable to Trio-Tech International for fiscal year 2021 was \$591 compared to net income of \$878 in fiscal year 2020 (restated).
- Net loss attributable to noncontrolling interest for fiscal year 2021 was \$564 compared to net income of \$238 in fiscal year 2020.
- Working capital increased by \$2,243, or 17.3%, to \$15,200 as of June 30, 2021 compared to \$12,957 as of June 30, 2020 (restated).

The highlights above are intended to identify some of our most significant events and transactions during our fiscal year 2021. 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, 2021, total assets increased by \$2,646 from \$38,306 in fiscal year 2020 to \$39,886 in fiscal year 2021. The increase was primarily due to an increase in cash and cash equivalents, trade account receivables, inventories, prepaid expenses and other current assets, operating lease right-of-use assets, financed sales receivable and restricted term deposits. The increase was partially offset by the decrease in short term deposits, other receivables, other assets, deferred tax assets, investment properties and property, plant and equipment.

Cash and cash equivalents at June 30, 2021, were \$5,836, an increase of \$1,686, or 40.6%, compared to \$4,150 at June 30, 2020, primarily due to the cash inflow generated from the operating activities.

Trade account receivables at June 30, 2021, was \$8,293, representing an increase of \$2,342, or 39.4%, compared to \$5,951 at June 30, 2020. The increase was attributable to an increase in the overall sales for the fourth quarter of fiscal year 2021 compared to the same period in the last fiscal year. The number of days' sales outstanding in account receivables was 79 days and 68 days for the fiscal years ended June 30, 2021, and 2020, respectively.

As at June 30, 2021, other receivables were \$662, a decrease of \$336, or 33.7%, compared to \$998 at June 30, 2020. The decrease was primarily due to a decrease in advance payment to vendors and government grant receivables in the Singapore operations.

Inventories at June 30, 2021, were \$2,080, an increase of \$158, or 8.2%, compared to \$1,922 at June 30, 2020. The increase in inventories was mainly due to the delay requested by one customer for further enhancement. The number of days' inventory held was 73 days at the end of fiscal 2021, compared to 88 days at the end of fiscal year 2020.

Investment properties in China as of June 30, 2021, were \$681, a decrease of \$9 from \$690 at June 30, 2020. The decrease was attributable to the depreciation charged for the year.

Property, plant and equipment at June 30, 2021, were \$9,531, a decrease of \$779 compared to \$10,310 at June 30, 2020. This was mainly due to depreciation charged for the year and the foreign currency exchange movement between fiscal year 2021 and 2020. The decrease was partially offset by the new acquisition of property, plant and equipment in the Singapore, Malaysia, China and Thailand operations.

Other assets at June 30, 2021, were \$262, a decrease of \$1,347, or 84%, compared to \$1,609 at June 30, 2020. The decrease in other assets was primarily due to the impairment provision for down payment made to Jun Zhou Zhi Ye for the shop lots in the Singapore Themed Resort Project located in Chongqing, China.

Financed sales receivable at June 30, 2021, was \$58 arose from a sales-type lease contract entered by the China operation.

Restricted term deposits at June 30, 2021 were \$1,741, compared to \$1,660 at June 30, 2020. The increase was mainly due to the currency translation difference between functional currency and U.S. dollars from June 30, 2020 to June 30, 2021.

Total liabilities at June 30, 2021, were \$12,253, an increase of \$1,739, or 16.5%, compared to \$10,514 at June 30, 2020. The increase in liabilities was primarily due to the increase in accounts payable, accrued expenses and operating leases, but partially offset by the decrease in lines of credit, income taxes payable, bank loans payable, finance lease, PPP loan and other non-current liabilities.

Accounts payable as of June 30, 2021, increased by \$1,112, or 42.9% to \$3,702 from \$2,590 as of June 30, 2020. The increase was mainly due to the increase in purchases in the Singapore operations to meet the increase of customer demand.

Accrued expenses as at June 30, 2021, increased by \$358, or 11.9% to \$3,363 from \$3,005 as at June 30, 2020. The increase was mainly due to an increase in accrued payroll liability in the Singapore and China operations.

Income tax payable as at June 30, 2021, decreased by \$75 to \$699 from \$774 as at June 30, 2020. 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 2021.

Bank loans payable decreased by \$146 to \$2,060 as at June 30, 2021, as compared to \$2,206 as at June 30, 2020. This was due to the repayments made in the Malaysia operation.

Finance leases decreased by \$216 to \$450 as at June 30, 2021, as compared to \$666 as at June 30, 2020. This was due to the repayments made in the Singapore and Malaysia operations.

Operating lease right-of-use assets and the corresponding lease liabilities increased by \$932 to \$1,876 as of June 30, 2021, as compared to \$944 as at June 30, 2020. This was due to the renewal of the lease agreements in the Singapore and China Operations. The increase was partially offset with the repayment made and the operating lease expenses charged for the period.

As of June 30, 2021, the Company received the loan forgiveness for the Paycheck Protection Program (PPP) of \$121, which was created by the United States Coronavirus Aid, Relief, and Economic Security (CARES) Act.

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 on-site 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 coworkers 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 most significant near-term impacts of the ongoing COVID-19 pandemic on our financial performance are declines in customers’ revenue in our distribution segment in this fiscal year, as compared to the prior fiscal year. However, we are seeing a recovery in customers’ forecast, which were previously impacted by the supply chain disruption and resulted in the delay in deliveries. In addition, we are seeing an improvement in the manufacturing and testing segments’ financial performance beginning with the second and fourth quarter of fiscal year 2021, respectively.

The Company received government assistance amounting to \$401 in the Singapore and Malaysia operations to mitigate the adverse impact on the business from the pandemic in fiscal year 2021. In fiscal year 2020, the Company also received a PPP loan of \$121 in the U.S. operation to support the business amid the pandemic, for which the Company received the full loan forgiveness in fiscal year 2021.

As of June 30, 2021, the Company had cash and cash equivalents and short-term deposits totaling \$12,487 and an unused line of credit of \$5,641. 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. The new variant of COVID-19 has resulted in a surge of the number of Covid-19 cases worldwide. This may require further mitigation efforts taken to contain the virus or treat its impact and the economic impact on local, regional, national and international markets despite a few countries that had loosened their restriction policies. 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 properties 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 creditworthiness, 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, 2021.

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

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 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.

Investment

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 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 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 underutilized 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.

While we have not identified any changes in circumstances requiring further impairment test in fiscal year 2021 other than the circumstances related to the Singapore Theme Resort Project, 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.

During the third quarter of 2020, our operation in China provided impairment loss of \$139 for seven pieces of equipment because one of our customers’ 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 has been recorded.

During the fourth quarter of 2021, The Company recorded a impairment charge of \$1,580 related to the doubtful recovery of a down payment on shop lots in the Singapore Theme Resort Project in Chongqing, China. The Company elected to take this non-cash impairment charge because of increased uncertainties regarding the project’s viability given the developers weakening financial condition as well as uncertainties arising from the negative real-estate environment in China, implementation of control measures on real-estate lending and its relevant government policies, together with effects of the ongoing pandemic.

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, 2021, and 2020.

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

We calculate compensation expense related to stock option awards made to employees and directors based on the fair value of stock-based awards on the date of grant. We determine the grant date fair value of our stock option awards using the Black-Scholes option pricing model and for awards without performance condition the related stock-based compensation is recognized over the period in which a participant is required to provide service in exchange for the stock-based award, which is generally four years. We recognize stock-based compensation expense in the consolidated statements of shareholders' equity based on awards ultimately expected to vest. Forfeitures are estimated on the date of grant and revised if actual or expected forfeiture activity differs materially from original estimates.

Determining the fair value of stock-based awards at the grant date requires significant judgement. The determination of the grant date fair value of stock-based awards using the Black-Scholes option-pricing model is affected by our estimated common stock fair value as well as other subjective assumptions including the expected term of the awards, the expected volatility over the expected term of the awards, expected dividend yield and risk-free interest rates. The assumptions used in our option-pricing model represent management's best estimates and are as follows:

- Fair Value of Common Stock. We determined the fair value of each share of underlying common stock based on the closing price of our common stock on the date of grant.
- Expected Term. The expected term of employee stock options reflects the period for which we believe the option will remain outstanding based on historical experience and future expectations.
- Expected Volatility. We base expected volatility on our historical information over a similar expected term.

Noncontrolling Interests in Consolidated Financial Statements

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

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 the 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 conclusions. In addition, this ASU improves and amends the related EPS guidance. These amendments are effective for the Company for fiscal years beginning after December 15, 2023, including interim periods 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 has completed its assessment and concluded that this update has no significant impact to the Company's consolidated financial statements.

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 has completed its assessment and concluded that this update has no significant impact to the Company's consolidated financial statements.

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 has completed its assessment and concluded that this update has no significant impact to the Company’s consolidated financial statements.

Other new pronouncements issued but not yet effective until after June 30, 2021, 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, 2021, and 2020:

	For the Year Ended June 30,	
	2021	2020 (Restated)
Revenue	100.0%	100.0%
Cost of sales	76.4	78.9
Gross Margin	23.6%	21.1%
Operating expenses:		
General and administrative	21.3%	20.5%
Selling	1.4	2.0
Research and development	1.1	1.0
Impairment loss on long-lived assets	-	0.4
Total operating expenses	23.8%	23.9%
Loss from Operations	(0.2)%	(2.7)%

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 2021 and 2020 in percentage format.

