

TRIO TECH INTERNATIONAL

Form DEF 14A

October 25, 2006

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549  
SCHEDULE 14A  
(RULE 14a-101)  
SCHEDULE 14A INFORMATION  
PROXY STATEMENT PURSUANT TO SECTION 14(a)  
OF THE SECURITIES EXCHANGE ACT OF 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Rule 240.14a-12

**TRIO-TECH INTERNATIONAL**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

**Payment of Filing Fee (Check the appropriate box):**

- No fee required.
  - Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
    - (1) Title of each class of securities to which transaction applies: \_\_\_\_\_
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    - (1) Amount Previously Paid: \_\_\_\_\_
    - (2) Form, Schedule or Registration Statement No.: \_\_\_\_\_
    - (3) Filing Party: \_\_\_\_\_
    - (4) Date Filed: \_\_\_\_\_
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**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
To Be Held December 5, 2006**

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of Trio-Tech International, a California corporation (the Company), will be held at our principal executive offices, located at 14731 Califa Street, Van Nuys, California, on Tuesday, December 5, 2006 at 10:00 A.M., local time, for the following purposes, as set forth in the attached Proxy Statement:

1. To elect directors to hold office until the next annual meeting of shareholders.
2. To transact such other business as may properly come before the meeting or any adjournment thereof.

The Board of Directors fixed the close of business on October 12, 2006 as the record date for determining the shareholders entitled to notice of and to vote at the Annual Meeting and any adjournment and postponements thereof.

After careful consideration, the Trio-Tech International Board of Directors recommends a vote IN FAVOR OF the nominees for director named in the accompanying proxy statement.

Shareholders are cordially invited to attend the Annual Meeting in person. Whether you plan to attend the Annual Meeting or not, please complete, sign and date the enclosed Proxy Card and return it without delay in the enclosed postage-prepaid envelope. If you do attend the Annual Meeting, you may withdraw your Proxy and vote personally on each matter brought before the meeting.

**By Order of the Board of Directors**

A. CHARLES WILSON  
Chairman  
October 25, 2006  
Van Nuys, California

**IMPORTANT**

WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, YOU ARE REQUESTED TO MARK, DATE AND SIGN THE ENCLOSED PROXY CARD AND RETURN IT AS PROMPTLY AS POSSIBLE IN THE ENCLOSED POSTAGE-PREPAID RETURN ENVELOPE SO THAT IF YOU ARE UNABLE TO ATTEND THE ANNUAL MEETING, YOUR SHARES MAY BE VOTED.

**THANK YOU FOR ACTING PROMPTLY**

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**TRIO-TECH INTERNATIONAL  
14731 Califa Street  
Van Nuys, California 91411  
PROXY STATEMENT  
ANNUAL MEETING OF SHAREHOLDERS  
To be held December 5, 2006**

**GENERAL**

This Proxy Statement is furnished in connection with the solicitation of the enclosed Proxy on behalf of the Board of Directors of Trio-Tech International, a California corporation ( Trio-Tech or the Company ), for use at the annual meeting of shareholders of the Company (the Annual Meeting ) to be held at our principal executive offices, located at 14731 Califa Street, Van Nuys, California at 10:00 a.m., local time, on Tuesday, December 5, 2006, and at any adjournments thereof, for the purposes of electing directors and such other business as may properly come before the Annual Meeting. This Proxy Statement and the enclosed Proxy are intended to be mailed to shareholders on or about November 6, 2006.

**RECORD DATE AND VOTING SECURITIES**

The close of business on October 12, 2006 was fixed as the record date for shareholders entitled to notice of and to vote at the Annual Meeting. As of that date, there were 3,222,492 shares of the Company s common stock (the Common Stock ) outstanding and entitled to vote, the holders of which are entitled to one vote per share.

**VOTING GENERALLY**

In the election of directors, a shareholder may cumulate his votes for one or more candidates, but only if each such candidate s name has been placed in nomination prior to the voting and the shareholder has given notice at the meeting, prior to the voting, of his intention to cumulate his votes. If any one shareholder has given such notice, all shareholders may cumulate their votes for the candidates in nomination. If the voting for directors is conducted by cumulative voting, each share will be entitled to a number of votes equal to the number of directors to be elected. These votes may be cast for a single candidate or may be distributed among two or more candidates in such proportions as the shareholder thinks fit. The four candidates receiving the highest number of affirmative votes will be elected. Abstentions will be counted for purposes of determining the presence of a quorum but with respect to the election of directors, any votes against a candidate or withheld from voting (whether by abstention, broker non-votes or otherwise) will not be counted and will have no legal effect on the vote. Discretionary authority to cumulate votes is solicited hereby.

Shareholders are requested to date, sign and return the enclosed Proxy to make certain their shares will be voted at the Annual Meeting. Any Proxy given may be revoked by the shareholder at any time before it is voted by delivering written notice of revocation to the Secretary of the Company, by filing with the Secretary of the Company a Proxy bearing a later date, or by attending the Annual Meeting and voting in person. All Proxies properly executed and returned will be voted in accordance with the instructions specified thereon. If no instructions are specified, Proxies will be voted FOR the election of the four nominees for directors named under Election of Directors.

**TRIO-TECH INFORMATION**

Our principal executive offices are located at 14731 Califa Street, Van Nuys, California 91411. The telephone number of our principal offices is (818) 787-7000.

