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

FORM 10-Q

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

For the Quarterly Period Ended December 31, 2011

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	**95-2086631**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
16139 Wyandotte Street **Van Nuys, California**	**91406**
(Address of principal executive offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code: **818-787-7000**

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer	☐	Accelerated Filer	☐
Non-Accelerated Filer (Do not check if a smaller reporting company)	☐	Smaller Reporting Company	☒

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

As of February 10, 2012, there were 3,321,555 shares of the issuer’s Common Stock, no par value, outstanding.

TRIO-TECH INTERNATIONAL
INDEX TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION, OTHER INFORMATION AND SIGNATURE

FORWARD-LOOKING STATEMENTS

The discussions of Trio-Tech International's (the "Company") business and activities set forth in this Form 10-Q and in other past and future reports and announcements by the Company may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and assumptions regarding future activities and results of operations of the Company. In light of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, the following factors, among others, could cause actual results to differ materially from those reflected in any forward-looking statements made by or on behalf of the Company: market acceptance of Company products and services; changing business conditions or technologies and volatility in the semiconductor industry, which could affect demand for the Company's products and services; the impact of competition; problems with technology; product development schedules; delivery schedules; changes in military or commercial testing specifications which could affect the market for the Company's products and services; difficulties in profitably integrating acquired businesses, if any, into the Company; risks associated with conducting business internationally and especially in Southeast Asia, including currency fluctuations and devaluation, currency restrictions, local laws and restrictions and possible social, political and economic instability; changes in U.S. and global financial and equity markets, including market disruptions and significant interest rate fluctuations; and other economic, financial and regulatory factors beyond the Company's control. Other than statements of historical fact, all statements made in this Quarterly Report are forward-looking, including, but not limited to, statements regarding industry prospects, future results of operations or financial position, and statements of our intent, belief and current expectations about our strategic direction, prospective and future financial results and condition. In some cases, you can identify forward-looking statements by the use of terminology such as "may," "will," "expects," "plans," "anticipates," "estimates," "potential," "believes," "can impact," "continue," or the negative thereof or other comparable terminology. Forward-looking statements involve risks and uncertainties that are inherently difficult to predict, which could cause actual outcomes and results to differ materially from our expectations, forecasts and assumptions.

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

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	December 31, 2011	June 30, 2011
ASSETS	(Unaudited)	
CURRENT ASSETS:		
Cash & cash equivalent	$ 2,250	$ 3,111
Short-term deposits	1,499	199
Trade accounts receivable, less allowance for doubtful accounts of $38 and $69	7,883	6,812
Other receivables	532	309
Loan receivables from property development projects	1,109	1,083
Inventories, less provision for obsolete inventory of $884 and $937	1,988	2,430
Prepaid expenses and other current assets	311	348
Asset held for sale	130	137
Total current assets	**15,702**	**14,429**
INVESTMENTS	771	764
INVESTMENT PROPERTY IN CHINA, Net	1,232	1,238
PROPERTY, PLANT AND EQUIPMENT, Net	14,253	14,951
OTHER ASSETS	1,317	1,412
RESTRICTED TERM DEPOSITS	3,374	3,562
TOTAL ASSETS	**$ 36,649**	**$ 36,356**
LIABILITIES		
CURRENT LIABILITIES:		
Lines of credit	$ 2,723	$ 1,333
Accounts payable	2,407	1,874
Accrued expenses	2,668	3,179
Income taxes payable	467	492
Current portion of bank loans payable	768	147
Current portion of capital leases	146	148
Total current liabilities	**9,179**	**7,173**
BANK LOANS PAYABLE, net of current portion	3,820	2,768
CAPITAL LEASES, net of current portion	183	271
DEFERRED TAX LIABILITIES	473	677
OTHER NON-CURRENT LIABILITIES	503	490
TOTAL LIABILITIES	**$ 14,158**	**$ 11,379**
COMMITMENT AND CONTINGENCIES	--	--
EQUITY		
TRIO-TECH INTERNATIONAL'S SHAREHOLDERS' EQUITY:		
Common stock, no par value, 15,000,000 shares authorized; 3,321,555 shares issued and outstanding as at December 31, 2011, and June 30, 2011, respectively	$ 10,531	$ 10,531
Paid-in capital	2,401	2,227
Accumulated retained earnings	3,784	5,791
Accumulated other comprehensive gain-translation adjustments	3,372	3,459
Total Trio-Tech International shareholders' equity	**20,088**	**22,008**
NON-CONTROLLING INTEREST	2,403	2,969
TOTAL EQUITY	**$** 22,491	**$ 24,977**
TOTAL LIABILITIES AND EQUITY	**$ 36,649**	**$ 36,356**

See notes to condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
UNAUDITED (IN THOUSANDS, EXCEPT EARNINGS PER SHARE)

	Six Months Ended		Three Months Ended	
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Revenue				
Products	$ 6,417	$ 14,694	$ 3,301	$ 5,491
Testing Services	6,106	6,667	2,815	3,193
Fabrication Services	2,800	258	455	93
Others	95	959	48	772
	15,418	22,578	6,619	9,549
Cost of Sales				
Cost of products sold	5,350	12,542	2,743	4,634
Cost of testing services rendered	5,200	3,875	2,566	1,766
Cost of fabrication services rendered	2,660	403	528	188
Others	52	128	26	78
	13,262	16,948	5,863	6,666
Gross Margin	2,156	5,630	756	2,883
Operating Expenses:				
General and administrative	4,264	4,134	2,166	2,304
Selling	267	249	123	121
Research and development	148	116	73	87
Loss on disposal of property, plant and equipment	4	7	--	--
Total operating expenses	4,683	4,506	2,362	2,512
(Loss) / Income from Operations	**(2,527)**	**1,124**	**(1,606)**	**371**
Other (Expenses) / Income				
Interest expenses	(131)	(119)	(70)	(59)
Other income / (expenses), net	21	143	(23)	183
Total other (expenses) / income	(110)	24	(93)	124
(Loss) / Income from Continuing Operations before Income Taxes	**(2,637)**	**1,148**	**(1,699)**	**495**
Income Tax Benefits / (Expenses)	**99**	**(158)**	**136**	**(162)**
(Loss) / income from continuing operations before non-controlling interest, net of tax	(2,538)	990	(1,563)	333
Other Operating Activities				
Equity in earnings of unconsolidated joint venture, net of tax	(11)	--	--	--
Discontinued Operations (Note 17)				
Loss from discontinued operations, net of tax	(2)	(2)	(1)	--
NET (LOSS) / INCOME	**(2,551)**	**988**	**(1,564)**	**333**
Less: net (loss) / income attributable to the non-controlling interest	(544)	310	(361)	146
Net (Loss) / Income Attributable to Trio-Tech International Common Shareholder	**$ (2,007)**	**$ 678**	**$ (1,203)**	**$ 187**
Amounts Attributable to Trio-Tech International Common Shareholders:				
(Loss) / income from continuing operations, net of tax	(2,005)	680	(1,202)	187
Loss from discontinued operations, net of tax	(2)	(2)	(1)	--
Net (Loss) / Income Attributable to Trio-Tech International Common Shareholders	$ (2,007)	$ 678	$ (1,203)	$ 187
Comprehensive (Loss) / Income Attributable to Trio-Tech International Common Shareholders:				

Net (loss) / income	(2,551)	988	(1,564)	333
Foreign currency translation, net of tax	(109)	1,071	425	162
Comprehensive (Loss) / Income	(2,660)	2,059	(1,139)	495
Less: Comprehensive (loss) / income attributable to the non-controlling interest	(566)	100	(348)	(69)
Comprehensive (Loss) / Income Attributable to Trio-Tech International Common Shareholders	$ (2,094)	$ 1,959	$ (791)	$ 564
Basic (Loss) / Earnings per Share:				
Basic (loss) / earnings per share from continuing operations attributable to Trio-Tech International	$ (0.60)	$ 0.21	$ (0.36)	$ 0.06
Basic loss per share from discontinued operations attributable to Trio-Tech International	$ --	$ --	$ --	$ --
Basic (Loss) / Earnings per Share from Net (Loss) / Income **Attributable to Trio-Tech International**	**$ (0.60)**	**$ 0.21**	**$ (0.36)**	**$ 0.06**
Diluted (Loss) / Earnings per Share:				
Diluted (loss) / earnings per share from continuing operations attributable to Trio-Tech International	$ (0.60)	$ 0.20	$ (0.36)	$ 0.05
Diluted loss per share from discontinued operations attributable to Trio-Tech International	$ --	$ --	$ --	$ --
Diluted (Loss) / Earnings per Share from Net (Loss) / Income Attributable to Trio-Tech International	$ (0.60)	$ 0.20	$ (0.36)	$ 0.05
Weighted average number of common shares outstanding				
Basic	3,322	3,262	3,322	3,296
Dilutive effect of stock options	--	118	--	131
Number of shares used to compute earnings per share diluted	3,322	3,380	3,322	3,427

See notes to condensed consolidated financial statements.

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

	Common Stock		Additional Paid-in Capital	Accumulated Retained Earnings	Accumulated Other Comprehensive Income	Non-Controlling Interest	Total
	Shares	Amount					
		$	$	$	$	$	$
Balance at June 30, 2010	3,227	10,365	$ 1,597	6,486	1,818	2,809	23,075
Cash received from stock options exercised	95	166					166
Stock option expenses			630				630
Net (loss) / income				(688)		353	(335)
Translation adjustment					1,641	(193)	1,448
Dividend				(7)			(7)
Balance at June 30, 2011	3,322	10,531	2,227	5,791	3,459	2,969	24,977
Stock option expenses			174				174
Net loss				(2,007)		(544)	(2,551)
Translation adjustment					(87)	(22)	(109)
Balance at Dec. 31, 2011	3,322	10,531	2,401	3,784	3,372	2,403	22,491

See notes to condensed consolidated financial statements.

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

	Six Months Ended December 31, 2011 (Unaudited)	Six Months Ended December 31, 2010 (Unaudited)
Cash Flow from Operating Activities		
Net (loss) / income	**$ (2,551)**	**$ 988**
Adjustments to reconcile net (loss) / income to net cash flow provided by operating activities		
Depreciation and amortization	1,365	1,278
Bad debt (reversal) / expense, net	(29)	(37)
Inventory provision	30	15
Warranty expense / (recovery) , net	20	(19)
Accrued interest expense, net of interest income	118	104
Loss on sale of property-continued operations	4	7
Stock compensation	174	536
Deferred tax provision	(176)	(54)
Loss in equity of unconsolidated joint venture	11	--
Changes in operating assets and liabilities, net of acquisition effects		
Accounts receivables	(1,181)	3,029
Other receivables	(220)	456
Other assets	102	(714)
Inventories	310	822
Prepaid expenses and other current assets	25	(171)
Investment in property development	--	909
Accounts payable and accrued liabilities	259	(3,960)
Income tax payable	(15)	260
Other non-current liabilities	--	(103)
Net cash (used in) provided by operating activities	**(1,754)**	**3,346**
Cash Flow from Investing Activities		
(Investment in) / Proceeds from maturing of unrestricted and restricted term deposits, net	(1,296)	2,441
Loan receivables from property development projects	--	(1,057)
Investment in unconsolidated joint venture	--	(755)
Additions to property, plant and equipment	(1,132)	(1,222)
Proceeds from disposal of plant, property and equipment	--	54
Net cash used in investing activities	**(2,428)**	**(539)**
Cash Flow from Financing Activities		
Borrowing / (Repayment) on lines of credit	1,392	(554)
Repayment of bank loans and capital leases	(224)	(445)
Proceeds from long-term bank loans	1,874	--
Proceeds from stock options exercised	--	135
Net cash provided by (used in) financing activities	**3,042**	(864)
Effect of Changes in Exchange Rate	280	120
NET (DECREASE) INCREASE IN CASH	**(861)**	**2,063**
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**3,111**	**3,244**
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 2,250**	**$ 5,307**
Supplementary Information of Cash Flows		
Cash paid during the period for:		
Interest	$ 105	$ 102
Income taxes	$ 66	$ 152
Non-Cash Transactions		
Capital lease of property, plant and equipment	$ --	$ 394

See notes to condensed consolidated financial statements.

TRIO-TECH INTERNATIONAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT EARNINGS PER SHARE AND NUMBER OF SHARES)

1. ORGANIZATION AND BASIS OF PRESENTATION

Trio-Tech International ("the Company" or "TTI" hereafter) was incorporated in fiscal 1958 under the laws of the State of California. TTI provides third-party semiconductor testing and burn-in services primarily through its laboratories in Southeast Asia. In addition, TTI operates testing facilities in the United States. The Company also designs, develops, manufactures and markets a broad range of equipment and systems used in the manufacturing and testing of semiconductor devices and electronic components. TTI conducts business in five business segments: Manufacturing, Testing Services, Fabrication Services, Distribution and Real Estate. TTI has subsidiaries in the U.S.A., Singapore, Malaysia, Thailand, China and Indonesia as follows:

	Ownership	Location
Express Test Corporation (Dormant)	100%	Van Nuys, California
Trio-Tech Reliability Services (Dormant)	100%	Van Nuys, California
KTS Incorporated, dba Universal Systems (Dormant)	100%	Van Nuys, California
European Electronic Test Centre (Dormant)	100%	Dublin, Ireland
(Operation ceased on November 1, 2005)		
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
(49% owned by Trio-Tech International Pte. Ltd. and 51% owned by Trio-Tech International (Thailand) Co. Ltd.)		
Trio-Tech (Malaysia) Sdn. Bhd. (55% owned by Trio-Tech International Pte. Ltd.)	55%	Penang and Selangor, Malaysia
Trio-Tech (Kuala Lumpur) Sdn. Bhd.	55%	Selangor, Malaysia
(100% owned by Trio-Tech Malaysia Sdn. Bhd.)		
Prestal Enterprise Sdn. Bhd.	76%	Selangor, Malaysia
(76% owned by Trio-Tech International Pte. Ltd.)		
Trio-Tech (Suzhou) Co. Ltd. *	100%	Suzhou, China
Trio-Tech (Shanghai) Co. Ltd. * (Dormant)	100%	Shanghai, China
(Operation ceased on January 1, 2010)		
Trio-Tech (Chongqing) Co. Ltd. *	100%	Chongqing, China
SHI International Pte. Ltd. (55% owned by Trio-Tech International Pte. Ltd)	55%	Singapore
PT SHI Indonesia (100% owned by SHI International Pte. Ltd.)	55%	Batam, Indonesia
Trio-Tech (Tianjin) Co. Ltd. *	100%	Tianjin, China

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

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. All significant inter-company accounts and transactions have been eliminated in consolidation. The unaudited condensed consolidated financial statements are presented in U.S. dollars. The accompanying condensed consolidated financial statements do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for fair presentation have been included. Operating results for the six months ended December 31, 2011 are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2012. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report for the fiscal year ended June 30, 2011.

2. NEW ACCOUNTING PRONOUNCEMENTS

In September 2011, the FASB issued ASU No. 2011-08, *Intangibles—Goodwill and Other* (Topic 350): Testing Goodwill for Impairment. ASU 2011-08 is intended to simplify how entities, both public and nonpublic, test goodwill for impairment. ASU 2011-08 permits an entity to first assess qualitative factors to determine whether it is "more likely than not" that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in Topic 350, Intangibles-Goodwill and Other. The more-likely-than-not threshold is defined as having a likelihood of more than 50%. ASU 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted, including for annual and interim goodwill impairment tests performed as of a date before September 15, 2011, if an entity's financial statements for the most recent annual or interim period have not yet been issued or, for nonpublic entities, have not yet been made available for issuance. The adoption of this update will not have an impact on our results of operations or financial position, as the Company has fully impaired goodwill in prior fiscal years.

In June 2011, the FASB issued ASU No. 2011-05, Comprehensive income (ASC Topic 220): *Presentation of Comprehensive Income*. Under the amendments to ASC Topic 220, *Comprehensive Income*, an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. In a single continuous statement, the entity is required to present the components of net income and total net income, the components of other comprehensive income and a total for other comprehensive income, along with the total of comprehensive income in that statement. In the two statement approach, an entity is required to present components of net income and total net income in the statement of net income. The statement of other comprehensive income should immediately follow the statement of net income and include the components of other comprehensive income and a total for other comprehensive income, along with a total for comprehensive income. Regardless of whether an entity chooses to present comprehensive income in a single continuous statement or in two separate but consecutive statements, the entity is required to present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statement(s) where the components of net income and the components of other comprehensive income are presented. The amendments in this update are to be applied retrospectively and are effective for public entities for fiscal years, and interim periods within those years, beginning after December 15, 2011. Early adoption is permitted, because compliance with the amendments is already permitted. The amendments do not require any transition disclosures. This update may have impact on the Company for presentation of Comprehensive Income commencing with the quarter ending March 31, 2012.

In December 2010, the FASB issued ASU No. 2010-28, *Intangibles – Goodwill and Other* (ASC Topic 350): When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts. Under Topic 350 on goodwill and other intangible assets, testing for goodwill impairment is a two-step test. When a goodwill impairment test is performed (either on an annual or interim basis), an entity must assess whether the carrying amount of a reporting unit exceeds its fair value (Step 1). If it does, an entity must perform an additional test to determine whether goodwill has been impaired and to calculate the amount of that impairment (Step 2). The amendments in this update modify Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that goodwill impairment exists. An entity should consider whether there are any adverse qualitative factors indicating that impairment may exist. The amendments in this update are effective for fiscal years, and interim periods within those years, beginning after December 15, 2010. The adoption of this update did not have an impact on our results of operations or financial position, as the Company has fully impaired goodwill in prior fiscal years.

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In April 2010, the FASB issued ASU No. 2010-13, *Compensation—Stock Compensation* (ASC Topic 718): *Effect of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in which the Underlying Equity Security Trades.* This ASU codifies the consensus reached in EITF Issue No. 09-J, *Effect of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in which the Underlying Equity Security Trades*. The amendments to the Codification clarify that an employee share-based payment award with an exercise price denominated in the currency of a market in which a substantial portion of the entity's equity shares trades should not be considered to contain a condition that is not a market, performance, or service condition. This is effective for financial years beginning after December 15, 2010, which is July 1, 2011 for the Company. The adoption of this update does not have any material impact on our results of operations or financial position.

Other new pronouncements issued but not yet effective until after December 31, 2011 are not expected to have a significant effect on the Company's consolidated financial position or results of operations.

3. INVENTORIES

Inventories consisted of the following:

	Dec. 31, 2011 (Unaudited)	June 30, 2011
Raw materials	$ 1,432	$ 1,303
Work in progress	1,322	1,392
Finished goods	259	213
Less: provision for obsolete inventory	(884)	(937)
Currency translation effect	(141)	459
	$ 1,988	$ 2,430

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

	Dec. 31, 2011 (Unaudited)	June 30, 2011
Beginning	$ 937	$ 907
Additions charged to expenses	29	52
Usage - disposition	(44)	(110)
Currency translation effect	(38)	88
Ending	$ 884	$ 937

4. STOCK OPTIONS

On September 24, 2007, the Company's Board of Directors unanimously adopted the 2007 Employee Stock Option Plan (the "2007 Employee Plan") and the 2007 Directors Equity Incentive Plan, (the "2007 Directors Plan") each of which was approved by the shareholders on December 3, 2007. Each of those plans was amended by the Board in 2010 to increase the number of shares covered thereby, which amendments were approved by the shareholders on December 14, 2010. At present, the 2007 Employee Plan provides for awards of up to 600,000 shares of the Company's Common Stock to employees, consultants and advisors and the 2007 Directors Plan provides for awards of up to 400,000 shares of the Company's Common Stock to the members of the Board of Directors in the form of non-qualified options and restricted stock. These two plans are administered by the Board, which also establishes the terms of the awards.

Assumptions

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

	Six Months Ended December 31, 2011	Year Ended June 30, 2011
Expected volatility	81.17%	112.24 - 122.07%
Risk-free interest rate	0.25%	0.66 – 1.06%
Expected life (years)	2.25	2.25 - 3.25

The expected volatilities are based on the historical volatility of the Company's stock. The observation is made on a weekly basis. The observation period covered is consistent with the expected life of options. The expected life of the options granted to employees has been determined utilizing the "simplified" method as prescribed by *ASC Topic 718 Compensation – Stock Compensation*, which, among other provisions, allowed 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 was 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.

2007 Employee Stock Option Plan

The Company's 2007 Employee Plan permits the grant of stock options to its employees covering up to an aggregate of 600,000 shares of Common Stock. Under the 2007 Employee Plan, all options must be granted with an exercise price of not less than fair value as of the grant date and the options granted must be exercisable within a maximum of ten years after the date of grant, or such lesser period of time as is set forth in the stock option agreements. The options may be exercisable (a) immediately as of the effective date of the stock option agreement granting the option, or (b) in accordance with a schedule related to the date of the grant of the option, the date of first employment, or such other date as may be set by the Compensation Committee. Generally, options granted under the 2007 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 2007 Employee Plan).

Pursuant to the 2007 Employee Plan, stock options covering a total of 37,500 shares of the Company's Common Stock were granted to certain employees on December 14, 2011 with an exercise price equal to the fair value of the Company's Common Stock (as defined under the 2007 Employee Plan in conformity with Regulation 409A of the Internal Revenue Code of 1986, as amended) at the date of grant. These options vested as of the grant date. The fair value as of December 14, 2011 of the options to purchase 37,500 shares of the Company's Common Stock was approximately $42 based on the fair value of $1.11 per share determined by using the Black Scholes option pricing model.

The Company recognized stock-based compensation expense of approximately $118 in the six months ended December 31, 2011 under the 2007 Employee Plan. Unamortized stock-based compensation of $92 based on fair value on the grant date related to options granted under the 2007 Employee Plan is expected to be recognized over a period of two years.

