UNILEVER N V
Form 424B3
September 03, 2013

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Filed Pursuant to Rule 424(b)(3)
Registration No. 333-177645

The information in this preliminary prospectus supplement is not complete and may change. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and they are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

PROSPECTUS SUPPLEMENT, SUBJECT TO COMPLETION, DATED SEPTEMBER 3, 2013
(To Prospectus dated November 1, 2011)

$

Unilever Capital Corporation

% Senior Notes due

Payment of Principal, Premium, if any, and Interest Guaranteed Jointly, Severally, Fully and Unconditionally by

Unilever N.V., Unilever PLC and Unilever United States, Inc.

Unilever Capital Corporation will pay interest on the Notes on and of each year, commencing , 2014. The Notes will be issued only in denominations of $100,000 and integral multiples of $1,000 in excess of $100,000.

Unilever Capital Corporation may redeem the Notes in whole or in part at any time at the redemption price described in this prospectus supplement plus accrued interest. See "Description of the Notes."

See "Risk Factors" beginning on page S-3 of this prospectus supplement for a discussion of certain risks that you should consider in connection with an investment in the Notes.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

	Per Note	Total
Public Offering Price	%	$
Underwriting Discount(1)	%	$
Proceeds to Unilever Capital Corporation	%	$

(1) See "Underwriting."

The initial public offering price set forth above does not include accrued interest, if any. Interest on the Notes will accrue from September , 2013, and must be paid by the purchaser if the Notes are delivered after September , 2013.

The underwriters expect to deliver the Notes in book-entry form only through the facilities of The Depository Trust Company and its participants, including Clearstream and Euroclear, on September , 2013.

Joint Bookrunners

Citigroup **HSBC** **J.P. Morgan** **Morgan Stanley**

Prospectus Supplement dated September , 2013.

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You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any jurisdiction where the offer is not permitted. You should not assume that the information contained in or incorporated by reference into this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date on the front of this prospectus supplement.

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We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. Our business, financial condition, results of operations and prospects may have changed since the date on the front cover of this prospectus supplement.

The distribution of this prospectus supplement and prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. This prospectus supplement and prospectus do not constitute an offer or an invitation on our behalf or on behalf of the underwriters or any of them to subscribe to or purchase any of the Notes, and may not be used for or in connection with an offer or solicitation by anyone in any jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation. See "Underwriting."

Unilever N.V. and Unilever PLC and their group companies are together referred to in this prospectus as "Unilever", the "Unilever Group", "we", "us" or the "Group". For such purposes "group companies" means, in relation to Unilever N.V. and Unilever PLC, those companies required to be consolidated in accordance with Netherlands and United Kingdom legislative requirements relating to consolidated accounts. Unilever N.V. and Unilever PLC and their group companies together constitute a single group for the purpose of meeting those requirements.

In this prospectus references to "$", "US$", and "U.S. dollars" are to the lawful currency of the United States of America, references to "£" and "pounds sterling" are to the lawful currency of the United Kingdom and references to "€" and "euro" are to the lawful currency of the member states of the European Monetary Union that have adopted or that adopt the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union.

References to the "Notes" are to the   % Senior Notes due   , issued by Unilever Capital Corporation and guaranteed jointly, severally, fully and unconditionally by Unilever N.V., Unilever PLC and Unilever United States, Inc.

ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement is part of a registration statement filed with the Securities and Exchange Commission utilizing a "shelf" registration process. There is on file with the SEC (and attached hereto) a prospectus dated November 1, 2011 that provides you with a general description of the offered guaranteed debt securities. This prospectus supplement contains specific information about the terms of this offering. This prospectus supplement adds, updates and changes information contained in the prospectus. You should read the prospectus and this prospectus supplement, together with additional information described below under the heading "Where You Can Find More Information About Us."

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RISK FACTORS

Our business is subject to risks and uncertainties. The risks that we regard as the most relevant to our business are set out below. We have undertaken certain mitigating actions that we believe help us to manage the risks identified below. However, we may not be successful in deploying some or all of these mitigating actions. If the circumstances in these risk factors occur or are not successfully mitigated, our cashflow, operating results, financial position, business and reputation could be materially adversely affected. In addition, risks and uncertainties could cause actual results to vary from those described in this document, or could impact on our ability to meet our targets or be detrimental to our profitability or reputation. This list is not intended to be exhaustive and there may be other risks and uncertainties that are not mentioned below that could impact our future performance or our ability to meet published targets. The risks and uncertainties discussed below should be read in conjunction with the Group's consolidated financial statements and related notes and the portions of the Report of the Directors that are incorporated by reference from the Group's Annual Report and Accounts 2012 (furnished to the SEC on March 8, 2013 on Form 6-K) and other information included in or incorporated by reference in our Form 20-F for the year ended December 31, 2012.

Consumer Preference

As a branded goods business, Unilever's success depends on the value and relevance of our brands and products to consumers across the world and on our ability to innovate.

Consumer tastes, preferences and behaviours are constantly changing and Unilever's ability to respond to these changes and to continue to differentiate our brands and products is vital to our business.

We are dependent on creating innovative products that continue to meet the needs of our consumers. If we are unable to innovate effectively, Unilever's sales or margins could be materially adversely affected.

Competition

The activities of our competitors may adversely impact our business.

Unilever operates globally in competitive markets where other local, regional and global companies are targeting the same consumer base.

Our retail customers frequently compete with us through private label offerings.

Industry consolidation amongst our direct competitors and in the retail trade can bring about significant shifts in the competitive landscape.

Increased competition and actions by competitors or customers could lead to downward pressure on prices and/or a decline in Unilever's market share in the affected category, which could adversely affect Unilever's results and hinder its growth potential.

Portfolio Management

Unilever's strategic investment choices will determine the long-term growth and profits of our business.

Unilever's growth and profitability are determined by our portfolio of categories, geographies and channels and how these evolve over time. If Unilever does not make optimal strategic investment decisions then Unilever's opportunities for growth and improved margin could be missed.

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Sustainability

The success of our business depends on finding sustainable solutions to support long-term growth.

Unilever's vision to double the size of our business while reducing our environmental footprint and increasing our positive social impact will require more sustainable ways of doing business. This means reducing our environmental footprint while increasing the positive social benefits of Unilever's activities. We are dependent on the efforts of partners and various certification bodies to achieve our sustainability goals. There can be no assurance that sustainable business solutions will be developed and failure to do so could limit Unilever's growth and profit potential and damage our corporate reputation.

Customer relationships

Successful customer relationships are vital to our business and continued growth.

Maintaining strong relationships with our customers is necessary for our brands to be well presented to our consumers and available for purchase at all times.

The strength of our customer relationships also affects our ability to obtain pricing and secure favourable trade terms.

Unilever may not be able to maintain strong relationships with customers and failure to do so could negatively impact the terms of business with the affected customers and reduce the availability of our products to consumers.

People

A skilled workforce is essential for the continued success of our business.

Our ability to attract, develop and retain the right number of appropriately qualified people is critical if we are to compete and grow effectively.

This is especially true in our key emerging markets where there can be a high level of competition for a limited talent pool.

The loss of management or other key personnel or the inability to identify, attract and retain qualified personnel could make it difficult to manage the business and could adversely affect operations and financial results.

Supply chain

Our business depends on securing high quality materials, efficient manufacturing and the timely distribution of products to our customers.

Our supply chain network is exposed to potentially adverse events such as physical disruptions, environmental and industrial accidents or bankruptcy of a key supplier which could impact our ability to deliver orders to our customers.

The quality and safety of our products are of paramount importance for our brands and our reputation. Nevertheless, the risk that raw materials are accidentally or maliciously contaminated throughout the supply chain or that other product defects occur due to human error or equipment failure cannot be fully excluded. Such incidents can impact on both results and the reputation of our business.

The cost of our products can be significantly affected by the cost of the underlying commodities and materials from which they are made. Fluctuations in these costs cannot always be passed on to the consumer through pricing.