	For the Year Ended June 30,	
	2021	2020
Manufacturing	40.5%	33.7%
Testing	42.7	43.0
Distribution	16.7	23.1
Real estate	0.1	0.2
Total	100.0%	100.0%

Revenue in fiscal year 2021 was \$32,462, a decrease of \$2,003, or 5.8%, compared to \$34,465 in fiscal year 2020. The decrease in revenue was due to a decrease in sales across all segments amid the pandemic except the manufacturing segment.

As a percentage of total revenue, the revenue generated by the manufacturing segment in fiscal year 2021 accounted for 40.5%, an increase of 6.8%, as compared to 33.7% in fiscal year 2020. In terms of dollar amount, the revenue generated by the manufacturing segment in fiscal year 2021 was \$13,151, reflecting an increase of \$1,546, or 13.3%, compared to \$11,605 in fiscal year 2020. The increase in revenue generated by the manufacturing segment was due to an increase in the manufacturing segment in the U.S. and Singapore operations. Despite substantial headwinds caused by the pandemic, the demand for our equipment was strong in this fiscal year.

Backlog in the manufacturing segment was \$5,040 as of June 30, 2021, representing an increase of \$30 from \$5,010 as of June 30, 2020. We expect the demand for our products to increase at a slower pace in fiscal year 2022 as compared to fiscal year 2021, depending on the recovery speed of the global market for testing equipment and systems from the highly uncertain economy outlook caused by the pandemic.

As a percentage of total revenue, the revenue generated by the testing services segment in fiscal year 2021 accounted for 42.7% of total sales compared to 43.0% in fiscal year 2020. In terms of dollar amounts, the revenue generated by the testing services segment for fiscal year 2021 was \$13,846, reflecting a decrease of \$994, or 6.7% compared to \$14,840 for fiscal year 2020. 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 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 2021. With effect from fiscal 2022, the Company had increased its average selling price for testing services. 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, 2021, was \$3,775, an increase of \$860 as compared to \$2,915 at June 30, 2020. The increase in backlog was mainly from the 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 2021 accounted for 16.7% of total sales, a decrease of 6.4% compared to 23.1% in fiscal year 2020. In terms of dollar amounts, revenue for fiscal year 2021 was \$5,437, a decrease of \$2,521, or 31.7%, compared to \$7,958 for fiscal year 2020. The decrease in revenue in our distribution segment was due to the decrease in orders from the major customers in our Singapore operations during the uncertain market caused by the pandemic.

Backlog in the distribution segment as of June 30, 2021, was \$4,648, reflecting an increase of \$3,239 compared to the backlog of \$1,409 at June 30, 2020. The increase in backlog was mainly due to an increase in the forecast from customers, coupled with the disruption of the supply, which resulted in the delay of deliveries. 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 0.1% and 0.2% of total sales in fiscal year 2021 and 2020, respectively. In terms of dollar value, revenue generated by the real estate segment for fiscal years 2021 was \$28, a decrease of \$34, or 54.8%, compared to \$62 for fiscal year 2020. Our real estate segment saw a decrease in rental income due to the low occupancy rate in MaoYe and FuLi properties amid the pandemic.

Backlog in the real estate segment as of June 30, 2021 was \$40, an increase of \$34 as compared to \$6 at June 30, 2020.

Overall Gross Margin

Overall gross margin as a percentage of revenue was 23.6% in fiscal year 2021, an increase of 2.5% compared to 21.1% in fiscal year 2020. The increase in gross margin as a percentage of revenue was mainly attributable to the manufacturing segments. In terms of dollar value, the overall gross profit for fiscal year 2021 was \$7,670, an increase of \$404, or 5.6%, compared to \$7,266 for fiscal year 2020. The increase in the dollar value of the overall gross margin was mainly due to an increase of sales in the manufacturing segments, which was partially offset by a decrease in sales in the testing and distribution segment.

The gross margin as a percentage of revenue in the manufacturing segment was 25.4% in fiscal year 2021, an increase of 2.3% compared to 23.1% in fiscal year 2020. In terms of dollar amounts, the gross profit for the manufacturing segment in fiscal year 2021 was \$3,342, an increase of \$664, or 24.8%, compared to \$2,678 in fiscal year 2020. The increase in the absolute dollar amount of gross margin was mainly due to an increase in revenue in our Singapore operations.

The gross margin as a percentage of revenue in the testing services segment was 24.7% in fiscal year 2021, an increase of 1.2% compared to 23.5% in fiscal year 2020. The increase in gross profit margin as a percentage of revenue was primarily due to the continuous effort of cost control in the China and Malaysia operations, despite a decrease in revenue brought about by a decrease in orders in the China and Malaysia operations. In terms of dollar amounts, gross profit in the testing services segment in fiscal year 2021 was \$3,415, a decrease of \$72, or 2.1%, compared to \$3,487 in fiscal year 2020. A significant portion of our cost of sales 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. However, the negative impact on gross profit margin was partially offset by the cost saving measures.

The gross margin as a percentage of revenue in the distribution segment was 17.7% in fiscal year 2021, an increase of 3.7% compared to 14.0% in fiscal year 2020. The increase in gross margin percentage was due to the distribution segment having 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 \$962, a decrease of \$149, or 13.4%, compared to \$1,111 in fiscal year 2020. 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 changed in market demand.

The gross loss margin as a percentage of revenue in the real estate segment was a negative of 175.0% in fiscal year 2021, an increase of 158.9% compared to 16.1% in fiscal year 2020. In absolute dollar amount, gross loss margin in the real estate segment was \$49 in fiscal year 2021, an increase of \$39 as compared to \$10 in fiscal year 2020. The increase in gross loss was due to lower rental income amid the pandemic.

Operating Expenses

Operating expenses for the fiscal years ended June 30, 2021 and 2020 were as follows:

	For the Year Ended June 30,	
	2021	2020 (Restated)
General and administrative	\$ 6,938	\$ 7,064
Selling	446	679
Research and development	357	355
Impairment loss on long-lived assets	-	139
Gain on disposal of property, plant and equipment	(1)	(24)
Total	\$ 7,740	\$ 8,213

General and administrative expenses were \$6,938 in fiscal year 2021, compared to \$7,064 in fiscal year.

Selling expenses decreased by \$233, or 34.3%, to \$446 in fiscal year 2021, compared to \$679 in fiscal year 2020. The decrease in selling expenses was primarily attributable to a decrease in commission expenses in 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.

Loss from Operations

Loss from operations was \$70 in fiscal year 2021, an increase of \$877, as compared to \$947 in fiscal year 2020 (restated).

Interest Expenses

The interest expenses for fiscal years 2021 and 2020 were as follows:

	For the Year Ended June 30,	
	2021	2020
Interest expenses	\$ 126	\$ 230

Interest expenses decreased by \$104, or 45.2%, to \$126 in fiscal year 2021 from \$230 in fiscal year 2020. The decrease in interest expenses was mainly due to lower utilization of short-term loans in the Singapore operations. Additionally, the bank loan payable decreased by \$146 to \$2,060 in fiscal year 2021, as compared to \$2,206 in fiscal year 2020.

Other Income, Net

Other income, net for fiscal years 2021 and 2020 was as follows:

	For the Year Ended June 30,	
	2021	2020
Interest income	\$ 118	\$ 177
Other rental income	100	110
Exchange loss	(69)	(35)
Bad debt recovery/ (expense)	9	(59)
Extinguishment of PPP loan	121	-
Dividend income	32	-
Other miscellaneous income	52	141
Total	\$ 363	\$ 334

Other income increased by \$29 to \$363 for fiscal year 2021 as compared to \$334 for fiscal year 2020. The increase in other income in fiscal year 2021 was mainly due to an increase of \$32 and \$121 from dividend income and forgiveness of the PPP loan, respectively. The increase was partially offset by a decrease of \$59 in interest income.

Government grant

During fiscal year 2021, the Company received government grants amounting to \$514, of which \$401 were the financial assistance received from the Singapore and Malaysia governments amid the COVID-19 pandemic.

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.

Gain on Sale of Properties

The Company's Malaysia operation completed the sale of properties and recognized a net gain of RM4,901 or \$1,172 in the fiscal year 2020, excluding capital gain tax.

Income Tax (Expenses) / Benefits

Income tax expenses for fiscal year 2021 were \$228, representing an increase of \$240, as compared to income tax benefits of \$12 for fiscal year 2020. The change was primarily because the Company had fully utilized the tax benefits and was subject to tax in the Singapore operation. The one-off and non-cash impairment charge resulted in higher losses before tax, which the Company was still subjected to tax for those profitable operations.

At June 30, 2021, the Company had no federal net operating loss carry-forwards, and a state net operating loss carry-forward of \$1,248, 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 \$28 and \$3 in fiscal years 2021 and 2020, respectively. We discontinued our fabrication segment in fiscal year 2013.

Noncontrolling Interest

As of June 30, 2021, 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 noncontrolling interest for fiscal year 2021, in the net loss of subsidiaries, was \$564, a change of \$802 compared to a noncontrolling interest in the net income of \$238 for the previous fiscal year. The change in the noncontrolling interest was primarily attributable to the net loss generated by the Malaysia operation in fiscal year 2021, as compared to the net income generated by the Malaysia operations from the sales of properties in fiscal year 2020.

Net (Loss) / Income Attributable to Trio-Tech International Common Shareholders

Net loss attributable for fiscal year 2021 was \$591 compared to the net income of \$878 for fiscal year 2020 (restated).

(Loss) / Earnings per Share

Basic loss per share from continuing operations was \$0.16 in fiscal year 2021, as compared to basic earnings per share of \$0.24 in fiscal year 2020 (restated). Basic loss per share from discontinued operations was \$nil for fiscal year 2021 and \$nil for fiscal year 2020.