During the six months ended December 31, 2010, pursuant to the 2007 Employee Plan, stock options covering a total of 100,000 shares of the Company's Common Stock were granted to certain officers and employees with an exercise price equal to the fair market value of the Company's Common Stock (as defined under the 2007 Employee Plan in conformity with Regulation 409A of the Internal Revenue Code of 1986, as amended) at the date of grant. These options vest over the period as follows: 25% vesting on the grant date, and the balance vesting in equal installments on the next three succeeding anniversaries of the grant date. The fair market value of 100,000 options granted to purchase the Company's Common Stock was approximately $316 based on the fair value of $3.16 per share determined by using the Black Scholes option pricing model.

The Company recognized stock-based compensation expense of approximately $131 in the six months ended December 31, 2010 under the 2007 Employee Plan. Unamortized stock-based compensation of $296 based on fair value on the grant date related to options granted under the 2007 Employee Plan is expected to be recognized over a period of four years.

As of December 31, 2010, there were vested employee stock options covering a total of 115,750 shares of Common Stock. The weighted-average exercise price was $5.77 and the weighted average contractual term was 3.03 years. The total intrinsic value of vested and outstanding employee stock options as of December 31, 2010 was $52 and $286, respectively. During the three and six months period ended December 31, 2010, 76,375 options were exercised with an intrinsic value of $295.

As of December 31, 2011, there were vested employee stock options covering a total of 232,125 shares of Common Stock. The weighted-average exercise price was $4.24 and the weighted average remaining contractual term was 2.71 years. The total intrinsic value of vested and outstanding employee stock options as of December 31, 2011 was $45 and $77, respectively.

A summary of option activities under the 2007 Employee Plan during the six month period ended December 31, 2011 is presented as follows:

	Options	Weighted-Average Exercise Price	Weighted - Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at July 1, 2011	291,875	$ 4.10	3.07	$ 178
Granted	37,500	$ 2.30	4.95	-
Exercised	-	-	-	-
Forfeited or expired	-	-	-	-
Outstanding at December 31, 2011	329,375	$ 3.89	2.83	$ 77
Exercisable at December 31, 2011	232,125	$ 4.24	2.71	$ 45

A summary of the status of the Company's non-vested employee stock options during the six months ended December 31, 2011 is presented below:

	Options	Weighted-Average Grant-Date Fair Value
Non-vested at July 1, 2011	132,250	$ 5.29
Granted	37,500	1.11
Vested	(72,500)	2.01
Forfeited	-	-
Non-vested at December 31, 2011	97,250	$ 6.12

2007 Directors Equity Incentive Plan

The 2007 Directors Plan permits the grant of options covering up to an aggregate of 400,000 shares of Common Stock to its non-employee directors in the form of non-qualified options and restricted stock. The exercise price of the non-qualified options is 100% of the fair value of the underlying shares on the grant date. The options have five-year contractual terms and are generally exercisable immediately as of the grant date.

Pursuant to the 2007 Directors Plan, the Company granted options to purchase 50,000 shares of its Common Stock to our directors with an exercise price equal to the fair market value of our Common Stock (as defined under the 2007 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 50,000 shares of the Company's Common Stock was approximately $56 based on the fair value of $1.11 per share determined by the Black Scholes option pricing model. There were no options exercised during the six month period ended December 31, 2011. The Company recognized stock-based compensation expense of $56 in the six month period ended December 31, 2011 under the 2007 Directors Plan.

During the six months ended December 31, 2010, pursuant to the 2007 Directors Plan, the Company granted options to purchase 150,000 shares of its Common stock to our directors with an exercise price equal to the fair market value of our Common Stock (as defined under the 2007 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 150,000 options granted to purchase the Company's Common Stock was approximately $405 based on the fair value of $2.70 per share determined by the Black Scholes option pricing model. There were no options exercised during the six month period ended December 31, 2010. The Company recognized stock-based compensation expense of $405 in the six month period ended December 31, 2010 under the 2007 Directors Plan.

The total intrinsic value of vested and outstanding directors' stock options as of December 31, 2011 was $45. A summary of option activities under the 2007 Directors Plan during the six months ended December 31, 2011 is presented as follows:

	Options	Weighted-Average Exercise Price	Weighted - Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at July 1, 2011	335,000	$ 4.86	3.16	$ 102
Granted	50,000	2.30	4.95	-
Exercised	-	-	-	-
Forfeited or expired	-	-	-	-
Outstanding at December 31, 2011	385,000	$ 4.52	2.95	$ 45
Exercisable at December 31, 2011	385,000	$ 4.52	2.95	$ 45

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5. EARNINGS PER SHARE

The Company adopted ASC Topic 260, *Earnings Per Share*. Basic 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.

Stock options to purchase 714,375 shares of Common Stock at exercise prices ranging from $1.72 to $9.57 per share were outstanding as of December 31, 2011 and were excluded in the computation of diluted EPS because their effect would have been anti-dilutive.

Stock options to purchase 646,125 shares of Common Stock at exercise prices ranging from $1.72 to $9.57 per share were outstanding as of December 31, 2010. All the outstanding options were excluded in the computation of diluted EPS for the six months ended December 31, 2010 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:

	Six Months Ended		Three Months Ended	
	Dec. 31, 2011 (Unaudited)	Dec. 31, 2010 (Unaudited)	Dec. 31, 2011 (Unaudited)	Dec. 31, 2010 (Unaudited)
(Loss) / income attributable to Trio-Tech International common shareholders from continuing operations, net of tax	$ (2,005)	$ 680	$ (1,202)	$ 187
Loss attributable to Trio-Tech International common shareholders from discontinued operations, net of tax	(2)	(2)	(1)	-
Net (loss) / income attributable to Trio-Tech International common shareholders	$ (2,007)	$ 678	$ (1,203)	$ 187
Basic (loss) / earnings per share from continuing operations attributable to Trio-Tech International	$ (0.60)	0.21	(0.36)	0.06
Basic loss per share from discontinued operations attributable to Trio-Tech International	--	--	--	-
Basic (loss) / earnings per share from net (loss) / income attributable to Trio-Tech International	$ (0.60)	$ 0.21	$ (0.36)	$ 0.06
Diluted (loss) / earnings per share from continuing operations attributable to Trio-Tech International	$ (0.60)	$ 0.20	$ (0.36)	$ 0.05
Diluted loss per share from discontinued operations attributable to Trio-Tech International	--	-	--	-
Diluted (loss) / earnings per share from net (loss) / income attributable to Trio-Tech International	$ (0.60)	$ 0.20	$ (0.36)	$ 0.05
Weighted average number of common shares outstanding - basic	3,322	3,262	3,322	3,296
Dilutive effect of stock options	--	118	--	131
Number of shares used to compute earnings per share - diluted	3,322	3,380	3,322	3,427

6. ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Accounts receivable consists of customer obligations due under normal trade terms. Although management generally does not require collateral, letters of credit may be required from the customers in certain circumstances. Management periodically performs credit evaluations of the customers' financial conditions.

Senior management reviews accounts receivable on a monthly basis to determine if any receivables will potentially be uncollectible. Management includes any accounts receivable balances that are determined to be uncollectible in the allowance for doubtful accounts. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. Based on the information available to us, management believed the allowance for doubtful accounts as of December 31, 2011 and June 30, 2011 was adequate.

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

	Dec. 31, 2011 (Unaudited)	June 30, 2011
Beginning	$ 69	$ 91
Additions charged to expenses	6	78
Recovered / Write-off	(37)	(107)
Currency translation effect	--	7
Ending	$ 38	$ 69

7. 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 Company provides warranty for products manufactured in the term of one year. The Company estimates the warranty costs based on the historical rates of warranty returns. The Company periodically assesses the adequacy of its recorded warranty liability and adjusts the amounts as necessary.

	Dec. 31, 2011 (Unaudited)	June 30, 2011
Beginning	$ 29	$ 113
Additions charged to cost and expenses	20	51
Recovered	--	(74)
Actual usage	(19)	(70)
Currency translation effect	(1)	9
Ending	29	29

8. INCOME TAX

The Company had no material adjustments to its liabilities for unrecognized income tax benefits according to the provisions of ASC Topic 740 *Income Tax*. The income tax benefit was $99 for the six months and $136 for the three months ended December 31, 2011 as compared to the income tax expenses of $158 for the six months and $162 for the three months ended December 31, 2010.

The Company accrues penalties and interest related to unrecognized tax benefits when necessary as a component of penalties and interest expenses, respectively. The Company had not accrued any penalties or interest expenses relating to unrecognized benefits at June 30, 2011 and December 31, 2011.

The major tax jurisdictions in which the Company files income tax returns are the United States, Singapore and Malaysia. The statute of limitations, in general, is open for years 2003 to 2011 for tax authorities in those jurisdictions to audit or examine income tax returns. The Company is under annual review by the government of Singapore. However, the Company is not currently under tax examination in any other jurisdiction.

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9. INVESTMENT IN PROPERTY DEVELOPMENT

The following table presents the Company's investment in property development in China as of December 31, 2011. The exchange rate is based on the exchange rate as on December 31, 2011 published by the Monetary Authority of Singapore.

	Investment Date	Investment Amount (RMB)	Investment Amount (U.S. Dollar)
Investment in developments - JiaSheng	08/27/2007	10,000	$ 1,564
Investment in developments - JiaSheng	12/17/2007	5,000	782
Return of investment in developments - JiaSheng	06/26/2008	(5,000)	(782)
Return of investment in developments - JiaSheng	10/23/2008	(1,988)	(311)
Return of investment in developments - JiaSheng	11/20/2009	(1,988)	(311)
Return of investment in developments - JiaSheng	11/03/2010	(2,651)	(415)
Return of investment in developments - JiaSheng	11/08/2010	(723)	(113)
Return of investment in developments - JiaSheng	11/09/2010	(301)	(47)
Return of investment in developments - JiaSheng	11/10/2010	(1,807)	(283)
Return of investment in developments - JiaSheng	11/12/2010	(542)	(84)
Total: Investment in property developments – Jia Sheng (project B-48 Phase 1)		--	$ --

In fiscal 2008, Trio-Tech (Chongqing) Co. Ltd. ("TTCQ") entered into a Memorandum Agreement with JiaSheng Property Development Co. Ltd., ("JiaSheng") to invest in a piece of property (project B-48 phase 1) with 24.91 acres owned and developed by JiaSheng located in Chongqing City, China, which was intended for sale after the completion of development. TTCQ invested RMB15,000 and the Company recorded a return of investment totaling RMB15,000. From fiscal 2008 through fiscal 2010 the Company recorded a return on investment totaling RMB5,874, or approximately $937 and in fiscal 2011 recorded a return on investment amounting to RMB3,976, or approximately $595. There were no new investments in property development made during the period six months ended December 31, 2011.

10. INVESTMENT PROPERTY IN CHINA

The following table presents the Company's investment in the property in China as of December 31, 2011. The exchange rate is based on the exchange rate as of December 31, 2011 published by the Monetary Authority of Singapore.

	Investment Date	Investment Amount (RMB)	Investment Amount (U.S. Dollars)
Purchase of rental property – MaoYe	01/04/2008	5,554	$ 880
Purchase of rental property – JiaSheng	10/23/2008	7,042	1,116
Additional cost of rental property - JiaSheng	12/01/2009	209	33
Investment rental property disposed - JiaSheng	02/05/2010	(579)	(92)
Purchase of rental property – JiangHuai	01/06/2010	3,600	570
Investment rental property disposed - JiaSheng	03/04/2011	(6,672)	$ (1,056)
Gross investment in rental property		9,154	1,451
Accumulated depreciation on rental property	12/31/2011	(1,380)	(219)
Net investment in property – China		7,774	$ 1,232

Rental Property I

In fiscal 2008, TTCQ entered into a Memorandum Agreement with MaoYe Property Ltd. to purchase an office space in Chongqing, China, for a total cash purchase price of RMB5,554. The Company rented this property to a third party on July 13, 2008. The term of the rental agreement was five years with a monthly rental income of RMB 39 or approximately $6 based on the average exchange rate for the period six months ended December 31, 2011, for the first three years, and in the fourth year with an increase of 8% in July 2012, a monthly rental income of RMB41, or approximately $6 based on the average exchange rate for the period six months ended December 31, 2011, and another increase of 8% in July 2013.
Property purchased from Mao Ye, generated a rental income of RMB124, or approximately $19 and RMB249, or approximately $39 for the three and six months ended December 31, 2011, respectively and RMB116, or approximately $17, and RMB232, or approximately $34, respectively for the same period in the last fiscal year.

Rental Property II

In fiscal 2009, TTCQ entered into a Memorandum Agreement with JiaSheng to purchase four units of commercial property and two units of residential property, totaling 1,391.70 square meters in Chongqing, China, for a total purchase price of RMB7,042. All of the property purchased from JiaSheng was disposed of in February 2010 and March 2011 and hence there were no rental income recorded for these properties for the three and six months ended December 31, 2011, respectively. However these properties generated a rental income of RMB 233, or approximately $35 and RMB581, or approximately $86, respectively for the same periods in the last fiscal year.

TTCQ sold four commercial properties purchased on October 23, 2008 to JiaSheng for RMB6,860, or approximately $1,067, recording a gain on disposal of RMB 1,015, or approximately $158 after deducting sales tax and exchange difference, from the four properties which carried a cost of RMB6,672, or approximately $1,044 and accumulated depreciation of RMB840, or approximately $131. All payments in this sales transaction were received in full during the third quarter of fiscal 2011.

Rental Property III

In fiscal 2010, the Company entered in to a Memorandum Agreement with Chongqing JiangHuai Real Estate Development Co., Ltd to purchase eight units of commercial property, in Chongqing, China, for a total purchase price of RMB3,600. TTCQ renewed its rental agreement for this property on January 8, 2011 and the rental agreement provided for a one year renewable term with an annual rental income of RMB720, or approximately $112 based on the average exchange rate for the same period in the last fiscal year.

Property purchased from JiangHuai, generated a rental income of RMB 180, or approximately $28 and RMB 360, or approximately $56 for the three and six months ended December 31, 2011 and RMB 180, or approximately $28 and RMB 360, or approximately $56 for the same period in the last fiscal year.

Other Properties

In fiscal 2010, the Company entered into a Memorandum Agreement with Chongqing Fu Li Real Estate Development Co. Ltd., to purchase two commercial properties totaling 311.99 square meters, (“office space”) located in Jiang Bei District Chongqing. Although TTCQ currently rents its office premises from a third party, it intends to use the office space as its office premises. The total purchase price committed and paid was RMB3,678, or approximately $583 based on the exchange rate as of December 31, 2011. A down payment deposit of RMB3,678, or approximately $583, was paid in fiscal 2010, and the related tax expense of RMB150, or approximately $23, was paid. The construction has been completed as at the date of this report and the documentation of the change of title is in process.

Summary

Total rental income for both the investment properties (Property I and Property II) in China was $47 and $95 for the three and six months ended December 31, 2011 respectively and was $79 and $174 respectively for the same period in the last fiscal year. The property “office space” did not yield any rent for the three and six months ended December 31, 2011, as the possession of the property has not been handed over yet.

Depreciation expenses for both the investment property in China were $18 and $36 for the three and six months ended December 31, 2011, respectively and were $29 and $58 respectively for the same period in the last fiscal year.

11. LOAN RECEIVABLE FROM PROPERTY DEVELOPMENT PROJECTS

The following table presents the Company's loan receivable from property development projects in China as of December 31, 2011. The exchange rate is based on the date published by the Monetary Authority of Singapore as on December 31, 2011.

	Loan Date	Loan Amount (RMB)	Loan Amount (U.S. Dollars)
Investment in JiaSheng (Project B-48 Phase 2)	11/1/2010	5,000	792
Investment in JiangHuai (Project - Yu Jin Jiang An)	11/1/2010	2,000	317
Net loan receivable from property development projects		7,000	1,109

On November 1, 2010, TTCQ entered into a new Memorandum Agreement with JiaSheng Property Development Co. Ltd.("JiaSheng") to invest in their property development projects (Project B-48 Phase 2) located in Chongqing City, China. Due to the short term nature of the investment, the amount was classified as a loan based on ASC Topic 310-10-25 Receivables, amounting to RMB5,000. The agreement guaranteed the Company an income of RMB1,250, or approximately $195, payable in four installments of RMB313, or approximately $49, based on the average exchange rate as on December 31, 2011 published by the Monetary Authority of Singapore. The amount is unsecured and repayable at the end of the term. The loan was renewed in November 2011 for a period of one year, which expires on October 31, 2012. The agreement guaranteed the Company an income of RMB1,250, or approximately $195, payable in four installments of RMB313, or approximately $49, based on the average exchange rate as on December 31, 2011 published by the Monetary Authority of Singapore. The book value of the loan receivable approximates its fair value. TTCQ recorded other income of RMB313, or approximately $49, and RMB626 or approximately $98, from JiaSheng for the three and six months ended December 31, 2011. Because the investment was made on November 1, 2010 there was no such income for the quarter ended December 31, 2010.

On November 1, 2010, TTCQ entered into a new Memorandum Agreement with JiangHuai Property Development Co. Ltd. ("JiangHuai") to invest in their property development projects (Project - Yu Jin Jiang An) located in Chongqing City, China. Due to the short term nature of the investment, the amount was classified as a loan based on ASC Topic 310-10-25 Receivables, amounting to RMB2,000. The agreement guaranteed the Company an income of RMB400, or approximately $62, payable in 12 installments of RMB33, or approximately $5 based on the average exchange rate as on December 31, 2011 published by the Monetary Authority of Singapore. The amount is secured by the underlying property and repayable at the end of the term. The loan was renewed on November 1, 2011, which expires on November 30, 2012. The agreement guaranteed the Company an income of RMB433, or approximately $67, payable in 13 installments of RMB33, or approximately $5 based on the average exchange rate as on December 31, 2011 published by the Monetary Authority of Singapore. The book value of the loan receivable approximates its fair value. TTCQ recorded other income of RMB100, or approximately $16 and RMB200 or approximately $31 based on the average exchange rate as on December 31, 2011 published by the Monetary Authority of Singapore, from JiangHuai for the three and six months ended December 31, 2011. Because the investment was made on November 1, 2010 there was no such income for the quarter ended December 31, 2010.

12. BUSINESS SEGMENTS

The Company operates in five segments; the testing service industry (which performs structural and electronic tests of semiconductor devices), the designing and manufacturing of equipment (which equipment tests the structural integrity of integrated circuits and other products), distribution of various products from other manufacturers in Singapore and Southeast Asia, the fabrication segment (which provides fabrication services in Indonesia for the oil and gas industry) and the real estate segment in China.

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

All inter-segment revenue were revenue from the manufacturing segment to the testing and distribution segments. Total inter-segment revenue were $135 and $353 for the three and six months ended December 31, 2011 respectively, as compared to $88 and $156 for the same periods in the last fiscal year. Corporate assets mainly consisted of cash and prepaid expenses. Corporate expenses mainly consisted of stock option expenses, salaries, insurance, professional expenses and directors' fees. Corporate expenses are allocated to the five segments. The following segment information table includes segment operating (loss) / income after including the Corporate expenses allocated to the segments, which gets eliminated in the consolidation.

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The following segment information is Unaudited for the six months ended December 31, 2011:

Business Segment Information:

	Six months Ended Dec. 31,	Net Revenue	Operating Income (Loss)	Total Assets	Depr. and Amort.	Capital Expenditures
Manufacturing	2011	$ 6,014	$ (580)	$ 10,385	$ 108	$ 8
	2010	14,261	10	3,872	124	145
Testing Services	2011	6,106	(1,142)	19,892	1,125	1,117
	2010	6,667	1,014	30,433	952	1,465
Distribution	2011	403	9	198	2	--
	2010	433	59	561	--	--
Real Estate	2011	95	(15)	4,423	38	--
	2010	959	682	4,851	62	1
Fabrication	2011	2800	(465)	1,699	92	7
Services	2010	258	(404)	959	140	5
Corporate &	2011	--	(334)	52	--	--
Unallocated	2010	--	(237)	104	--	--
Total Company	2011	$ 15,418	$ (2,527)	$ 36,649	$ 1,365	$ 1,132
	2010	$ 22,578	$ 1,124	$ 40,780	$ 1,278	$ 1,616

The following segment information is Unaudited for the three months ended December 31, 2011:

Business Segment Information:

	Quarter Ended Dec. 31,	Net Revenue	Operating (Loss) Income	Total Assets	Depr. and Amort.	Capital Expenditures
Manufacturing	2011	$ 3,216	$ (265)	$ 10,385	$ 51	$ 4
	2010	5,287	(142)	3,872	64	142
Testing Services	2011	2,815	(800)	19,892	563	664
	2010	3,193	571	30,433	488	862
Distribution	2011	85	(12)	198	1	-
	2010	204	28	561	-	-
Real Estate	2011	48	(9)	4,423	19	-
	2010	772	594	4,851	31	1
Fabrication	2011	455	(278)	1,699	45	1
Services	2010	93	(218)	959	44	-
Corporate &	2011	-	(242)	52	-	-
Unallocated	2010	-	(462)	104	-	-
Total Company	2011	$ 6,619	$ (1,606)	$ 36,649	$ 679	$ 669
	2010	$ 9,549	$ 371	$ 40,780	$ 627	$ 1,005

13. NON-CONTROLLING INTEREST

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

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

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

Non-controlling interest	Dec. 31, 2011 (Unaudited)	June 30, 2011
Beginning balance	$ 2,969	$ 2,809
Net (loss) / income	(544)	353
Translation adjustment	(22)	(193)
Ending balance	$ 2,403	$ 2,969

14. FAIR VALUE MEASUREMENTS

ASC Topic 820 *Fair Value Measurements and Disclosures* provides enhanced guidance for using fair value to measure assets and liabilities. Under the standard, 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.

The following table provides a summary of the assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2011:

		Basis of Fair Value Measurements		
	As of December 31, 2011	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Assets				
Short-term deposits	$ 1,499	$ 1,499	$ --	$ --
Restricted term deposits	$ 3,374	$ 3,374	$ --	$ --
Total assets measured at fair value	$ 36,649	$ 36,649	$ --	$ --
Percentage of total assets	13.3%	13.3%	--	--

In accordance with ASC Topic 820, the Company measures its short term deposits and restricted short-term deposits at fair value, and they are classified within Level 1. Since the Company's term deposits are fixed rate deposits, there is an active, readily tradable market value based on quoted prices. The Company based its estimates on such prices (Level 1 pricing) as of December 31, 2011. Active markets are those in which transactions occur in significant frequency and volume to provide pricing information on an on-going basis. Since valuations are based on quoted prices that are readily and regularly available in an active market, the valuation of these term deposits does not entail a significant degree of judgment.