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Systems and information

Unilever's operations are increasingly dependent on IT systems and the management of information.

We interact electronically with customers, suppliers and consumers in ways which place ever greater emphasis on the need for secure and reliable IT systems and infrastructure and careful management of the information that is in our possession.

Disruption of our IT systems could inhibit our business operations in a number of ways, including disruption to sales, production and cashflows, ultimately impacting our results.

There is also a threat from unauthorised access and misuse of sensitive information. Unilever's information systems could be subject to unauthorised access which disrupts Unilever's business and/or leads to loss of assets.

Business transformation

Successful execution of business transformation projects is key to delivering their intended business benefits and avoiding disruption to other business activities.

Unilever is continually engaged in major change projects, including acquisitions and disposals and outsourcing, to drive continuous improvement in our business and to strengthen our portfolio and capabilities.

Failure to execute such transactions or change projects successfully, or performance issues with third party outsourced providers on which we are dependent, could result in under-delivery of the expected benefits. Furthermore, disruption may be caused in other parts of the business.

External economic and political risks, and natural disasters

Unilever operates across the globe and is exposed to a range of external economic and political risks and natural disasters that may affect the execution of our strategy or the running of our operations.

Adverse economic conditions may result in reduced consumer demand for our products and may affect one or more countries within a region, or may extend globally.

Government actions such as fiscal stimulus, changes to taxation and price controls can impact on the growth and profitability of our local operations.

Social and political upheavals and natural disasters can disrupt sales and operations.

In 2012, more than half of Unilever's turnover came from emerging markets including Brazil, India, Indonesia, Turkey, South Africa, China, Mexico and Russia. These markets offer greater growth opportunities but also expose Unilever to economic, political and social volatility in these markets.

Eurozone risk

Issues arising out of the debt crisis in Europe could have a material adverse effect on Unilever's business in a number of ways.

Uncertainty, lack of confidence and any further deterioration in the situation could lead to lower growth and further recession in Europe and elsewhere.

Our operations would be affected if Eurozone countries were to leave the euro. In particular:

- our European supply chain would face economic and operational challenges;

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our customers and suppliers may be adversely affected, leading to heightened counterparty credit risk; and

our investment in the country concerned could be impaired and may be subject to exchange controls and translation risks going forward.

Financial

Unilever is exposed to a variety of external financial risks.

Changes to the relative value of currencies can fluctuate widely and could have a significant impact on business results. Further, because Unilever consolidates its financial statements in euros it is subject to exchange risks associated with the translation of the underlying net assets and earnings of its foreign subsidiaries.

We are also subject to the imposition of exchange controls by individual countries which could limit our ability to import materials paid in foreign currency or to remit dividends to the parent company.

Currency rates, along with demand cycles, can also result in significant swings in the prices of the raw materials needed to produce our goods.

Unilever may face liquidity risk, i.e. difficulty in meeting its obligations, associated with its financial liabilities. A material and sustained shortfall in our cash flow could undermine Unilever's credit rating, impair investor confidence and also restrict Unilever's ability to raise funds.

We are exposed to market interest rate fluctuations on our floating rate debt. Increases in benchmark interest rates could increase the interest cost of our floating rate debt and increase the cost of future borrowings.

In times of financial market volatility, we are also potentially exposed to counterparty risks with banks, suppliers and customers.

Certain businesses have defined benefit pension plans, most now closed to new employees, which are exposed to movements in interest rates, fluctuating values of underlying investments and increased life expectancy. Changes in any or all of these inputs could potentially increase the cost to Unilever of funding the schemes and therefore have an adverse impact on profitability and cash flow.

Ethical

Acting in an ethical manner, consistent with the expectations of customers, consumers and other stakeholders is essential for the protection of the reputation of Unilever and its brands.

Unilever's brands and reputation are valuable assets and the way in which we operate, contribute to society and engage with the world around us is always under scrutiny both internally and externally.

Despite the commitment of Unilever to ethical business and the steps we take to adhere to this commitment, there remains a risk that activities or events cause us to fall short of our desired standard, resulting in damage to Unilever's corporate reputation and business results.

Legal, regulatory and other

Compliance with laws and regulations is an essential part of Unilever's business operations.

Unilever is subject to local, regional and global laws and regulations in such diverse areas as product safety, product claims, trademarks, copyright, patents, competition, employee health and safety, the environment, corporate governance, listing and disclosure, employment and taxes.

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Failure to comply with laws and regulations could expose Unilever to civil and/or criminal actions leading to damages, fines and criminal sanctions against us and/or our employees with possible consequences for our corporate reputation.

Changes to laws and regulations could have a material impact on the cost of doing business.

Unilever is also exposed to varying degrees of risk and uncertainty related to other factors including environmental, political, social and fiscal risks. All these risks could materially affect Unilever's business. There may be other risks which are unknown to Unilever or which are currently believed to be immaterial.

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WHERE YOU CAN FIND MORE INFORMATION ABOUT US

Unilever N.V. and Unilever PLC file annual reports with and furnish other information to the SEC. You may read and copy any document we file with or furnish to the SEC at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at *http://www.sec.gov*.

The SEC allows us to "incorporate by reference" into this prospectus supplement the information we file with or furnish to it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus supplement, and information that we file with the SEC after the date of this prospectus supplement will automatically update and supersede the information in this prospectus supplement. We incorporate by reference the documents listed below and any future filings with the SEC under Section 13(a), 14 or 15(d) of the Securities Exchange Act of 1934, including any Form 6-K that we furnish to the SEC which so provides, until our offering is completed (Unilever N.V.'s and Unilever PLC's file numbers with the SEC are No. 1-4547 and No. 1-4546, respectively):

(a) The Annual Report on Form 20-F of Unilever N.V. and Unilever PLC for the year ended December 31, 2012;

(b) Unilever N.V.'s Reports on Form 6-K furnished to the Securities and Exchange Commission on March 6, 2013 (Annual General Meeting Re-Elections and Board Committee Memberships), April 2, 2013 (Chairman's Letter and Notice of Meeting; Voting Instruction Form), May 2, 2013 (Unilever PLC Initiates Offer In Hindustan Unilever), June 19, 2013 (Unilever PLC to Commence the Open Offer To Increase Stake In Hindustan Unilever on 21 June 2013), June 20, 2013 (Unilever PLC to Commence the Open Offer to Increase Stake in Hindustan Unilever Limited to Commence on 21 June 2013), July 5, 2013 (Unilever PLC Announces Closing of Open Offer to Increase Its Stake in Hindustan Unilever), July 12, 2013 (Unilever Increases Its Stake in Hindustan Unilever), July 26, 2013 (Unilever Invites Tenders for Statutory Audit Services) and August 28, 2013 (First Half Year Results); and

(c) Unilever PLC's Reports on Form 6-K furnished to the Securities and Exchange Commission on March 6, 2013 (Annual General Meeting Re-elections and Board Committee Memberships), April 2, 2013 (Chairman's Letter and Notice of Meeting; Voting Instruction Form), May 2, 2013 (Unilever PLC Initiates Offer In Hindustan Unilever), May 3, 2013 (Publication of Prospectus), May 16, 2013 (Result of Annual General Meeting), June 6, 2013 (Stock Exchange Announcement Regarding Director Declarations), June 19, 2013 (Unilever PLC to Commence the Open Offer To Increase Stake In Hindustan Unilever on 21 June 2013), June 20, 2013 (Open Offer to Increase Stake in Hindustan Unilever Limited to Commence on 21 June 2013), July 5, 2013 (Unilever PLC Announces Closing of Open Offer to Increase Its Stake in Hindustan Unilever), July 12, 2013 (Unilever Increases Its Stake in Hindustan Unilever), July 26, 2013 (Unilever Invites Tenders for Statutory Audit Services) and August 28, 2013 (First Half Year Results).

The Notes will be governed by the Indenture dated as of August 1, 2000 between Unilever Capital Corporation, Unilever N.V., Unilever PLC, Unilever United States, Inc. and The Bank of New York Mellon, as trustee, which has been filed as an exhibit to the registration statement (File No. 333-177645), of which this prospectus supplement forms a part and is incorporated by reference in this prospectus supplement.