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**PROPOSAL 1  
ELECTION OF DIRECTORS**

**INFORMATION WITH RESPECT TO DIRECTORS**

The Board has nominated the persons listed below for election to the Board at the Annual Meeting, to hold office until the next Annual Meeting and until their respective successors are elected and qualified. There are two vacancies on the Board of Directors. The Board does not intend to fill the vacancies at this time due to the costs associated therewith. It is intended that the Proxies received, unless otherwise specified, will be voted **FOR** the four nominees named below, all of whom are incumbent directors of the Company. It is not contemplated that any of the nominees will be unable or unwilling to serve as a director but, if that should occur, the persons designated as Proxy holders will vote in accordance with their best judgment. In no event will Proxies be voted for a greater number of persons than the number of nominees named in this Proxy Statement. The following sets forth, as of October 12, 2006, the names of each of the four nominees for election as a director, his principal occupation, age, the year he became a director of the Company, and additional biographical data.

| NAME                | AGE | PRINCIPAL OCCUPATION  |
|---------------------|-----|---|
| A. Charles Wilson   | 82  | Chairman of the Board of Trio-Tech International; Chairman of the Board of Ernest Paper Products, Inc.; Chairman of the Board of Daico Industries, Inc. |
| S. W. Yong          | 53  | Chief Executive Officer and President of Trio-Tech International  |
| Richard M. Horowitz | 66  | President of Management Brokers Insurance Agency Chairman of the Board of Dial 800, Inc.  |
| Jason T. Adelman    | 37  | Managing Director of Burnham Hill Partners.   |

**A. Charles Wilson**

Mr. Wilson has served as a Director of Trio-Tech since 1966, and was President and Chief Executive Officer of the Company from 1981 to 1989. In 1989, he was elected Chairman of the Board. Mr. Wilson is also Chairman of the Board of Ernest Paper Products, Inc. and Chairman of Daico Industries, Inc., as well as an attorney admitted to practice law in California.

**Siew Wai Yong**

Mr. Yong has been a Director, Chief Executive Officer and President of Trio-Tech since 1990. He joined Trio-Tech International Pte. Ltd. in Singapore in 1976 and was appointed as its Managing Director in August 1980. Mr. Yong holds a Masters Degree in Business Administration, a Graduate Diploma in Marketing Management and a Diploma in Industrial Management.

**Richard M. Horowitz**

Mr. Horowitz has served as a Director of Trio-Tech since 1990. He has been President of Management Brokers Insurance Agency since 1974. He also serves as Chairman of Dial 800, Inc., a national telecommunications company. Mr. Horowitz holds a Masters Degree in Business Administration from Pepperdine University.

**Jason T. Adelman**

Mr. Adelman was elected to the Board of Trio-Tech in April 1997. Mr. Adelman is a Managing Director of Burnham Hill Partners, a division of Pali Capital, Inc. The firm is based in New York City and provides financing and financial advisory services. Previously, Mr. Adelman was employed by H.C. Wainwright & Co (1999-2003), Drake Capital Securities (1997-1999), Spencer Trask Securities (1996-1997) and Coopers & Lybrand LLP (1994-1996). Mr. Adelman is an honors graduate of the University of Pennsylvania and Cornell Law School.

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**BOARD MEETINGS AND COMMITTEES**

The Board held four meetings during the fiscal year ended June 30, 2006. All of the directors attended (in person or by telephone) at least 75% of the meetings of the Board and any committees of the board on which they served during the fiscal year. Directors are expected to use their best efforts to be present at the Annual Meeting of Shareholders. All of our directors attended the Annual Meeting of Shareholders held in December 2005.

The Company does not have a standing nominating committee. The entire Board nominates the directors for election at the Annual Meeting. Because the Company currently has only four Board members, three of whom are independent (as defined under the listing standards of the American Stock Exchange upon which the Company's securities are listed), the Board of Directors does not believe that a separate nominating committee is necessary as any selection of nominees, by virtue of the composition of the current Board, would be by a vote that would be the same as the vote of any separate committee consisting of only the independent directors. Furthermore, the Board values the input of each of its members and believes that input is important in determining the Board nominees. At such time, if any, as the Board composition changes, the Company may establish a separate nominating committee. As a result, the entire Board participated in the consideration of Board nominees and nominated the candidates for election named in this Proxy Statement.

The Board has adopted a resolution addressing the nomination process and related matters. That resolution states that, among other things, the Board believes that the continuing service of qualified incumbents promotes stability and continuity in the board room, contributing to the Board's ability to work as a collective body, while giving the Company the benefit of the familiarity and insight into the Company's affairs that its directors have accumulated during their tenure. The resolution further states that the Board will evaluate the performance of its Board members on an annual basis in connection with the nomination process. The Board may solicit recommendations for nominees from persons that the Board believes are likely to be familiar with qualified candidates, including without limitation members of the Board and management of the Company. The Board may also determine to engage a professional search firm to assist in identifying qualified candidates if the need arises. The Board has not adopted specific minimum qualifications for a position on the Company's Board or any specific skills or qualities that the Board believes are necessary for one or more of its members to possess. However, the Board will consider various factors including without limitation the candidate's qualifications, the extent to which the membership of the candidate on the Board will promote diversity among the directors, and such other factors as the Board may deem to be relevant at the time and under the then existing facts and circumstances.