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15. BANK LOANS PAYABLE

Bank loans payable consisted of the following:

	Dec. 31, 2011 (Unaudited)	June 30, 2011
Note payable denominated in Malaysian Ringgit to a commercial bank for infrastructure investment, maturing in August 2024, bearing interest at the bank's prime rate (4.75% at December 31, 2011) per annum, with monthly payments of principal plus interest through August 2024, collateralized by the acquired building.	2,705	2,915
Note payable denominated in US dollars to a financial institution for working capital plans in Singapore and its subsidiaries, maturing in December 2014, bearing interest at the bank's prime rate plus 1.50% (4.75% at December 2, 2011) with monthly payments of principal plus interest of $52 through December 2014. This note payable is secured by plant and equipments with the net book value of $1,163.	1,883	--
Current portion	(768)	(147)
Long term portion of bank loans payable	$ 3,820	$ 2,768

Future minimum payments (excluding interest) as at December 31, 2011 were as follows:

2012	$ 768
2013	767
2014	774
2015	157
2016	165
Thereafter	1,957
Total obligations and commitments	$ 4,588

16. COMMITMENTS AND CONTINGENCIES

Trio-Tech (Malaysia) Sdn. Bhd. has expansion plans to meet the growing demands of a major customer in Malaysia, as the existing facility is inadequate to meet the demands of that customer. The Company has capital commitments for the purchase of equipment and other related infrastructure costs amounting to RM394, or approximately $124, based on the exchange rate as on December 31, 2011 published by the Monetary Authority of Singapore, in the Malaysia operations.

Trio-Tech (Tianjin) Co. Ltd. In China has capital commitments for the purchase of equipment and other related infrastructure costs amounting to RMB 1,331, or approximately $211, based on the exchange rate as on December 31, 2011 published by the Monetary Authority of Singapore. It commenced operation in the third quarter of fiscal 2011, after completion of the operations facilities process audit by the customer.

17. DISCONTINUED OPERATION AND CORRESPONDING RESTRUCTURING PLAN

The Company's Shanghai operation, as a component of the Testing segment, suffered continued operating losses in the past three fiscal years and the cash flow was minimal for the past three years. In January 2010, the Company established a restructuring plan to close the Testing operation in Shanghai, China. Based on the restructuring plan and in accordance with ASC Topic 205-20, *Presentation of Financial Statement Discontinued Operations*, the Company presented the operation results from Shanghai as a discontinued operation as the Company believed that no continued cash flow would be generated by the disposed component (Shanghai subsidiary) and that the Company would have no significant continuing involvement in the operation of the discontinued component. In accordance with the restructuring plan, before moving out of Shanghai the Company will be required to pay the outstanding balance of accounts payable of RMB237, or approximately $38 based on the exchange rate as on December 31, 2011 published by the Monetary Authority of Singapore.

The Company incurred general and administrative expenses of approximately $1 and $2 for the three and six months ended December 31, 2011, respectively, for winding down the operation in Shanghai. The Company anticipates that it may incur additional costs and expenses in winding down the business of the subsidiary through which the China facility was operated.

Under the provision of ASC Topic 830, *Foreign Currency Matters*, translation adjustments that result when a foreign entity's financial statements are translated into a parent company's or an investor's reporting currency are separately reported in the parent company's other comprehensive income. Foreign currency translation adjustments that are accumulated in other comprehensive income are reclassified to income only when they are realized, if the investment in the foreign entity is sold or is substantially or completely liquidated. The foreign currency translation adjustments on the balance sheet of the Shanghai, China subsidiary as of December 31, 2011 were insignificant.

Loss from discontinued operations was as follows:

	Six Months Ended		Three Months Ended	
	Dec. 31, 2011 Unaudited	Dec. 31, 2010 Unaudited	Dec. 31, 2011 Unaudited	Dec. 31, 2010 Unaudited
REVENUE	$ -	$ --	$ -	$ --
COST OF SALES	-	--	-	--
GROSS LOSS	-	--	-	--
OPERATING EXPENSES				
General and administrative	2	2	1	--
Total	2	2	1	--
LOSS FROM DISCONTINUED OPERATION	(2)	(2)	(1)	--
OTHER INCOME	-	--	-	--
LOSS FROM DISCONTINUED OPERATIONS	$ (2)	$ (2)	$ (1)	$ --

The Company does not provide a separate cash flow statement for the discontinued operation, as the impact of this discontinued operation was immaterial.

18. INVESTMENT - OTHERS

During the second quarter of fiscal 2011, the Company entered into a joint-venture agreement with JiaSheng Property Development Co. Ltd. ("JiaSheng") to develop real estate projects in China. The Company invested RMB 10,000, or approximately $1,585 based on the exchange rate as of December 31, 2011 published by the Monetary Authority of Singapore, for a 10% interest in the newly formed joint venture, which was incorporated as a limited liability company, Chong Qing Jun Zhou Zhi Ye Co. Ltd. (the "joint venture"), in China. The agreement stipulates that the Company will nominate two of the five members of the Board of Directors of the joint venture and has the ability to assign two members of management to the joint venture. The agreement also stipulates that the Company will receive a fee of RMB 10,000, or approximately $1,585 based on the exchange rate as of December 31, 2011 published by the Monetary Authority of Singapore, for the services rendered in connection with obtaining priority to bid in certain real estate projects from the local government. Upon signing of the agreement, JiaSheng paid the Company RMB 5,000 in cash, or approximately $792 based on the exchange rate as on December 31, 2011 published by the Monetary Authority of Singapore. The remaining RMB 5,000 will be paid over 72 months commencing in 36 months from the date of the agreement when Chong Qing Jun Zhou Zhi Ye Co. Ltd. secures a property development project stated inside the joint venture agreement. The Company considered the RMB 5,000, or approximately $792 based on the exchange rate as on December 31, 2011 published by the Monetary Authority of Singapore, received in cash from JiaSheng, the controlling venturer in the joint venture, as a partial return of the Company's initial investment of RMB 10,000, or approximately $1,585 based on the exchange rate as of December 31, 2011 published by the Monetary Authority of Singapore. Therefore, the RMB 5,000 received in cash was offset against the initial investment of RMB 10,000 resulting in a net investment of RMB 5,000 as of September 30, 2011. The Company considers that the collectability of the remaining RMB 5,000 is uncertain due to the extended terms of the payment, and therefore has not recorded this amount as receivable as of December 31, 2011.

In accordance with ASC Topic 323 *Investments – Other, Cost Method Investments*, ''Investment in unconsolidated joint venture'' as shown on the Company's Balance Sheet consists of the cost of an investment in Chong Qing Jun Zhou Zhi Ye Co Ltd., in which the Company has a 10.89% interest. Prior to the first quarter of fiscal 2012, the Company's 10.89% ownership in this China affiliate was recorded on the equity basis.

In the first quarter of fiscal 2012, due to the resignation of two directors representing Trio-Tech in the board of joint venture, the Company concluded that it could no longer exert a significant influence over the joint venture, operating and financial activities. Therefore, the Company began accounting for this investment using the cost method effective September 29, 2011. An impairment review was made during the quarter ended December 31, 2011 and the carrying value of this investment at December 31, 2011, was $771, which approximates the Company's pro rata share in the joint venture, underlying value.

In accordance with ASC Topic 810-10-50, *Disclosure for Variable Interest Entities*, the Company analyzed its investments in joint ventures to determine if the joint venture is a variable interest entity ("VIE") and would require consolidation. The Company (a) evaluates the sufficiency of the total equity at risk, (b) reviews the voting rights and decision-making authority of the equity investment holders as a group, and whether there are any guaranteed returns, protection against losses, or capping of residual returns within the group, and (c) establish 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, 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. The Company has determined that the investment is a VIE, however the Company is not the primary beneficiary. Therefore, the Company does not consolidate the joint venture and it is accounted for using the cost method, since there is no significant influence.

19. ASSET HELD FOR SALE

During the third quarter of fiscal 2011, Trio-Tech (Malaysia) Sdn Bhd. ("TTM") a 55% owned subsidiary of the Registrant planned to sell its factory building in Penang, Malaysia which was being used as its testing facility before it moved its entire operations to Petaling Jaya, Malaysia. The Malaysia operation ceased the depreciation of that property in accordance with ASC Topic 360 *Property, plant and equipment*.

The asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets.

Accordingly, the Company believes that the assets held for sale should be classified as current assets and that the fair value of this property, less cost to sell is higher than its book value. The asset held for sale was recorded at a net book value of $130 in accordance with ASC Topic 360 *Property, plant and equipment*.

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

Overview

The following should be read in conjunction with the condensed consolidated financial statements and notes in Item I above and with the audited consolidated financial statements and notes, the information under the headings "Risk Factors" and "Management's discussion and analysis of financial condition and results of operations" in the our Annual Report on Form 10-K for the fiscal year ended June 30, 2011.

Trio-Tech International ("TTI") was incorporated in 1958 under the laws of the State of California. As used herein, the term "Trio-Tech" or "Company" or "we" or "us" or "Registrant" includes Trio-Tech International and its subsidiaries unless the context otherwise indicates. Our mailing address and executive offices are located at 16139 Wyandotte Street, Van Nuys, California 91406, and our telephone number (818) 787-7000.

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

TTI generates more than 90% of its revenue from its three core business segments in the test and measurement industry, i.e. manufacturing of test equipment, testing services and distribution of test equipment. In 2007, we added a real estate revenue segment and in 2009, and a fabrication segment when we ventured into providing fabrication service for oil and gas equipment industry.

Manufacturing

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

Testing

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

Distribution

In addition to our own products and services, TTI also provides an extensive range of complementary environmental and reliability test equipment from reputable manufacturers through our distribution operations. Such equipment include temperature cycling and shock test chambers, reflow ovens, mechanical shock testers, drop testers and more.

Real Estate

In 2007, TTI invested in real property in Chongqing, China, which generated investment returns as well as investment income from real estate development projects and rental income from properties.

Fabrication

To mitigate concentration risks arising from industry concentration and customer concentration in our core businesses, TTI invested in a new business that provides, product and services to the oil and gas industry. This business operates from a yard facility in Indonesia and fabricates steel structures, pipe spools, skid equipment packages and modules, heat transfer and process equipment.

Second Quarter Fiscal 2012 Highlights

- Manufacturing segment revenue decreased by $2,071, or 39.2%, to $3,216 for the second quarter of fiscal 2012, compared to $5,287 for the same period in fiscal 2011.
- Testing segment revenue decreased by $378, or 11.8%, to $2,815 for the second quarter of fiscal 2012, compared to $3,193 for the same period in fiscal 2011.
- Distribution segment revenue decreased by $119, or 58.3%, to $85 for the second quarter of fiscal 2012, compared to $204 for the same period in fiscal 2011.
- Real estate segment revenue decreased by $724, or 93.8%, to $48 for the second quarter of fiscal 2012, compared to $772 for the same period in fiscal 2011.
- Fabrication Services segment revenue increased by $362, or 389.2%, to $455 for the second quarter of fiscal 2012, compared to $93 for the same period in fiscal 2011.
- The overall gross profit margins decreased by 18.8% to 11.4% for the second quarter of fiscal 2012, from 30.2% for the same period in fiscal 2011.
- Loss from operations increased by $1,977 to $1,606 for the second quarter of fiscal 2012, compared to an income of $371 for the same period in fiscal 2011.
- General and administrative expenses as a percentage of revenue increased by 8.6% to 32.7% for the second quarter of fiscal 2012, from 24.1% for the same period in fiscal 2011.
- Selling expenses as a percentage of revenue increased by 0.6% to 1.9% for the second quarter of fiscal 2012, from 1.3% for the same period in fiscal 2011.
- Net loss for the second quarter of 2012 was $1,203 as compared to a net income of $187 for the same period in fiscal 2011.

Results of Operations and Business Outlook

The following table sets forth our revenue components for the three and six months ended December 31, 2011 and 2010, respectively.

Revenue Components	Three Months Ended December 31,		Six Months Ended December 31,	
	2011	2010	2011	2010
Revenue:				
Manufacturing	48.6%	55.4%	39.0%	63.2%
Testing Services	42.5	33.4	39.6	29.6
Fabrication Services	6.9	1.0	18.2	1.1
Distribution	1.3	2.1	2.6	1.9
Real Estate	0.7	8.1	0.6	4.2
Total	100.0%	100.0%	100.0%	100.0%

Revenue for the three months and six months ended December 31, 2011 was $6,619 and $15,418, respectively, a decrease of $2,930 and $7,160, respectively, when compared to the revenue for the same periods of the prior fiscal year. As a percentage, revenue decreased by 30.7% and 31.7% for the three and six months ended December 31, 2011, respectively, when compared to total revenue for the same periods of the prior year.

Revenue into and within China, the Southeast Asia regions and other countries (except revenue into and within the United States) decreased by $2,682, or 29.9%, to $6,283 and by $7,006, or 32.3%, to $14,674 for the three months and six months ended December 31, 2011, respectively, as compared with $8,965 and $21,680 for the same periods of last fiscal year. The decrease was primarily due to a decrease in revenue in the manufacturing segment in our Singapore operation, in the testing segment in our Malaysia operation and in the real estate segment in our China operation, but partially offset by an increase in revenue in the fabrication services segment in our Indonesia operation. Revenue into and within the United States was $336 and $744 for the three months and six months ended December 31, 2011, respectively, a decrease of $248 and $154, respectively, from $584 and $898 for the same periods of the prior year. The decrease in three months result was mainly due to a decrease in market demand for our products in the U.S. market in the second quarter of fiscal 2012 as compared to the same period in fiscal 2011.

Revenue for the three and six months ended December 31, 2011 can be discussed within the five segments as follows:

Manufacturing Segment

Revenue in the manufacturing segment as a percentage of total revenue was 48.6% and 39.0% for the three and six months ended December 31, 2011, respectively, a decrease of 6.8% and 24.2% of total revenue, respectively, when compared to the same periods of the last fiscal year. The absolute amount of revenue decreased by $2,071 and $8,247 to $3,216 and $6,014 for the three and six months ended December 31, 2011, respectively, compared to the same periods of the last fiscal year.

The decrease in revenue generated by the manufacturing segment in the second quarter of fiscal 2012 was primarily due to a decrease in capital spending by one of our major customers for the testing and production of their semiconductors compared to the same period of last fiscal year. The revenue in the manufacturing segment from this major customer accounted for 53.6% and 70.0 %, and 50.3% and 80.6% of our total revenue in the manufacturing segment for the three months and six months ended December 31, 2011 and 2010, respectively. The future revenue in our manufacturing segment will be significantly affected by the purchase and capital expenditure plans of this major customer, if the customer base cannot be increased.

Testing Services Segment

Revenue in the testing segment as a percentage of total revenue was 42.5% and 39.6% for the three and six months ended December 31, 2011, respectively, an increase of 9.1% and 10.1%, respectively, of total revenue when compared to the same periods of the last fiscal year. Although there was an increase in percentage of total revenue from the testing segment, there was a decrease in revenue in absolute dollar amount as compared to the same period in last fiscal year. The absolute amount of revenue decreased by $378 to $2,815 and by $561 to $6,106 for the three and six months ended December 31, 2011, respectively, compared to the same periods of the last fiscal year.

The decrease in revenue generated by the testing segment was primarily due to a decrease in testing volume in our Malaysia and Thailand operations, but partially offset by an increase in testing volume in our China operations. The decrease in testing volume in our Singapore, Malaysia and Thailand operations was mainly caused by our major customers reducing their orders due to the prevailing global market slowdown. Malaysia operation, despite lower volume, incurred higher cost to meet the major customer's quality standard requirement. Additionally, our Thailand operation was affected by a slowdown caused by severe flooding in Thailand, during second quarter in fiscal 2012. Demand for testing services varies from country to country depending on changes taking place in the market and our customers' forecasts. As it is difficult to accurately forecast fluctuations in the market, management believes 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.

Distribution Segment

Revenue in the distribution segment accounted for 1.3% and 2.6% of total revenue for the three and six months ended December 31, 2011, respectively, a decrease of 0.8% and an increase of 0.7%, respectively, when compared to the same periods of the prior year. The absolute amount of revenue decreased by $119 to $85 and by $30 to $403 for the three and six months ended December 31, 2011, respectively, compared to the same periods of the last fiscal year. The decrease in revenue was mainly due to a decrease in the orders from our existing customers, which was partially offset by orders from new customers.

Real Estate Segment

The real estate segment accounted for 0.7% and 0.6% of total net revenue for the three and six months ended December 31, 2011, respectively, a decrease of 7.4% and 3.6% compared to the same periods in fiscal 2011. The absolute amount of net revenue in the real estate segment decreased by $724 to $48 and by $864 to $95 for the three and six months ended December 31, 2011, respectively, compared to the same periods of fiscal 2011. The decrease was primarily due to a decrease in our investment income and rental income in the real estate segment for the three and six months ended December 31, 2011 as described below.

The two main revenue components for the real estate segment were investment income and rental income.

We received an investment income of RMB 4,668 and RMB 5,293 for investment in property development, or approximately $694 and $786 for the three months and six months ended December 31, 2010, respectively, while there was no such investment income for the three and six months ended December 31, 2011, since the entire investment was progressively received by the end of December 31, 2010.

Income from certain of our property development investments were reclassified to loan receivable in accordance with *ASC Topic 310-10-25 Receivables*. Such income is included in "Other Income".

Rental income for the three and six months ended December 31, 2011 was RMB305 and RMB609 or approximately $47 and $95, respectively, based on the exchange rate as on December 31, 2011 published by the Monetary Authority of Singapore. The decrease was primarily due to the disposal of rental property during the third quarter of fiscal 2011 as compared to RMB528 and RMB1,172 or approximately $79 and $174, respectively for the same period of the last fiscal year.

"Investment in unconsolidated joint venture" as shown in the balance sheet consists of the cost of an investment in a joint venture, in which we have a 10.89% interest. Prior to the first quarter of fiscal 2012, the 10.89% ownership in this China affiliate was recorded on the equity basis. In the first quarter of fiscal 2012, we concluded that we could no longer exert significant influence the operating and financial activities of the joint venture. Therefore, we began accounting for this investment using cost method effective September 29, 2011. The carrying value of this investment at December 31, 2011 was $771, which approximates our pro rate share of the underlying value of the joint venture. Based on ASC Topic 323 – *Investment – Other, Cost Method Investments*, the existing cost, after evaluating for impairment, the carrying value of the investment has been considered to be the cost of investment.

Fabrication Services Segment

As a percentage of total revenue, the revenue generated by the fabrication services segment accounted for 6.9% and 18.2% of total revenue for the three and six months ended December 31, 2011, respectively, as compared to 1.0% and 1.1% of total revenue for the same periods of last fiscal year. The absolute amount of revenue was $455 and $2,800 for the three and six months ended December 31, 2011, respectively, an increase of $362 and $2,542 as compared to $93 and $258 for the same period of last fiscal year. The increase in revenue generated by the segment was due to two fabrication projects in the three and six months ended December 31, 2011. Although we have been in the fabrication business for only two years, we believe we are starting to penetrate the market with these new projects.

Revenue in the fabrication segment decreased by $1,890, or 80.6%, for the second quarter of fiscal 2012, compared to $2,345 for the first quarter of fiscal 2012. Revenue in this segment is recognized based on the percentage of completion. The decrease in revenue was primarily due to the completion of 100% of the two projects during the first quarter of fiscal 2012. The Company is currently handling another project which is expected to be completed by the end of the third quarter of fiscal 2012 and is working on securing further projects.

Uncertainties and Remedies

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

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

Comparison of the Second Quarter Ended December 31, 2011 ("Q2 2012") and December 31, 2010 ("Q2 2011")

The following table sets forth certain consolidated statements of income data as a percentage of revenue for the second quarters of fiscal 2012 and 2011, respectively:

	Three Months Ended December 31,	
	2011	2010
Revenue	**100.0%**	**100.0%**
Cost of sales	88.6	69.8
Gross Margin	**11.4%**	**30.2%**
Operating expenses :		
General and administrative	32.7%	24.1%
Selling	1.9	1.3
Research and development	1.1	0.9
Impairment loss	0.0	0.0
Gain on disposal of PP&E	0.0	0.0
Total operating expenses	35.7%	26.3%
(Loss)/Income from Operations	**(24.3)%**	**3.9%**

Overall Gross Margin

Overall gross margin as a percentage of revenue decreased by 18.8% to 11.4% for the three months ended December 31, 2011, from 30.2% in the same period of the last fiscal year primarily due to a decrease in the gross profit margin in the testing, distribution and real estate segments. That decrease was partially offset by an increase in gross profit margin in the manufacturing and fabrication services segments.

Gross profit margin as a percentage of revenue in the manufacturing segment increased by 2.1% to 17.3% for the three months ended December 31, 2011, from 15.2% in the same period of the last fiscal year. The increase of gross profit margin was primarily due to higher decrease in material and labour cost as compared with the decrease in revenue in Singapore operation. The decrease in material cost was due to the reduction in the procurement to manage the decrease in revenue. The decrease in revenues was primarily due to decrease in orders from one major customer as discussed above. In absolute dollar amounts, gross profits in the manufacturing segment decreased by $249 to $557 for the three months ended December 31, 2011 from $806 for the same period of the last fiscal year.

Gross profit margin as a percentage of revenue in the testing segment decreased by 35.9% to 8.8% for the three months ended December 31, 2011, from 44.7% in the same period of the last fiscal year. The decrease was primarily due to a decrease in testing volume. Significant portions of our cost of goods sold are fixed in the testing segment. Thus, as the demand of services and factory utilization decrease, the fixed costs are spread over the decreased output, which reduces gross profit margin. Our Malaysia operation, despite lower volume, incurred higher cost to meet the major customer's quality standard requirement. Although the Thailand operation was affected by a slowdown in Thailand due to floods during second quarter in fiscal 2012, the fixed cost therefore remained. Our Tianjin operation was setup with the certain expected testing volume and incurred fixed costs. However the inflow of testing volume was slower than expected, reducing gross margin in our Tianjin operation. All of the foregoing contributed to lower margin in this segment. In absolute dollar amounts, gross profit in the testing segment decreased by $1,178, to $249 for the three months ended December 31, 2011 from $1,427 for the same period of the last fiscal year.