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You may request a paper copy of these filings at no cost, by writing to or telephoning us at the following address:

Vice President Finance
Unilever United States, Inc.
700 Sylvan Avenue
Englewood Cliffs, NJ 07632
Tel: (201) 894-7042

Neither Unilever Capital Corporation nor Unilever United States, Inc. prepares annual or interim financial statements for public distribution.

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EXCHANGE RATES

The following table sets forth, for the periods and dates indicated, certain information concerning the Noon Buying Rate in New York City for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York (i) for pounds sterling (expressed in US$ per £1.00) and (ii) for euro (expressed in euro per US$1.00).

	Year ended December 31,					Six months ended June 30,		One month ended					
	2008	2009	2010	2011	2012	2012	2013	Mar 31, 2013	Apr 30, 2013	May 31, 2013	Jun 30, 2013	July 31, 2013	Aug 31, 2013(1)
US$ per £1.00													
Rate at period end	1.46	1.62	1.54	1.55	1.63	1.57	1.52	1.52	1.55	1.52	1.52	1.52	1.56
Average rate	1.85	1.57	1.55	1.60	1.59	1.58	1.54	1.51	1.53	1.53	1.55	1.52	1.55
High	2.03	1.70	1.64	1.67	1.63	1.62	1.63	1.52	1.55	1.56	1.57	1.54	1.57
Low	1.44	1.37	1.43	1.54	1.53	1.53	1.49	1.49	1.51	1.50	1.52	1.48	1.51
US$1.00 per Euro													
Rate at period end	1.39	1.43	1.33	1.30	1.32	1.27	1.30	1.28	1.32	1.30	1.30	1.33	1.34
Average rate	1.47	1.39	1.33	1.39	1.29	1.30	1.31	1.30	1.30	1.30	1.32	1.31	1.33
High	1.60	1.51	1.45	1.49	1.35	1.35	1.37	1.31	1.32	1.32	1.34	1.33	1.34
Low	1.24	1.25	1.20	1.29	1.21	1.24	1.28	1.28	1.28	1.28	1.30	1.28	1.32
On August 23, 2013 the exchange rates between euros and U.S. dollars and between pound sterling and U.S. dollars were as follows: US$1.56 = £1.00 and US$1.34 = Euro 1.00. See "Risk Factors Eurozone risk" and "Risk Factors Financial."													

(1) Through August 23, 2013.

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FORWARD-LOOKING AND CAUTIONARY STATEMENTS

This prospectus supplement may contain forward-looking statements, including 'forward-looking statements' within the meaning of the United States Private Securities Litigation Reform Act of 1995. Words such as 'will', 'aim', 'expects', 'anticipates', 'intends', 'believes', 'vision', or the negative of these terms and other similar expressions of future performance or results, and their negatives, are intended to identify such forward-looking statements. These forward-looking statements are based upon current expectations and assumptions regarding anticipated developments and other factors affecting the Group. They are not historical facts, nor are they guarantees of future performance.

Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements. Among other risks and uncertainties, the material or principal factors that could cause actual results to differ materially are: Unilever's global brands not meeting consumer preferences; increasing competitive pressures; Unilever's investment choices in its portfolio management; inability to find sustainable solutions to support long-term growth; customer relationships; the recruitment and retention of talented employees; disruptions in our supply chain; the cost of raw materials and commodities; secure and reliable IT infrastructure; successful execution of acquisitions, divestitures and business transformation projects; economic and political risks and natural disasters; the debt crisis in Europe; financial risks; failure to meet high product safety and ethical standards; and managing regulatory, tax and legal matters. Further details of potential risks and uncertainties affecting the Group are described in the Group's filings with the London Stock Exchange, NYSE Euronext in Amsterdam and the SEC, including the Group's Annual Report on Form 20-F for the year ended December 31, 2012 and the Annual Report and Accounts 2012. These forward-looking statements speak only as of the date of this prospectus supplement. Except as required by any applicable law or regulation, the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

UNILEVER GROUP

UNILEVER N.V. AND UNILEVER PLC

History and Structure of Unilever

Unilever N.V. ("N.V.") and Unilever PLC ("PLC") are the two parent companies of the Unilever Group of companies. N.V. was incorporated under the name Naamlooze Vennootschap Margarine Unie in The Netherlands in 1927. PLC was incorporated under the name Lever Brothers Limited in England and Wales in 1894.

Together with their group companies, N.V. and PLC operate as nearly as practicable as a single economic entity. This is achieved by a series of agreements between N.V. and PLC (The Equalisation Agreement, The Deed of Mutual Covenants and The Agreement for Mutual Guarantees of Borrowing), together with special provisions in the Articles of Association of N.V. and PLC. N.V. and PLC have the same Directors, adopt the same accounting principles and pay dividends to their respective shareholders on an equalised basis. N.V. and PLC and their group companies constitute a single reporting entity for the purposes of presenting consolidated accounts. Accordingly, the accounts of the Unilever Group are presented by both N.V. and PLC as their respective consolidated accounts.

N.V. and PLC have agreed to co-operate in all areas and ensure that all group companies act accordingly. N.V. and PLC are holding and service companies, and the business activity of Unilever is carried out by their subsidiaries around the world. Shares in group companies may ultimately be held wholly by either N.V. or PLC or by the two companies in varying proportions.

The two companies have different shareholder constituencies and shareholders can hold shares in either or both companies but cannot convert or exchange the shares of one company for shares of the other. N.V. is listed in Amsterdam and New York. PLC is listed in London and New York.

BUSINESS OF THE UNILEVER GROUP

Description of business

Unilever is one of the world's leading suppliers of fast-moving consumer goods across foods, refreshment and home and personal care categories. Our business model is to deliver a sustainable and equitable form of growth with the Unilever Sustainability and Living Plan at the heart of our strategy.

Brands

Unilever manages its brands in four categories.

Unilever Personal Care ("PC") operates in five key categories: deodorants, skin cleansing, hair care, oral care and skin care. *Dove*, *Rexona*, *Lux* and *Axe* are some of the world's leading PC brands. Other important brands include *Pond's*, *Vaseline*, *Suave*, *Clear*, *Lifebuoy*, *Signal*, *Sunsilk* and *TRESemmé*.

Refreshment includes ice cream sold under the international *Heart* brand (*Wall's*), including *Cornetto*, *Magnum*, *Max/Paddlepop*, *Carte d'*Or, *Fruttare/Solero*, *Kibon*, *Algida* and *Ola*. Unilever's portfolio also includes *Ben & Jerry's*, *Breyers*, *Klondike*, *Good Humor* and *Popsicle*. This category also includes beverages, where Unilever's principal brands are in tea: *Lipton*, *Brooke Bond* and *PG Tips*, as well as nutritionally enhanced drinks sold in developing markets, including *AdeS* and *Buavita*.

Unilever's Home Care ranges include laundry products, such as tablets, traditional powders and liquids for washing of clothing by hand or machine. Unilever's brands include *OMO* (*'Dirt is Good'* platform), *Comfort*, *Surf*, *Radiant* and *Skip*. Unilever's household care products include surface cleaners and bleach, sold under the *Cif*, *Domestos* and *Sun/Sunlight* brands.

Foods consists of savoury products, dressings and spreads, and includes bouillons, seasonings, mealmakers, soups, sauces and a range of other savoury products: mayonnaise, salad dressings, ketchup, margarines, spreads and liquid margarines. Unilever's key brands here are *Knorr*, *Hellmann's*, *Becel/Flora (Healthy Heart)*, *Rama/Blue Band (Family Goodness)*, *Calvé*, *Maizena*, *Amora* and *Maille*.

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Within this group, Unilever also includes sales of Unilever *Foodsolutions*, which is a global food service business providing solutions for professional chefs and caterers.