Diluted loss per share from continuing operations was \$0.15 in fiscal year 2021, as compared to diluted earnings per share of \$0.24 in fiscal year 2020 (restated). Diluted loss per share from discontinued operations was \$nil for fiscal year 2021 and \$nil for fiscal year 2020.

Segment Information

The revenue, gross margin and income or loss from each segment for fiscal years 2021 and 2020 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 income/(loss) from operations for the manufacturing segment for fiscal years 2021 and 2020 were as follows:

	For the Year Ended June 30,	
	2021	2020
Revenue	\$ 13,151	\$ 11,605
Gross margin	25.4%	23.1%
Income/(Loss) from operations	\$ 376	\$ (326)

Income from operations in the manufacturing segment was \$376 in fiscal year 2021, an improvement of \$702 as compared to a loss from operations of \$326 in fiscal year 2020. The net income was attributable to an increase in the absolute amount of gross margin amounting to \$664 and a decrease in operating expenses of \$38. Operating expenses were \$2,966 and \$3,004 for fiscal years 2021 and 2020, respectively. The decrease in operating expenses was mainly due to a decrease in selling expenses of \$76. The decrease was partially offset by the increase in general and administrative expenses of \$43.

The decrease in selling expenses was primarily due to lower traveling expenses amid the pandemic. The increase in general and administrative expenses was mainly attributable to an increase in payroll-related expenses.

Testing Services Segment

The revenue, gross margin and loss from operations for the testing services segment for fiscal years 2021 and 2020 were as follows:

	For the Year Ended June 30,	
	2021	2020
Revenue	\$ 13,846	\$ 14,840
Gross margin	24.7%	23.5%
Loss from operations	\$ (997)	\$ (1,040)

Loss from operations in the testing services segment in fiscal year 2021 was \$997 remained comparable from \$1,040 in fiscal year 2020. The slight decrease in operating loss was attributable to a decrease in operating expense of \$115, partially offset by a decrease in absolute amount of gross margin of \$72. Operating expenses were \$4,412 and \$4,527 for fiscal years 2021 and 2020, respectively. The decrease in operating expenses was mainly attributable to a decrease in selling expenses, general and administrative expenses and research and development expenses, coupled with the absence of any impairment on the long-lived asset in this fiscal year.

Distribution Segment

The revenue, gross margin and income from operations for the distribution segment for fiscal years 2021 and 2020 were as follows:

	For the Year Ended June 30,	
	2021	2020
Revenue	\$ 5,437	\$ 7,958
Gross margin	17.7%	14.0%
Income from operations	\$ 657	\$ 751

Income from operations in the distribution segment was \$657 in fiscal year 2021 as compared to \$751 in fiscal year 2020. The decrease was mainly due to the decrease in gross margin of \$149, as discussed earlier. These decreases were partly offset by a decrease in operating expenses. Operating expenses were \$306 and \$362 for fiscal years 2021 and 2020, respectively.

Real Estate

The revenue, gross margin and loss from operations for the real estate segment for fiscal years 2021 and 2020 were as follows:

	For the Year Ended June 30,	
	2021	2020
Revenue	\$ 28	\$ 62
Gross margin	(175.0)%	(16.1)%
Loss from operations	\$ (116)	\$ (97)

Loss from operations in the real estate segment was \$116 in fiscal year 2021 as compared to \$97 in fiscal year 2020. Operating expenses were \$67 and \$87 in fiscal years 2021 and 2020, respectively.

Corporate

The following table presents the loss from operations for Corporate for fiscal years 2021 and 2020, respectively:

	For the Year Ended June 30,	
	2021	2020 (Restated)
Income / (Loss) from operations	\$ 10	\$ (235)

In fiscal year 2021, corporate operating income was \$10, a change of \$245 compared to operating loss of \$235 in fiscal year 2020.

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 \$1,373 to \$1,638 for the twelve months ended June 30, 2021, from \$3,011 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 \$2,271, an increase of \$121 due to forgiveness of our PPP loan and a decrease of \$3,457 cash inflow from trade account receivables. The decrease was partially offset by an increase in the impairment loss on other assets of \$1,580 and an increase in accounts payables and accrued expenses of \$2,345.

Net cash used in investing activities decreased by \$2,050 to an outflow of \$567 for the twelve months ended June 30, 2021 from \$2,617 for the same period of last fiscal year. The decrease in net cash used in investing activities was primarily due to an increase in cash inflows of \$2,335 from the withdrawal of unrestricted deposits and a decrease of \$1,016 for investments in restricted and unrestricted deposits. The decrease in cash outflow partially offset by a decrease of \$1,167 from the assets held for sale proceeds.

Net cash used in financing activities for the twelve months ended June 30, 2021, was \$2, representing a decrease of \$730 compared to \$732 during the twelve months ended June 30, 2020. Cash outflow decreased mainly due to a decrease in a cash outflow of \$1,848 from the payment on lines of credit, and an increase in cash inflow of \$754 and \$205 from the stock option exercise proceeds and bank loans proceeds, respectively. The increase in cash outflow was partially offset by a decrease in lines of credit payments by \$1,888, and elimination of PPP loan amounting to \$121.

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 \$15,200 as of June 30, 2021, representing an increase of \$2,243, or 17.3%, compared to working capital of \$12,957 as of June 30, 2020 (restated). The increase in working capital was mainly due to increases in current assets such as cash and cash equivalents, trade account receivables, inventories, prepaid expenses and other current assets and decreases in current liabilities such as lines of credit, income taxes payable, bank loans payable, finance leases and PPP loan. Such fluctuations were partially offset by decreases in current assets such as short-term deposits, other receivables and increases in current liabilities such as accounts payable, accrued expenses, and 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 \$1,112 and \$1,017 for fiscal year 2021 and fiscal year 2020, respectively. The capital expenditures in fiscal year 2021 were mainly in the Singapore, China, Malaysia and Thailand operations, which provide testing services to our customers. We financed our capital expenditures and other operating expenses through operating cash flows and long-term debts.

Our credit rating provides us with ready and adequate access to funds in the global market. At June 30, 2021, 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 +1.25%	-	\$ 4,237	\$ 4,237
Universal (Far East) Pte. Ltd., Singapore	Lines of Credit	Ranging from 1.85% to 5.5%	-	\$ 1,115	\$ 1,043
Trio-Tech Malaysia Sdn. Bhd., Malaysia	Revolving Credit	Cost of Funds Rate +2%	-	\$ 361	\$ 361

As of 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., Singapore	Lines of Credit	Ranging from 1.85% to 5.5%	-	\$ 359	\$ 187
Trio-Tech Malaysia Sdn. Bhd., Malaysia	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 \$743 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.

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, 2021, 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, 2021.

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, 2021. 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 consolidated financial statements for external purpose in accordance with U.S. generally accepted accounting principles, and includes those policies and procedures that:

1. Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
2. Provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated 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
3. 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 consolidated 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, 2021.

Changes in Internal Control Over Financial Reporting

Except as discussed below, there has been no change in the Company's internal control over financial reporting during the fourth quarter of Fiscal 2021, 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.

Change in Technical Accounting Consultant

Effective Q4 FY21, we have hired a technical accounting consultant believed to possess expert knowledge on GAAP reporting to perform review on matters that are assessed to be complex, subjective and judgemental and at the management's discretion. We expect the new consultant to further strengthen our internal financial controls that support accurate and reliable 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 and financial systems in our Tianjin and Suzhou operations were fully transitioned to the new system during the second quarter of fiscal 2021. This implementation effort will continue until the Company's consolidation process is substantially automated using the new system in fiscal 2022.

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.

ITEM 9C – DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

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 2021.

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
October 1, 2021

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
October 1, 2021

/s/ S.W. Yong
S. W. Yong, Director
President, Chief Executive Officer
(Principal Executive Officer)
October 1, 2021

/s/ Victor H. M. Ting
Victor H.M. Ting, Director
Vice President,
and Chief Financial Officer
(Principal Financial Officer)
October 1, 2021

/s/ Jason T. Adelman
Jason T. Adelman, Director
October 1, 2021

/s/ Richard M. Horowitz
Richard M. Horowitz, Director
October 1, 2021

EXHIBITS:

<u>Number</u>	<u>Description</u>
3.2	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.]**
10.6	Amendment to 2017 Directors Equity Incentive Plan
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 (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, 2021 and 2020, 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, 2021, 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, 2021 and 2020, and the consolidated results of its operations and its cash flows for each of the two years in the period ended June 30, 2021, in conformity with accounting principles generally accepted in the United States of America.

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.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

As discussed in Note 10 to the consolidated financial statements, the Company recognized an impairment loss relating to the down payment made for an investment property located in Chongqing, China of \$1.58 million (equivalent RMB10.2 million) during the financial year ended June 30, 2021.

We identified our evaluation of the recoverability of the down payment as a critical audit matter as the review of management’s significant assumptions and judgment applied in their measurement of the down payment is challenging and subjective in light of the recent developments and outlook. The recoverability of the down payment is highly dependent on the reliability of the key assumptions applied by management, such as the expected completion date of the project and the market rates of comparable completed projects.

The primary procedures we performed to address this critical audit matter thus included the following:

- Inspected the sales and purchase agreement for the down payment for the investment property;
- Performed physical site inspection of the project;
- Conducted interview with the local developer on the status of the project;
- Assessed the methodology used by the Company to estimate the fair value of the investment property;
- Evaluated and challenged the key inputs and assumptions underlying the Company’s assessment and valuation in view of the facts and circumstances existing as of the measurement date, relevant political and economic outlook and other applicable sources; and
- Inquired local independent professionals on the local property market to verify the representations made by the management and local developer.