The Board will consider candidates proposed by shareholders of the Company and will evaluate all such candidates upon criteria similar to the criteria used by the Board to evaluate other candidates. Shareholders desiring to propose a nominee for election to the Board must do so in writing sufficiently in advance of an Annual Meeting so that the Board has the opportunity to make an appropriate evaluation of such candidate and his or her qualifications and skills and to obtain information necessary for preparing all of the disclosure required to be included in the Company's proxy statement for the related meeting should such proposed candidate be nominated for election by shareholders. Shareholder candidate proposals should be sent to the attention of the Secretary of the Company at 14731 Califa Street, Van Nuys, California 91411.

The Board has a standing Compensation Committee, which currently consists of three independent directors, namely Messrs. Jason T. Adelman, Richard M. Horowitz and A. Charles Wilson, Chairman. The Compensation Committee determines salary and bonus arrangements. The Compensation Committee met four times during the past fiscal year.

The Board has a separately designed standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended. The members thereof consist of Messrs. Jason T. Adelman, Richard M. Horowitz and A. Charles Wilson, Chairman. The Board of Directors has determined that the Audit Committee has at least one financial expert, namely A. Charles Wilson. The Board of Directors has affirmatively determined that Mr. Wilson does not have a material relationship with the Company that would interfere with the exercise of independent judgment and is independent as independence is defined in Section 121(A) of the listing standards of the American Stock Exchange. Pursuant to its written charter, which charter was adopted by the Board of Directors, the Audit Committee is charged with, among other responsibilities, selecting our independent

public accountants, reviewing our annual audit and meeting with our independent public accountants to review planned audit procedures. The Audit Committee also reviews with the independent public accountants and management the results of



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the audit, including any recommendations of the independent public accountants for improvements in accounting procedures and internal controls. The Audit Committee held five meetings during the fiscal year ended June 30, 2006. Each of the members of the Audit Committee satisfies the independence standards specified in Section 121(A) of the AMEX listing standards and Rule 10A-3 under the Securities Exchange Act of 1934, as amended.

**CODE OF ETHICS**

The Company has adopted a code of business conduct and ethics applicable to all officers, management and employees and a separate code of ethics applicable to its principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions. A copy of the Company's code of business conduct and ethics and code of ethics may be obtained, without charge, upon written request to the Secretary of the Company at 14731 Califa Street, Van Nuys, California 91411.

**REPORT OF THE AUDIT COMMITTEE**

During the fiscal year ended June 30, 2006, the Audit Committee fulfilled its duties and responsibilities as outlined in the charter. The Audit Committee has reviewed and discussed the Company's audited consolidated financial statements and related footnotes for the fiscal year ended June 30, 2006, and the independent auditor's report on those financial statements, with the Company's management and independent auditor. Management represented to the Audit Committee that the Company's financial statements were prepared in accordance with accounting principles generally accepted in the United States of America. The Audit Committee has discussed with BDO Raffles (BDO) the matters required to be discussed with the Audit Committee by Statement on Auditing Standards No. 61, as amended,

Communication with Audit Committees. The Audit Committee's review included a discussion with management and the independent auditor of the quality (not merely the acceptability) of the Company's accounting principles, the reasonableness of significant estimates and judgments, and the disclosures in the Company's financial statements, including the disclosures relating to critical accounting policies.

The Audit Committee recognizes the importance of maintaining the independence of the Company's independent auditor, both in fact and appearance. The Audit Committee has evaluated BDO's qualifications, performance, and independence, including that of the lead audit partner. As part of its auditor engagement process, the Audit Committee considers whether to rotate the independent audit firm. The Audit Committee has established a policy pursuant to which all services, audit and non-audit, provided by the independent auditor must be pre-approved by the Audit Committee or its delegate. The Company's pre-approval policy is more fully described in this proxy statement under the caption Policy for pre-approval of audit and non-audit services. The Audit Committee has concluded that provision of the non-audit services described in that section is compatible with maintaining the independence of BDO. In addition, BDO has provided the Audit Committee with the letter required by the Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, and the Audit Committee has engaged in dialogue with BDO regarding their independence.

Based on the above-described review, written disclosures, letter and discussions, the Audit Committee recommended to the Board of Directors of the Company that the audited financial statements for the fiscal year ended June 30, 2006 be included in the Company's Annual Report on Form 10-K.

Dated October 25, 2006

THE AUDIT COMMITTEE

A. Charles Wilson, Chairman

Jason T. Adelman

Richard M. Horowitz

**Table of Contents****COMPENSATION OF DIRECTORS**

During the fiscal year ended June 30, 2006, Messrs. Horowitz and Adelman, as non-employee directors, each received quarterly fees in an amount equal to \$1,500 for each Board meeting attended and \$1,000 for each Audit Committee meeting attended, and an annual fee of \$5,000. The Compensation Committee meeting is usually held following the Audit Committee meeting. Hence, no additional fees are paid to the committee members for attendance thereat. Mr. Wilson, as a non-employee director, Chairman of the Board, Chair of the Audit Committee and Chair of the Compensation Committee, received quarterly fees in an amount equal to \$12,500 for each quarter in which he attended a Board meeting. The directors were also reimbursed for out-of-pocket expenses incurred in attending meetings. The Company believes that the director fees paid to its directors were substantially less than the fees paid to directors of comparable public companies.