Markets

Unilever operates with a single global markets organisation under the Chief Operating Officer. There are eight geographical market clusters within such organisation which are: Europe (including Central and Eastern Europe), North Asia (Greater China and North East Asia), South East Asia and Australasia, South Asia, Africa (Central Africa and South Africa), North America, Latin America (including Mexico) and (as one market cluster) North Africa, Middle East, Turkey, Russia, Ukraine and Belarus.

Audit tender

As announced on July 26, 2013, Unilever has decided to put its statutory audit work out to tender with the intention of nominating a new external auditor for 2014.

UNILEVER CAPITAL CORPORATION

Unilever Capital Corporation was incorporated under the laws of the State of Delaware on October 7, 1982 for the sole purpose of issuing and selling debt securities and making the net proceeds of such issues available to companies in the Unilever Group. All the common stock of Unilever Capital Corporation is owned by Unilever United States, Inc. Its registered office is at 1209 Orange Street, Wilmington, Delaware 19801. Its principal place of business is at 700 Sylvan Avenue, Englewood Cliffs, New Jersey 07632, United States of America (telephone number +1 201 894 7042).

The Directors of Unilever Capital Corporation are:

Steven Rapp	Vice President, General Counsel & Secretary
Henry Schirmer	Vice President Finance & Treasurer
David Schwartz	Vice President & Assistant Secretary

UNILEVER UNITED STATES, INC.

Unilever United States, Inc. ("UNUS") was incorporated with limited liability and unlimited duration under the laws of the State of Delaware on August 31, 1977. UNUS has its registered office at 1209 Orange Street, Wilmington, Delaware 19801. The principal place of business of UNUS is at 700 Sylvan Avenue, Englewood Cliffs, New Jersey 07632, United States of America (telephone number +1 201 894 2829).

UNUS' principal operating subsidiary, Conopco, Inc., a New York corporation, has three principal product categories personal care products, food products and refreshment products.

Personal care products include antiperspirants and deodorants, hair and skin care products, as well as soap. Major brands include *AXE*, *Dove*, *Clear Scalp & Hair Therapy, Suave*, *Lever 2000*, *Caress*, *Degree*, *Pond's*, *Vaseline*, *TIGI* (*Bed Head*, *Cat Walk* and *S-Factor*), *TRESemmé*, *Nexxus*, *Motions*, *Just For Me!*, *tcb*, *fds*, *St.Ives*, *Simple*, *Noxzema* and *Q-tips* cotton swabs.

Refreshment products include *Lipton* teas, *Ben & Jerry's*, *Breyers*, *Good-Humor*, *Klondike*, *Magnum*, *Popsicle* and *Fruttare* ice creams and frozen novelties; and *Slim-Fast* nutritional products to aid in weight management, including snack bars, shakes, shake mixes and meal bars.

Food products include *Lipton*, soups, recipe products and side dishes; *Shedd's Spread*, *Country Crock*, *Promise* and *I Can't Believe It's Not Butter* spreads; *Ragú* and *Bertolli* pasta sauces; *Knorr* bouillons, gravies, sauces, recipe classics and side dishes; *Hellmann's* (and *Best Foods*) mayonnaise and dressings.

The Directors of UNUS are:

Kees Kruythoff	President
Henry Schirmer	Vice President Finance & Treasurer

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CAPITALIZATION

Capitalization of Unilever

As explained above in the section "Unilever Group Unilever N.V. and Unilever PLC History and Structure of Unilever," Unilever N.V. and Unilever PLC operate as nearly as is practicable as a single entity with the position of the shareholders of both companies being, as nearly as possible, the same as if they held shares in a single company. Accordingly, the following table sets forth our consolidated cash and capitalization for Unilever as of June 30, 2013 on a historical basis and as adjusted to give effect to this offering and the use of net proceeds therefrom. The information in this table has been derived from, and the table should be read in conjunction with, the unaudited condensed consolidated interim accounts of the Unilever Group for the six months ended June 30, 2013 and other financial data included elsewhere or incorporated by reference in this prospectus supplement. All information is presented in accordance with International Financial Reporting Standards. Please see "Use of Proceeds."

	As of June 30, 2013			
	Historical		As adjusted	
	(€ millions)	(US$ millions)(2)	(€ millions)	(US$ millions)(2)
Cash and cash equivalents	3,467	4,507		
Short-term borrowings	8,963	11,652	8,963	11,652
Long-term borrowings	6,512	8,466		
Total borrowings(1)	15,475	20,118		
Total Shareholders' equity	12,883	16,748	12,883	16,748
Total capitalization	28,358	36,865		

(1) Total borrowings excludes total finance lease creditors of €203 million as of June 30, 2013.

(2) Translations into U.S. dollars are for convenience only and are computed at the Noon Buying Rate on June 30, 2013 of US$1.30 per euro.

There has been no other material change in the consolidated capitalization of Unilever N.V. or Unilever PLC since December 31, 2012 except as disclosed above.

USE OF PROCEEDS

Our net proceeds from the offering will be approximately $ million. Our "net proceeds" are the amounts we will receive from the sale of the Notes after deducting estimated underwriting discounts and other offering expenses we will pay. We plan to use the net proceeds for general corporate purposes.

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SELECTED FINANCIAL DATA
(Unaudited)

Financial record under International Financial Reporting Standards ("IFRS")

		June 30, 2013 Six months ended € million
Consolidated Income Statement		
Continuing Operations:		
Turnover		25,500
Net profit from continuing operations		2,682
Total Operations:		
Basic earnings per share	€	0.86
Diluted earnings per share	€	0.83
Ratio of earnings to fixed charges (times)(a)		11.1

	June 30, 2013 € millions
Consolidated Balance Sheet	
Total assets	49,094
Total assets less total liabilities (net assets)	13,317

(a) In the ratio of earnings to fixed charges, earnings consist of net profit from continuing operations excluding net profit or loss of joint ventures and associates increased by fixed charges, income taxes and dividends received from joint ventures and associates. Fixed charges consist of interest payable on debt and a portion of lease costs determined to be representative of interest. This ratio takes no account of interest receivable although Unilever's treasury operations involve both borrowing and depositing funds.

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DESCRIPTION OF THE NOTES

The following description of the particular terms of the Notes offered hereby supplements, and to the extent inconsistent therewith replaces, the description of the general terms and provisions of the guaranteed debt securities set forth in the accompanying prospectus, to which description reference is hereby made. We urge you to read the Indenture and related form of Notes before making your investment decision. Those documents govern your rights as a holder of Notes. See "Where You Can Find More Information About Us."

Brief Description of the Notes and Guarantees

The Notes will be unsecured obligations of Unilever Capital Corporation and will rank equally with all other unsecured and unsubordinated debt of Unilever Capital Corporation.

The payment of principal, premium, if any, and interest on the Notes will be guaranteed jointly, severally, fully and unconditionally by Unilever N.V., Unilever PLC and Unilever U.S.

No sinking fund has been provided for the Notes.

See "Description of Debt Securities and Guarantees" beginning on page 5 in the accompanying prospectus.

Principal, Maturity and Interest

The Notes will be issued in an aggregate principal amount of $. Unless otherwise redeemed, the Notes will mature on (the Stated Maturity). The Notes will bear interest at the rate of % per annum from September , 2013 or from the most recent interest payment date to which interest has been paid or provided for, payable semi-annually on and of each year, commencing , 2014, to the persons in whose name the Notes are registered at the close of business on the related record date, or , as the case may be, next preceding such interest payment date.

Further Issues

Unilever Capital Corporation may from time to time, without notice to, or the consent of, the registered holders of the Notes, create and issue further securities equal in rank to the Notes in all respects (or in all respects except for the payment of interest accruing prior to the issue date of the further notes). The further notes may be consolidated and form a single series with the original Notes and have the same term as to status, redemption or otherwise as the original Notes.