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

/s/ Mazars LLP

Singapore
October 1, 2021

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	June 30, 2021	June 30, 2020 (Restated)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 5,836	\$ 4,150
Short-term deposits	6,651	6,838
Trade account receivables, less allowance for doubtful accounts of \$311 and \$314, Respectively	8,293	5,951
Other receivables	662	998
Inventories, less provision for obsolete inventories of \$679 and \$678, respectively	2,080	1,922
Prepaid expenses and other current assets	418	341
Financed sales receivable	19	-
Total current assets	23,959	20,200
NON-CURRENT ASSETS:		
Deferred tax assets	217	247
Investment properties, net	681	690
Property, plant and equipment, net	9,531	10,310
Operating lease right-of-use assets	1,876	944
Other assets	262	1,609
Financed sales receivable	39	-
Restricted term deposits	1,741	1,660
Total non-current assets	14,347	15,460
TOTAL ASSETS	\$ 38,306	\$ 35,660
LIABILITIES		
CURRENT LIABILITIES:		
Lines of credit	\$ 72	\$ 172
Accounts payable	3,702	2,590
Accrued expenses	3,363	3,005
Income taxes payable	314	344
Current portion of bank loans payable	439	370
Current portion of finance leases	197	231
Current portion of operating leases	672	477
Current portion of PPP loan	-	54
Total current liabilities	8,759	7,243
NON-CURRENT LIABILITIES:		
Bank loans payable, net of current portion	1,621	1,836
Finance leases, net of current portion	253	435
Operating leases, net of current portion	1,204	467
Income taxes payable	385	430
PPP loan, net of current portion	-	67
Other non-current liabilities	31	36
Total non-current liabilities	3,494	3,271
TOTAL LIABILITIES	\$ 12,253	\$ 10,514
EQUITY		
TRIO-TECH INTERNATIONAL'S SHAREHOLDERS' EQUITY:		
Common stock, no par value, 15,000,000 shares authorized; 3,913,055 and 3,673,055 shares issued and outstanding as at June 30, 2021 and June 30, 2020, respectively	\$ 12,178	\$ 11,424
Paid-in capital	4,233	3,984
Accumulated retained earnings	6,824	7,415
Accumulated other comprehensive gain-translation adjustments	2,399	1,143
Total Trio-Tech International shareholders' equity	25,634	23,966
Noncontrolling interest	419	1,180
TOTAL EQUITY	\$ 26,053	\$ 25,146
TOTAL LIABILITIES AND EQUITY	\$ 38,306	\$ 35,660

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,	June 30,
	2021	2020 (Restated)
Revenue		
Manufacturing	\$ 13,151	\$ 11,605
Testing services	13,846	14,840
Distribution	5,437	7,958
Real estate	28	62
	<u>32,462</u>	<u>34,465</u>
Cost of Sales		
Cost of manufactured products sold	9,809	8,927
Cost of testing services rendered	10,431	11,353
Cost of distribution	4,475	6,847
Cost of real estate	77	72
	<u>24,792</u>	<u>27,199</u>
Gross Margin	7,670	7,266
Operating Expenses:		
General and administrative**	6,938	7,064
Selling	446	679
Research and development	357	355
Impairment loss on long-lived assets	-	139
Gain on disposal of property, plant and equipment	(1)	(24)
Total operating expenses	<u>7,740</u>	<u>8,213</u>
Loss from Operations	(70)	(947)
Other (Expenses) / Income		
Interest expenses	(126)	(230)
Other income, net	363	334
Government grants	514	778
Gain on sale of properties	-	1,172
Impairment loss on other assets	(1,580)	-
Total other (expenses) / income	<u>(829)</u>	<u>2,054</u>
(Loss) / Income from Continuing Operations before Income Taxes	(899)	1,107
Income Tax (Expenses)/Benefits	(228)	12
(Loss) / Income from continuing operations before noncontrolling interests, net of tax	(1,127)	1,119
Discontinued Operations		
Loss from discontinued operations, net of tax	(28)	(3)
NET (LOSS) / INCOME	(1,155)	1,116
Less: net (loss)/income attributable to noncontrolling interests	(564)	238
Net (Loss) / Income Attributable to Trio-Tech International Common Shareholders	\$ (591)	\$ 878
Amounts Attributable to Trio-Tech International Common Shareholders:		
(Loss)/ Income from continuing operations, net of tax	(575)	879
Loss from discontinued operations, net of tax	(16)	(1)
Net (Loss)/ Income Attributable to Trio-Tech International Common Shareholders	\$ (591)	\$ 878
Basic (Loss) / Earnings per Share:		
Basic (loss) / earnings per share from continuing operations attributable to Trio-Tech International	\$ (0.16)	\$ 0.24
Basic loss per share from discontinued operations attributable to Trio-Tech International	\$ -	\$ -
Basic (Loss) / Earnings per Share from Net Income		
Attributable to Trio-Tech International	\$ (0.16)	\$ 0.24
Diluted (Loss) / Earnings per Share:		
Diluted (loss) / earnings per share from continuing operations attributable to Trio-Tech International	\$ (0.15)	\$ 0.24
Diluted loss per share from discontinued operations attributable to Trio-Tech International	-	-

Diluted (Loss) / Earnings per Share from Net Income

Attributable to Trio-Tech International	<u>\$ (0.15)</u>	<u>\$ 0.24</u>
Weighted average number of common shares outstanding		
Basic	3,768	3,673
Dilutive effect of stock options	117	53
Number of shares used to compute earnings per share diluted	<u>3,885</u>	<u>3,726</u>

See notes to consolidated financial statements.

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

	For the Year Ended	
	June 30, 2021	June 30, 2020 (Restated)
Comprehensive Income Attributable to Trio-Tech International Common Shareholders:		
Net (loss) / income	\$ (1,155)	1,116
Foreign currency translation, net of tax	<u>1,248</u>	<u>(742)</u>
Comprehensive Income	<u>93</u>	<u>374</u>
Less: comprehensive (loss) / income attributable to the noncontrolling interests	<u>(572)</u>	<u>220</u>
Comprehensive Income Attributable to Trio-Tech International Common Shareholders	<u><u>\$ 665</u></u>	<u><u>\$ 154</u></u>

See notes to consolidated financial statements.

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

	Common Stock		Paid-in Capital	Accumulated Retained Earnings	Accumulated Other Comprehensive Income	Non-Controlling Interests	Total
	No. of Shares	Amount					
		\$	\$	\$	\$	\$	\$
Balance at June 30, 2019 (Restated)	3,673	11,424	3,838	6,537	1,867	1,195	24,861
Stock option expenses (Restated)	-	-	146	-	-	-	146
Net income (Restated)	-	-	-	878	-	238	1,116
Dividend declared by subsidiary	-	-	-	-	-	(235)	(235)
Translation adjustment	-	-	-	-	(724)	(18)	(742)
Balance at June 30, 2020 (Restated)	<u>3,673</u>	<u>11,424</u>	<u>3,984</u>	<u>7,415</u>	<u>1,143</u>	<u>1,180</u>	<u>25,146</u>
Stock option expenses	-	-	249	-	-	-	249
Net loss	-	-	-	(591)	-	(564)	(1,155)
Dividend declared by subsidiary	-	-	-	-	-	(189)	(189)
Exercise of options	240	754	-	-	-	-	754
Translation adjustment	-	-	-	-	1,256	(8)	1,248
Balance at June 30, 2021	<u><u>3,913</u></u>	<u><u>12,178</u></u>	<u><u>4,233</u></u>	<u><u>6,824</u></u>	<u><u>2,399</u></u>	<u><u>419</u></u>	<u><u>26,053</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, 2021	June 30, 2020 (Restated)
Cash Flow from Operating Activities		
Net income	\$ (1,155)	\$ 1,116
Adjustments to reconcile net income to net cash flow provided by operating activities		
Gain on sale of assets held for sale	-	(1,172)
Depreciation and amortization	3,059	3,100
Impairment loss on other assets	1,580	-
Impairment loss on long-lived assets	-	139
Stock option expenses	249	146
(Reversal) / Addition of obsolete inventories	(15)	18
Payment of interest portion of finance leases	(40)	(61)
Bad debt (recovery) / expenses	(9)	59
Accrued interest expense, net accrued (interest income)	29	(69)
PPP loan forgiveness income	(121)	-
Dividend income	(32)	-
Dividend received	32	-
Gain on sale of property, plant and equipment	(1)	(24)
Warranty addition/ (recovery), net	3	(26)
Deferred tax (benefit)/ expenses	(139)	63
Changes in operating assets and liabilities, net of acquisition effects		
Trade account receivables	(2,347)	1,110
Other receivables	336	(181)
Other assets	(327)	100
Inventories	(98)	430
Prepaid expenses and other current assets	(97)	(54)
Accounts payable and accrued expenses	1,377	(968)
Income taxes payable	118	12
Operating leases liabilities	(764)	(727)
Net Cash Provided by Operating Activities	1,638	3,011
Cash Flow from Investing Activities		
Proceeds from sale of assets held for sale	-	1,167
Proceeds from disposal of property, plant and equipment	-	39
Withdrawal of unrestricted deposit	2,335	-
Investments in restricted and unrestricted deposits	(1,790)	(2,806)
Addition to property, plant and equipment	(1,112)	(1,017)
Net Cash Used in Investing Activities	(567)	(2,617)
Cash Flow from Financing Activities		
Payment on lines of credit	(589)	(2,437)
Payment of bank loans	(412)	(486)
Payment of principal portion of finance leases	(253)	(344)
Dividends paid on noncontrolling interest	(189)	(235)
Proceeds from exercising stock options	754	-
Proceeds from bank loans	205	-
Proceeds from lines of credit	482	2,370
Proceeds from finance leases	-	279
Proceeds from PPP loan	-	121
Net Cash Used in Financing Activities	(2)	(732)
Effect of Changes in Exchange Rate	698	(421)
Net Increase/ (Decrease) in Cash, Cash Equivalents, and Restricted Cash	1,767	(759)
Cash, Cash Equivalents, and Restricted Cash at Beginning of Period	5,810	6,569
Cash, Cash Equivalents, and Restricted Cash at End of Period	\$ 7,577	\$ 5,810
Supplementary Information of Cash Flows		
Cash paid during the period for:		
Interest	\$ 122	\$ 229
Income taxes	\$ 207	\$ 126
Non-Cash Transactions		
Finance lease of property, plant and equipment	\$ -	\$ 279

See accompanying notes to consolidated financial statements.