Each of our directors is entitled to participate in our 1998 Director Stock Option Plan (the Directors Plan) and receives automatic annual grants of options to purchase shares of our Common Stock. On July 7, 2005, pursuant to those automatic grant provisions, each of Messrs. Horowitz and Adelman were automatically granted an option to purchase 5,000 shares of Common Stock at an exercise price of \$3.75 per share and each of Messrs. Wilson and Yong were automatically granted an option to purchase 10,000 shares of Common Stock at an exercise price of \$3.75 per share. All options vested immediately upon grant and will terminate five years from the date of grant unless terminated sooner upon termination of the optionee's status as a director or otherwise pursuant to the Directors Plan. The exercise price under the options was set at 100% of fair market value (as defined in the Directors Plan) of the Company's Common Stock on the date of grant of each such option. On September 22, 2006, in recognition of the contributions from the directors and the fact that our directors' fees are substantially less than those paid to directors of comparable public companies, the Compensation Committee agreed that at the end of each fiscal year, the Compensation Committee will consider a cash bonus for directors. On December 2, 2005, the Board of Directors terminated the Directors Plan due to the cost of such compensation exceeding the benefits.

On September 22, 2005, the Compensation Committee approved the payment of the following bonuses to all the directors based on the sale of the Ireland property. While Mr. Yong was already entitled to a bonus in his capacity as an officer of the Company, he agreed to take his bonus based on profits from the Ireland sale on an after-tax basis rather than a bonus on pre-tax profits of the Company for the year as called for under his bonus arrangement.

| <b>Name</b>         | <b>Principal Position</b> | <b>Basis of bonuses pay-out</b>                          |
|---------------------|---------------------------|--|
| A. Charles Wilson   | Director                  | 2.5% on the net proceeds on sale of the Ireland property |
| S.W. Yong           | Director                  | 5.0% on the net proceeds on sale of the Ireland property |
| Richard M. Horowitz | Director                  | One-time fixed payment of \$40,000                       |
| Jason T. Adelman    | Director                  | One-time fixed payment of \$40,000                       |

**VOTE REQUIRED FOR ELECTION**

The four persons receiving the highest number of affirmative votes will be elected as directors of the Company. Votes against a nominee or withheld from voting (whether by abstention, broker non-votes or otherwise) will have no legal effect on the vote.

**EXECUTIVE OFFICERS**

Mr. Victor H. M. Ting, age 52, first joined Trio-Tech as the Financial Controller for the Company's Singapore subsidiary in 1980. He was promoted to the level of Business Manager from 1985-1989. In December 1989 he became the Director of Finance and Sales & Marketing and later, the General Manager of the Singapore subsidiary. Mr. Ting was elected Vice-President and Chief Financial Officer of Trio-Tech International in November 1992. Mr. Ting holds a Bachelor of Accountancy Degree and Masters Degree in Business Administration.

Mr. Hwee Poh Lim, age 47, joined Trio-Tech in 1982 and became the Quality Assurance Manager in 1985. He was promoted to the position of Operations Manager in 1988. In 1990 he was promoted to Business Manager and was responsible for the Malaysian operations in Penang and Kuala Lumpur. Mr. Lim became the General Manager of the Company's Malaysia subsidiary in 1991. In February 1993, all test facilities in Southeast Asia came under Mr. Lim's responsibility. He holds diplomas in Electronics & Communications and Industrial Management and a Masters Degree

in Business Administration. He was elected Corporate Vice-President-Testing in July 1998.

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The following table sets forth the compensation of the Company for its Chief Executive Officer and each executive officer whose total annual salary and bonus for the fiscal year ended June 30, 2006 exceeded in the aggregate \$100,000 (the Named Executive Officers ):

**SUMMARY COMPENSATION TABLE**

| Name and Principal Position  | Fiscal Year | Annual Compensation |            | Long-Term Compensation            | All Other Compensation (\$)(1) |
|--|-------------|---------------------|------------|-----------------------------------|--------------------------------|
|  |             | Salary (\$)         | Bonus (\$) | Securities Underlying Options (#) |                                |
| S.W. Yong,<br>President and<br>Chief Executive Officer             | 2006        | 221,592             | 478,594    | 10,000                            | 12,289(2)                      |
|  | 2005        | 219,364             | 19,664     | 10,000                            | 13,352(2)                      |
|  | 2004        | 212,037             | 14,400     | 10,000                            | 14,074(2)                      |
| Victor H.M. Ting,<br>Vice President and<br>Chief Financial Officer | 2006        | 118,263             | 95,719     | 0                                 | 4,480                          |
|  | 2005        | 117,276             | 3,933      | 10,000                            | 4,688                          |
|  | 2004        | 111,139             | 2,880      | 7,000                             | 4,984                          |
| H. P. Lim<br>Vice President -Testing                               | 2006        | 83,294              | 26,843     | 0                                 | 5,335                          |
|  | 2005        | 81,272              | 13,817     | 0                                 | 4,688                          |
|  | 2004        | 77,578              | 6,728      | 5,000                             | 4,984                          |

(1) Singapore officers are also credited with a compulsory contribution to their central provident fund at a certain percentage of their base salaries in accordance with Singapore law, except for bonuses in this context. The compulsory contribution of Singapore officers ranged from 1.6% to 6.4% for the past three fiscal years.