Redemption

Unilever Capital Corporation may, at its option, redeem the Notes in whole at any time or in part from time to time. The redemption price for any Note so redeemed shall equal any accrued and unpaid interest thereon to the redemption date, plus the greater of (a) the principal amount thereof or (b) an amount equal to the Discounted Remaining Payments. For purposes of this redemption provision, the following terms have the meanings set forth below:

"Discounted Remaining Payments" means an amount equal to the sum of the Current Values of the amounts of interest and principal that would have been payable by Unilever Capital Corporation pursuant to the terms of the Notes on each interest payment date after the redemption date and at Stated Maturity of the final payment of principal thereof (assuming that Unilever Capital Corporation had not redeemed such Notes prior to such Stated Maturity).

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"Current Value" means, in respect of any amount, the present value of that amount on the redemption date after discounting that amount on a semi-annual basis from the originally scheduled date for payment on the basis of the Treasury Rate plus basis points.

"Treasury Rate" means a per annum rate (expressed as a decimal and, in the case of United States Treasury bills, converted to a per annum yield) determined by the Company on the redemption date to be the per annum rate equal to the semi-annual bond equivalent yield to maturity for United States Treasury securities maturing at the Stated Maturity of the final payment of principal of the Notes redeemed pursuant to the provisions described above, as determined by reference to the weekly average yield to maturity for United States Treasury securities maturing on such Stated Maturity as reported in the most recent Statistical Release H.15(519) of the Board of Governors of the Federal Reserve.

The Notes are also redeemable at the option of Unilever Capital Corporation, in whole but not in part, at any time at the principal amount thereof plus accrued interest to the Redemption Date in the event of certain changes in the tax laws of the United States, the United Kingdom or The Netherlands after the date of this prospectus supplement (subject to the right of holders of record on the relevant record date to receive interest due on an Interest Payment Date that is on or prior to the Redemption Date). See "Description of Debt Securities and Guarantees Redemption of Debt Securities Under Certain Circumstances" in the accompanying prospectus.

Notice of any redemption will be mailed at least 30 days, but not more than 60 days, before the redemption date to each holder of Notes to be redeemed at his address appearing in the security register relating to the Notes. Unless Unilever Capital Corporation defaults in payment of the redemption price, on and after the redemption date interest ceases to accrue on such Notes or portions thereof called for redemption.

Unless otherwise redeemed, the Notes will mature at par on their Stated Maturity.

Notes in Global Form

The Notes will be represented by one or more global notes that will be deposited with and registered in the name of The Depository Trust Company (DTC) or its nominee. Unilever Capital Corporation will not issue certificated Notes, except in the limited circumstances described below.

Book Entry Procedures for the Global Notes

Each global note will be issued to DTC, which will keep a computerized record of its participants whose clients have purchased the Notes. Each participant will then keep a record of its own clients. Unless it is exchanged in whole or in part for a certificated note, a global note may not be transferred. DTC, its nominees and their successors may, however, transfer a global note as a whole to one another, and these transfers are required to be recorded on our records or a register to be maintained by the trustee. Beneficial interests in a global note will be shown on, and transfers of beneficial interests in the global note will be made only through, records maintained by DTC and its participants.

The Depository Trust Company

DTC is:

- a limited-purpose trust company organized under the New York Banking Law;
- a "banking organization" within the meaning of the New York Banking Law;
- a member of the Federal Reserve System;

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a "clearing corporation" within the meaning of the New York Uniform Commercial Code; and

a "clearing agency" registered under the provisions of Section 17A of the Securities Exchange Act of 1934.

DTC holds securities that its direct participants deposit with DTC. DTC also records the settlements among direct participants of securities transactions, such as transfers and pledges, in deposited securities through computerized records for direct participants' accounts. This book-entry system eliminates the need to exchange certificated securities. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations.

DTC's book-entry system is also used by other organizations such as securities brokers and dealers, banks and trust companies that work through a direct participant. The rules that apply to DTC and its participants are on file with the SEC. DTC is owned by a number of its direct participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc.

Ownership of Notes through DTC, Clearstream and Euroclear

When you purchase Notes through the DTC system, the purchases must be made by or through a direct participant, which will receive credit for the Notes on DTC's records. When you actually purchase the Notes, you will become their beneficial owner. Your ownership interest will be recorded only on the direct or indirect participants' records. DTC will have no knowledge of your individual ownership of the Notes. DTC's records will show only the identity of the direct participants and the principal amount of the Notes held by or through them. You will not receive a written confirmation of your purchase or sale or any periodic account statement directly from DTC. You should instead receive these from your direct or indirect participant. As a result, the direct or indirect participants are responsible for keeping accurate account of the holdings of their customers. We understand that under existing industry practice, in the event an owner of a beneficial interest in the global note desires to take any actions that DTC, as the holder of the global note, is entitled to take, DTC would authorize the participants to take such action, and that participants would authorize beneficial owners owning through such participants to take such action or would otherwise act upon the instructions of beneficial owners owning through them.

No beneficial owner of an interest in the global note will be able to transfer the interest except in accordance with DTC's applicable procedures, in addition to those provided for under the indenture and, if applicable, those of Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking S.A. ("Clearstream"), which are two European international clearing systems similar to DTC. The trustee will wire payments on the Notes to DTC's nominee. We and the trustee will treat DTC's nominee as the owner of each global note for all purposes. Accordingly, we, the trustee and any paying agent will have no direct responsibility or liability to pay amounts due on a global note to you or any other beneficial owners in that global note.

It is DTC's current practice, upon receipt of any payment of distributions or liquidation amounts, to proportionately credit direct participants' accounts on the payment date based on their holdings. In addition, it is DTC's current practice to pass through any consenting or voting rights to such participants by using an omnibus proxy. Those participants will, in turn, make payments to and solicit votes from you, the ultimate owner of the Notes, based on their customary practices. Payments to you will be the responsibility of the participants and not of DTC, the trustee or us.

Links have been established among DTC, Clearstream and Euroclear to facilitate the cross-market transfers of the Notes associated with secondary market trading. Noteholders may hold their Notes through the accounts maintained by either Euroclear or Clearstream in DTC only if they are participants of such European international clearing system, or indirectly through organizations which

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are participants in such system. Euroclear and Clearstream will hold omnibus book-entry positions on behalf of their participants through customers' securities accounts in Euroclear's or Clearstream's names on the books of their respective depositaries which in turn will hold such positions in customers' securities accounts in the names of the nominees of the depositaries on the books of DTC. All securities in Euroclear and Clearstream are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts.

Transfers of Notes by persons holding through Euroclear or Clearstream participants will be effected through DTC, in accordance with DTC rules, on behalf of the relevant European international clearing system by its depositaries; however, such transactions will require delivery of exercise instructions to the relevant European international clearing system by the participant in such system in accordance with its rules and procedures and within its established deadlines. The relevant European international clearing system will, if the exercise meets its requirements, deliver instructions to its depositaries to take action to effect exercise of the Notes on its behalf by delivering the Notes through DTC and receiving payment in accordance with its normal procedures for next-day funds settlement. Payments with respect to the Notes held through Euroclear or Clearstream will be credited to the cash accounts of Euroclear participants or Clearstream participants in accordance with the relevant European international clearing systems' rules and procedures, to the extent received by its depositaries.

All information in this prospectus supplement on DTC, Euroclear and Clearstream is derived from DTC, Euroclear or Clearstream, as the case may be, and reflects the policies of such organizations. These organizations may change these policies without notice.

Definitive Notes

Individual certificates in respect of the Notes will not be issued in exchange for the global notes, except in very limited circumstances. If DTC notifies us that it is unwilling or unable to continue as a clearing system in connection with the global notes or ceases to be a clearing agency registered under the Exchange Act, and a successor clearing system is not appointed by us within 90 days after receiving such notice from DTC or upon becoming aware that DTC is no longer so registered, we will issue or cause to be issued individual certificates in registered form on registration of transfer of, or in exchange for, book-entry interests in the Notes represented by such global notes upon delivery of such global notes for cancellation.