Reconciliation of Cash, Cash Equivalents, and Restricted Cash

Cash	5,836	4,150
Restricted Term Deposits	1,741	1,660
Total Cash, Cash Equivalents, and Restricted Cash Shown in Statement of Cash Flows	\$ 7,577	\$ 5,810

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, 2021 AND 2020 (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 2021, 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 consolidated financial statements and in the notes herein are presented in thousands of United States dollars (US\$’000) unless otherwise designated.

Liquidity – The Company incurred net loss attributable to common shareholders of \$591 and net income attributable to common shareholders of \$878 for fiscal years 2021 and 2020, 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 consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Among the more significant estimates included in these consolidated 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 — 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 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 creditworthiness, 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, 2021 and 2020.

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.

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.

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 underutilized 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 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 noncurrent asset portion of our consolidated balance sheets and under this current portion and noncurrent 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 noncurrent asset portion of our consolidated balance sheets and under the current portion and noncurrent 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.

Leases - Company as Lessor

All of the leases under which the Company is the lessor will continue to be classified as operating leases and sales-type lease under the new standard. The new standard did not have a material effect on our consolidated 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 consolidated 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 consolidated 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 \$16,683 and \$15,585 at June 30, 2021 and 2020, respectively.

Research and Development Costs — The Company incurred research and development costs of \$357 and \$355 in fiscal year 2021 and in fiscal year 2020, respectively, which were charged to operating expenses as incurred.

Stock-based compensation — The Company calculates compensation expense related to stock option awards made to employees and directors based on the fair value of stock-based awards on the date of grant. The Company determines the grant date fair value of our stock option awards using the Black-Scholes option pricing model and for awards without performance condition the related stock-based compensation is recognized over the period in which a participant is required to provide service in exchange for the stock-based award, which is generally four years. The Company recognizes stock-based compensation expense in the consolidated statements of shareholders' equity based on awards ultimately expected to vest. Forfeitures are estimated on the date of grant and revised if actual or expected forfeiture activity differs materially from original estimates.

Determining the fair value of stock-based awards at the grant date requires significant judgement. The determination of the grant date fair value of stock-based awards using the Black-Scholes option-pricing model is affected by our estimated common stock fair value as well as other subjective assumptions including the expected term of the awards, the expected volatility over the expected term of the awards, expected dividend yield and risk-free interest rates. The assumptions used in our option-pricing model represent management's best estimates and are as follows:

- Fair Value of Common Stock. We determined the fair value of each share of underlying common stock based on the closing price of our common stock on the date of grant.
- Expected Term. The expected term of employee stock options reflects the period for which we believe the option will remain outstanding based on historical experience and future expectations.
- Expected Volatility. We base expected volatility on our historical information over a similar expected term.

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 (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 consolidated 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 unasserted claims that may result in such proceedings, the Company's legal counsel evaluates the perceived merits of any legal proceedings or unasserted 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 consolidated 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. RESTATEMENTS

During the preparation of the Annual Report on Form 10-K for the year ended June 30, 2021, the Company has discovered errors in the accounting treatment of expensing stock option issued to the Company's directors and employees from fiscal year 2016 to 2020 under FASB ASC Topic 718, *Compensation – Stock Compensation*, which resulted in misstatements in its previously issued consolidated financial statements for the years ended June 30, 2016 to June 30, 2020. The Company has amended and restated its 2020 consolidated financial statements to accumulated retained earnings by \$621 and its additional paid-in-capital by \$621 as of June 30, 2020. The Company has also increased its general and administrative expenses by \$88 for the year ended June 30, 2020. As a result, the Company has restated its consolidated financial statements in accordance with ASC 250, *Accounting Changes and Error Corrections* (the "restated consolidated financial statements"). There is no tax impact implications resulted from the restatement.

The impact of the restatement on the consolidated financial statements as previously reported is summarized below:

	For the year ended June 30, 2020 (as previously reported)	For the year ended June 30, 2020 (Restated)
CONSOLIDATED BALANCE SHEETS (IN THOUSANDS, EXCEPT NUMBER OF SHARES)		
Paid-in capital	3,363	3,984
Accumulated retained earnings	8,036	7,415
Total Trio-tech International shareholders' equity	23,966	23,966
TOTAL EQUITY	25,146	25,146

	For the year ended June 30, 2020 (as previously reported)	For the year ended June 30, 2020 (Restated)
CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY		
Accumulated retained earnings	\$ 8,036	\$ 7,415
Paid-in capital	3,363	3,984

	For the year ended June 30, 2020 (as previously reported)	For the year ended June 30, 2020 (Restated)
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)		
General and administrative expenses	\$ 6,976	\$ 7,064
Total operating expenses	8,125	8,213
Loss from operation	(859)	(947)
Income from Continuing Operations before Income Taxes	1,195	1,107
Income from continuing operations before non-controlling interests, net of tax	1,207	1,119
NET INCOME	1,204	1,116
Net Income Attributable to Trio-Tech International Common Shareholders	966	878

Basic Earnings per Share:

Basic earnings per share from continuing operations attributable to Trio-Tech International	0.26	0.24
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Diluted Earnings per Share:

Diluted earnings per share from continuing operations attributable to Trio-Tech International	0.26	0.24
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3. 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 the 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. These amendments are effective for the Company for fiscal years beginning after December 15, 2023, including interim periods 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 has completed its assessment and concluded that this update has no significant impact to the Company’s consolidated financial statements.

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 has completed its assessment and concluded that this update has no significant impact to the Company’s consolidated financial statements.

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. The effectiveness of this update is not expected to have a significant effect on the Company’s 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 has completed its assessment and concluded that this update has no significant impact to the Company’s consolidated financial statements.

Other new pronouncements issued but not yet effective until after June 30, 2021 are not expected to have a significant effect on the Company’s consolidated financial position or results of operations.

4. TERM DEPOSITS

	June 30, 2021	June 30, 2020
Short-term deposits	\$ 6,353	\$ 7,028
Currency translation effect on short-term deposits	298	(190)
Total short-term deposits	6,651	6,838
Restricted term deposits	1,682	1,712
Currency translation effect on restricted term deposits	59	(52)
Total restricted term deposits	1,741	1,660
Total term deposits	\$ 8,392	\$ 8,498

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 term deposits are classified as noncurrent 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.

5. 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, 2021 and June 30, 2020, was adequate.

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

	For the Year Ended June 30,	
	2021	2020
Beginning	\$ 314	\$ 263
Additions charged to expenses	5	351
Recovered	(14)	(284)
Write-off	(16)	(9)
Currency translation effect	22	(7)
Ending	\$ 311	\$ 314

6. LOANS RECEIVABLE FROM PROPERTY DEVELOPMENT PROJECTS

The following table presents Trio-Tech (Chongqing) Co. Ltd ("TTCQ")'s loan receivable from property development projects in China as of June 30, 2021.

	Loan Expiry Date	Loan Amount (RMB)	Loan Amount (U.S. Dollars)
Short-term loan receivables			
JiangHuai (Project - Yu Jin Jiang An)	May 31, 2013	2,000	309
Less: allowance for doubtful receivables		(2,000)	(309)
Net loan receivable from property development projects		-	-
Long-term loan receivables			
Jun Zhou Zhi Ye	Oct 31, 2016	5,000	773
Less: transfer – down payment for purchase of investment property		(5,000)	(773)
Net loan receivable from property development projects		-	-

The short-term loan receivables of renminbi ("RMB") 2,000, or approximately \$309, arose due to 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. TTCQ did not generate other income from JiangHuai for the fiscal year ended June 30, 2021 and June 30, 2020. TTCQ is in the legal process of recovering the outstanding amount of \$309.

The long-term loan receivable of RMB 5,000, or approximately \$773, 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 secured 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).

7. INVENTORIES

Inventories consisted of the following:

	For the Year Ended June 30,	
	2021	2020
Raw materials	\$ 1,152	\$ 1,281
Work in progress	1,218	968
Finished goods	325	422
Less: provision for obsolete inventories	(679)	(678)
Currency translation effect	64	(71)
	<u>\$ 2,080</u>	<u>\$ 1,922</u>

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

	For the Year Ended June 30,	
	2021	2020
Beginning	\$ 678	\$ 673
Additions charged to expenses	13	26
Usage - disposition	(28)	(8)
Currency translation effect	16	(13)
Ending	<u>\$ 679</u>	<u>\$ 678</u>

8. INVESTMENT PROPERTIES

The following table presents the Company's investment in properties in China as of June 30, 2021. The exchange rate is based on the market rate as of June 30, 2021.