(2)

*Includes \$8,810 in premiums on life insurance policy paid by the Company. The full cost of the remaining premiums to be paid by the Company under this policy is approximately \$18,335 (29,024 Singapore dollars, based on the spot exchange rates published in Federal Reserve on June 30, 2006).*

#### **EMPLOYEE BENEFIT PLANS**

The Company's 1998 Stock Option Plan (the "1998 Plan") was approved by the Board on September 30, 1997 and the shareholders on December 8, 1997. The purpose of the 1998 Plan was to enable the Company to attract and retain top-quality employees, officers, directors and consultants and to provide them with an incentive to enhance shareholder return. On December 2, 2005, the Board of Directors terminated the 1998 plan due to the cost of such compensation exceeding the benefits. During the fiscal year ended June 30, 2006, the Company did not grant any options under the 1998 Plan.

Pursuant to the terms of the Directors' Plan, options covering an aggregate of 30,000 were issued to the four directors of the Company on July 7, 2005.

The following table contains certain information regarding the option granted to Mr. Yong under the Directors' Plan during the fiscal year ended June 30, 2006, there having been no options granted to the other Named Executive Officers during that fiscal year:

Table of Contents**OPTION GRANTS IN FISCAL 2006 (DIRECTORS PLAN)**

| Name       | Number of Securities Underlying Options Granted | INDIVIDUAL GRANTS                                      |                        | Expiration Date | Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term |          |
|------------|---|--|------------------------|-----------------|--|----------|
|            |   | % of Total Options Granted to Employees in Fiscal Year | Exercise Price (\$/sh) |                 | 5% (\$)  | 10% (\$) |
| S. W. Yong | 10,000  | 33.00%   | \$3.75                 | 07/07/2010      | \$10,361   | \$22,894 |

The following table contains certain information regarding options exercised by the Named Executive Officers during the fiscal year ended June 30, 2006.

**AGGREGATED OPTION EXERCISES IN FISCAL 2006  
AND FISCAL YEAR-END OPTION VALUES**

| Name             | Shares Acquired On Exercise (#) | Value Realized (\$) | Number of Securities Underlying Unexercised Options at FY-End (#) | Value of Unexercised In-The-Money Options at FY-End (\$) |
|------------------|---------------------------------|---------------------|---|--|
|                  |                                 |                     | Exercisable/Unexercisable   | Exercisable/Unexercisable                                |
| S.W. Yong        | 50,000                          | 157,800             | 0 / 0   | 0 / 0  |
| Victor H.M. Ting | 27,500                          | 94,315              | 0 / 4,500   | 0 / 16,755   |
| H.P. Lim         | 18,750                          | 57,975              | 0 / 1,250   | 0 / 3,325  |

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**REPORT OF THE COMPENSATION COMMITTEE ON EXECUTIVE COMPENSATION**

*Role and Composition of the Committee*

The Compensation Committee discharges the Board's responsibilities relating to compensation of the Company's executive officers, including reviewing the competitiveness of executive compensation programs, evaluating the performance of the Company's executive officers, and approving their annual compensation. The Committee reviews and approves the Chief Executive Officer's goals and objectives, evaluates the Chief Executive Officer's performance, and sets the Chief Executive Officer's compensation. The specific responsibilities and functions of the Compensation Committee are delineated in the Compensation Committee Charter.

*Compensation Philosophy and Practice*

The Company operates in a highly competitive and rapidly changing industry. The key objectives of the Company's executive compensation programs are to attract, motivate, and retain executives who drive Trio-Tech's success and industry leadership.

*Components of Executive Compensation*

The compensation program presently in effect at Trio-Tech International has two elements: (1) base annual salary; and (2) potential annual cash incentive awards that are based primarily on financial performance of the Company or its relevant business operating units.

**Base salary**

In determining the compensation levels for the top executive officers, namely the Chief Executive Officer and Chief Financial Officer, the Committee reviewed compensation policies of other companies comparable in size to and within substantially the same industry as Trio-Tech.

There were several factors that the Committee considered while evaluating the annual performance of the top executive officers. The Committee reviewed the actual performance for the year against budget and forecast. Besides the measurement against financial performance, the Committee reviewed whether the top executive officers achieved their long-term and short-term objectives, such as keeping costs low. However, the measurement was subjective as the Committee also took into consideration the overall market conditions.

The fiscal year 2006 base cash compensation for officers of the Company who reside in Singapore was denominated in the currency of Singapore. The exchange rate therefore was established as of June 30, 2006 and was computed to be 1.65 Singapore dollars to each U.S. dollar. Singapore executive officers' base salaries are credited with a compulsory contribution ranging from 1.6% to 6.4% of base salary under Singapore's provident pension fund.

**Bonuses**

In September 2005, The Compensation Committee approved the bonus formula for the Chief Executive Officer, as intended to satisfy the requirements of Section 162(m) of the Code. The 2006 bonus formula for the Chief Executive Officer was based on 5% of pre-tax profits of the Company's overall performance. Such arrangements depend solely on the profitable results in the Company during the fiscal year.