Payments on any definitive Notes will be made by the trustee directly to holders of such definitive Notes in accordance with the procedures set forth herein and in the Indenture. Interest payments and any principal payments on the definitive Notes on each interest payment date will be made to holders in whose names the definitive Notes were registered at the close of business on the related record date as set forth under "Principal, Maturity and Interest." Payments will be made by check, mailed to the address of such holders as they appear on the Note register and, in addition, under the circumstances provided by the Indenture, by wire transfer to a bank or depository institution located in the United States and appropriate facilities thereof. The final payment of principal and interest on any definitive Notes, however, will be made only upon presentation and surrender of such definitive Notes at the office of the paying agent for the Notes.

A definitive Note may be transferred free of charge in whole or in part upon the surrender of the definitive Note to be transferred, together with the completed and executed assignment that appears on the reverse of the definitive Note, at the specified office of any transfer agent. In the case of a permitted transfer of any part of a Note, a new Note in respect of the balance not transferred will be issued to the transferor. Each new definitive Note to be issued upon the transfer of a definitive Note will, upon the effective receipt of such completed assignment by a transfer agent at its respective specified office, be available for delivery at such specified office, or at the request of the holder

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requesting such transfer, will be mailed at the risk of the transferee entitled to the new definitive Note to such address as may be specified in such completed assignment. Neither the registrar nor any transfer agent shall be required to register the transfer of or exchange of any definitive Notes within 15 days before the Notes are to be selected for redemption.

Paying Agent

Payments and transfers of the Notes will be made at the respective offices of the paying and transfer agents in New York City.

Notices

Notices to holders of the Notes will be sent by mail to the registered holders and will be published, whether the Notes are in global or definitive form. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the date of the first such publication.

Replacement Securities

In case of mutilation, destruction, loss or theft of any definitive Note, application for replacement is to be made at the office of the trustee. Any such definitive Note will be replaced by the trustee in compliance with such procedures, and on such terms as to evidence and indemnity, as Unilever Capital Corporation and the trustee may require and subject to applicable laws. All costs incurred in connection with the replacement of any definitive Note will be borne by the holder of the Note. Mutilated or defaced definitive Notes must be surrendered before new ones will be issued.

Payment of Additional Amounts

If any deduction or withholding for any present or future taxes, assessments or other governmental charges of the United Kingdom, The Netherlands, or the United States, including any political subdivision or taxing authority of or in any such jurisdiction (respectively, a "United Kingdom Tax", a "Netherlands Tax", or a "United States Tax") shall at any time be required in respect of any amounts to be paid by the issuer or a guarantor pursuant to the terms of the debt securities, then, except to the extent that such withholding or deduction is made in respect of sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended ("FATCA"), or any agreement entered into pursuant to FATCA, the issuer or the guarantor will pay as additional interest to the holder of a debt security (or to the holder of any coupon appertaining thereto) such additional amounts ("Additional Amounts") as may be necessary in order that the net amounts paid to such holder pursuant to the terms of such guaranteed debt security or such guarantee, after such deduction or withholding, shall be not less than such amounts as would have been received by the holder had no such withholding or deduction been required; *provided, however*, that (1) amounts with respect to United Kingdom Tax shall be payable only to holders that are not resident in the United Kingdom for purposes of its tax, (2) amounts with respect to Netherlands Tax shall be payable only to holders that are not resident in The Netherlands for purposes of its tax, and (3) amounts with respect to United States Tax shall be payable only to a holder that is, for United States tax purposes, a nonresident alien individual, a foreign corporation, or an estate or trust not subject to tax on a net income basis with respect to income on the debt securities (a "United States Alien"), *and provided further*, that the issuer or guarantor shall not be required to make any payment of Additional Amounts for or on account of:

(a) any tax, assessment or other governmental charge which would not have been imposed but for the existence of any present or former connection between such holder (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of a power over, such holder, if such holder is an estate, trust, partnership or corporation) and the United Kingdom,

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The Netherlands, or the United States (in the case of a United Kingdom Tax, a Netherlands Tax, or a United States Tax, respectively), or any political subdivision or territory or possession thereof or therein or area subject to its jurisdiction, including, without limitation, such holder (or such fiduciary, settlor, beneficiary, member, shareholder or possessor) being or having been a citizen or resident thereof or treated as a resident thereof or being or having been present or engaged in trade or business therein or having or having had a permanent establishment therein;

(b) any estate, inheritance, gift, sales, transfer, personal property or similar tax, assessment or other governmental charge;

(c) any tax, assessment or other governmental charge which is payable other than by withholding from payments of (or in respect of) principal of, premium, if any, or any interest on, the debt securities or coupons, if any;

(d) with respect to any United States Tax, any such tax imposed by reason of the holder's past or present status as a personal holding company, foreign personal holding company or foreign private foundation or similar tax-exempt organization with respect to the United States or as a corporation which accumulates earnings to avoid United States Federal income tax;

(e) with respect to any United States Tax, any such Tax imposed by reason of such holder's past or present status as (i) the actual or constructive owner of 10% or more of the total combined voting power of all classes of stock of Unilever Capital Corporation or Unilever U.S., or (ii) a controlled foreign corporation that is related to Unilever Capital Corporation or Unilever U.S. through stock ownership;

(f) any tax, assessment or other governmental charge required to be withheld by any paying agent from any payment of principal of, premium, if any, or any interest on, any guaranteed debt security or coupon, if any, if such payment can be made without such withholding by any other paying agent;

(g) any tax, assessment or other governmental charge which would not have been imposed or withheld if such holder had made a declaration of nonresidence or other similar claim for exemption or presented any applicable form or certificate, upon the making or presentation of which that holder would either have been able to avoid such tax, assessment or charge or to obtain a refund of such tax, assessment or charge, including, with respect to any United States Tax, certification or documentation to the effect that such holder or beneficial owner is a United States Alien and lacks other connections with the United States;

(h) any tax, assessment or other governmental charge which would not have been imposed but for the presentation of a debt security (where presentation is required) or coupon, if any, for payment on a date more than 30 days after the date on which such payment became due and payable or the date on which payment thereof was duly provided for, whichever occurred later; or

(i) any combination of items (a), (b), (c), (d), (e), (f), (g) and (h) above;

nor shall Additional Amounts be paid with respect to any payment of the principal of, premium, if any, or any interest on any debt security or coupon to any such holder who is a fiduciary or a partnership or a beneficial owner who is other than the sole beneficial owner of such payment to the extent a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner would not have been entitled to such Additional Amounts had it been the holder of the debt security or coupon.

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TAXATION

Federal Taxation in the United States

This section summarizes the material U.S. tax consequences to holders of Notes. It represents the views of our tax counsel, Cravath, Swaine & Moore LLP. However, the discussion is limited in the following ways:

- The discussion only covers you if you buy your Notes in the initial offering.
- The discussion only covers you if you hold your Notes as a capital asset (that is, for investment purposes), and if you do not have a special tax status.
- The discussion does not cover tax consequences that depend upon your particular tax situation in addition to your ownership of Notes. In particular, this discussion does not apply to you if you are subject to special tax rules, such as:
  - financial institutions;
  - insurance companies;
  - dealers or traders in securities or currencies;
  - tax-exempt entities;
  - regulated investment companies;
  - expatriates;
  - if you will hold the Notes as part of a "hedging" or "conversion" transaction or as a position in a "straddle" or as part of a "synthetic security" or other integrated transaction for U.S. federal income tax purposes;
  - if you will hold the Notes through partnerships or other pass-through entities; and
  - if you have a "functional currency" other than the U.S. dollar.
- The discussion is based on current law. Changes in the law may change the tax treatment of the Notes.
- The discussion does not cover state, local or foreign tax law.
- We have not requested a ruling from the IRS on the tax consequences of owning the Notes. As a result, the IRS could disagree with portions of this discussion.

If you are considering buying Notes, we suggest that you consult your tax advisor about the tax consequences of holding the Notes in your particular situation.

Tax Consequences to U.S. Holders

This section applies to you if you are a U.S. holder. A "U.S. holder" is:

- a U.S. citizen or resident alien;
- a corporation or entity taxable as a corporation for U.S. federal income tax purposes that was created under U.S. law (federal or state); or
- an estate or trust whose world-wide income is subject to U.S. federal income tax.