	Investment Date / Reclassification Date	Investment Amount (RMB)	Investment Amount (U.S. Dollars)
Purchase of rental property – Property I – MaoYe Property	Jan 04, 2008	5,554	894
Currency translation		-	(87)
Reclassification as “Assets held for sale”	July 01, 2018	(5,554)	(807)
Reclassification from “Assets held for sale”	Mar 31, 2019	2,024	301
		2,024	301
Purchase of rental property – Property II - JiangHuai	Jan 06, 2010	3,600	580
Purchase of rental property – Property III - FuLi	Apr 08, 2010	4,025	648
Currency translation		-	(36)
Gross investment in rental property		9,649	1,493
Accumulated depreciation on rental property	June 30, 2021	(7,040)	(1,079)
Reclassified as “Assets held for sale”	July 01, 2018	2,822	410
Reclassification from “Assets held for sale”	Mar 31, 2019	(1,029)	(143)
		(5,247)	(812)
Net investment in property – China		4,402	681

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.

	Investment Date / Reclassification Date	Investment Amount (RMB)	Investment Amount (U.S. Dollars)
Purchase of rental property – Property I – MaoYe Property	Jan 04, 2008	5,554	894
Currency translation		-	(87)
Reclassification as “Assets held for sale”	July 01, 2018	(5,554)	(807)
Reclassification from “Assets held for sale”	Mar 31, 2019	2,024	301
		2,024	301
Purchase of rental property – Property II - JiangHuai	Jan 06, 2010	3,600	580
Purchase of rental property – Property III - FuLi	Apr 08, 2010	4,025	648
Currency translation		-	(166)
Gross investment in rental property		9,649	1,363
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)
		(4,765)	(673)
Net investment in property – China		4,884	690

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 MaoYe Property. Management has decided not to sell the remaining two units of MaoYe properties in the near future, considering the market conditions in China. These properties are vacant as of June 30, 2021, since the last lease agreement expired in March 2021. A new lease agreement had subsequently been signed in September 2021 at a monthly rate of RMB14, or approximately \$2, commencing from September 1, 2021 to February 28, 2022.

Property purchased from MaoYe generated a rental income of \$9 and \$32 for the years ended June 30, 2021 and 2020, respectively.

Depreciation expense for MaoYe was \$15 and \$13 for the years ended June 30, 2021 and 2020, 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, 2021 and 2020.

Depreciation expense for JiangHuai was \$27 and \$26 for the years ended June 30, 2021 and 2020, 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.

One of the two commercial properties were leased by TTCQ by a third party under a two years lease to rent out the 154.49 square meter at a monthly rate of RMB9, or approximately \$1, commencing from May 21, 2021 to May 23, 2023.

For the other leased property, TTCQ renewed the lease agreement to rent out the 161 square meter space at a monthly rate of RMB10, or approximately \$1, from November 1, 2019 to October 31, 2020. After which, TTCQ renewed the lease agreement at a monthly rate of RMB10, or approximately \$1, from November 1, 2020 to April 30, 2021 and May 1, 2021 to October 31, 2021.

Properties purchased from FuLi generated a rental income of \$19 and \$30 for the years ended June 30, 2021 and 2020, respectively.

Depreciation expense for FuLi was \$30 and \$28 for the years ended June 30, 2021 and 2020, respectively.

Summary

Total rental income for all investment properties in China was \$28 for the year ended June 30, 2021, and \$62 for the same period in the prior fiscal year.

Depreciation expenses for all investment properties in China were \$72 and \$67 for the years ended June 30, 2021 and 2020, respectively.

9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following:

	Estimated Useful Life in Years	June 30, 2021	June 30, 2020
Building and improvements	3-20	\$ 5,141	\$ 5,102
Leasehold improvements	3-27	6,174	6,170
Machinery and equipment	3-7	26,804	26,578
Furniture and fixtures	3-5	1,170	1,134
Equipment under finance leases	3-5	1,413	1,066
Property, plant and equipment, gross		\$ 40,702	\$ 40,050
Less: accumulated depreciation		(28,751)	(27,148)
Accumulated amortization on equipment under finance leases		(1,199)	(719)
Total accumulated depreciation		\$ (29,950)	\$ (27,867)
Property, plant and equipment before currency translation effect, net		10,752	12,183
Currency translation effect		(1,221)	(1,873)
Property, plant and equipment, net		\$ 9,531	\$ 10,310

Depreciation and amortization expenses for property, plant and equipment during fiscal years 2021 and 2020 were \$2,419 and \$2,341, respectively.

10. OTHER ASSETS

	June 30, 2021	June 30, 2020
Down payment for purchase of investment properties*	\$ -	\$ 1,645
Down payment for purchase of property, plant and equipment	372	8
Deposits for rental and utilities and others	160	171
Currency translation effect	(270)	(215)
Total	\$ 262	\$ 1,609

*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
Less: Provision of Impairment loss on other assets	(10,207)	(1,645)
Down Payment for Purchase of Investment Properties	-	-

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 noncurrent 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 \$773, as disclosed in Note 6, 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.

During the fourth quarter of 2021, The Company accrued an impairment charge of \$1,580 related to the doubtful recovery of the down payment on shop lots in the Singapore Theme Resort Project in Chongqing, China. The Company elected to take this non-cash impairment charge because of increased uncertainties regarding the project’s viability given the developers weakening financial condition as well as uncertainties arising from the negative real-estate environment in China, implementation of control measures on real-estate lending and its relevant government policies, together with effects of the ongoing pandemic.

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, 2021, 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 +1.2% and LIBOR rate +1.25%	-	\$ 4,237	\$ 4,237
Universal (Far East) Pte. Ltd., Singapore	Lines of Credit	Ranging from 1.85% to 5.5%	-	\$ 1,115	\$ 1,043
Trio-Tech Malaysia Sdn. Bhd., Malaysia	Revolving Credit	Cost of Funds Rate +2%	-	\$ 361	\$ 361

As of 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., Singapore	Lines of Credit	Ranging from 1.85% to 5.5%	-	\$ 359	\$ 187
Trio-Tech Malaysia Sdn. Bhd., Malaysia	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.

12. ACCRUED EXPENSES

Accrued expenses consisted of the following:

	For the Year Ended June 30,	
	2021	2020 (Restated)
Payroll and related costs	1,362	1,185
Commissions	51	104
Customer deposits	45	30
Legal and audit	321	315
Sales tax	9	19
Utilities	91	80
Warranty	14	12
Accrued purchase of materials and property, plant and equipment	144	186
Provision for reinstatement	290	300
Deferred income	67	88
Contract liabilities	628	476
Other accrued expenses	279	287
Currency translation effect	62	(77)
Total	\$ 3,363	\$ 3,005

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 upon 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,	
	2021	2020
Beginning	\$ 12	\$ 39
Additions charged to cost and expenses	7	1
Utilization	(4)	(27)
Currency translation effect	(1)	(1)
Ending	\$ 14	\$ 12

14. BANK LOANS PAYABLE

Bank loans payable consisted of the following:

	June 30, 2021	June 30, 2020
Note payable denominated in RM for expansion plans in Malaysia, maturing in August 2024, bearing interest at the bank's prime rate less 2.00% (3.60% and 3.85% at June 30, 2021 and June 30, 2020) per annum, respectively, with monthly payments of principal plus interest through August 2028, collateralized by the acquired building with a carrying value of \$2,579 and \$2,543, as at June 30, 2021 and June 30, 2020, respectively.	\$ 1,885	\$ 2,206
Financial arrangement at fixed interest rate 3.2% per annum with monthly payments of principal plus interest through July 2025	\$ 175	-
Total bank loans payable	<u>2,060</u>	<u>2,206</u>
Current portion of bank loans payable	428	384
Currency translation effect on current portion of bank loans	11	(14)
Current portion of bank loans payable	<u>439</u>	<u>370</u>
Long term portion of bank loans payable	1,564	1,911
Currency translation effect on long-term portion of bank loans	57	(75)
Long term portion of bank loans payable	<u>\$ 1,621</u>	<u>\$ 1,836</u>

Future minimum payments (excluding interest) as of June 30, 2021, were as follows:

2022	\$ 439
2023	457
2024	462
2025	208
2026	171
Thereafter	323
Total obligations and commitments	<u>\$ 2,060</u>

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>

15. COMMITMENTS AND CONTINGENCIES

The Company had capital commitments in Malaysia for the purchase of equipment and other related infrastructure costs amounting to RM388, or approximately \$93 as at June 30, 2021.

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

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

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, 2021, 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 short-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 two major customer that accounted for the following revenue and trade account receivables:

	For the Year Ended June 30,	
	2021	2020
Revenue		
Customer A	37.7%	38.4%
Customer B	9.7%	17.6%
Trade Account Receivables		
Customer A	34.7%	40.6%
Customer B	11.8%	6.3%

18. BUSINESS SEGMENTS

In fiscal year 2021, 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 that 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 intersegment sales were sales from the manufacturing segment to the testing and distribution segment. Total intersegment sales were \$410 in fiscal year 2021 and \$816 in fiscal year 2020. 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 predetermined 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	2021	\$ 13,151	\$ 376	\$ 13,622	\$ 411	\$ 350
	2020	\$ 11,605	\$ (326)	\$ 9,807	\$ 346	\$ 134
Testing Services	2021	13,846	(997)	21,099	2,570	762
	2020	14,840	(1,040)	21,086	2,578	834
Distribution	2021	5,437	657	1,156	4	-
	2020	7,958	751	875	100	-
Real Estate	2021	28	(116)	2,070	74	-
	2020	62	(97)	3,587	76	-
Fabrication Services*	2021	-	-	-	-	-
	2020	-	-	27	-	-
Corporate & Unallocated	2021	-	(10)	359	-	-
	2020 (Restated)	-	(235)	278	-	-
Total Company	2021	\$ 32,462	\$ (70)	\$ 38,306	\$ 3,059	\$ 1,112
	2020	\$ 34,465	\$ (947)	\$ 35,660	\$ 3,100	\$ 1,017

* Fabrication services is a discontinued operation.