On September 22, 2005, the Compensation Committee approved the payment of the following bonuses to all the executive officers based on the sale of the Ireland property. This bonus for the Chief Executive Officer and the Chief Financial Officer was already part of their original bonuses. Both, however, agreed to reduce the same by taking their bonus based profits on the Ireland sale on an after-tax basis rather than what their bonus plan called for.

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| <b>Name</b>      | <b>Principal Position</b> | <b>Basis of bonuses pay-out</b>                          |
|------------------|---------------------------|--|
| S.W. Yong        | Chief Executive Officer   | 5.0% on the net proceeds on sale of the Ireland property |
| Victor H.M. Ting | Chief Financial Officer   | 1.0% on the net proceeds on sale of the Ireland property |

The Compensation Committee also considered awarding additional discretionary annual cash bonuses to its executive officers based primarily on the Company's overall performance and, to a lesser extent, the contribution each executive made to the Company's success, and directed the Singapore subsidiary to formulate and grant the performance bonuses.

**Stock options**

Under the 1998 Stock Option Plan (the "1998 Plan"), the Compensation Committee may grant options to purchase Common Stock to employees of the Company, including executive officers. Option grants have an exercise price equal to the fair market value of the Common Stock on the grant date and become exercisable over a period of time or if the Company attains specified levels of economic profit or earnings per share. It is the Compensation Committee's policy that the vesting schedules for option grants be predominantly performance based, with appropriately aggressive vesting targets. Generally, the Compensation Committee considers the making of option grants on an annual basis. The number of options awarded are generally determined based upon management's recommendation and are based upon the position held by an executive, that executive's performance and contributions to the Company over the prior year and the executive's expected future contribution.

During fiscal 2006, the Compensation Committee did not grant any stock options to any employees, including the Named Executive Officers, under the 1998 Plan.

**Chief Executive Officer's compensation**

Mr. Yong's base annual salary remained the same in the currency of Singapore, which was based on market data for chief executive officers in similarly sized companies or in similar industries. The variance in his base salary as compared to fiscal 2005 was due to the appreciation of Singapore dollars against U.S. dollars. Base salary was also credited with a compulsory contribution under Singapore's central provident fund (CPF). On July 7, 2005, pursuant to the terms of the Directors' Plan, Mr. Yong was granted a five-year option to acquire, at \$3.75 per share, 10,000 shares of Common Stock, which option vested in full on the grant date. As an additional part of the Chief Executive Officer's compensation package, the Company assumed responsibility for payment of the premiums midway through the 22-year term life insurance policy on the life of the Chief Executive Officer. The Company is not the beneficiary under such policy and it is anticipated that the Chief Executive Officer will be entitled to the cash surrender value of the policy at the end of the policy in 2009. The remaining premiums thereunder are approximately \$18,335 (29,024 Singapore dollars, based on the spot exchange rates published in Federal Reserve on June 30, 2006).



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In September 2005, the Compensation Committee established two bonus formulae for Mr. Yong, one being 5% of pre-tax profits for the Company's overall performance and one being 5% of the after-tax profits on the sale of the Ireland property. As a result, Mr. Yong received bonuses of \$478,594 for fiscal 2006, of which \$67,605 represented his bonus for the Company's overall performance from continuing operations, excluding the sale of the Ireland property, and \$410,989 represented his bonus with respect to the sale of the Ireland property.

Dated October 25, 2006

THE COMPENSATION COMMITTEE

A. Charles Wilson, Chairman

Jason T. Adelman

Richard M. Horowitz

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**COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

During the fiscal year ended June 30, 2006, the Compensation Committee members consisted of Messrs. Jason T. Adelman, Richard M. Horowitz and A. Charles Wilson, Chairman. During that fiscal year, Mr. Wilson served as (and continues to serve as) a non-employee officer of the Company. Mr. Wilson previously served as an employee officer of the Company from 1981 to 1989.

**STOCK PRICE PERFORMANCE GRAPH**

The Stock Price Performance Graph below shall not be deemed incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act of 1933 or under the Securities Exchange Act of 1934, except to the extent the Company specifically incorporates this information by reference, and shall not otherwise be deemed filed under such securities acts.

The graph below compares cumulative total shareholder return of the Common Stock of the Company with that of the Standard & Poor's 500 Index and the AMEX Composite Index for the five-year period ending June 30, 2006.

**Table of Contents****SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth, as of October 20, 2006, certain information regarding the beneficial ownership of the Common Stock by (i) all persons known by the Company to be the beneficial owners of more than 5% of its Common Stock, (ii) each of the directors of the Company, (iii) each of the Named Executive Officers who is not a director and (iv) all executive officers and directors of the Company as a group. To the knowledge of the Company, unless otherwise indicated, each of the shareholders has sole voting and investment power with respect to shares beneficially owned, subject to applicable community property and similar statutes.

| <b>Name (1)</b>   | <b>Shares Owned<br/>Beneficially as of<br/>October 20, 2006<br/>(1)</b> | <b>Percent of Class<br/>(1)</b> |
|---|---|---------------------------------|
| S.W. Yong   | 335,068   | 10.38%                          |
| A. Charles Wilson   | 207,608(2)  | 6.43%                           |
| Richard M. Horowitz   | 185,601(3)  | 5.75%                           |
| Victor H.M. Ting  | 83,177(4)   | 2.58%                           |
| Jason Adelman   | 15,000  | 0.46%                           |
| H.P. Lim  | 21,920(5)   | 0.68%                           |
| All Directors and Executive Officers as a group (6 persons) | 848,374   | 26.28%                          |
| Zeff Daniel   | 362,900(6)  | 11.24%                          |

(1) The percentage shown for each individual and for all executive officers and directors as a group is based upon 3,227,492 shares outstanding. The number of shares indicated and the percentage shown for each individual assumes the exercise of options that are presently exercisable or may become exercisable within 60 days from

October 27, 2006 which are held by that individual or by all executive officers and directors as a group, as the case may be. The address for each of the directors and executive officers above is in care of the Company at 14731 Califa Street, Van Nuys, California 91411.