This summary does not address holders of equity interests in a U.S. holder. If a partnership holds Notes, the tax treatment of a partner will generally depend upon the status of the partner and upon the

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activities of the partnership. If you are a partner of a partnership holding Notes, we suggest that you consult your tax advisor.

Interest. If you are a cash method taxpayer (including most individual holders), you must report interest (including any tax withheld from interest payments and any Additional Amounts paid in respect of such tax withheld) on the Notes in your income when you receive it. If you are an accrual method taxpayer, you must report interest (including any tax withheld from interest payments and any Additional Amounts paid in respect of such tax withheld) on the Notes in your income as it accrues.

Sale or Retirement of Notes. On your sale or retirement of your Note:

- You will have taxable gain or loss equal to the difference between the amount received by you and your tax basis in the Note. Your tax basis in the Note is your cost, subject to certain adjustments.

- Your gain or loss will generally be capital gain or loss, and will be long-term capital gain or loss if you held the Note for more than one year. Deductibility of capital losses is subject to limitations.

- If you sell the Note between interest payment dates, a portion of the amount you receive reflects interest that has accrued on the Note but has not yet been paid by the sale date. That amount is treated as ordinary interest income and not as sale proceeds.

Payments by Guarantors A payment on a Note made by a guarantor will be treated in the same manner as if made directly by us.

Information Reporting and Backup Withholding. Under the tax rules concerning information reporting to the U.S. Internal Revenue Service (the "IRS"):

- Assuming you hold your Notes through a broker or other securities intermediary, the intermediary must provide information to the IRS and to you on Form 1099 concerning interest and retirement proceeds on your Notes, unless an exemption applies.

- Similarly, unless an exemption applies, you must provide the intermediary with your Taxpayer Identification Number for its use in reporting information to the IRS. If you are an individual, this is your social security number. You are also required to comply with other IRS requirements concerning information reporting.

- If you are subject to these requirements but do not comply, the intermediary must withhold tax on all amounts payable to you on the Notes (including principal payments) or the proceeds from the sale or other disposition of the Notes. This is called "backup withholding". Backup withholding is not an additional tax. If the intermediary withholds payments, you may use the withheld amount as a credit against your U.S. federal income tax liability and you may be entitled to a refund of such amounts.

- All individuals are subject to these requirements. Some holders, including all corporations, are exempt from these requirements.

Tax Consequences to Non-U.S. Holders

This section applies to you if you are a non-U.S. holder. A "non-U.S. holder" is a person or entity that is not a U.S. holder.

Withholding Taxes. Generally, payments of principal and interest on the Notes will not be subject to U.S. withholding taxes. The same rules will apply to payments of Additional Amounts and payments made by a guarantor on a Note.

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However, for the exemption from withholding taxes to apply to you, you must meet one of the following requirements:

- You provide a completed IRS Form W-8BEN (or substitute form) to the bank, broker or other intermediary through which you hold your Notes. The IRS Form W-8BEN contains your name, address and a statement made under penalties of perjury that you are the beneficial owner of the Notes and that you are not a United States person (as defined under the U.S. Internal Revenue Code of 1986, as amended (the "Code")).

- You hold your Notes directly through a "qualified intermediary," and the qualified intermediary has sufficient information in its files indicating that you are not a United States person (as defined under the Code). A qualified intermediary is a bank, broker or other intermediary that (1) is either a U.S. or non-U.S. entity, (2) is acting out of a non-U.S. branch or office and (3) has signed an agreement with the IRS providing that it will administer all or part of the U.S. tax withholding rules under specified procedures.

- You are entitled to an exemption from withholding tax on interest under a tax treaty between the United States and your country of residence. To claim this exemption, you must generally complete IRS Form W-8BEN and claim this exemption on the form. In some cases, you may instead be permitted to provide documentary evidence of your claim to the intermediary, or a qualified intermediary may already have some or all of the necessary evidence in its files.

- The interest income on the Notes is effectively connected with the conduct of your trade or business in the United States, and is not exempt from U.S. federal income tax under a tax treaty. To claim this exemption, you must complete IRS Form W-8ECI (or substitute form).

Even if you meet one of the above requirements, interest paid to you will be subject to withholding tax under any of the following circumstances:

- The withholding agent or an intermediary knows or has reason to know that you are not entitled to an exemption from withholding tax. Specific rules apply for this test.

- The IRS notifies the withholding agent that information that you or an intermediary provided concerning your status is false.

- An intermediary through which you hold the Notes fails to comply with the procedures necessary to avoid withholding taxes on the Notes. In particular, an intermediary is generally required to forward a copy of your IRS Form W-8BEN (or other documentary information concerning your status) to the withholding agent for the Notes. However, if you hold your Notes through a qualified intermediary or if there is a qualified intermediary in the chain of title between yourself and the withholding agent for the Notes the qualified intermediary will not generally forward this information to the withholding agent.

- You are treated as owning 10% or more of the total combined voting power of all classes of the voting stock of Unilever Capital Corporation, are a "controlled foreign corporation" with respect to Unilever Capital Corporation, or are a bank making a loan in the ordinary course of its business. In these cases, you will be exempt from withholding taxes only if you are eligible for a treaty exemption or if the interest income is effectively connected with your conduct of a trade or business in the United States, as discussed above.

Interest payments made to you will generally be reported to the IRS and to you on IRS Form 1042-S. However, this reporting does not apply to you if you hold your Notes directly through a qualified intermediary and the applicable procedures are complied with.

The rules regarding withholding are complex and vary depending on your individual situation. They are also subject to change. In addition, special rules apply to certain types of non-U.S. holders of

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Notes, including partnerships, trusts, and other entities treated as pass-through entities for U.S. federal income tax purposes. We suggest that you consult with your tax advisor regarding the specific methods for satisfying these requirements.

Sale or Retirement of Notes. If you sell a Note or it is retired, you will not be subject to U.S. federal income tax on any gain unless one of the following applies:

- The gain is connected with a trade or business that you conduct in the United States.
- You are an individual, you are present in the United States for at least 183 days during the year in which you dispose of the Note, and certain other conditions are satisfied.
- The gain represents accrued interest, in which case the rules for interest would apply.

U.S. Trade or Business. If you hold your Note in connection with a trade or business that you are conducting in the United States:

- Any interest on the Note, and any gain from disposing of the Note, generally will be subject to U.S. federal income tax as if you were a U.S. holder.
- If you are a corporation, you may be subject to the "branch profits tax" on your earnings that are connected with your U.S. trade or business, including earnings from the Note. This tax is 30%, but may be reduced or eliminated by an applicable income tax treaty.

Estate Taxes. If you are an individual, your Notes will not be subject to U.S. estate tax when you die. However, this rule only applies if, at your death, payments on the Notes were not connected to a trade or business that you were conducting in the United States and you did not actually or constructively own 10% or more of the total combined voting power of all classes of the voting stock of Unilever Capital Corporation.

Information Reporting and Backup Withholding U.S. rules concerning information reporting and backup withholding are described above. These rules apply to non-U.S. holders as follows:

- Principal and interest payments you receive will be automatically exempt from the usual rules if you are a non-U.S. holder exempt from withholding tax on interest, as described above. The exemption does not apply if the withholding agent or an intermediary knows or has reason to know that you should be subject to the usual information reporting or backup withholding rules. In addition, as described above, interest payments made to you may be reported to the IRS on IRS Form 1042-S.
- Sale proceeds you receive on a sale of your Notes through a broker may be subject to information reporting and/or backup withholding if you are not eligible for an exemption. In particular, information reporting and backup reporting may apply if you use the U.S. office of a broker, and information reporting (but not backup withholding) may apply if you use the foreign office of a broker that has certain connections to the United States. In general, you may file IRS Form W-8BEN to claim an exemption from information reporting and backup withholding. We suggest that you consult your tax advisor concerning information reporting and backup withholding on a sale.