19. OTHER INCOME, NET

Other income, net consisted of the following:

	For the Year Ended June 30,	
	2021	2020
Interest income	118	177
Other rental income	100	110
Exchange loss	(69)	(35)
Bad debt recovery/ (expense)	9	(59)
Extinguishment of PPP loan	121	-
Dividend income	32	-
Other miscellaneous income	52	141
Total	\$ 363	\$ 334

20. GOVERNMENT GRANTS

	For the Year Ended June 30,	
	2021	2020
Government grants	514	778

During fiscal year 2021, the Company received government grants amounting to \$514, of which \$401 were the financial assistance received from the Singapore and Malaysia governments amid the COVID-19 pandemic.

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.

21. INCOME TAXES

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

	For the Year Ended June 30,	
	2021	2020
United States	(53)	(740)
International	(846)	1,847
Total	\$ (899)	\$ 1,107

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

	For the Year Ended June 30,	
	2021	2020
Current:		
Federal	\$ 13	\$ (1)
State	2	2
Foreign	352	212
	\$ 367	\$ 213
Deferred:		
Federal	\$ -	\$ -
State	-	-
Foreign	(139)	(225)
	(139)	(225)
Total provisions	\$ 228	\$ (12)

A reconciliation of income tax benefit compared to the amount of income tax expense 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,	
	2021	2020
Statutory federal tax rate	21.00%	21.00%
State taxes, net of federal benefit	(0.41)	(0.50)
Permanent items and credits	4.1	13.95
Foreign rate differential	74.02	(33.86)
Other	0.67	2.14
Changes in valuation allowance	(74.02)	(3.73)
Tax reform related to one-time repatriation tax	-	-
Effective rate	25.36%	(1.00)%

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, 2021.

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 material impact to the consolidated financial statements as of June 30, 2021. During fiscal year ended June 30, 2021, the Company received acknowledgement of forgiveness of its paycheck protection program loan which is treated as tax-exempt income for US federal tax purposes.

The Company has maintained an indefinite reinvestment assertion as of June 30, 2021. 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 are as follows for the year ended June 30:

	For the Year Ended June 30,	
	2021	2020
Deferred tax assets:		
Net operating losses and credits	\$ 782	\$ 487
Inventory valuation	144	121
Provision for bad debts	-	785
Accrued vacation	12	37
Accrued expenses	134	188
Fixed asset basis	3	1
Investment in subsidiaries	77	277
Unrealized gain	4	24
Other	12	51
Total deferred tax assets	<u>\$ 1,168</u>	<u>\$ 1,971</u>
Deferred tax liabilities:		
Depreciation	(329)	(359)
Others	(-)	(76)
Total deferred income tax liabilities	<u>\$ (329)</u>	<u>\$ (435)</u>
Subtotal	839	1,536
Valuation allowance	(622)	(1,289)
Net deferred tax assets	<u>\$ 217</u>	<u>\$ 247</u>
Presented as follows in the balance sheets:		
Deferred tax assets	217	247
Deferred tax liabilities	-	-
Net deferred tax assets	<u>\$ 217</u>	<u>\$ 247</u>

The valuation allowance decreased by \$667 and increased by \$527 in fiscal years 2021 and 2020, respectively.

At June 30, 2021, the Company had federal net operating loss carryforwards and state net operating loss carryforward of \$1,248, 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.

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 stand-alone 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 nonconformance 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, 2021	June 30, 2020
Trade Account Receivables	8,293	5,951
Accounts Payable	3,702	2,590
Contract Assets	337	216
Contract Liabilities	628	476

Remaining Performance Obligation

As at June 30, 2021, the Company had \$924 of remaining performance obligations, which represents our obligation to deliver products and services. Given the profile of contract terms, approximately 82.2% 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 fulfill 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 674,500 shares of Common Stock at exercise prices ranging from \$2.53 to \$5.98 per share were outstanding as of June 30, 2021. 348,000 stock options were excluded in the computation of diluted EPS for fiscal year 2021 because they were anti-dilutive.

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. 410,000 (restated) stock options were excluded in the computation of diluted EPS for fiscal year 2020 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,	
	2021	2020 (Restated)
(Loss) / Income attributable to Trio-Tech International common shareholders from continuing operations, net of tax	\$ (575)	\$ 879
Loss attributable to Trio-Tech International common shareholders from discontinued operations, net of tax	\$ (16)	\$ (1)
Net (Loss) / income attributable to Trio-Tech International common shareholders	(591)	878
Weighted average number of common shares outstanding - basic	3,768	3,673
Dilutive effect of stock options	117	53
Number of shares used to compute earnings per share - diluted	3,885	3,726
Basic (Loss) / Earnings per Share:		
Basic (loss) / earnings per share from continuing operations attributable to Trio-Tech International	\$ (0.16)	\$ 0.24
Basic loss per share from discontinued operations attributable to Trio-Tech International	\$ -	\$ -
Basic (Loss) / Earnings per Share from net income attributable to Trio-Tech International	\$ (0.16)	\$ 0.24
Diluted (Loss) / Earnings per Share:		
Diluted (loss) / earnings per share from continuing operations attributable to Trio-Tech International	\$ (0.15)	\$ 0.24
Diluted loss per share from discontinued operations attributable to Trio-Tech International	-	-
Diluted (Loss) / Earnings per Share from net income attributable to Trio-Tech International	\$ (0.15)	\$ 0.24

24. STOCK OPTIONS (RESTATED)

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. The Company's board of directors approved an amendment to the 2017 Directors Plan in September 2020 to increase the shares covered thereby from 300,000 shares to an aggregate of 600,000 shares, which amendment was approved by the Company's shareholders at the annual meeting held in December 2020. 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,	
	2021	2020
Expected volatility	40.89% to 69.03%	40.89% to 55.19%
Risk-free interest rate	0.14% 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, 2021 and 2020 respectively. 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 71,000 shares of its Common Stock to employees pursuant to the 2017 Employee Plan during the twelve months ended June 30, 2021. The weighted average grant-date fair value of stock options granted during the year ended June 30, 2021 was \$1.88. The total fair value of vested employee stock options granted during the year ended June 30, 2021 was \$39.

There were no stock options exercised during the twelve months ended June 30, 2021. The Company recognized stock-based compensation expenses of \$10 and \$105 in the three and twelve months ended June 30, 2021, respectively under the 2017 Employee Plan. The balance of unamortized stock-based compensation of \$71 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 2.00 years.

As of June 30, 2021, there were vested employee stock options granted under the 2017 Employee Plan covering a total of 164,750 shares of Common Stock. The weighted average exercise price was \$4.35, and the weighted average contractual term was 2.74 years. The total fair value of vested employee stock options as of June 30, 2021 was \$268.

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. The weighted average grant-date fair value of stock options granted during the year ended June 30, 2020 was \$0.85. The total fair value of vested employee stock options granted during the year ended June 30, 2020 was \$16.

There were no stock options exercised during the twelve months ended June 30, 2020. The Company recognized stock-based compensation expenses of \$18* and \$85* in the three and twelve months ended June 30, 2020, respectively under the 2017 Employee Plan. The balance of unamortized stock-based compensation of \$54* 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 \$164*.

A summary of option activities under the 2017 Employee Plan during the twelve-month period ended June 30, 2021 is presented as follows:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at July 1, 2020	196,000	\$ 3.92	3.72	\$ 36
Granted	71,000	5.03	4.16	14
Exercised	-	-	-	-
Forfeited or expired	-	-	-	-
Outstanding at June 30, 2021	<u>267,000</u>	<u>4.21</u>	<u>3.22</u>	<u>290</u>
Exercisable at June 30, 2021	<u>164,750</u>	<u>4.35</u>	<u>2.74</u>	<u>173</u>

A summary of the status of the Company's non-vested employee stock options during the twelve months ended June 30, 2021 is presented below:

	Options	Weighted Average Grant-Date Fair Value
Non-vested at July 1, 2020	98,000	\$ 1.79
Granted	71,000	1.88
Vested	(66,750)	1.83
Forfeited	-	-
Non-vested at June 30, 2021	<u>102,250</u>	<u>\$ 2.29</u>

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>	<u>3.92</u>	<u>3.72</u>	<u>36</u>
Exercisable at June 30, 2020	<u>98,000</u>	<u>4.44</u>	<u>3.41</u>	<u>9</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:

	<u>Options</u>	<u>Weighted Average Grant-Date Fair Value</u>
Non-vested at July 1, 2019	87,000	\$ 1.43
Granted	60,000	0.85
Vested	(49,000)	1.51
Forfeited	-	-
Non-vested at June 30, 2020	<u>98,000</u>	<u>\$ 1.79</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 were 40,000 options exercised during the twelve months ended June 30, 2021. The Company recognized stock-based compensation expenses of \$Nil in the twelve months ended June 30, 2021 under the 2007 Employee Plan.

There were no options 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.

As of June 30, 2021, there were vested employee stock options that were exercisable covering a total of 37,500 shares of Common Stock. The weighted average exercise price was \$4.14 and the weighted average contractual term was 0.75 years. The total fair value of vested employee stock options as of June 30, 2021 was \$61.

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, 2020 was \$120.