- (2) The shares are either held directly or in a trust for which Mr. Wilson serves as trustee
  
- (3) Does not include 4,600 shares deemed to be held indirectly through an IRA of Mr. Horowitz's spouse. Mr. Horowitz disclaims beneficial ownership of the shares held in such IRA. The shares indicated above are held indirectly in a living trust of which Mr. Horowitz and his spouse

are trustees and beneficiaries.

- (4) Includes options to purchase an aggregate of 3,125 shares from the Company at exercise prices ranging from \$2.66 to \$4.40 per share.
- (5) Includes an option to purchase 1,250 shares from the Company at an exercise price of \$2.66 per share.
- (6) Based on the Form 4 filed by Daniel Zeff on October 16. Based on such filing, Mr. Zeff does not directly own any shares of Common Stock, but indirectly owns 362,900 shares of Common stock in his capacity as the sole manager and member of Zeff Holding Company, LLC, A Delaware liability company, which in turn serves as the general partner for Zeff Capital Partners I, L.P., a Delaware Limited

Partnership.  
Mr. Zeff also provides discretionary investment management services to Zeff Capital Offshore Fund, a class of shares of Spectrum Galaxy Fund Ltd, a company incorporated in the British Virgin Islands, reporting the power to vote or direct the vote of over 362,900 shares and the power to dispose or direct the disposition of 362,900 shares. The address of Daniel Zeff is c/o Zeff Holding Company, LLC 50 California Street, Suite 1500, San Francisco, CA 94111.

The Company does not know of any arrangements that may at a subsequent date result in a change of control of the Company.

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**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Exchange Act requires that directors, certain officers of the Company and ten percent shareholders file reports of ownership and changes in ownership with the SEC as to the Company's securities beneficially owned by them. Such persons are also required by SEC rules to furnish the Company with copies of all Section 16(a) forms they file.

Based solely on its review of copies of such forms received by the Company, or on written representations from certain reporting persons, the Company believes that all Section 16(a) filing requirements applicable to its officers, directors and greater than ten percent beneficial owners were complied with during the fiscal year ended June 30, 2006, except for one Form 4 filed late for each of the following directors of the Company: A. Charles Wilson, S.W. Yong, Richard M. Horowitz and Jason Adelman. Each of these late filings reported one transaction. In addition, there was one Form 4 filed late by one of the executive officers of the Company, Mr. Victor H. M. Ting, which filing reported one transaction.

**Table of Contents****INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

On July 10, 2006, BDO Seidman, LLP was reappointed as the principal accountant to audit the Company's financial statements, and has audited such statements for each of the fiscal years ended June 30, 2006 and June 30, 2005. A representative of BDO is expected to be present at the Annual Meeting and will have an opportunity to make statements and respond to appropriate questions. In fiscal 2006, Ernst & Young was selected for tax advice relating to the sale of the Ireland property.

The Audit Committee has selected BDO as the independent registered public accounting firm for the fiscal year ending June 30, 2007.

The following table shows the fees that we paid or accrued for audit and other services provided by BDO Seidman LLP and Ernst & Young LLP for fiscal years 2006 and 2005. All of the services described in the following fee table were approved in conformity with the Audit Committee's pre-approval process.

|                    | 2006    | 2005    |
|--------------------|---------|---------|
| Audit Fees         | 200,500 | 134,000 |
| Audit-Related Fees |         | 15,000  |
| Tax Fees           | 55,410  | 26,000  |
| All Other Fees     | 255,910 | 175,000 |

**Audit Fees**

The amounts set forth opposite **Audit Fees** above reflect the aggregate fees billed or to be billed for professional services rendered for the audit of the Company's fiscal 2006 and fiscal 2005 annual financial statements and for the review of the financial statements included in the Company's quarterly reports during such periods.

**Audit-Related Fees**

The amounts set forth opposite **Audit-Related Fees** above reflect the aggregate fees billed for the audit of the newly acquired testing operation for SEC disclosure purposes for fiscal 2005. There was no such service required or rendered for fiscal 2006. There were no other fees paid to BDO for assurance or related services.

**Tax Fees**

The amounts set forth opposite **Tax Fees** above reflect the aggregate fees billed for fiscal 2006 and fiscal 2005 for professional services rendered for tax compliance and return preparation. The compliance and return preparation services consisted of the preparation of original and amended tax returns and support during the income tax audit or inquiries. During fiscal 2006, tax fees included \$12,000 paid to Ernst & Young LLP for tax advice relating to the sale of the Ireland property, and \$18,000 paid to BDO for foreign tax credit analysis.

**All Other Fees**

No fees were paid to BDO or Ernst & Young in either of the last two fiscal years for products or services rendered in such years, other than those described above.