Gross profit margin as a percentage of revenue in the distribution segment decreased by 23.8% to 1.2% for the three months ended December 31, 2011, from 25.0% for the same period of the last fiscal year. The decrease was due to the change in product mix, as we sold more products with a lower profit margin in the distribution segment as compared to the same period of last fiscal year. In terms of absolute dollar amounts, gross profit in the distribution segment for the three months ended December 31, 2011 was $1, a decrease of $50, compared to $51 in the same period of the last fiscal year. The decrease in the gross profit was primarily due to the decrease in the revenue and lower gross margin. The gross profit margin of the distribution segment was not only affected by the market price of our products, but also our product mix, which changes frequently as a result of changes in market demand.

Gross profit margin as a percentage of revenue in the real estate segment was 45.8% for the three months ended December 31, 2011, a decrease of 44.1% as compared to 89.9% for the same period in the last fiscal year. In absolute dollar amounts, gross profit in the real estate segment for the three months ended December 31, 2011 was $22, a decrease of $672, from $694 in the same period of the last fiscal year. The decrease in the gross profit margin as a percentage of revenue in the real estate segment was mainly because the investment in property development reached maturity by the end of the second quarter of fiscal 2011. There was no investment income for the three months ended December 31, 2011, as compared to the same period in the last fiscal year. Because of the short term nature of the investment, the investment was reclassified as loan receivable since third quarter of the last fiscal year. Hence the investment income of $65 was recorded as other income for the three months ended December 31, 2011.

Gross profit margin as a percentage of revenue in the fabrication services segment was negative 16.0% for the three months ended December 31, 2011, an improvement of 86.2% as compared to negative margin of 102.2% for the same period of the last fiscal year. In absolute dollar amounts, gross profit in the fabrication services segment for the three months ended December 31, 2011 was negative $73, an improvement of $22, from negative $95 in the same period of the last fiscal year. The subsidiary started its operating activities late calendar year 2009. The nature of the industry is such that it takes a few years initially to optimize the full capacity. The revenue generated from the initial few orders could not cover the entire fixed cost of the operation, resulting in a negative gross margin due to underutilization of the plant capacity. The cost of sales in this segment mainly consisted of rental expenses, depreciation expenses and cost of direct labor.

Operating Expenses

Operating expenses for the second quarters of fiscal 2012 and 2011 were as follows:

	Three Months Ended December 31,	
(Unaudited)	2011	2010
General and administrative	$ 2,166	$ 2,304
Selling	123	121
Research and development	73	87
Total	$ 2,362	$ 2,512

General and administrative expenses decreased by $138 or 6.0%, from $2,304 to $2,166 for the three months ended December 31, 2011 compared to the same quarter of last fiscal year. The decrease in general and administrative expenses was mainly attributable to the decrease in stock option expenses in the corporate for the second quarter of fiscal 2012 as compared to the same period of last fiscal year, which was offset by an increase in travel expenses in the corporate expenses allocation in the Tianjin and Singapore operations.

Selling expenses increased by $2 or 1.7%, for the three months ended December 31, 2011, from $121 to $123 compared to the same quarter of the last fiscal year. The increase was mainly due to an increase in currency translation loss, partially offset by a decrease in travel expenses and commission expenses as the commissionable revenue decreased.

Research and development expenses decreased by $14 or 16.1%, for the three months ended December 31, 2011, from $87 to $73 compared to the same quarter of last fiscal year, mainly due to a decrease in research and development efforts from our Singapore manufacturing operations considering the slowdown.

(Loss) / Income from Operations

Loss from operations was $1,606 for the three months ended December 31, 2011 as compared to an income from operations of $371 for the three months ended December 31, 2010, mainly due to the decrease in revenue and gross margins, as previously discussed.

Interest Expense

Interest expense for the second quarter of fiscal 2012 and 2011 was as follows:

	Three Months Ended December 31,	
(Unaudited)	2011	2010
Interest expenses	$ (70)	$ (59)

Interest expense increased by $11 to $70 for the three months ended December 31, 2011, primarily due to new bank credit facilities by the Singapore operation for working capital. We are trying to keep our debt at a minimum in order to save financing costs. As of December 31, 2011, the Company had an unused line of credit of $3,388.

Other (Expenses) / Income, Net

Other (expenses) / income, net for the second quarter of fiscal 2012 and 2011 were as follows:

	Three Months Ended December 31,	
(Unaudited)	2011	2010
Other (expenses) / income, net	$ (23)	$ 183

Other expenses was $23 for the three months ended December 31, 2011 as compared to other income of $183 in the same period of the last fiscal year, primarily attributable to foreign currency transaction loss, which was partially offset by interest income from the loan receivable in the real estate segment.

Income Tax Benefit / (Expenses)

Income tax benefit for the three months ended December 31, 2011 was $136, as compared to income tax expenses of $162 for the same quarter last fiscal year. The increase in income tax benefit was mainly due to losses generated by the China, Thailand and Malaysia operations, which was partially offset by the deferred tax for the timing difference recorded for the three months ended December 31, 2011 as compared to the same period in the previous fiscal year.

Loss from Discontinued Operations

Loss from discontinued operations increased by $1 for the three months ended December 31, 2011 from nil for the same periods of the last fiscal year. The increase in the loss from discontinued operations was primarily due to an increase in general and administrative expenses to maintain the dormant company.

Non-controlling Interest

As of December 31, 2011, we held a 55% interest in Trio-Tech (Malaysia) Sdn. Bhd., Trio-Tech (Kuala Lumpur) Sdn. Bhd., SHI International Pte. Ltd. Singapore, PTSHI Indonesia and a 76% interest in Prestal Enterprise Sdn. Bhd. The non-controlling interest for the three months ended December 31, 2011, in the net loss of subsidiaries, was $361, an increase of $507 compared to the non-controlling interest in the net income of $146 for the same period of the previous fiscal year. The increase in the non-controlling interest in the net loss of subsidiaries was attributable to the increase in net loss generated from the Malaysia testing operation as a result of a decrease in revenue and a net loss generated by the fabrication segment of the SHI Singapore and its subsidiary PT SHI Indonesia operation as compared to the same period in the previous fiscal year.

Net (Loss) / Income

Net loss was $1,203 for the three months ended December 31, 2011, as compared to a net income of $187 for the three months ended December 31, 2010. The increase in net loss was mainly due to a decrease in revenue, gross margin and an increase in operating expenses, as previously discussed.

(Loss) / Income per Share

Basic loss per share from continuing operations for the three months ended December 31, 2011, was $0.36 compared to basic earnings per share of $0.06 in the same period of the last fiscal year. The loss from discontinued operations was $1 and nil for the three months ended December 31, 2011 and 2010, respectively. Basic loss per share attributable to discontinued operations for the three months ended December 31, 2011 and 2010 was nil per share, respectively.

Diluted loss per share from continuing operations for the three months ended December 31, 2011, was $0.36 compared to diluted earnings per share of $0.05 in the same period of the last fiscal year. The loss from discontinued operations was $1 and nil for the three months ended December 31, 2011 and 2010, respectively. Diluted loss per share attributable to discontinued operations for the three months ended December 31, 2011 was nil per share, respectively.

Segment Information

The revenue, gross margin and income from each segment for the second quarter of fiscal 2012 and the second quarter of fiscal 2011, respectively, are presented below. As the revenue and gross margin for each segment have been discussed in the previous section, only the comparison of income from operations is discussed below.

Manufacturing Segment

The revenue, gross margin and loss from operations for the manufacturing segment for the second quarter of fiscal 2012 and 2011 were as follows:

(Unaudited)	Three Months Ended December 31, 2011	Three Months Ended December 31, 2010
Revenue	$ 3,216	$ 5,287
Gross margin	17.3%	15.2%
Loss from operations	$ (265)	$ (142)

Loss from operations from the manufacturing segment increased by $123 to $265 for the three months ended December 31, 2011 from $142 in the same period of the last fiscal year, primarily due to a decrease in revenue and gross margin, as discussed earlier. Operating expenses for the manufacturing segment were $822 and $948 for the three months ended December 31, 2011 and 2010, respectively. The decrease in operating expenses of $126 was mainly due to a lower allocation percentage of the corporate charges, decrease in research and development expenses, decrease in selling expenses due to lower warranty provision and lower traveling and entertainment expenses in this segment for the three months ended December 31, 2011, as compared to the same period of last fiscal year. In the third quarter of fiscal 2011, we decreased the corporate charge, which is based on the percentage of revenue from all the subsidiaries. Management reviews its corporate charges percentage periodically to ensure the amount charged is adequate to cover the corporate expenses.

Testing Segment

The revenue, gross margin and (loss) / income from operations for the testing segment for the second quarter of fiscal 2012 and 2011 were as follows:

	Three Months Ended December 31,	
(Unaudited)	2011	2010
Revenue	$ 2,815	$ 3,193
Gross margin	8.8%	44.7%
(Loss) / Income from operations	$ (800)	$ 571

Loss from operations in the testing segment for the three months ended December 31, 2011 was $800, an increase of $1,371, compared to an income of $571 in the same period of the last fiscal year. The increase in operating loss was attributable to a decrease of $1,178 in gross margin, as discussed earlier, and an increase of $193 in operating expenses. Operating expenses were $1,049 and $856 for the three months ended December 31, 2011 and 2010, respectively. The increase in operating expenses was mainly attributable to an increase in expenses in the Malaysia testing operation due to the higher manpower cost, as compared to the same period of last fiscal year.

Distribution Segment

The revenue, gross margin and (loss) / income from operations for the distribution segment for the second quarter of fiscal 2012 and 2011 were as follows:

	Three Months Ended December 31,	
(Unaudited)	2011	2010
Revenue	$ 85	$ 204
Gross margin	1.2%	25.0%
(Loss) / Income from operations	$ (12)	$ 28

Loss from operations in the distribution segment increased by $40 to $12 for the three months ended December 31, 2011, from an income of $28 in the same period of the last fiscal year. The increase in operating loss was mainly due to a decrease in revenue and decrease in gross profit of $50, which was offset by a decrease in selling expenses and corporate charges. Operating expenses were $13 and $23 for the three months ended December 31, 2011 and 2010, respectively. The $10 decrease in operating expenses was mainly due to a decrease in commission expenses, due to decrease in commissionable revenue.

Real Estate Segment

The revenue, gross margin and (loss)/income from operations for the real estate segment for the second quarters of fiscal 2012 and 2011 were as follows:

(Unaudited)	Three Months Ended December 31, 2011	2010
Revenue	$ 48	$ 772
Gross margin	45.8%	89.9%
(Loss)/Income from operations	$ (9)	$ 594

Loss from operations in the real estate segment for the three months ended December 31, 2011 was $9, an increase of $603, compared to an income of $594 for the same period of the last fiscal year. The increase in operating loss was mainly due to a decrease in revenue and decrease in gross profit of $672, which was offset by a decrease in operating expenses of $69. The operating expenses were $31 and $100 for the three months ended December 31, 2011 and 2010, respectively. The decrease in operating expenses as compared to the same quarter in last fiscal year, was primarily due to decrease in travel expenses as a result of less travel by management to the China office, decrease in corporate charges due to lower revenue, decrease in rental expenses due to the relocation of the office.

Fabrication Services

The revenue, gross margin and loss from operations for the fabrication services segment for the second quarters of fiscal 2012 and 2011 were as follows:

(Unaudited)	Three Months Ended December 31, 2011	2010
Revenue	$ 455	$ 93
Gross margin	(16.0)%	(102.2)%
Loss from operations	$ (278)	$ (218)

Loss from operations in the fabrication services segment was $278 for the three months ended December 31, 2011, an increase of $60, compared to a loss of $218 for the same period of the last fiscal year. The increase in operating loss was mainly due to an increase in operating expenses of $82, which was caused by travel expenses and other project related expenses, partially offset by a decrease in negative gross margin of $22. Operating expenses were $205 and $123 for the three months ended December 31, 2011 and 2010, respectively. Despite the underutilization of the fabrication facilities, there was a significant improvement in the gross margin loss was mainly due to a increase in revenue, as previously discussed.

Corporate

The loss from operations for corporate for the second quarters of fiscal 2012 and 2011 were as follows:

(Unaudited)	Three Months Ended December 31, 2011	2010
Loss from operations	$ (242)	$ (462)

Corporate operating loss decreased by $220 to $242 for the three months ended December 31, 2011, from $462 in the same period of the last fiscal year. The decrease in operating loss was mainly due to a decrease in stock option expenses which was partially offset by the increase in insurance, travel expenses and decrease in corporate overhead recharged, as corporate overhead is recharged based on percentage of revenue and during this period the revenue was lower. In the second quarter of fiscal 2012, stock options covering 37,500 and 50,000 shares of our Common Stock were granted pursuant to the 2007 Employee Plan and the 2007 Director Plan, respectively, recording a stock option expenses of $174. In the second quarter of fiscal 2011. we granted 100,000 shares of stock options pursuant to the 2007 Employee Plan and 150,000 shares of stock option pursuant to Director Plan. Therefore, a stock option expense of $517 was recorded during the three months ended December 31, 2010.

Comparison of the Six Months Ended December 31, 2011 and December 31, 2010

	Six Months Ended December 31,	
	2011	2010
Revenue	**100.0%**	**100.0%**
Cost of sales	86.0	75.1
Gross Margin	**14.0%**	**24.9%**
Operating expenses :		
General and administrative	27.7%	18.3%
Selling	1.7	1.1
Research and development	1.0	0.5
Impairment loss	0.0	0.0
Gain on disposal of PP&E	0.0	0.0
Total operating expenses	30.4%	19.9%
(Loss) / Income from Operations	**(16.4)%**	**5.0%**

Overall Gross Margin

Overall gross margin as a percentage of revenue decreased by 10.9% to 14.0% for the six months ended December 31, 2011, from 24.9% in the same period of the last fiscal year primarily due to a decrease in the gross profit margin in the testing, distribution and real estate segments, which was partially offset by an increase in gross profit margin in the manufacturing and fabrication services segments.

Gross profit margin as a percentage of revenue in the manufacturing segment increased by 2.6% to 17.0% for the six months ended December 31, 2011, from 14.4% in the same period of the last fiscal year. In terms of absolute dollar amounts, gross profit decreased by $3,474 to $2,156 for the six months ended December 31, 2011 as compared to $5,630 for the same period in last fiscal year. The improvement in gross margin was primarily due to a decrease in labor cost as we reduced our headcount in the manufacturing since first quarter of fiscal 2012 resulting in a decrease in fixed cost in our Singapore operations.

Gross profit margin as a percentage of revenue in the testing segment decreased by 27.1% to 14.8% for the six months ended December 31, 2011 from 41.9% in the same period of the last fiscal year. The decrease was primarily due to decrease in testing revenue and Malaysia operation, despite lower volume, incurred higher cost to meet the major customer's quality standard requirement. Although the Thailand operation was affected by a slowdown in Thailand due to floods during second quarter in fiscal 2012, the fixed cost therefore remained. Our Tianjin operation was setup with certain expected testing volume and incurred fixed costs. However the inflow of testing volume is slower than expected reducing gross margin in our Tianjin operation. All of the foregoing contributed to lower margin in this segment. Significant portions of our operating costs are fixed in the testing segment. Thus, as the demand of services and factory utilization decrease, the fixed costs are spread over the decreased output, which deteriorate gross profit margin. In terms of absolute dollar amounts, gross profit in the testing segment decreased by $1,886, to $906 for the six months ended December 31, 2011 from $2,792 for the same period of the last fiscal year.

Gross profit margin as a percentage of revenue in the distribution segment decreased by 12.8% to 11.2% for the six months ended December 31, 2011, from 24.0% for the same period of the last fiscal year. The decrease was due to the product mix, as we sold more products with a lower profit margin in the distribution segment as compared to the same period of last fiscal year. In terms of absolute dollar amounts, gross profit in the distribution segment for the six months ended December 31, 2011 was $45, a decrease of $59, compared to $104 in the same period of the last fiscal year. The decrease in the gross profit was primarily due to the decrease in the revenue and lower gross margin. The gross profit margin of the distribution segment was not only affected by the market price of our products, but also our product mix, which changes frequently as a result of changes in market demand.

Gross profit margin as a percentage of revenue in the real estate segment was 45.3% for the six months ended December 31, 2011, a decrease of 41.4% from 86.7% for the same period in the last fiscal year. In terms of absolute dollar amounts, gross profit in the real estate segment for the six months ended December 31, 2011 was $43, a decrease of $788 from $831 in the same period of the last fiscal year. The decrease in the gross profit margin as a percentage of revenue in the real estate segment was mainly due to no investment income for the six months ended December 31, 2011, as compared to $776 for the same period in the previous fiscal year. Due to the short term nature of the investment, it was classified as loan receivable since third quarter of the last fiscal year. The investment income of $129 was recorded as other income for the six months ended December 31, 2011.

Gross profit margin as a percentage of revenue in the fabrication services segment was 5.0% for the six months ended December 31, 2011, an improvement of 61.2% from a negative margin of 56.2% for the same period of the last fiscal year. In terms of absolute dollar amounts, gross profit in the fabrication services segment for the six months ended December 31, 2011 was $140, an increase of $285, from negative $145 in the same period of the last fiscal year. Revenue in this segment increased by $2,542 to $2,800 for the six months ended December 31, 2011, as compared to $258 for the same period of last fiscal year primarily due to securing and completing the orders for two projects for mobile offshore production units and living quarters for customers involved in offshore oil exploration in Southeast Asia in the first quarter of fiscal 2012. Revenue from these two projects is recognized based on the percentage of completion. During the three months ended December 31, 2011, these two projects were completed.

Operating Expenses

Operating expenses for the six months ended December 31, 2011 and 2010 were as follows:

	Six Months Ended December 31,	
(Unaudited)	2011	2010
General and administrative	$ 4,264	$ 4,134
Selling	267	249
Research and development	148	116
Impairment loss	-	-
Loss on disposal of PP&E	4	7
Total	$ 4,683	$ 4,506

General and administrative expenses increased by $130, or 3.1%, from $4,134 to $4,264 for the six months ended December 31, 2011 compared to the same period of the last fiscal year, primarily in the testing segment and corporate. General and administrative expenses increased mainly in the testing and fabrication segment which was partially offset by a decrease in corporate, manufacturing and real estate segment. The decrease in general and administrative expenses was mainly attributable to decrease in stock option expenses in the Corporate for the second quarter of fiscal 2012 as compared to the same period of last fiscal year, which was offset by an increase in travel expenses. The fabrication segment increased its general and administrative expenses in Singapore and Indonesia operations mainly due to the increase in the travel and other expenses to handle the projects.

Selling expenses increased by $18, or 7.2 %, for the six months ended December 31, 2011, from $249 to $267 compared to the same period of the last fiscal year, mainly due to an increase in currency translation loss, which was partially offset by a decrease in travel expenses and commission expenses as a result of less commissionable sales in the distribution and testing segments.

Research and development increased by $32, or 27.6%, for the six months ended December 31, 2011 from $116 to $148 as compared to the same period of the last fiscal year, mainly due to an increase in research and development efforts from our Singapore manufacturing operations in the first quarter. Our Singapore operations increased efforts into research and development to provide solutions for our customers and development of equipment to assist in the troubleshooting and repair process.

Loss on disposal of property, plant and equipment was $4 for the six months ended December 31, 2011, as compared to a loss of $7 for the same period of the last fiscal year. The loss the six months ended December 31, 2011 mainly resulted from the write off of obsolete electrical work for our plant in the Singapore operation. There was a loss on disposal of an obsolete motor vehicle in the Singapore operation during the six months ended December 31, 2010.

(Loss)/Income from Operations

Loss from operations increased by $3,651 from an income of $1,124 to a loss of $2,527 for the six months ended December 31, 2011 as compared to the same period of the last fiscal year, mainly due to a decrease in revenue, a decrease in gross profit margin and an increase in operating expenses.

Interest Expenses

Interest expenses for the six months ended December 31, 2011 and 2010 were as follows:

	Six Months Ended December 31,	
(Unaudited)	2011	2010
Interest expenses	$ (131)	$ (119)

Interest expense increased by $12 to $131 from $119 for the six months ended December 31, 2011, as compared to the same period of the last fiscal year due to new bank credit facilities entered into by the Singapore operation for the working capital.

Other Income / (Expenses), Net

Other income / (expenses), net for the six months ended December 31, 2011 and 2010 were as follows:

	Six Months Ended December 31,	
(Unaudited)	2011	2010
Other income / (expenses), net	$ 21	$ 143

Other income decreased by $122 to $21 for the six months ended December 31, 2011 from $143 in the same period of the last fiscal year, primarily attributable to foreign currency transaction loss which was partially offset by interest income resulting from the reclassification of investment income from certain of ourproperty development projects to a loan receivable.

Income Tax Benefit / (Expenses)

Income tax benefit for the six months ended December 31, 2011 was $99, an increase of $257, compared to income tax expenses of $158 for the same period of the last fiscal year. The increase in income tax benefit was mainly due to a decrease in income in the China, Thailand, Malaysia and Singapore operations and deferred tax due to timing difference for the six months ended December 31, 2011. It was partially offset by the operating loss carry forward in our Singapore operation.

Loss from Discontinued Operations

Loss from discontinued operations was $2 for the six months ended December 31, 2011 and for the same period of the last fiscal year. The loss from discontinued operations was primarily attributable to general and administrative expenses in maintaining the dormant company in our Shanghai operation.