A summary of option activities under the 2007 Employee Plan during the twelve-month period ended June 30, 2021, 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, 2020	77,500	\$ 3.69	1.22	\$ -
Granted	-	-	-	-
Exercised	(40,000)	3.26	-	-
Forfeited or expired	-	-	-	-
Outstanding at June 30, 2021	<u>37,500</u>	<u>\$ 4.14</u>	<u>0.75</u>	<u>\$ -</u>
Exercisable at June 30, 2021	<u>37,500</u>	<u>\$ 4.14</u>	<u>0.75</u>	<u>\$ -</u>

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 the status of the Company's non-vested employee stock options during the twelve months ended June 30, 2021, is presented below:

	<u>Options</u>	<u>Weighted Average Grant-Date Fair Value</u>
Non-vested at July 1, 2020	-	\$ -
Granted	-	-
Vested	-	-
Forfeited	-	-
Non-vested at June 30, 2021	<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, 2020, is presented below:

	<u>Options</u>	<u>Weighted Average Grant-Date Fair Value</u>
Non-vested at July 1, 2019	9,375	\$ 1.22
Granted	-	-
Vested	(9,375)	1.22
Forfeited	-	-
Non-vested at June 30, 2020	<u>-</u>	<u>\$ -</u>

2017 Directors Equity Incentive Plan

The 2017 Directors Plan initially covered an aggregate of 300,000 shares of the Company's common stock. The Company's board of directors approved an amendment to the 2017 Directors Plan in September 2020 to increase the shares covered thereby from 300,000 shares to an aggregate of 600,000 shares, which amendment was approved by the Company's shareholders at the annual meeting held in December 2020. The 2017 Directors Plan permits the grant of options to its directors in the form of non-qualified options and restricted stock. The exercise price of the non-qualified options is required to be 100% of the fair value of the underlying shares on the grant date. The options have five-year contractual terms and are exercisable immediately as of the grant date.

In the fiscal year ended June 30, 2021, 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 \$143 based on the fair value of \$1.79 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, 2021. There were no options exercised during the twelve months ended June 30, 2021. The Company recognized stock-based compensation expenses of \$143 in the twelve months ended June 30, 2021 under the 2017 Directors Plan.

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 \$61* based on the fair value of \$0.76* 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 \$61 in the twelve months ended June 30, 2020, under the 2017 Directors Plan.

A summary of option activities under the 2017 Directors Plan during the twelve months ended June 30, 2021, is presented as follows:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at July 1, 2020	240,000	\$ 3.93	3.75	\$ 48
Granted	80,000	5.27	4.64	-
Exercised	-	-	-	-
Forfeited or expired	-	-	-	-
Outstanding at June 30, 2021	<u>320,000</u>	<u>4.27</u>	<u>3.22</u>	<u>340</u>
Exercisable at June 30, 2021	<u>320,000</u>	<u>4.27</u>	<u>3.22</u>	<u>340</u>

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

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

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 nonqualified options and restricted stock. The exercise price of the nonqualified 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.

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, 2021.

There were 200,000 stock options exercised during the twelve-month ended June 30, 2021. The Company did not recognize any stock-based compensation expenses during the twelve months ended June 30, 2021.

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

As of June 30, 2021, there were vested director stock options covering a total of 50,000 shares of Common Stock. The weighted average exercise price was \$4.14 and the weighted average remaining contractual term was 0.75 years. The total fair value of vested directors' stock options as of June 30, 2021 was \$72. All director stock options vest immediately at the date of grant. There were no unvested director stock options as of June 31, 2021.

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 \$301. All director stock options vest immediately at the date of grant. There were no unvested director stock options as of June 30, 2020.

A summary of option activities under the 2007 Directors Plan during the twelve months ended June 30, 2021, 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, 2020	250,000	3.32	0.83	22
Granted	-	-	-	-
Exercised	(200,000)	3.12	-	-
Forfeited or expired	-	-	-	-
Outstanding at June 30, 2021	<u>50,000</u>	<u>4.14</u>	<u>0.75</u>	<u>45</u>
Exercisable at June 30, 2021	<u>50,000</u>	<u>4.14</u>	<u>0.75</u>	<u>45</u>

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>	<u>3.32</u>	<u>0.83</u>	<u>22</u>
Exercisable at June 30, 2020	<u>250,000</u>	<u>3.32</u>	<u>0.83</u>	<u>22</u>

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 \$72 and \$67 for the years ended June 30, 2021 and 2020, respectively.

Future minimum rental income in China and Thailand to be received from fiscal year 2022 to fiscal year 2023 on non-cancellable operating leases is contractually due as of June 30, 2021, as follows:

2022	\$ 145
2023	\$ 16
	<u>\$ 161</u>

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
	<u>\$ 234</u>

Sales-type lease which the Company is the lessor arise from lease of four units Chiller System. The Company classifies its lease arrangements at inception of the arrangement. The lease term is 3 years, contains an automatic transfer of title at the end of the lease term and a guarantee of residual value at the end of the lease term. The customer is required to pay for executory cost such as taxes.

Financing receivables, consisting of net investment in sales-type leases and receivables from financed sales of four units of chiller systems are as follows:

Components of Lease Balances	<u>June 30,</u> <u>2021</u>
Assets	
Gross financial sales receivable	\$ 65
Unearned finance income	(7)
Financed Sales Receivable	<u>\$ 58</u>
Net financed sales receivables due within one year	<u>\$ 19</u>
Net financed sales receivables due after one year	<u>\$ 39</u>

As of June 30, 2021, the financed sale receivables had a weighted average effective interest rate of 13.2% and weighted average remaining lease term of 2.75 years.

Company as Lessee

The Company has operating leases for corporate offices and research and development facilities with remaining lease terms of one year to three 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, 2021	
Assets			
Operating lease assets	Right-of-use asset-operating, net	\$	1,876
Finance lease assets	Property, plant & equipment		1,413
Accumulated amortization			
Right-of-use asset			(1,199)
Assets	Property, plant & equipment	\$	214
Total Leased Assets		\$	2,090
Liabilities			
Operating Lease Liabilities			
Current portion	Current portion of lease liability- operating	\$	672
Long-term portion	Lease liability- operating, net of current portion		1,204
Total Operating Lease Liabilities		\$	1,876
Finance Lease Liabilities			
Current portion of finance leases	Current portion of lease liability- finance	\$	197
Net of current portion of finance leases	Lease liability- finance, net of current portion		253
Total Finance Lease Liabilities		\$	450
Total Lease Liabilities		\$	2,326
		3 Months Ended	12 Months Ended
		June 30, 2021	
Lease Cost			
Finance lease cost:			
Interest on lease liabilities		7	\$ 42
Amortization of right-of-use asset		74	334
Total Finance Lease Cost		81	376
Operating Lease Costs		\$ 199	\$ 765

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

	June 30, 2021
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from finance leases	\$ (40)
Operating cash flows from operating leases	\$ (764)
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 932
Weighted average remaining lease term (years):	
Finance leases	2.72
Operating leases	3.09
Weighted average discount rate:	
Finance leases	3.56
Operating leases	4.60

As of June 30, 2021, the maturities of the Company's operating and finance lease liabilities were as follow:

	Operating Lease Liabilities	Finance Lease Liabilities
Fiscal Year		
2022	748	218
2023	537	137
2024	313	111
2025	291	22
Thereafter	156	-
Total future minimum lease payments	\$ 2,045	\$ 488
Less: amount representing interest	(169)	(38)
Present value of net minimum lease payments	<u>1,876</u>	<u>450</u>
Presentation on statement of financial position		
Current	\$ 672	\$ 197
Non-Current	\$ 1,204	\$ 253

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

	Operating Lease Liabilities	Finance Lease Liabilities
Fiscal Year		
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

26. NONCONTROLLING INTEREST

In accordance with the provisions of ASC Topic 810, the Company has classified the noncontrolling 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 noncontrolling ownership interests separately in the accompanying consolidated financial statements.

Noncontrolling 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 noncontrolling interest:

	For the Year Ended June	
	2021	2020
Noncontrolling interest		
Beginning balance	\$ 1,180	\$ 1,195
Net (loss)/ income	(564)	238
Dividend declared by a subsidiary	(189)	(235)
Translation adjustment	(8)	(18)
Ending balance	\$ 419	\$ 1,180

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 and (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 intended 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.

During fiscal 2021, the Company received approval from the Small Business Administration (SBA) that the full loan of \$121 had been forgiven. The forgiveness of the PPP loan has been included as a separate line under disclosure note *Other income, net*.

TRIO-TECH INTERNATIONAL
AMENDMENT TO 2017 DIRECTORS EQUITY INCENTIVE PLAN

Section 4 of the 2017 Directors Equity Incentive Plan of Trio-Tech International is amended to read in its entirety as follows:

"4. Stock Subject to Plan. There shall be reserved for issue upon the exercise of options granted, or restricted stock awarded, under the Plan 600,000 shares of Common Stock or the number of shares of Common Stock which, in accordance with the provisions of Section 9 hereof, shall be substituted therefor. Such shares may be authorized but unissued shares or treasury shares. If an option granted under the Plan shall expire or terminate for any reason without having been exercised in full, unpurchased shares subject thereto shall again be available for the purposes of the Plan."

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, Form S-8 No. 333-14781 and Form S-8 No. 333-252841 of Trio-Tech International of our report dated October 1, 2021, relating to the consolidated financial statements which appear in this Form 10-K.

Mazars LLP
PUBLIC ACCOUNTANTS
AND CHARTERED ACCOUNTANTS

/s/ Mazars LLP

Singapore
October 1, 2021

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: October 1, 2021

/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: October 1, 2021

/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, 2021, 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: October 1, 2021

/s/ Victor H. M. Ting

Victor H. M. Ting

Title: Vice President and Chief Financial Officer

Date: October 1, 2021

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.