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**POLICY FOR PRE-APPROVAL OF AUDIT AND NON-AUDIT SERVICES**

The Audit Committee's policy is to pre-approve all audit services and all non-audit services that our independent accountants are permitted to perform for us under applicable federal securities regulations. The Audit Committee's policy utilizes an annual review and general pre-approval of certain categories of specified services that may be provided by the independent accountant, up to pre-determined fee levels. Any proposed services not qualifying as a pre-approved specified service, and pre-approved services exceeding the pre-determined fee levels, require further specific pre-approval by the Audit Committee. The Audit Committee has delegated to the Chairman of the Audit Committee the authority to pre-approve audit and non-audit services proposed to be performed by the independent accountants. Since June 30, 2004, all services provided by BDO required pre-approval by the Audit Committee. The policy has not been waived in any instance.

**ADDITIONAL MEETING INFORMATION**

*Shareholder Proposals*

Shareholders who wish to present proposals at the Annual Meeting to be held following the end of the fiscal year ended June 30, 2007 should submit their proposals in writing to the Secretary of the Company at the address set forth on the first page of this Proxy Statement. Proposals must be received no later than July 13, 2007 for inclusion in next year's Proxy Statement and Proxy Card. If a shareholder intends to present a proposal at the next Annual Meeting but does not seek inclusion of that proposal in the Proxy Statement for that meeting, the holders of proxies for that meeting will be entitled to exercise their discretionary authority on that proposal if the Company does not have notice of the proposal by September 22, 2007.

*Proxy Solicitation*

The cost of soliciting the enclosed form of Proxy will be borne by the Company. In addition, the Company will reimburse brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding solicitation material to such beneficial owners. Directors, officers and regular employees of the Company may, for no additional compensation, also solicit proxies personally or by telephone, electronic transmission, telegram or special letter.

*Annual Report*

The Company's Annual Report to Shareholders for the year ended June 30, 2006 is being mailed with this Proxy Statement to shareholders entitled to notice of the meeting. The Annual Report includes the consolidated financial statements, unaudited selected consolidated financial data and management's discussion and analysis of financial condition and results of operations.

Upon the written request of any shareholder, the Company will provide, without charge, a copy of the Company's Annual Report on Form 10-K filed with the Commission for the year ended June 30, 2006. This request should be directed to the Corporate Secretary, Trio-Tech International, 14731 Califa Street, Van Nuys, California 91411.

**OTHER MATTERS**

The shareholders and any other persons who would like to communicate with the Board, can access the website and fill in the contact form for any enquires or information. The form will be sent directly to the Secretary and the communications for specified individual directors or the Board will be given to them personally by the Secretary. In addition, the contact number is listed on the website and the messages will be passed to the Board accordingly.

At this time, the Board knows of no other business that will come before the Annual Meeting. However, if any other matters properly come before the Annual Meeting, the persons named as Proxy holders will vote on them in accordance with their best judgment.

By Order of the Board of Directors

A. CHARLES WILSON

Chairman

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**ANNUAL MEETING OF SHAREHOLDERS OF  
TRIO-TECH INTERNATIONAL**

**December 5, 2006**

Please date, sign and mail  
your proxy card in the  
envelope provided as soon  
as possible.

â Please detach along perforated line and mail in the envelope provided. â

**PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK  
YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE x**

1. Election of Directors:

**NOMINEES:**

- FOR ALL NOMINEES**
- WITHHOLD AUTHORITY  
FOR ALL NOMINEES**
- FOR ALL EXCEPT**  
(See instructions below)

- ¡ Jason T. Adelman
- ¡ Richard M. Horowitz
- ¡ A. Charles Wilson
- ¡ S.W. Yong

**INSTRUCTION:** To withhold authority to vote for any individual nominee(s), mark **FOR ALL EXCEPT** and fill in the circle next to each nominee you wish to withhold, as shown here: 1

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method.

2. In their discretion, the Proxies are authorized to vote upon such other matters as may properly come before the Annual Meeting and any adjournment thereof.

**THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER DIRECTED  
HEREIN BY THE UNDERSIGNED SHAREHOLDER. IF NO DIRECTION IS MADE, THIS PROXY WILL  
BE VOTED FOR THE NOMINEES FOR DIRECTORS LISTED IN ITEM 1.**

PLEASE MARK, DATE, SIGN AND RETURN YOUR PROXY PROMPTLY IN THE ENCLOSED ENVELOPE,  
WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES.

Signature of Shareholder

Date:

Signature of Shareholder

Date:

**Note:** Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

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**TRIO-TECH INTERNATIONAL  
Proxy Solicited on Behalf of the Board of Directors of the Company  
for Annual Meeting of Shareholders on December 5, 2006**

The undersigned hereby appoints S.W. Yong and A. Charles Wilson or either of them as his/her true lawful agents and proxies with full power of substitution to represent the undersigned at the Annual Meeting of Shareholders of Trio-Tech International to be held at our principal executive offices at 14731 Califa Street, Van Nuys, California on Tuesday, December 5, 2006 at 10:00 A.M. (local time), and at any adjournments thereof, and to vote all shares that he/she is then entitled to vote, on all matters coming before said meeting. The undersigned directs that his/her proxy be voted as follows:

**(Continued and to be signed on the reverse side)**