Non-controlling Interest

As of December 31, 2011, we held 55% interest in Trio-Tech Malaysia, Trio-Tech (Kuala Lumpur) Sdn. Bhd., SHI International Pte. Ltd., Singapore, PTSHI Indonesia and 76% interest in Prestal Enterprise Sdn. Bhd. The non-controlling interest for the six months ended December 31, 2011, in the net loss of subsidiaries, was $544, an increase of $854 compared to the non-controlling interest in the net income of $310 for the same period of fiscal 2011. The increase in the non-controlling interest in the net loss of subsidiaries was attributable to the increase in net loss generated from the Malaysia testing operation as a result of a decrease in revenue and a net loss generated by the fabrication segment of the SHI Singapore operation as compared to the same period in the prior fiscal year.

Net (Loss)/Income

Net loss was $2,007 for the six months ended December 31, 2011, an increase of $2,685 from an income of $678 for the same period in the last fiscal year. The increase in net loss was mainly due to a decrease in revenue and gross margin and an increase in operating expenses, as discussed above.

(Loss) / Income per Share

Basic loss per share from continuing operations for the six months ended December 31, 2011, was $0.60 compared to basic earnings per share of $0.21 in the same period of the last fiscal year. The loss from discontinued operations was $2 for the six months ended December 31, 2011 and 2010, respectively. Basic loss per share attributable to discontinued operations for the six months ended December 31, 2011 and 2010 were nil per share, respectively.

Diluted loss per share from continuing operations for the six months ended December 31, 2011, was a loss of $0.60 compared to diluted earnings per share of $0.20 in the same period of the last fiscal year. The loss from discontinued operations was $2 for the six months ended December 31, 2011 and 2010, respectively Diluted loss per share attributable to discontinued operations for the six months ended December 31, 2011 and 2010 were nil per share, respectively.

Segment Information

The revenue, gross profit margin and income or loss from each segment for the six months ended December 31, 2011 and 2010, respectively, are presented below. As the segment revenue and gross margin for each segment have been discussed in the previous section, only the comparison of income from operations is discussed below.

Manufacturing Segment

The revenue, gross margin and (loss)/income from operations for the manufacturing segment for the six months ended December 31, 2011 and 2010 were as follows:

	Six Months Ended December 31,	
(Unaudited)	2011	2010
Revenue	$ 6,014	$ 14,261
Gross margin	17.0 %	14.4%
(Loss)/Income from operations	$ (580)	$ 10

Loss from operations from the manufacturing segment increased by $590 to $580 for the six months ended December 31, 2011 from an income of $10 in the same period of the last fiscal year, primarily due to a decrease in revenue and gross profit of $1,026, as discussed earlier. Operating expenses for the manufacturing segment were $1,602 and $2,038 for the six months ended December 31, 2011 and 2010, respectively. The decrease in operating expenses of $436 was mainly due to a lower allocation percentage of corporate charges due to lower revenue in this segment for Singapore operations for the six months ended December 31, 2011 as compared to the same period of last fiscal year.

Testing Segment

The revenue, gross margin and (loss)/income from operations for the testing segment for the six months ended December 31, 2011 and 2010 were as follows:

	Six Months Ended December 31,	
(Unaudited)	2011	2010
Revenue	$ 6,106	$ 6,667
Gross margin	14.8%	41.9%
(Loss)/Income from operations	$ (1,142)	$ 1,014

Loss from operations in the testing segment for the six months ended December 31, 2011 was $1,142, an increase of $2,156, compared to an income of $1,014 in the same period of the last fiscal year. The operating loss was attributable to a decrease of $1,886 in gross profit, which was partially offset by an increase of $270 in operating expenses. Operating expenses were $2,048 and $1,778 for the six months ended December 31, 2011 and 2010, respectively. The increase in operating expenses was mainly attributable to an increase in operating expenses in the newly incorporated Tianjin operation, which commenced operations in the third quarter of fiscal 2011.

Distribution Segment

The revenue, gross margin and income from operations for the distribution segment for the six months ended December 31, 2011 and 2010 were as follows:

	Six Months Ended December 31,	
(Unaudited)	2011	2010
Revenue	$ 403	$ 433
Gross margin	11.2 %	24.0%
Income from operations	$ 9	$ 59

Income from operations in the distribution segment decreased by $50 to $9 for the six months ended December 31, 2011, from $59 for the same period of the last year. The decrease in operating income was mainly due to a decrease in gross profit of $59, and an increase in operating expenses of $9. Operating expenses were $36 and $45 for the six months ended December 31, 2011 and 2010, respectively. The decrease in operating expenses was mainly due to a decrease in commission expenses, due to a decrease in commissionable revenue.

Real Estate Segment

The revenue, gross margin and (loss)/income from operations for the real estate segment for the six months ended December 31, 2011 and 2010 were as follows:

	Six Months Ended December 31,	
(Unaudited)	2011	2010
Revenue	$ 95	$ 959
Gross margin	45.3%	86.7%
(Loss)/Income from operations	$ (15)	$ 682

Loss from operations in the real estate segment for the six months ended December 31, 2011 was $15, a decrease of $697 compared to an income of $682 for the same period of the last fiscal year. The operating loss was mainly due to a decrease in gross profit of $788, which was partially offset by a decrease in operating expenses of $91. The operating expenses were $58 and $149 for the six months ended December 31, 2011 and 2010, respectively. The decrease in operating expenses was mainly due to a decrease in travel expenses due to lower travel to China office, and a decrease in the corporate expenses recharged to the segments due to lower revenue in this segment, as previously discussed.

Fabrication Services

The revenue, gross profit margin and loss from operations for the fabrication services segment for the six months ended December 31, 2011 and 2010 were as follows:

(Unaudited)	Six Months Ended December 31, 2011	Six Months Ended December 31, 2010
Revenue	$ 2,800	$ 258
Gross margin	5.0%	(56.2)%
Loss from operations	$ (465)	$ (404)

Loss from operations in the fabrication services segment was $465 for the six months ended December 31, 2011 compared to $404 for the same period of the last fiscal year. The increase in operating loss was mainly due to an increase in operating expenses by $346, partially offset by improvement in gross profit margin of $285. The operating expense was $605 and $259 for the six months ended December 31, 2011 and December 31, 2010, respectively. The increase in operating expenses was mainly caused by an increase in travel expenses and other project related expenses.

Corporate

The loss from operations for corporate for the six months ended December 31, 2011 and 2010 were as follows:

(Unaudited)	Six Months Ended December 31, 2011	Six Months Ended December 31, 2010
Loss from operations	$ (334)	$ (237)

Corporate operating loss increased by $97 to $334 for the six months ended December 31, 2011, from $237 in the same period of the last fiscal year. The increase in operating loss was mainly due to a decrease in recharge of corporate expenses. Corporate expenses are recharged based on revenues generated by the subsidiaries, hence since the revenue generated by the subsidiaries was lower as compared to the same period of last fiscal year, for the six month ended December 31, 2011, The corporate expenses recharged for the six months ended December 31, 2011 were $311 as compared to $673 for the same period in last fiscal year, resulting in a decrease of $362 which was offset by the decrease in corporate stock option expenses. The stock option expenses for the six months ended December 31, 2011 were $174 as compared to $598 for the same period in the last fiscal year, resulting in a decrease of stock option expenses $424. Stock options granted during the six months ended December 31, 2011 covered 37,500 shares of Common Stock options pursuant to the 2007 Employee Plan and 50,000 shares of Common Stock options pursuant to the 2007 Director Plan as compared to the same period of last fiscal year during which we granted options covering 100,000 and 150,000 shares of Common Stock pursuant to the 2007 Employee Plan and 2007 Directors Plan respectively.

Financial Condition

During the six months ended December 31, 2011, total assets increased by $293, from $36,356 as at June 30, 2011 to $36,649 as at December 31, 2011. The increase in total assets was primarily due to an increase in short-term deposits, trade accounts receivables, other receivables, loan receivables from property development projects and investments, which was partially offset by a decrease in cash and cash equivalent, inventories, property, plant and equipment, prepaid expenses and other assets, assets held for sales, investment property in China, other assets and restricted term deposits.

Cash and cash equivalent were $2,250 as at December 31, 2011, reflecting a decrease of $861 from $3,111 as at June 30, 2011, primarily due to payment for the capital expenditure of $1,132 primarily in the Tianjin operation in China and the Malaysia operation partially offset by withdrawal of the short term deposits in our Thailand operation.

At December 31, 2011, short-term cash deposits were $1,499, reflecting an increase of $1,300 from $199 as at June 30, 2011, primarily due to new placement of the short term deposits during the second quarter of fiscal 2012 by our Singapore operation from the loan received from a financial institution to meet the working capital needs, is placed in short term deposit.

At December 31, 2011, the trade accounts receivable balance increased by $1,071 to $7,883 from $6,812 as at June 30, 2011, primarily due to an increase in account receivables in Singapore operation as revenue in manufacturing segment generated towards the end of the second quarter which is not due yet. In addition, accounts receivable balance increased in the newly incorporated Tianjin operations and in Suzhou operations due to an increase in testing segment revenue during the second quarter of fiscal 2012. The rate of turnover of accounts receivables was 86 days at the end of the second quarter of fiscal 2012 compared with 96 days at fiscal year 2011. The decrease in accounts receivable turnover was primarily due to improvement in collection for the six months ended December 31, 2011

At December 31, 2011, other receivables were $532, reflecting an increase of $223 from $309 as at June 30, 2011. The increase was primarily due to the project related security deposit which is no longer required as the projects have been successfully completed was considered as other receivables in the Indonesian operations. In addition the advance payment to suppliers for the renovation work in our Singapore operation resulted in the increase in other receivables.

At December 31, 2011, loan receivable from property development projects was $1,109, compared to $1083 as at June 30, 2011. The increase was primarily due to the exchange fluctuation between Singapore dollars and U.S. dollars from June 30, 2011 to December 31, 2011. The loan receivable from property development projects was primarily attributable to a loan receivable from property development projects of RMB 5,000 and RMB 2,000, or approximately $792 and $317 based on the exchange rate as on December 31, 2011 published by Monetary Authority of Singapore, from JiaSheng and JiangHuai, respectively. The investment was classified as a loan based on ASC Topic 310-10-25 Receivables.

Inventory at December 31, 2011 was $1,988, a decrease of $442, or 18.2% compared to $2,430 as at June 30, 2011. The decrease in inventory was mainly due to a decrease in the raw material and work in progress in the Singapore operation as a result of decreased procurement in the second quarter as compared to first quarter in fiscal 2012, though partially offset by increase in inventory in Suzhou operation, due to increased revenue in that operation. The turnover of inventory was 74 days at the end of the second quarter of fiscal 2012 compared to 61 days at fiscal year 2011. The increase in the inventory turnover rate was due to a decrease in revenue in our manufacturing segment in the second quarter of fiscal 2012 as compared to June 30, 2011.

Prepaid expenses and other current assets were $311 as at December 31, 2011 compared to $348 as at June 30, 2011. The decrease was primarily due to prepaid utility expenses had been fully amortized in our Tianjin operations during second quarter of fiscal 2012.

Assets held for sale at December 31, 2011 were $130, as compared to $137 as at June 30, 2011, consisted solely of a building held for sale in Penang, Malaysia. The decrease of $7 was due to the currency translation between Singapore dollars and U.S. dollars from June 30, 2011 to December 31, 2011.

At December 31, 2011, investments were $771, an increase of $7, from $764 as at June 30, 2011. We made a new investment under "investment in unconsolidated joint ventures" in the second quarter of fiscal 2011. In the first quarter of 2012, due to the resignation of two directors representing Trio-Tech in the board of joint venture, the Company concluded that it could no longer exert a significant influence over Chong Qing Jun Zhou Zhi Ye Co Ltd., operating and financial activities. Therefore, the Company began accounting for this investment using the cost method effective September 29, 2011. An impairment review was made during the quarter ended December 31, 2011 and the carrying value of this investment at December 31, 2011, was $771, which approximates the Company's pro rata share of Chong Qing Jun Zhou Zhi Ye Co Ltd. underlying value.

Investment properties in China at December 31, 2011 were $1,232, a decrease from $1,238 as at June 30, 2011. The decrease was primarily due to depreciation charged for the six month ended December 31, 2011, which partially offset by the exchange fluctuation between Singapore dollars and U.S. dollars from June 30, 2011 to December 31, 2011.

Property, plant and equipment decreased by $698, from $14,951 as at June 30, 2011 to $14,253 as at December 31, 2011, mainly due to depreciation of $1,329, which was partially offset by capital expenditures of $1,132 incurred mainly in Tianjin and Malaysia operations, and the foreign currency exchange difference between Singapore dollars and U.S. dollars for the six months ended December 31, 2011.

Other assets as at December 31, 2011 decreased by $95 to $1,317, compared to $1,412 at June 30, 2011. The decrease in other assets was primarily due to the reclassification of a down payment on fixed assets to property, plant and equipment, which partially offset by new additional down payment of fixed assets in the Malaysia operation during the six months ended December 31, 2011.

Restricted cash as at December 31, 2011 decreased by $188 to $3,374, compared to $3,562 at June 30, 2011. It was due to the foreign currency exchange difference between Singapore dollars and U.S. dollars from June 30, 2011 to December 31, 2011.

Liquidity Comparison

Net cash provided by operating activities decreased by $5,100 to an outflow of $1,754 for the six months ended December 31, 2011 from an inflow of $3,346 in the same period of the last fiscal year. The decrease in net cash provided by operating activities was primarily due to a decrease in net income of $3,539 and due to an increase in other assets by $816, as previously discussed.

Net cash used in investing activities increased by $1,889, to an outflow of $2,428 for the six months ended December 31, 2011 from an outflow of $539 for the same period of the last fiscal year. The increase in cash used in investing activities was primarily due to a additional placement of the short term deposits of $1,400 by our Singapore operation during the second quarter of fiscal 2012 using the cash received from the term loan.

Net cash provided by financing activities for the six months ended December 31, 2011 was $3,042, representing an increase of $3,906 compared to net cash outflow of $864 during the six months ended December 31 2010. The increase was mainly due to additional line of credit of $1,392 for our Singapore operation. In the second quarter of fiscal 2012, our Singapore operation entered into a 3 – year new loan agreement with a financial institution for the principal amount of $1,875. The new loan is to finance the company existing and future business activities.

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

Critical Accounting Estimates & Policies

Beside the accounting policy on revenue recognition disclosed in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in the most recent Annual Report on Form 10-K we adopted the joint venture, equity method, loan receivable and interest income in the second quarter of fiscal year 2011.

Joint Venture - The Company analyzes its investments in joint ventures to determine if the joint venture is a variable interest entity (a “VIE”) and would require consolidation. The Company (a) evaluates the sufficiency of the total equity at risk, (b) reviews the voting rights and decision-making authority of the equity investment holders as a group, and whether there are any guaranteed returns, protection against losses, or capping of residual returns within the group and (c) establish 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 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. To the extent that the joint venture does not qualify as VIE, the Company further assess 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. The management evaluates both Common Stock and in-substance Common Stock 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. 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 condensed consolidated statements of operations and comprehensive income.

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.

We prepare the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Management periodically evaluates the estimates and judgments made. Management bases its estimates and judgments on historical experience and on various factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates as a result of different assumptions or conditions.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

An evaluation was carried out by the Company's Chief Executive Officer and Chief Financial Officer of the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of December 31, 2011, the end of the period covered by this Form 10-Q. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that these disclosure controls and procedures were effective at a reasonable level.

Our internal control system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States. There is no assurance that our disclosure controls or our internal controls over financial reporting can prevent all errors. An internal control system, no matter how well designed and operated, has inherent limitations, including the possibility of human error. Because of the inherent limitations in a cost-effective control system, misstatements due to error may occur and not be detected. We monitor our disclosure controls and internal controls and make modifications as necessary. Our intent in this regard is that our disclosure controls and our internal controls will improve as systems change and conditions warrant.

During the period covered by this report, there have been no changes in the Company's internal control over financial reporting that have materially affected or are reasonably likely to materially affect the Company's internal control overall financial reporting.

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TRIO-TECH INTERNATIONAL
PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Not applicable.

Item 1A. Risk Factors

Not applicable

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

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

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

10.1	Term Loan Facility Agreement dated November 16, 2011 between Trio-Tech International Pte Ltd and IFS Capital Limited
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.XML	XBRL Instance Document*
101.XSD	XBRL Taxonomy Extension Schema Document*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document*

** As provided in Rule 406T of Regulation S-T, this information shall not be deemed "filed" for purposes of Section 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934 or otherwise subject to liability under those sections, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, except as expressly set forth by specific reference in such filing.*

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SIGNATURES

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

TRIO-TECH INTERNATIONAL

By: /s/ Victor H.M. Ting
VICTOR H.M. TING
Vice President and Chief Financial Officer
(Principal Financial Officer)
Dated: February 14, 2012

EX 31.1

CERTIFICATIONS

I, S. W. Yong, certify that:

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

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

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

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

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

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

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

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

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

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

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

Dated: February 14, 2012

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

EX 31.2

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

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

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

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

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

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

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

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

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

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

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

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

Dated: February 14, 2012

/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 quarterly report on Form 10-Q of the Company for the six months ended December 31, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ S. W. Yong
Name: S. W. Yong
Title:President and Chief Executive Officer
Dated: February 14, 2012

/s/ Victor H.M. Ting
Name:Victor H.M. Ting
Title:Vice President and Chief Financial Officer
Dated: February 14, 2012

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.

Exhibit 10.1

DATED THIS 16TH DAY OF NOVEMBER 2011

TRIO-TECH INTERNATIONAL PTE LTD

as Borrower

IFS CAPITAL LIMITED

as Lender

--

US$1,875,000
TERM LOAN FACILITY AGREEMENT

--

One Legal LLC
Advocates & Solicitors
5 Shenton Way
#02-02/12UICBuilding
Singapore 068808

CONTENTS

THIS AGREEMENT is made on 16TH November 2011

BETWEEN:-

(1) **TRIO-TECH INTERNATIONAL PTE LTD** (the "Borrower", which expression shall unless the context otherwise requires, include its successors and permitted assigns), a company incorporated in the Republic of Singapore with UEN-Local No. 197602325K and its registered office at 1008 Toa Payoh North #03-09 Singapore 318996; and

(2) **IFS CAPITAL LIMITED** (the "Lender"), a company incorporated in the Republic of Singapore with UEN-Local No. 198700827C and having its registered office at 7 Temasek Boulevard, #10-01 Suntec Tower One, Singapore 038987.

WHEREAS, at the request of the Borrower, the Lender is willing to grant to the Borrower a term loan facility upon the terms and subject to the conditions of this Agreement.

IT IS AGREED as follows:

1. INTERPRETATION

(A) Definitions: In this Agreement, except to the extent that the context requires otherwise:-

"Advance" means the single lump-sum advance made or to be made by the Lender to the Borrower or, as the case may be, the outstanding principal amount of such advance;

"Available Commitment" means the amount of the Commitment less that part of the Commitment (if any) which has been cancelled in accordance with this Agreement or drawndown and which remains outstanding;

"Business Day" means a day (other than Saturday or Sunday) on which banks and the Lender are open for business in Singapore;

"Charge over Equipment" means the first fixed charge executed or to be executed by the Borrower in favour of the Lender over the Equipment, in form and substance satisfactory to the Lender, which expression shall include such charge as amended, varied, supplemented or modified from time to time;

"Charged Property" means the property and assets of any Security Party secured to the Lender pursuant to the Security Documents, and collectively all of such property and assets;

"Commitment" means, subject as provided in this Agreement, the amount not exceeding:

(i) an aggregate of US$1,875,000; or

(ii) seventy per cent. (70%) of the current market value of the Equipment, as determined by the valuation report delivered to the Lender under paragraph 7 of Schedule 1,

whichever is lower;

"Commitment Termination Date" means 6 December2011 or such later date as the Lender may agree in writing;

"Equipment" means the equipment more particularly described in the Annex to the Charge over Equipment, which expression shall include all accessories and additions thereto and the benefit of any improvements and renewals thereof;

"Event of Default" means any of the events mentioned in Clause 14;

"Facility" means the credit facility granted by the Lender to the Borrower under Clause 2(A), as such facility may be varied, amended, modified, supplemented, replaced or extended from time to time;

"Final Repayment Date" means, subject as provided in this Agreement, the date falling 36 months from the date of the Advance;

"Letter of Offer" means the letter of offer (Ref: IFS/6157/11) dated 24 August 2011 issued by the Lender relating to the Facility and duly accepted by the Borrower, as may be amended, varied, modified, supplemented, replaced or extended from time to time;

"Potential Event of Default" means any event or circumstance which, if it continued after the giving of any notice, the expiry of any grace period, the fulfilment of any other requirement, and/or (as the case may be) the making of any determination by the Lender, provided for in Clause 14, would become an Event of Default;

"Repayment Dates" means the consecutive monthly dates up to the Final Repayment Date on which the Advance and interest thereon are to be paid pursuant to Clause 5(A) and Clause 7 respectively, and "Repayment Date" means each or any of them;

"S$" and "Singapore Dollars" each means the lawful currency of Singapore;

"Security Documents" means the Charge over Equipment and any other security document (including guarantees) executed by any party in favour of the Lender for monies owing by the Borrower to the Lender (which expression shall include such security documents as amended, varied, supplemented, modified, replaced or extended from time to time);

"Security Party" means the Borrower and any other person who may hereafter and from time to time provide security (including guarantees) to the Lender in respect of monies owing by the Borrower to the Lender;

"Transaction Documents" means the Letter of Offer, this Agreement, the Security Documents and any other documents and agreements that may from time to time be executed in connection with the Facility, as amended, varied, modified, supplemented, replaced or extended from time to time and "Transaction Document" means each or any of them; and

"US$" and "US Dollars" each means the lawful currency of the United States of America.

(B) Construction of Certain References: Except to the extent that the context requires otherwise, any reference in this Agreement to:-

an "agency" of a state includes any agency, authority, central bank, department, government, legislature, minister, ministry, official or public or statutory person (whether autonomous or not) of, or of the government of, that state;

this "Agreement" includes this Agreement as from time to time amended, varied, modified, supplemented, replaced or extended and any document which amends, varies, modifies, supplements, replaces or extends this Agreement;

the "assets" of any person means all or any part of its business, undertaking, property, assets, revenues (including any right to receive revenues) and uncalled capital;

"borrowed money" includes any indebtedness (1) for or in respect of money borrowed or raised (whether or not for cash), by whatever means (including acceptances, deposits, discounting, factoring, finance leases, hire purchase, sale-and-leaseback, sale-and-repurchase and any form of "off-balance sheet" financing) or (2) for the deferred purchase price of assets or services (other than goods or services obtained on normal commercial terms in the ordinary course of trading);

"consent" also includes an approval, authorisation, exemption, filing, license, order, permission, recording or registration (and references to obtaining consents shall be construed accordingly);

a "directive" includes any present or future directive, regulation, request, requirement, rule or credit restraint programme of any agency of any state or of any self-regulating organization (but, if not having the force of law, only if compliance with the directive is in accordance with the general practice of persons to whom the directive is intended to apply);

"disposal" includes any sale, assignment, exchange, transfer, concession, loan, lease, surrender of lease, license, reservation, waiver, compromise, release of security, dealing with or the granting of any option or right or interest whatsoever or any agreement for any of the same and "dispose" means to make a disposal, and "acquisition" and "acquire" shall be construed mutatis mutandis;

a "guarantee" also includes an indemnity, and any other obligation (whatever called) of any person to pay, purchase, provide funds (whether by the advance of money, the purchase of or subscription for shares or other securities, the purchase of assets or services, or otherwise) for the payment of, indemnify against the consequences of default in the payment of, or otherwise be responsible for, any indebtedness of any other person (and "guaranteed" and "guarantor" shall be construed accordingly);

"indebtedness" includes any obligation (whether present or future, actual or contingent, secured or unsecured, as principal, surety or otherwise) for the payment or repayment of money;

a "law" includes common or customary law and any constitution, decree, judgment, legislation, order, ordinance, regulation, statute, treaty or other legislative measure, in each case of any jurisdiction whatsoever (and "lawful" and "unlawful" shall be construed accordingly);

something having a "material adverse effect" is a reference to it having a material adverse effect (1) on the business, assets, operations, prospects or condition, financial or otherwise of the Borrower or of the Borrower and its subsidiaries as a whole; or (2) on the ability of a Security Party to perform and comply with its obligations under a Transaction Document to which it is a party; or (3) on the rights of or benefits available to the Lender under a Transaction Document or in respect of the Facility or (4) on the validity, legality or enforceability of any Transaction Document;

a "month" means a period beginning in one calendar month and ending in the next calendar month on the day numerically corresponding to the day of the calendar month on which it commences or, where there is no date in the next calendar month numerically corresponding as aforesaid, the last day of such calendar month (and "months" and "monthly" shall be construed accordingly);

any "obligation" of any person under this Agreement or any other agreement or document shall be construed as a reference to an obligation expressed to be assumed by or imposed on it under this Agreement or, as the case may be, that other agreement or document (and "due", "owing", "payable" and "receivable" shall be similarly construed);

a "person" includes any individual, company, corporation, firm, partnership, joint venture, association, organization, trust, state or agency of a state (in each case, whether or not having separate legal personality);

"related corporation" has the meaning ascribed to it in Section 6 of the Companies Act, Chapter 50 of Singapore;

"security" includes any mortgage, pledge, lien, hypothecation, security interest or other charge or encumbrance and any other agreement or arrangement having substantially the same economic effect (including any "hold-back" or "flawed asset" arrangement) (and "secured" shall be construed accordingly);

"subsidiary" has the meaning ascribed to it in Section 5 of the Companies Act, Chapter 50 of Singapore;

"tax(es)" includes any present or future tax, levy, impost, duty, charge, fee, deduction or withholding of any nature and whatever called, by whomsoever, on whomsoever and wherever imposed, levied, collected, withheld or assessed;

"tax on overall net income" of the Lender shall be construed as a reference to tax (other than tax deducted or withheld from any payment) imposed on the Lender by the jurisdiction in which its lending office is located on (1) its net income, profits or gains worldwide or (2) such of its net income, profits or gains as arise in or relate to that jurisdiction;

a "time of the day" is to Singapore time unless otherwise stated; and

the "winding-up" of a person also includes the amalgamation, reconstruction, reorganization, administration, judicial management, dissolution, liquidation, merger or consolidation of that person, and any equivalent or analogous procedure under the law of any jurisdiction in which that person is incorporated, domiciled or resident or carries on business or has assets.

(C) Miscellaneous: The headings in this Agreement are inserted for convenience only and shall be ignored in construing this Agreement. Unless the context otherwise requires, words (including words defined herein) denoting the singular number only shall include the plural and vice versa. The words "written" and "in writing" include any means of visible reproduction. References to "Clauses" and "Schedules" are to be construed as references to the clauses of, and schedules to, this Agreement. Any reference to a sub-Clause or a paragraph is to a sub-Clause or paragraph of the Clause in which such reference appears.

(D) Incorporation: The provisions of the Transaction Documents form an integral part of the Letter of Offer and shall be deemed to be incorporated therein and shall be construed accordingly. References in this Agreement to “this Agreement” shall be a reference to the agreement between the Lender and the Borrower constituted by the provisions of the Letter of Offer and the Transaction Documents. In the event of any conflict or inconsistency between the provisions of the Letter of Offer and the provisions of the Transaction Documents, the provisions of the Transaction Documents shall prevail.

(E) Rights of Third Parties: A person who is not a party to this Agreement shall have no right whatsoever under the Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore to enforce this Agreement or any of its terms.

2. THE FACILITY

(A) Amount: The Lender grants to the Borrower a term loan facility upon the terms and subject to the conditions of this Agreement. The Lender will make available the Advance under the Facility up to the Available Commitment when the Lender receives the notice requesting the Advance (unless, between then and the time for making that the Advance, the Available Commitment is reduced to zero).

(B) Purpose: The Borrower shall use the entire proceeds of the Facility to finance its working capital requirements or such other purpose as the Lender may agree, but the Lender need not check or ensure that it does so.

(C) Review: Notwithstanding any other provision of this Agreement to the contrary, expressed or implied, this Agreement and the Letter of Offer and/or the Facility shall at the discretion of the Lender be reviewed from time to time and at any time and the Lender may cancel, require the repayment of, reduce or vary the Advance in any way and such cancellation, requirement for repayment, reduction and/or variation shall take effect upon issue of a notice thereof by the Lender to the Borrower on such date specified in such notice.

(D) Cancellation of Facility: Notwithstanding any other provision of this Agreement, at any time before the Advance and prior to the Commitment Termination Date, the Lender may at its discretion cancel the Facility by notice in writing to the Borrower upon which the Available Commitment shall be cancelled and shall no longer be available for use by the Borrower.

3. CONDITIONS PRECEDENT

The Borrower may not make its request for the Advance until the Lender has confirmed to it that the conditions precedent set out in Schedule 1 have been complied with to the satisfaction of the Lender, or where such requirements are waived by the Lender.

4. DRAWDOWN

(A) Drawdown Conditions: Subject to the provisions of this Agreement, the Advance shall be made by the Lender to the Borrower at its request if the following additional conditions are fulfilled:-

(1) not later than 11.00 a.m. on the fifth Business Day before the proposed date of the Advance (or, as the case may be, such later time as may be acceptable to the Lender for the purpose of the request), the Lender has received from the Borrower a notice (which shall be irrevocable) substantially in the form set out in Schedule 2 specifying:-

(a) the proposed date of the Advance, which must be a Business Day on or before the Commitment Termination Date;

(b) the amount of the Advance, which shall not exceed the Available Commitment; and

(c) the manner of payment of the Advance,

Such notice shall constitute a confirmation by the Borrower that at the date of the Advance no Event of Default or Potential Event of Default has occurred or will occur as a result of making the Advance, the representations and warranties of the Borrower contained herein remain true and correct as of the date of the Advance and no event specified in Clause 4(A)(6) has occurred;

(2) the conditions precedent referred to in Clause 3 have been fulfilled to the satisfaction of the Lender;

(3) none of the events mentioned in Clause 9 occurs in relation to the Advance;

(4) all representations and warranties in Clause 11 have been complied with and would be correct in all respects if repeated on the proposed date of the Advance by reference to the circumstances then existing;

(5) no Event of Default or Potential Event of Default has occurred on or before the proposed date of the Advance, or will occur as a result of making the Advance;

(6) no event, change, crisis or any development involving a prospective change, crisis or otherwise, in economic conditions in Singapore has occurred or the occurrence of any combination of any event, change, crisis or development in such conditions has taken place as may, in the reasonable opinion of the Lender, result or be likely to result in a material adverse effect on the business, trading position, operations or prospects of any Security Party; and

(7) not later than 9 a.m. on the proposed date of the Advance, the Lender has received and found satisfactory such additional information, legal opinions and/or other documents relevant in the context of or relating to this Agreement as it may reasonably request.

(B) Acknowledgement of Payment: The Borrower hereby expressly acknowledges that the payments made by the Lender in accordance with the instructions contained in the request for the Advance constitute the Advance to the Borrower in the amount of such payment and satisfy pro tanto the obligation of the Lender to lend sums to the Borrower hereunder.

(C) Cancellation of Available Commitment: If the Available Commitment is not drawndown in whole or in part by 5 p.m. on the Commitment Termination Date, the Lender may at its discretion cancel the Facility by notice in writing to the Borrower upon which the Available Commitment shall be cancelled and shall no longer be available for use by the Borrower and upon such cancellation, the Borrower shall pay to the Lender a cancellation fee of 0.25% of the amount cancelled.

5. REPAYMENT

(A) Repayment:

(1) In consideration of the Facility to be granted by the Lender to the Borrower, the Borrower hereby covenants that it will repay to the Lender the Advance by 35 monthly instalments of US Dollars Fifty Two Thousand and Eighty Four (US$52,084) each and a final instalment of US Dollars Fifty Two Thousand and Sixty (US$52,060) (or such other principal amount as the Lender may determine where the Advance is less than US$1,875,000) until the whole of the Advance and interest thereon are fully repaid. The first instalment for the Advance is to be paid on the date falling one (1) month from the date of the Advance and thereafter each subsequent Repayment Date shall fall on the date one month after the preceding Repayment Date until all the Advance and interest thereon are fully paid and repaid. In default of payment of any of the said instalments for any reason whatsoever, the Lender may treat the whole of the Facility or the balance thereof for the time being owing and unpaid together with interest thereon and all other sums due and owing under this Agreement as immediately due and payable without any demand. In addition to the principal amount of each of such instalments, the Borrower covenants to pay to the Lender interest on each Repayment Date in the manner provided in Clause 7.

(2) The instalments for the Advance (including interest) shall be paid by a cheque drawn on a licensed bank in Singapore in favour of the Lender and dated no later than the date that the payment is due or in such other manner of payment as may be acceptable to the Lender.

(B) Final Repayment Date: Without prejudice to the foregoing, the Borrower shall repay the Advance (together with all interest, fees and any other sums payable hereunder and not payable prior thereto) in full to the Lender on or before the Final Repayment Date.

(C) Non-Revolving Facility: All repayments shall not be re-drawn, re-borrowed or exchanged.

6. PREPAYMENT AND CANCELLATION

(A) Prepayment: The Borrower may at any time after the first Repayment Date at its option prepay the Advance in full or in part on any Repayment Date together with accrued interest on the amount so prepaid to the date of prepayment together with such additional amounts as may be necessary to compensate the Lender for any costs or losses (including funding losses) directly or indirectly resulting from such prepayment, subject to the following conditions and the provisions of Clause 14 hereof:-

(1) each partial prepayment shall be in an amount not less than US$10,000 and shall be an integral multiple thereof;

(2) each partial prepayment shall be applied in or towards repayment and satisfaction of the Advance but in the inverse order of maturity;

(3) the Borrower shall give the Lender not less than thirty (30) days' prior written notice of the date and amount of the proposed partial prepayment or the date of proposed prepayment of the Advance in full;

(4) timely notice of prepayment once having been received by the Lender the said notice of prepayment shall be irrevocable and binding on the Borrower;

(5) all prepayments made shall not be re-drawn, reborrowed or exchanged; and

(6) the Borrower shall pay to the Lender a prepayment fee of one per cent (1.0%) flat of the amount prepaid.

(B) Cancellation: The Borrower may cancel all or any part of the Commitment at any time before the Commitment Termination Date by giving to the Lender not less than five (5) days' notice of the date of the cancellation and the amount to be cancelled, and upon payment of a cancellation fee of 0.25% of the amount cancelled. The Borrower may not cancel all or any part of the Commitment except as expressly provided in this Agreement.

7. INTEREST

(A) Interest Rate: The rate of interest on the Advance as shall from time to time be owing or remain unpaid shall be as follows:-

(1) 1.5% above the prevailing prime lending rate per annum of Citibank N.A. for US Dollars on the date of the Advance (for the first interest period for the Advance) and on each Repayment Date (for each respective interest period thereafter); or

(2) 1.5% above the IFS US$ Cost of Funds (as defined in Clause 7(B)) per annum,

whichever is higher, on monthly rests(as more particularly described below) or such other rate or other periodic rest as may be notified by the Lender to the Borrower from time to time.

For the purpose of the foregoing and Clause 7(B), each interest period in respect of the Advance shall be one (1) month and the Borrower shall accordingly make the first payment of interest on the date falling one (1) month from the date of the Advance and thereafter on each Repayment Date. The Lender may at its discretion vary the periodic rest at which interest is payable.

(B) IFS US$ Cost of Funds: The reference to "IFS US$ Cost of Funds" shall mean, in respect of any interest period, the Lender's cost of funds for US Dollars as determined conclusively by the Lender in its sole discretion on the date of the Advance (for the first interest period for the Advance) and on each Repayment Date (for each respective interest period thereafter) and as indicated to the Borrower in the Lender's interest computation for that interest period.

(C) Capitalisation of Interest: Any interest, which is due but unpaid, shall be added to the outstanding principal amount of the Advance and shall itself bear interest accordingly.

8. TAXES

(A) Payment to be Free and Clear: All sums payable by the Borrower under this Agreement shall be paid (1) free of any restriction or condition, (2) free and clear of and (except to the extent required by law) without any deduction or withholding for or on account of any tax and (3) without deduction or withholding (except to the extent required by law) on account of any other amount, whether by way of set-off or otherwise.

(B) Grossing-up of Payments:

(1) If the Borrower or any other person (whether or not a party to, or on behalf of a party to, this Agreement) must at any time deduct or withhold any tax or other amount from any sum paid or payable by, or received or receivable from, the Borrower under this Agreement, the Borrower shall pay such additional amount as is necessary to ensure that the Lender receives on the due date and retains (free from any liability other than tax on its own overall net income) a net sum equal to what it would have received and so retained had no such deduction or withholding been required or made.

(2) If the Borrower or any other person (whether or not a party to, or on behalf of a party to, this Agreement) must at any time pay any tax or other amount on, or calculated by reference to, any sum received or receivable by the Lender under this Agreement (except for a payment by the Lender of tax on its own overall net income), the Borrower shall pay or procure the payment of that tax or other amount before any interest or penalty becomes payable or, if that tax or other amount is payable and paid by the Lender, shall reimburse it on demand for the amount paid by it.

(3) Within 30 days after paying any sum from which it is required by law to make any deduction or withholding, and within 30 days after the due date of payment of any tax or other amount which it is required by paragraph (2) to pay, the Borrower shall deliver to the Lender evidence satisfactory to the Lender of that deduction, withholding or payment and (where remittance is required) of the remittance thereof to the relevant taxing or other authority.

(4) As soon as the Borrower is aware that any such deduction, withholding or payment is required (or of any change in any such requirement), it shall notify the Lender.

(C) Goods and Services Tax: The Borrower shall also pay to the Lender on demand, in addition to any amount payable by the Borrower under this Agreement, any goods and services, value added or other similar tax payable in respect of that amount (and references in this Agreement to that amount shall be deemed to include any such taxes payable in addition to it).

9. CHANGES IN CIRCUMSTANCES

(A) Illegality: If at any time the Lender determines that it is or will become unlawful or contrary to any directive of any agency of any state for it to allow all or part of the Commitment to remain outstanding, to make, fund or allow to remain outstanding all or part of the Advance and/or to carry out all or any of its other obligations under this Agreement, upon the Lender notifying the Borrower:-

(1) the Commitment shall be cancelled;

(2) the Borrower shall prepay the Advance on such date as the Lender shall certify to be necessary to comply with the relevant law or directive with all unpaid accrued interest thereon, all unpaid fees accrued to the Lender and any other sum then due to the Lender under any provision of this Agreement.

(B) Increased Costs: If the Lender determines that, as a result of (1) the introduction of or any change in, or in the interpretation or application of, any law (which shall for this purpose include any removal or modification of any exemption currently in force in favour of the Borrower) or (2) compliance by the Lender with any directive of any agency of any state (including, without limitation, a directive which affects the manner in which the Lender allocates capital resources to its obligations under this Agreement):-

(1) the cost to the Lender of maintaining all or any part of the Commitment and/or of making, maintaining or funding all or any part of the Advance or any overdue sum is increased; and/or

(2) any sum received or receivable by the Lender under this Agreement or the effective return to it under this Agreement or the overall return on its capital is reduced (except on account of tax on its overall net income); and/or

(3) the Lender makes any payment (except on account of tax on its overall net income) or forgoes any interest or other return on or calculated by reference to the amount of any sum received or receivable by it under this Agreement,

the Borrower shall indemnify the Lender against that increased cost, reduction, payment or forgone interest or other return (except to the extent that it results from a deduction or withholding of tax).Under this sub-Clause (B), the Lender shall be entitled to claim indemnification not only for a cost, reduction, payment or forgone interest or other return directly attributable to this Agreement, the Commitment, the Advance or any overdue sum,
but also for that proportion of any cost, reduction, payment or forgone interest or other return which the Lender determines to be fairly allocable to this Agreement, the Commitment, the Advance or any overdue sum in relation to any law or directive applicable to the Lender or affecting the conduct of the Lender's business or a type of business or the manner in which or the extent to which the Lender allocates capital resources.

(C) Change in Market Conditions:

(1) If at any time prior to the commencement of any interest period the Lender determines that for whatever reason, including by reason of circumstances affecting the Singapore interbank market, the interest rate set out under Clause 7(A) does not accurately reflect the cost to the Lender of making or maintaining the Advance during such interest period, the Lender shall give notice of such fact to the Borrower.

(2) During the period of thirty (30) days from the date of any such notice, the Lender shall establish (in consultation with the Borrower) an alternative basis (the "Substitute Basis") for funding the Advance including, but without limiting the generality hereof an alternative length of interest period and/or the fixing of an alternative interest rate.

(3) The Lender shall notify the Borrower in writing forthwith upon establishment of the Substitute Basis. The interest rate (determined as aforesaid) shall reflect the cost to the Lender (as determined by the Lender) of making available or continuing to make available the relevant funds. The Substitute Basis shall be binding upon the Borrower and shallbe retroactive to and take effect from the beginning of the interest period applicable thereto and in respect of which the Substitute Basis was established, and shall continue to apply until the Lender notifies the Borrower in writing to the contrary.

10. PAYMENTS

(A) By Lender: On the date on which the Advance is to be made, the Lender shall make the Advance available to the Borrower by making payment of the same to the parties set out in the Borrower's notice of drawdown under Clause 4(A) (1), no later than the date on which the Advance is to be made, before close of business in Singapore on that date, or in such other manner as may be agreed by the Lender. All costs and expenses (including bank charges and all costs and expenses of purchasing any currency) incurred in the making of the Advance shall be borne by the Borrower.

(B) By Borrower: Any payment to be made by the Borrower in respect of principal or interest or any other sum payable by the Borrower hereunder shall be made in the manner set out in Clause 5(A)(2) above no later than the date that the payment is due. Any cheque sent by post by the Borrower to the Lender shall be at the risk of the Borrower. In addition to any interest payable by the Borrower to the Lender and any other charges which the Lender may levy, an administrative fee of S$10 and any goods and services tax (if any) payable thereon shall be payable by the Borrower to the Lender for each GIRO transaction that fails to occur.

(C) Order of Distribution: If the amount received by the Lender from the Borrower on any date is less than the total sum remaining and/or becoming due under this Agreement on that date, the Lender may apply that amount in or towards payment of the following sums in the following order:-

(1) first, in or towards payment of any sums (other than principal of or interest on the Advance) then due to the Lender;

(2) secondly, in or towards payment of any default interest;

(3) thirdly, in or towards payment of any interest (other than default interest) then due on the Advance; and

(4) fourthly, in or towards payment of any principal then due,

or in such other manner and order of distribution as the Lender may determine in its sole discretion. Any such application shall override any purported appropriation by the Borrower.

(D) Non-Business Days:

(1) If the Final Repayment Date or any Repayment Date would otherwise fall on a non-Business Day, it shall instead fall on the next Business Day, unless it falls into another calendar month in which case the Final Repayment Date or such Repayment Date shall instead fall on the immediately preceding Business Day.

(2) Any payment to be made by the Borrower on a day which is not the Final Repayment Date or a Repayment Date and which would otherwise be due on a non-Business Day shall instead be due on the next Business Day, unless it falls into another calendar month in which case such payment shall instead be due on the immediately preceding Business Day.

11. REPRESENTATIONS AND WARRANTIES

(A) Reliance by Lender: The Borrower acknowledges that it has made the representations to the Lender as set out in Clause 11 (B) with the intention of inducing the Lender to make available the Facility to the Borrower, to enter into the Transaction Documents on the basis of, and in full reliance on, each of those representations and the Borrower now warrants to the Lender as set out in Clause 11(B).

(B) Representations and Warranties: The following are the representations and warranties referred to in Clause 11(A):-

(1) that the Borrower is duly incorporated with limited liability and validly existing as a company under the laws of the Republic of Singapore, is not in liquidation and does not have any winding up petition filed against it in the courts of the Republic of Singapore;

(2) that each Security Party has the necessary power and authority to execute and deliver each Transaction Document to which it is a party and has taken all necessary corporate action and has obtained all necessary consents (governmental, exchange control or otherwise) to enable it to execute each such Transaction Document and to perform its obligations thereunder;

(3) that there are no actions, suits or arbitral or other proceedings pending or threatened against any Security Party or the assets of any of them which may have a material adverse effect on its respective assets or its ability to observe or perform its respective obligations under each Transaction Document to which it is a party or the enforcement thereof;

(4) that the financial condition and operations of each Security Party, and each of its related corporations (if any) is such that each Security Party is able to fully and effectively perform its obligations under each Transaction Document to which it is a party;

(5) that no Event of Default has occurred or will occur as a result of making the Advance; each Security Party is not in breach of or in default under any agreement relating to borrowed money to an extent or in a manner which has or could have a material adverse effect on it;

(6) that each Security Party and its respective assets is/are not entitled to immunity from suit, execution, attachment or other legal process in Singapore or elsewhere; its entry into each Transaction Document to which it is a party constitutes, and the exercise of its respective rights and performance of and compliance with its respective obligations under such document will constitute private and commercial acts done and performed for private and commercial purposes;

(7) that each Security Party has filed or caused to be filed all requisite tax returns required to be filed in all jurisdictions in which it is situated or carries on business or resides or is otherwise subject to taxation and it has paid all taxes shown to be due and payable in such returns or on any assessments made against it (other than those being contested in good faith and against which adequate reserves are being maintained) and, to its knowledge, no claims are being asserted with respect to such taxes which, if adversely determined, would have a material adverse effect on it or upon its ability to fulfil its respective obligations under any Transaction Document;

(8) that no steps have been taken by each Security Party or any other party nor have any legal proceedings been started or threatened for its dissolution, winding up or bankruptcy or for the appointment of a receiver, trustee, liquidator, judicial manager, administrator or similar officer of it, its assets or any of them;

(9) that no information, exhibit or report furnished in writing by each Security Party to the Lender in connection with the negotiation of any Transaction Document contains any misstatement of fact as at the date of such exhibit or report or as at the date when such information was given or omits to state a fact as at such date which in any such case would be materially adverse to the interests of the Lender under such Transaction Document;

(10) that each Security Party which is a corporation has carried on its business in accordance with applicable laws in Singapore and in any relevant foreign country and there is no investigation or enquiry by, or order, decree or judgment of, any court or any agency of any state outstanding or anticipated against each Security Party which may have a material adverse effect on that Security Party;

(11) that each Security Party is not insolvent or bankrupt, or has not made any arrangement or composition with its creditors or taken or suffered any similar action in consequence of a debt; each of the Security Parties is not in breach of or in default under any agreement relating to borrowed money;

(12) that the accounts of each Security Party which is a corporation as delivered to the Lender (with copies of the reports and approvals referred to in (i) below):

(i) include such financial statements as are required by the laws of the country of its incorporation and, save as stated in the notes thereto, were prepared, audited, examined, reported on and approved in accordance with accounting principles and practices generally accepted in its country of incorporation and consistently applied and in accordance with the laws of its country of incorporation and its constitutional documents;

(ii) together with the notes thereto, give a true and fair view of the state of affairs and financial condition and operations of such Security Party (or, in the case of consolidated accounts, the consolidated state of affairs, financial condition and operations of such Security Party and its subsidiaries) as at that date and for the respective financial years then ended; and

(iii) together with the notes thereto and to the extent required by accounting principles, standards and practices generally accepted in its country of incorporation disclose or make provisions against all material liabilities (contingent or otherwise) of the relevant person(s) as at the respective dates and all material unrealised or anticipated losses from any commitment entered into by the relevant person(s) and which existed on the respective dates;

(13) that there has been no material adverse change in the financial condition or operations of each Security Party since the date of the then latest available audited financial statements of such Security Party delivered to the Lender or in the consolidated financial condition or operations of such Security Party and its subsidiaries and associated corporations, as the case may be, since that date;

(14) that the entry by each Security Party into, the exercise of its rights and/or the performance of or compliance with its obligations under the Transaction Documents to which it is a party do not and will not violate, or exceed any borrowing or other power or restriction granted or imposed by, (a) any law to which it is subject or (b) (where the Security Party is a corporation) its constitutive documents;

(15) that the obligations of each Security Party under the respective Transaction Documents to which it is a party are legal, valid, binding and enforceable in accordance with their terms;

(16) that the entry by each Security Party into, the exercise of its rights and/or performance of or compliance with its obligations under the Transaction Documents to which it is a party do not and will not (a) violate, or exceed any borrowing or other power, (b) violate, or exceed any restriction granted or imposed by (i) any law to which it is subject or (ii) its constitutive documents (if applicable), (c) violate any agreement to which it is a party or which is binding on it or its respective assets, or (d) result in the existence of, or oblige it to create, any security over those assets; and

(17) each of the Security Parties is not involved in any activity prohibited under the Corruption Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act, Chapter 65A of Singapore.

(C) Repetition: Each of the representations is made and each of the warranties is given without any condition or qualification and shall be correct and complied with in all respects so long as any sum remains to be lent or remains payable under this Agreement as if repeated then by reference to the then existing circumstances, except that the reference to financial statements in Clause 11(B)(12) shall be construed as a reference to the then latest available financial statements of the relevant Security Party.

(D) Investigation by Lender: The rights and remedies of the Lender in relation to any misrepresentation or breach of warranty on the part of the Borrower shall not be prejudiced by any investigation by or on behalf of the Lender into the affairs of any Security Party, by the performance of any Transaction Document or by any other act or thing which may be done by it in connection with any Transaction Document or any other documents and which would, apart from this sub-Clause, prejudice such rights or remedies.

12. INFORMATION

(A) Undertakings: The Borrower undertakes that, so long as any sum remains to be lent or remains payable under this Agreement:

(1) Preparation of Accounts: it will ensure that all accounts to be delivered by it under this Agreement are prepared in such manner that Clause 11(B)(12) would be complied with if applied to those accounts by Clause 11(C). If the Lender wishes to discuss the financial position of any of the Security Parties or any of its subsidiaries with its auditors, the Lender may notify the Borrower, stating the questions or issues which the Lender wishes to discuss with the auditors. In this event, the Borrower must ensure that the auditors are authorised (at the expense of the Borrower):

(a) to discuss the financial position of such Security Party or each of its subsidiary with the Lender; and

(b) to disclose to the Lender any information which the Lender may reasonably request.

(2) Audited Accounts: as soon as available and in any event within 90 days after the end of each of its financial years, it will deliver to the Lender copies of the annual report and audited accounts (both consolidated and unconsolidated) as at the end of and for such financial year, of the Borrower together with copies of the related reports and approvals referred to in Clause 11(B)(12);

(3) Semi-Annual Information: as soon as available and in any event within 45 days after the end of the first six months of the financial year of the Borrower, it will deliver to the Lender copies of the unaudited accounts of the Borrower (both consolidated and unconsolidated) as at the end of and for that six month period;

(4) Quarterly Management Reports: as soon as available and in any event within 45 days after the end of each quarterly period of each financial year of the Borrower, it will deliver to the Lender copies of the unaudited accounts of the Borrower (both consolidated and unconsolidated) as at the end of and for that quarterly period;

(5) Information to Shareholders: at the same time as sent to shareholders of a Security Party, it will deliver to the Lender copies of any circular, document or other written information sent to such shareholders generally (or any class of them) or to its creditors generally (or any class of them) in respect of any re-adjustment, rescheduling or deferral of all or a material part of its indebtedness;

(6) Litigation: it will promptly deliver to the Lender details of any litigation, arbitration or administrative proceeding which, if to its knowledge had been current, pending or threatened at the date of this Agreement, would have rendered the representation and warranty in Clause 11(B)(3) incorrect;

(7) Events of Default: it will notify the Lender of the occurrence of any Event of Default or Potential Event of Default (and of any action taken or proposed to be taken to remedy it) promptly after becoming aware of it. With each financial statement delivered by it under Clauses 12(A)(2), 12(A)(3) and 12(A)(4), and promptly after any request made by the Lender from time to time, it will deliver to the Lender a certificate signed on its behalf by such person as may be acceptable to the Lender for that purpose confirming that, so far as it is aware and (if applicable) except as previously notified to the Lender or waived in accordance with Clause 21(B), no Event of Default has occurred or (as the case may be) setting out details of any which has occurred and has not been so notified and of which it is aware and of any action taken or proposed to be taken to remedy it;

(8) Compliance: it will promptly deliver to the Lender such information as the Lender may require about the Charged Property and the compliance of any Security Party with the terms of any Transaction Documents to which it is a party;

(9) Access: it will and will ensure that each Security Party will permit the Lender and/or accountants or other professional advisers and contractors of the Lender, at all reasonable times and on reasonable notice, at the risk and cost of the Borrower to have free access to the premises, assets, books, accounts and records of any of the Security Parties and each of its subsidiaries; and it will, at the request of the Lender and at the risk and cost of the Borrower, permit the Lender to have free access to the premises at which the Equipment is located to inspect the Equipment at least once every calendar year;

(10) Other Information: it will promptly deliver to the Lender such other information relating to the financial condition, assets, operations or business of it or its subsidiaries as the Lender may from time to time reasonably require.

(B) "Know your customer" checks:

If:

(i) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation made after the date of this Agreement;

(ii) any change in the status of any Security Party or the composition of the shareholders of any Security Partyafter the date of this Agreement; or

(iii) a proposed assignment or transfer by the Lender of any of its rights and/or obligations under this Agreement prior to such assignment or transfer,

obliges the Lender (or, in the case of paragraph (iii) above, any prospective new lender(s)) to comply with "know your customer" or similar identification procedures in circumstances where the necessary information is not already available to it, the Borrower shall promptly upon the request of the Lender supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Lender (for itself or, in the case of the event described in paragraph (iii) above, on behalf of any prospective new lender(s)) in order for the Lender or, in the case of the event described in paragraph (iii) above, any prospective new lender(s) to carry out and be satisfied with the results of all necessary "know your customer" or other similar checks under all applicable laws and regulations pursuant to the transactions contemplated in the Transaction Documents.

13. UNDERTAKINGS

The Borrower undertakes that, so long as any sum remains to be lent or remains payable under this Agreement:-

(1) Ranking of Obligations: its payment obligations under this Agreement rank and will at all times rank at least equally and rateably in all respects with all its other unsecured indebtedness except for such indebtedness as would, by virtue only of the laws in force, be preferred in the event of its winding-up;

(2) Accounts Receivable: it will not, except pursuant to the bills receivable facility granted by DBS Bank Ltd to the Borrower prior to the date of this Agreement, sell, assign, transfer, factor or dispose of any of its accounts receivables without the prior written consent of the Lender, such consent not to be unreasonably withheld;

(3) Negative Pledge: save for the two (2) charges in favour of DBS Bank Ltd registered with the Accounting and Corporate Regulatory Authority and numbered C201102404 and C200400811 and the charge in favour of Standard Chartered Bank registered with the Accounting and Corporate Regulatory Authority and numbered 200003573,it will not create or have outstanding any security on or over its assets, present and future, except with the prior consent in writing of the Lender, such consent not to be unreasonably withheld, and in relation to any other security created or remaining outstanding with the consent of the Lender, the principal amount secured by such security shall not be increased without the prior consent in writing of the Lender;

(4) Disposals: it will not (whether by a single transaction or a number of related or unrelated transactions and whether at one time or over a period of time) sell, transfer, lease out, lend or otherwise dispose of (whether outright, by a sale-and-repurchase or sale-and-leaseback arrangement, or otherwise) all or substantially all of its assets nor of any part of its assets which, either alone or when aggregated with all other disposals other than those required to be excluded under this Clause 13(4), is substantial in relation to its assets or the disposal of which could have a material adverse effect on it. The following disposals shall not be taken into account under this Clause 13(4):-

(a) disposals in the ordinary course of business for full consideration and on an arm's length basis for cash or assets of similar value; and

(b) any disposal made with the prior written consent of the Lender

Provided Always That any dealing or disposal of the Equipment shall be subject to Clause 13(15);

(5) Change of Business: it will ensure that at all times that, except with the Lender's prior written consent, such consent to be granted at the Lender's absolute discretion:-

(a) there is no material change in the nature of the business of the Borrower (whether by a single transaction or a number of related or unrelated transactions, whether at one time or over a period of time and whether by disposal, acquisition or otherwise); and

(b) there is no amendment or alteration to any of the provisions in the Memorandum and Articles of Association of the Borrower relating to the principal objects and the borrowing powers of the Borrower;

(6) Shareholdings: it will procure that at all times, except with the Lender's prior written consent, such consent to be granted at the Lender's absolute discretion:-

(a) it will not undertake or permit any form of restructuring, reconstruction, amalgamation, reorganisation, merger, consolidation, takeover or any other scheme of compromise or arrangement affecting the Borrower;

(b) there will be no change in the composition of its shareholders or the legal and/ or beneficial ownership of its shares; and

(c) there will be no change in the composition of the directors of the Borrower;

(7) Dividends: it will not, without the prior consent in writing of the Lender, declare or pay any dividends or otherwise make any distribution of profits or any property (whether in cash or in kind or otherwise);

(8) Maintenance of Consents: each Security Party will obtain, comply with the full terms of and do all that is necessary to maintain in full force and effect all such authorizations, approvals, licenses and consents required in or by the laws and regulations of the relevant jurisdictions to enable it lawfully to enter into and perform its obligations under the Transaction Documents or to ensure the legality, validity, enforceability or admissibility in evidence in such jurisdictions of the Transaction Documents;

(9) Taxes: it will (a) pay when due all taxes payable by it other than taxes for which it has set aside (as evidenced in the financial statements of the Borrower delivered under this Agreement) sufficient reserves and provisions and which are being contested in good faith except where failure to pay such taxes may have a material adverse effect upon it or its ability to perform any of its financial or other obligations under this Agreement and (b) pay such contested taxes after the final determination or settlement of such contest;

(10) Insurance: (a) it will insure and keep insured in its name with an insurance company approved by the Lender through an insurance broker nominated by the Lender all the Equipment against loss and damage from all risks, including fire and such other risks normally insured by companies in the same or similar industry as the Borrower or such other risks and contingencies as may be deemed fit by the Lender from time to time to the full reinstatement or insurable value thereof as determined and approved by the Lender until the full repayment of the Facility and all sums outstanding under this Agreement, on such terms and conditions acceptable to the Lender. All such policies shall provide for the interest of the Lender as chargee, have non-cancellation clauses and a loss payee clause in favour of the Lender as chargee endorsed thereon. Premiums in respect of such insurance shall be borne solely by the Borrower and the Borrower shall pay or procure to be duly paid all premiums or other sums payable in respect of such insurance, and ensure that all such policies or insurance in respect of the foregoing will be in full force and effect and enforceable by the Borrower. Without prejudice to the foregoing, the Borrower shall procure that all insurance policies are duly renewed at least 2 weeks prior to their expiry. If the Borrower fails to comply with the provision of this Clause 13(10), the Lender may at its discretion (but without any obligation on its part to do so) have such insurance effected or renewed and the insurance premiums and all monies so expended by the Lender shall be repaid by the Borrower with interest at the rate and in the manner provided in Clause 15 hereof;

(b) it will insure and keep insured all its other property against loss or damage from all risks, including fire, riots, strikes, aircraft damage, articles dropped from the air, malicious damage, explosion and such other risks and contingencies as may be usual in the business of the Borrower for the full insurable value thereof;

(11) Further Security: without prejudice to any other rights or remedies available at law, if in the sole opinion of the Lender, any Security Party shall not be able to fulfil any of their obligations under any Security Document to which it is a party, the Lender shall be entitled (but without any obligation), at its sole discretion, to require the Borrower to, and the Borrower shall, within seven (7) Business Days of the Lender so requiring to do so, provide such other security acceptable to the Lender in its absolute discretion, but nothing herein shall prejudice the right of the Lender to otherwise exercise its rights under Clause 14; and

(12) Special Accountant: in the event that, in the opinion of the Lender, circumstances have arisen which give reasonable cause for concern over the financial condition of the Borrower, the Borrower will, notwithstanding that an Event of Default or a Potential Event of Default has not occurred, forthwith upon the Lender's request appoint a special accountant nominated by the Lender. The Lender may at its absolute discretion immediately after such request to appoint a special accountant make such appointment on the Borrower's behalf. The special accountant so appointed shall be the agent of the Borrower and the Borrower shall be responsible for his acts, defaults and remuneration. The special accountant shall have the following functions:-

(a) to carry out an audit of the accounts of the Borrower and report the outcome of such audit to the Lender;

(b) to verify and submit to the Lender a list of the Borrower's account receivables;

(c) to verify and submit to the Lender a list of the Borrower's creditors; and

(d) to render such advisory or other services with respect to the financial affairs of the Borrower as the Lender may specify in its request to the Borrower to appoint the special account;

(13) Valuation of Equipment: it will promptly deliver to the Lender (i) not less than once in each calendar year; and (ii) from time to time as the Lender may require such valuation(s) of the Equipment by independent professional valuers selected or approved by the Lender in its discretion stating the current market value of the Equipment on bases and assumptions acceptable to the Lender addressed to the Lender or with written confirmation that the Lender may rely on such valuation(s);

(14) Minimum Value: in the event that at any particular time the Lender determines that the aggregate of all monies (whether principal, interest, fees or otherwise) for the time being outstanding under the Facility (collectively the "Outstandings") is more than 70% (the "Security Margin") of the market value of the Equipment(the "Valuation")as determined by the Lender from the most recent valuation received by the Lender under Clause 13(13), the Borrower shall, within seven (7) days of a written notice from the Lender, at the Lender's discretion:-

(a) pay all accrued interests forming part of the Outstandings and further reduce the Outstandings so that the reduced Outstandings, in proportion to the Valuation, shall be less than the Security Margin; and/or

(b) furnish or procure additional security in form and substance acceptable to the Lender, so that the Outstandings, in proportion to the aggregate of the Valuation and the current market value (as ascertained by the Lender with all costs arising from or in connection with such ascertainment to be borne by the Borrower) of such additional security, shall be less than the Security Margin;

(15) No Sale or Disposal of Equipment: it will not, without the prior written consent of the Lender:-

(a) lease, rent, let, sub-let or hire out the Equipment or enter into an agreement (other than an agreement conditional upon such consent or agreement of the Lender being obtained) for any such lease, loan, rental, letting, sub-letting or hiring or grant any right or licence or permission to any person to use or operate any of the Equipment; and

(b) sell, transfer or part with in any way or otherwise dispose of (whether outright, by a sale-and-repurchase or sale-and-leaseback arrangement, or otherwise, whether by means of one or a number of transactions related or not and whether at one time or over a period of time), the whole or any part of the Equipment, or enter into an agreement for any such sale, transfer or other disposal.

(16) No Financing of Purchase of Equipment similar to the Equipment: it shall notify and grant to the Lender the first right of refusal to finance any acquisition or purchase of any new or used equipment similar to the Equipment by the Borrower; and

(17) Further Assurance: it will from time to time on request by the Lender do or procure the doing of all such acts and will execute or procure the execution of all such documents as the Lender may reasonably consider necessary for giving full effect to this Agreement or securing to the Lender the full benefits of all rights, powers and remedies conferred upon the Lender in the Transaction Documents.

14. EVENTS OF DEFAULT

(A) Events of Default: The following are Events of Default:-

(1) Non-Payment: the Borrower does not pay in the manner provided in this Agreement any sum payable under it when due;

(2) Breach of Other Obligations: a Security Party does not fully perform or comply with any one or more of its obligations (other than the payment obligation of the Borrower referred to in Clause 14(A)(1)) under any Transaction Document and if in the reasonable opinion of the Lender that default is capable of remedy, it is not in the reasonable opinion of the Lender remedied within seven (7) days of its occurrence;

(3) Breach of Warranty: any representation, warranty or statement by any Security Party in any Transaction Document to which it is a party or in any document delivered thereunder is not fully complied with or is or proves to have been incorrect when made or deemed repeated or is breached in any material respect;

(4) Cross-Default: any other indebtedness of any Security Party in respect of borrowed money is or is declared to be or is capable of being rendered due and payable before its normal maturity by reason of any actual or potential default, event of default or the like (however described) or is not paid when due or, as a result of any actual or potential default, event of default or the like (however described) any facility relating to any such indebtedness is or is declared to be or is capable of being cancelled or terminated before its normal expiry date or any person otherwise entitled to use any such facility is not so entitled;

(5) Insolvency: any Security Party is (or is, or could be, deemed by law or a court to be) insolvent or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its indebtedness, begins negotiations or takes any other step with a view to the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its indebtedness (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors or a moratorium is agreed or declared in respect of or affecting all or a material part of (or of a particular type of) the indebtedness of such Security Party;

(6) Enforcement Proceedings: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against the assets of any Security Party and is not discharged or stayed within five (5) days;

(7) Security Enforceable: any security on or over the assets of any Security Party becomes enforceable or any step (including the taking of possession or the appointment of the receiver, manager or similar officer) is taken to enforce such security;

(8) Winding-up or Bankruptcy: any step is taken by any person with a view to the winding-up or bankruptcy of a Security Party (except for the purpose of and followed by a reconstruction, amalgamation reorganisation, merger or consolidation on terms approved by the Lender before that step is taken) or for the appointment of a liquidator (including a provisional liquidator), receiver, judicial manager, administrator, trustee or similar officer, as the case may be, of a Security Party or over any part of the assets of a Security Party;

(9) Cessation of Business: any Security Party that is a corporation ceases or threatens to cease to carry on all or a substantial part of its business;

(10) Nationalisation: any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalization of all or a material part of the assets of any Security Party;

(11) Consents: any action, condition or thing (including the obtaining of any necessary consent) at any time required to be taken, fulfilled or done for any of the purposes stated in Clause 11(B)(2) is not taken, fulfilled or done, or any such consent ceases to be in full force and effect without modification or any condition in or relating to any such consent is not complied with (unless that consent or condition is no longer required or applicable);

(12) Illegality: it is or will become unlawful for any Security Party to perform or comply with any one or more of its obligations under any Transaction Document to which it is a party or it is or will become unlawful, illegal or contrary to any laws, regulations, directives, rulings or guidelines of any governmental or statutory authority in Singapore for the Lender to maintain, grant or continue to grant the Facility to the Borrower;

(13) Cessation: any Transaction Document ceases for any reason (or is claimed by any Security Party not) to be the legal and valid obligations of any Security Party, binding upon it in accordance with its terms;

(14) Litigation: any litigation, arbitration or administrative proceeding is current or pending (a) to restrain the exercise of any of the rights and/or the performance or enforcement of or compliance with any of the obligations of a Security Party under the Transaction Documents or (b) which has or could have a material adverse effect on any Security Party;

(15) Accounts: the accounts of the Borrower delivered to the Lender under Clauses 12(2), 12(3) and 12(4) are qualified in a manner or to an extent unacceptable to the Lender;

(16) Withdrawal of authorisation, approval or consent : any authorisation, approval or consent necessary to enable a Security Party to observe and perform its obligations under a Transaction Document to which it is a party is withdrawn or modified to an extent unacceptable to the Lender;

(17) Death, Insanity and Incompetence: any Security Party who is an individual is or becomes insane or dies or is declared legally incompetent by a court of competent jurisdiction or any step is taken by any person with a view to the bankruptcy of any such Security Party or for the appointment of a trustee or administrator or similar officer of any such Security Party;

(18) Deterioration or impairment of Charged Property: there is or is likely to be (in the opinion of the Lender) any material deterioration or impairment in any manner to the Charged Property or any part thereof;

(19) Breach of contracts in respect of Charged Property: the Borrower fails to observe or perform any of its obligations under any other contract entered into in respect of any Charged Property or the insurance policies in respect of any Charged Property;

(20) Security in Jeopardy: if in the opinion of the Lender, any security provided to the Lender in connection with the Facility is in jeopardy and notice thereof has been given by the Lender to the Borrower;

(21) Fundamental Obligations: the provisions of Clause 12, Clause 13(5), Clause 13(6), Clause 13(13), Clause 13(14), Clause 13(15) and/or Clause 13(16) are not complied with;

(22) Bankruptcy: a Security Party who is an individual is adjudicated a bankrupt or bankruptcy or other analogous proceedings are commenced against such Security Party and such proceedings are not withdrawn within seven (7) days;

(23) Expiry or Termination of other Facilities: any other facility granted or which may be granted by the Lender to the Borrower is terminated for any reason whatsoever;

(24) Analogous Event: any event occurs which, under the law of any relevant jurisdiction, has an analogous or equivalent effect to any of the events mentioned in Clauses 14(A) (5), (6), (7), (8) and/or (22) above; and

(25) Material Adverse Change: any event occurs or circumstances arise which the Lender reasonably determines give(s) reasonable grounds for believing that a Security Party may not (or may be unable to) perform or comply with any one or more of its obligations under the Transaction Documents to which it is a party.

(B) Cancellation/Acceleration: If at any time and for any reason (and whether within or beyond the control of the Lender or any Security Party) any Event of Default has occurred then at any time thereafter, whether or not any Event of Default is continuing, the Lender may by notice to the Borrower declare:-

(1) the Commitment to be cancelled, whereupon it shall be cancelled; and/or

(2) the Facility, all unpaid accrued interest or fees and any other sum then payable under this Agreement to be immediately due and payable, whereupon they shall become so due and payable.

15. DEFAULT INTEREST

If the Borrower does not pay any sum payable by the Borrower under this Agreement when due, it shall pay interest on the amount from time to time outstanding in respect of that overdue sum for the period beginning on its due date and ending on the date of its receipt by the Lender (both before and after judgment) at the rate which is the sum of 3.5% and the applicable interest rate as set out in Clause 7(A) or such other rate as may be determined by the Lender, and such interest shall be calculated daily with monthly rests. For the avoidance of doubt, such interest which is due but unpaid shall be added to the relevant outstanding amount on a monthly basis and shall itself bear interest accordingly at the interest rate set out in this Clause.

16. INDEMNITIES

(A) Miscellaneous Indemnities: The Borrower shall on demand indemnify the Lender against any funding or other cost, loss, expense or liability sustained or incurred by it as a result of:-

(1) the Advance not being made by reason of non-fulfilment of any of the conditions in Clause 4(A) or the Borrower purporting to revoke a notice requesting the Advance;

(2) the occurrence or continuance of any Event of Default or Potential Event of Default;

(3) the receipt or recovery by the Lender of all or any part of the Advance otherwise than on the date the Advance or part thereof is payable to the Lender under this Agreement; or

(4) any sum payable by the Borrower under this Agreement not being paid when due and in the currency and/or manner provided for in this Agreement (but, so far as appropriate, credit shall be given to the Borrower for any interest payable by it under Clause 15).

(B) Tax Indemnities: Without prejudice to the provisions of this Agreement, if the Lender is required by law to make any payment, whether on account of tax (not being a payment of tax on its overall net income) or otherwise, on or calculated by reference to any sum received or receivable by it under this Agreement or any liability in respect of any such payment is asserted, imposed, levied or assessed against the Lender as a consequence of any credit, deduction or refund obtained by the Lender in respect of interest paid under this Agreement being disallowed, or if the Lender is required by any law or directive to make any payment in relation to the Lender obtaining funds from any source for the purpose of funding or maintaining its Available Commitment, the Borrower will on first demand pay to the Lender free and clear of all withholdings and deductions an amount sufficient to indemnify it against such payment or liability, together with any interest, penalties and expenses payable or incurred in connection therewith.

(C) Currency Indemnity:

(1) All sums payable by the Borrower under or in connection with this Agreement (and any damages in relation thereto) shall be payable in US Dollars (the "Currency of Account") which shall be the sole currency of account and payment.

(2) Any amount received or recovered in a currency other than the Currency of Account (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the dissolution of the Borrower or otherwise) by the Lender in respect of any sum expressed to be due to it from the Borrower under this Agreement shall only constitute a discharge to the Borrower to the extent of the amount of the Currency of Account which the Lender is able, in accordance with its usual practice, to purchase with the amount so received or recovered in that currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

(3) If that amount in the Currency of Account is less than the amount of the Currency of Account expressed to be due to the Lender under this Agreement, the Borrower shall fully indemnify it against any loss sustained by it as a result. In any event, the Borrower shall fully indemnify the Lender against the cost of making any such purchase. For the purpose of this sub-Clause, it would be sufficient for the Lender to demonstrate that it would have suffered a loss had an actual exchange or purchase been made.

(4) The Borrower expressly waives any right under any applicable law to repay the Advance made to it (together with all interests, fees and any other sums payable hereunder) in any currency other than US Dollars.

(D) Indemnities Separate and Independent: Each of the indemnities in this Agreement constitutes a separate and independent obligation from the other obligations in this Agreement, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by the Lender and shall continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due under this Agreement or any judgment or order. No proof or evidence of any actual loss may be required.

17. SET OFF

In addition to any lien, right of set-off or other right which the Lender may have, the Lender shall be entitled at any time and without notice to the Borrower to combine or consolidate all or any of the accounts of the Borrower, including any accounts of the Borrower, whether alone or jointly or jointly with any other person or under whatever style name or form (whether in Singapore Dollars or other currency) wheresoever situate (in Singapore or elsewhere) and to set-off or transfer any sum standing to the credit of any one or more of such accounts in or towards satisfaction of any moneys, obligations and liabilities of the Borrower, whether alone or jointly or jointly with any person or in any respect whatsoever whether in Singapore or elsewhere and whether such liabilities be present future actual contingent primary collateral several or joint notwithstanding that such moneys, obligations and liabilities may not be expressed in the same currency and where such liabilities are contingent, the Lender shall be entitled to set aside such amounts to keep the Lender in funds for fully meeting and discharging such liabilities. Where such combination, consolidation, set-off or transfer requires the conversion of one currency into another, the Lender is hereby authorized to effect such conversion at the rate of exchange as the Lender may determine as at the date of set-off or transfer.

18. EXPENSES AND STAMP DUTY

(A) Expenses and Stamp Duty: Whether or not the Advance is made under this Agreement, the Borrower shall pay:-

(1) on demand, all costs and expenses (including legal fees and all goods and services, value added and other duties or taxes payable on such costs and expenses) incurred by the Lender in connection with the preparation, negotiation or entry into of the Transaction Documents and/or any amendment of, supplement to or waiver in respect of any Transaction Document;

(2) on demand, all costs and expenses (including legal fees on a full indemnity basis and all goods and services, value added and other duties or taxes payable on such costs and expenses) incurred by the Lender in protecting or enforcing any rights under the Transaction Documents; and

(3) promptly, and in any event before any interest or penalty becomes payable, any stamp, goods and services, value added, documentary, registration or similar duty or tax payable in connection with the entry into, performance, enforcement or admissibility in evidence of the Transaction Documents, and shall indemnify the Lender against any liability with respect to or resulting from any delay in paying or omission to pay any such duty or tax.

(B) Right of Lender to Pay Expenses: Without prejudice to any other rights and remedies available to it, the Lender shall be entitled (but without any obligation) at its sole discretion to make payment in respect of any costs and expenses referred to in Clause 18(A) above and thereafter the Lender shall be entitled without demand to receive payment for such costs and expenses from the Borrower as a debt due. If the Borrower does not pay any sum payable by the Borrower under this Clause 18(B) when due, it shall pay interest on the amount from time to time outstanding in respect of that overdue sum for the period beginning on its due date and ending on the date of its receipt by the Lender (both before and after judgment) at the rate which is the sum of three point five per cent (3.5%) and the applicable normal interest rate as set out in Clause 7(A) or such other rate as may be determined by the Lender, and such interest shall be calculated daily with monthly rests. For the avoidance of doubt, such interest which is due but unpaid shall be added to the relevant outstanding amount on a monthly basis and shall itself bear interest accordingly at the interest rate set out in this Clause.

19. CALCULATIONS AND EVIDENCE

(A) Basis of Calculation: All interest (including default interest) shall accrue from day to day and shall be calculated on the basis of a year of 360 days and the actual number of days elapsed.

(B) Loan Accounts: The entries made in the accounts maintained by the Lender in accordance with its usual practice shall be prima facie evidence of the existence and amounts of the obligations of the Borrower recorded in them.

(C) Certificate Conclusive: A certificate by the Lender as to any sum payable to it under this Agreement, and any other certificate, determination, notification, opinion or the like of the Lender provided for in this Agreement, shall be conclusive save for manifest error.

20. ASSIGNMENT

(A) Benefit and Burden of Agreement: This Agreement shall benefit and be binding on the parties, their permitted assignees and their respective successors. Any reference in this Agreement to either party shall be construed accordingly. The Borrower may not assign or transfer all or part of its rights or obligations under this Agreement

(B) Assignee: Any assignee shall be and be treated as a lender for all purposes of this Agreement and shall be entitled to the full benefit of the Transaction Documents to the same extent as if it were an original party in respect of the rights assigned to it.

(C) Transfer by Lender:

(1) The Lender may assign all or any part of its rights under this Agreement without the consent of any party. If, as part of the same transaction, the Lender wishes to transfer all or part of its obligations under this Agreement, the Borrower consents to such transfer and the transfer shall become effective when the Borrower has been notified of it by the Lender and has received an undertaking (in a form satisfactory to the Lender) of the transferee (the "Transferee") to be bound by this Agreement and to perform the obligations transferred to it. Any costs incurred by the Lender or the Transferee in connection with the preparation of that undertaking shall be borne by the Lender.

(2) On the transfer date specified in the notice of the transfer from the Lender to the Borrower:-

(a) the Borrower and the Lender (hereinafter referred to in this Clause 20(C)(2) as the "Present Lender") shall each be released from further obligations to the other hereunder and their respective rights against each other shall be extinguished and cancelled (such rights and obligations hereinafter referred to in this Clause 20(C)(2) as "Discharged Rights and Obligations"); and

(b) the Borrower and the Transferee shall each assume obligations towards each other and/or acquire rights against each other which differ from the Discharged Rights and Obligations only in so far as the Borrower and Transferee have assumed and/or acquired the same in place of the Borrower and the Present Lender.

(3) In the event of any partial assignment and/or transfer that results in any additional lender or lenders, any reference to the term "Lender" shall also extend to such lender or lenders.

(D) Participations: The Lender may grant participations in respect of the Advance or any part thereof on such terms and to such persons as it may, in its absolute discretion, determine.

(E) Disclosure of Information: The Lender may disclose to a potential assignee or transferee or any other person proposing to enter into contractual arrangements with the Lender in relation to this Agreement such information about any Transaction Document, any Security Party or the Borrower's accounts with the Lender as it may think fit. For the avoidance of doubt, the Lender may as it thinks fit:-

(1) disclose any information about the Borrower, any other Security Party, any Transaction Document and/or the transactions hereunder which are:-

(a) publicly available; or

(b) required to be disclosed by any law, regulation or any court or other competent or regulatory authority to any party including the Monetary Authority of Singapore and Singapore Exchange Securities Trading Limited in connection with supervision, reporting and announcement requirements; or

(2) disclose any such information to its branches, other offices, associated companies or its officers, agents, auditors and other advisers on a confidential basis.

21. REMEDIES, WAIVERS, AMENDMENTS AND CONSENTS

(A) No Implied Waivers, Remedies Cumulative: No failure on the part of the Lender to exercise, and no delay on its part in exercising, any right or remedy under this Agreement will operate as a waiver thereof, nor will any single or partial exercise of any right or remedy preclude any other or further exercise thereof or the exercise of any other right or remedy. The rights and remedies provided in this Agreement are cumulative and not exclusive of any rights or remedies provided by law.

(B) Amendments, Waivers and Consent:

(1) Any provision of this Agreement may be amended or varied by the Lender by notice in writing to the Borrower and such amendment shall take effect from the date specified in such notice. An Event of Default may be waived before or after it occurs only if the Lender so agrees in writing.

(2) Any waiver or consent of the Lender under any provision of this Agreement must be in writing and may be given subject to any conditions thought fit by the Lender. Any such waiver or consent shall be effective only in the instance and for the purpose for which it is given.

(3) The Lender shall be entitled to release any one or more of the persons comprising the Security Parties from any of his or their obligations under this Agreement, to compound with or otherwise vary or agree to vary the liability of, or grant time or other indulgence to, or make other arrangements with any one or more of the persons comprising the Borrower, without prejudice or affecting the Lender's rights, powers and remedies against any other of the persons comprising the Security Parties.

(C) No liability for delay: The Lender shall not be liable for any loss or damage suffered or incurred by the Borrower arising out of or in connection with any delay in the execution and delivery of any of the Transaction Documents.

22. COMMUNICATIONS

(A) Address: Each communication under this Agreement shall be made by telefax or otherwise in writing. Each communication or document to be delivered to any party under this Agreement shall be sent to that party at the telefax number or address, and marked for the attention of the person (if any), from time to time designated by the parties to each other for the purpose of this Agreement. The initial telefax number, address and person (if any), so designated by each party are set out under its name at the end of this Agreement.

(B) Deemed Delivery: Any communication from the Borrower to the Lender shall be irrevocable, and shall not be effective until received by the Lender. Any other communication from one party to another party shall be deemed to be received by such other party at the time of transmission if sent by facsimile transmission during normal business hours in the place of intended receipt on a Business Day and otherwise at the opening of business in that place on the next Business Day or within two (2) days after being sent by prepaid post (or seven (7) days if sent by airmail from one country to another) addressed to it at that address or (in any other case) when left at the designated address required by sub-Clause (A) provided that any communication by facsimile transmission shall be effective only on completion of transmission evidenced by a transmission report.

23. PARTIAL INVALIDITY

The illegality, invalidity or unenforceability of any provision of this Agreement under the law of any jurisdiction shall not affect its legality, validity or enforceability under the law of any other jurisdiction nor the legality, validity or enforceability of any other provision.

24. COUNTERPARTS

This Agreement may be signed in any number of counterparts, all of which taken together when delivered to the Lender shall constitute one and the same instrument. Any party may enter into this Agreement by signing any such counterpart.

25. GOVERNING LAW AND JURISDICTION

(A) Governing Law: This Agreement shall be governed by and construed in all respects in accordance with the laws of Singapore.

(B) Jurisdiction:

(1) In relation to any legal suit, action or proceedings (the "Proceedings") arising out of or in connection with this Agreement, the Borrower irrevocably submits to the non-exclusive jurisdiction of the Courts of Singapore.

(2) The Borrower hereby irrevocably waives any objection which it may now or hereafter have to the laying of the venue of any Proceedings in Singapore or elsewhere and hereby further irrevocably waives any claim that Singapore or such other jurisdiction elected by the Lender is not a convenient forum for any such Proceedings.

(C) Submissions Non-Exclusive: The submissions in sub-Clause 25(B) above shall not affect the right of the Lender to take Proceedings in any other jurisdiction nor shall the taking of Proceedings in any jurisdiction preclude the Lender from taking Proceedings in any other jurisdiction whether concurrently or not.

(D) Consent to Enforcement, etc: The Borrower irrevocably and generally consents in respect of any Proceedings wherever to the giving of any relief or the issue of any process in connection with those Proceedings including, without limitation, the making, enforcement or execution against any assets whatsoever or any part thereof (irrespective of their use or intended use) of any order or judgment which may be made or given in those Proceedings, and agrees that any final order or judgment shall be conclusive.

(E) Service of Process:

(1) The Borrower irrevocably consents to any process in any proceedings wherever being served in accordance with Clause 22 and such service shall be deemed duly received by the Borrower in accordance with Clause 22.

(2) Nothing in this Agreement shall affect the right of the Lender to serve process in any other manner permitted by law.

IN WITNESS WHEREOF this Agreement has been entered into on the date first above written.

THE BORROWER

____

Name: TING HOCK MING @ TAN HOCK MING
Title: Director
for and on behalf of
TRIO-TECH INTERNATIONALPTE LTD

Address:	1008 Toa Payoh North, #03-09Singapore318996
Tel No.:	62653300]
Telefax No.:	62596355
Attention:	Victor Ting

THE LENDER

____

Name: LEE SOON KIE
Title: Group Chief Executive Officer
for and on behalf of
IFS CAPITAL LIMITED

Address:	7 Temasek Boulevard, #10-01 SuntecTower One, Singapore 038987
Tel No.:	62707711
Telefax No.:	63399527
Attention:	Fuji Ang / Serene Lim

SCHEDULE 1

CONDITIONS PRECEDENT

1. Certified true copy of the Certificate of Incorporation of the Borrower.

2. Certified true and up-to-date copies of the Memorandum and Articles of Association of the Borrower.

3. Certified true copy of the resolutions of the directors of the Borrower in form and substance satisfactory to the Lender authorising:-

   (a) the acceptance of the Facility upon the terms and conditions set out herein;

   (b) the execution of the Transaction Documents to which the Borrower is a party;

   (c) the appointment of an authorised signatory to execute the Transaction Documents to which the Borrower is party; and

   (d) the appointment of a person or persons to give a request for the Advance and any variation, modification or rescission of any such request.

4. This Agreement duly executed by the Borrower.

5. The Charge over Equipment duly executed by the Borrower and the duly completed Statement Containing Particulars of Charge under the Companies Act, Cap. 50 of Singapore in respect of the Charge over Equipment, duly registered with the Accounting and Corporate Regulatory Authority.

6. Receipt by the Lender of a letter of a written confirmation by the Borrower that there are no existing negative pledge(s) affecting the Lender's rights under the Transaction Documents.

7. The Lender having received a full valuation report of the market value of the Equipment by an independent professional valuer selected or approved by the Lender stating the current market value of the Equipment as at a date not earlier than three (3) months before the date of the Advance, in form and substance satisfactory to the Lender.

8. Evidence satisfactory to the Lender that there is no existing, pending or contingent demand, claim or action made or instituted by any party against the Borrower or the Borrower's related corporations or associated company(ies).

9. Evidence satisfactory to the Lender that all charges and stamp duties necessary to ensure the legality, validity, enforceability and admissibility in evidence of each Transaction Document have been paid.

10. All acts, conditions and things required to be done and performed by any person (other than the Lender) prior to the execution and delivery of the Transaction Documents and all matters in relation thereto and to constitute the same legal, valid and binding obligations of such person enforceable in accordance with their respective terms, shall have been done and performed by such person in due and strict compliance with all applicable laws.

11. All fees, costs and expenses including without limitation, the non-refundable facility fee of S$5,000,which are due and payable pursuant to or in respect of the Transaction Documents and all matters in relation thereto have been paid.

12. Evidence satisfactory to the Lender that the insurance in respect of the Equipment has been effected in accordance with Clause 13(10)(a).

13. An inspection of the Equipment by the Lender, the results of such inspection to be satisfactory to the Lender.

14. Evidence satisfactory to the Lender that the Borrower has notified the landlord(s) of the premises on which the Equipment is located that a fixed charge over the Equipment has been granted in favour of the Lender.

15. Such other documents as the Lender may require.

S C H E D U L E 2

FORM OF REQUEST FOR ADVANCE

Date: [ ]

To:IFS CAPITAL LIMITED
Attn: [ ]

Dear Sirs

FACILITY AGREEMENT DATED [ ] 2011

We refer to the above Agreement between (1) ourselves, as Borrower, and (2) yourselves, as Lender. Terms defined in the Agreement have the same meaning in this notice.

We give you notice that we request the Advance to be made to us under the Agreement as follows:-

(1) Amount: S$[ ]

(2) Date of Advance: (or, if that is not a Business Day, the next succeeding Business Day)

(3) Method of Payment:

*[(a) By way of [cashier's order / cheque] in our favour.

*(b) By way of crediting to the account number [ ] maintained by us with [ ].]

We confirm that no Event of Default or Potential Event of Default has occurred or will occur as a result of the making of the Advance, we represent and warrant that the representations and warranties contained in Clause 11 of the Agreement have been complied with and would be correct in all respects if repeated today by reference to the circumstances now existing and we confirm that all the undertakings on our part contained in Clauses 12 and 13 of the Agreement have been fully performed and observed by us.

Yours faithfully,
For and on behalf of
TRIO-TECH INTERNATIONALPTE LTD

____
Name:
Designation:

*delete where inapplicable