Taxation in the Netherlands

Any payments made under the Notes issued by Unilever Capital Corporation and guaranteed by amongst others Unilever N.V. will not be subject to withholding or deduction for, or on account of taxes of whatsoever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein.

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Taxation in the United Kingdom

Unilever PLC's English solicitors, Slaughter and May, have opined that, under United Kingdom law and practice, as in effect on the date of this prospectus supplement, none of Unilever Capital Corporation, Unilever N.V., Unilever PLC or Unilever U.S. would be required to deduct or withhold any taxes, levies, imposts or other charges from any payment due or to become due in respect of the Notes and the guarantees by Unilever Capital Corporation, Unilever N.V., Unilever PLC or Unilever U.S., as the case may be.

EC Council Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland). The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

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UNDERWRITING

Citigroup Global Markets Inc., HSBC Securities (USA) Inc., J.P. Morgan Securities LLC and Morgan Stanley & Co. LLC are acting as joint bookrunning managers of the offering and as representatives of the underwriters named below (the "Underwriters").

Subject to the terms and conditions stated in the underwriting agreement dated the date of this prospectus supplement, each Underwriter named below has severally agreed to purchase, and Unilever Capital Corporation has agreed to sell to that Underwriter, the principal amount of Notes set forth opposite the Underwriter's name.

Underwriter	Principal Amount of Notes
Citigroup Global Markets Inc.	$
HSBC Securities (USA) Inc.	
J.P. Morgan Securities LLC	
Morgan Stanley & Co. LLC	
Total	$

The underwriting agreement provides that the obligations of the Underwriters to purchase the Notes are subject to approval of legal matters by counsel and to other conditions. The Underwriters are obligated to purchase all the Notes if they purchase any of the Notes.

Unilever Capital Corporation estimates that its total expenses for this offering will be US$. The Underwriters have agreed to reimburse expenses and certain related amounts payable by Unilever Capital Corporation in connection with this offering in the amount of US$.

Unilever Capital Corporation, Unilever N.V., Unilever PLC and Unilever United States, Inc. have agreed jointly and severally to indemnify the several Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, or to contribute to payments the Underwriters may be required to make because of any of those liabilities.

Commissions and Discounts

The Underwriters propose to offer the Notes directly to the public at the public offering price set forth on the cover page of this prospectus supplement. After the initial offering of the Notes to the public, the representatives may change the public offering price. The offering of the Notes by the Underwriters is subject to receipt and acceptance and subject to the Underwriters' right to reject any order in whole or in part.

The following table shows the underwriting discounts and commissions that Unilever Capital Corporation is to pay to the Underwriters in connection with this offering (expressed as a percentage of the principal amount of the Notes).

	Paid by Unilever Capital Corporation
Per Note	%

Price Stabilization and Short Positions

In connection with the offering, the representatives, on behalf of the Underwriters, may purchase and sell Notes in the open market. These transactions may include over-allotment, syndicate covering transactions and stabilizing transactions. Over-allotment involves syndicate sales of Notes in excess of the principal amount of Notes to be purchased by the Underwriters in the offering, which creates a syndicate short position. Syndicate covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover syndicate short positions. Stabilizing transactions consist of certain bids or purchases of Notes made for the purpose of preventing or retarding a decline in the market price of the Notes while the offering is in progress.

The Underwriters also may impose a penalty bid. This occurs when a particular Underwriter repays to the Underwriters a portion of the underwriting discount received by it because the representatives have repurchased notes sold by or for the account of such Underwriter in stabilizing or short covering transactions.

Any of these activities may have the effect of preventing or retarding a decline in the market price of the Notes. They may also cause the price of the Notes to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The Underwriters may conduct these transactions in the over-the-counter market or otherwise. If the Underwriters commence any of these transactions, they may discontinue them at any time.

Other Relationships

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services.

The Underwriters have performed corporate banking, investment banking and advisory services for the Unilever Group from time to time for which they have received customary fees and expenses. The Underwriters may, from time to time, engage in transactions with and perform services for the Unilever Group in the ordinary course of their business. In addition, affiliates of the Underwriters have from time to time provided credit and entered into lending transactions with the Unilever Group for which they have received customary fees and expenses and may, from time to time, do so in the ordinary course of their business.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments, including serving as counterparties to certain derivative and hedging arrangements, and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Unilever Group (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Unilever Group. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Selling Restrictions

Each of the Underwriters will not offer, sell or deliver any of the Notes directly or indirectly, or distribute this prospectus supplement or the prospectus or any other offering material relating to the Notes, in or from any jurisdiction except under circumstances that will result in compliance with the applicable laws and regulations thereof and will not impose any obligations on the Company except as set forth in the underwriting agreement.

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European Economic Area

In relation to each Member State of the European Economic Area that has implemented the Prospectus Directive (each, a "Relevant Member State") and with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date"), an offer of Notes that are the subject of the offering contemplated by this prospectus supplement to the public may not be made in that Relevant Member State, except that an offer of Notes to the public in that Relevant Member State may, with effect from and including the Relevant Implementation Date, be made at any time under the following exceptions under the Prospectus Directive:

(a) to legal entities which are qualified investors as defined under the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant underwriter or underwriters for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of the Notes referred to in (a) through (c) above shall require us or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe to the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Member State. For the purposes of this provision, the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including that Directive as amended by the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State in question), and includes any relevant implementing measure in the Relevant Member State in question, and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

United Kingdom

This document is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling with Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). The Notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Notes will be engaged in only with, relevant persons. Any person who is not a relevant person must not act or rely on this document or any of its contents.

Netherlands

This prospectus supplement has not been and will not be approved by the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*) (the "AFM") (or, where appropriate, by the competent authority in another European Economic Area Member State which has implemented the Prospectus Directive and notified to the AFM in accordance with the Prospectus Directive) and the offer and sale of the Notes is not supervised by the AFM. The Notes may be offered or sold only to qualified investors (as defined in the Prospectus Directive), unless any advertisement relating to such an offer and any document in which the prospect of such offer is held out includes that (A) no

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prospectus approved by the AFM has been or will be made generally available and (B) such offer is not supervised by the AFM, in each case in such manner as prescribed by the AFM from time to time. For purposes of this provision the expression "Prospectus Directive" shall have the meaning set out under "European Economic Area".

Hong Kong

The Notes may not be offered or sold in Hong Kong, by means of any document other than (i) to persons whose ordinary business is to buy or sell shares or debentures (whether as principal or agent); or (ii) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (iii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance, and no advertisement, invitation or document relating to the Notes may be issued, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder.

Japan

The Notes offered by this prospectus have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the "FIEA"). The Notes offered by this prospectus may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Singapore

This prospectus supplement has not been and will not be registered as a prospectus with the Monetary Authority of Singapore, and the Notes will be offered pursuant to exemptions under the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"). Accordingly, the Notes may not be offered or sold or made the subject of an invitation for subscription or purchase, nor may this prospectus supplement or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor pursuant to Section 274 of the SFA, (ii) to a relevant person under Section 275(1) of the SFA, or to any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person that is:

(a) a corporation (that is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor, or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable for six months after that corporation or that trust has acquired the Notes under Section 275 of the SFA except:

(1) to an institutional investor, or to a relevant person defined in Section 275(2) of the SFA, or to any person where the transfer arises from an offer referred to in Section 275(1A) of the SFA or (in the case of a trust) where the transfer arises from an offer referred to in Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law; or

(4) pursuant to Section 276(7) of the SFA or Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations.

LEGAL MATTERS

The validity of the Notes offered in this prospectus supplement will be passed upon for Unilever by Cravath, Swaine & Moore LLP, 825 Eighth Avenue, New York, New York 10019. Slaughter and May will pass upon certain matters of English law. De Brauw Blackstone Westbroek London B.V. will pass upon certain matters of Dutch law. Certain legal matters in connection with this offering will be passed upon for the Underwriters by Allen & Overy LLP, 1221 Avenue of the Americas, New York, New York 10020.

EXPERTS

The consolidated financial statements and management's assessment of the effectiveness of internal control over financial reporting (which is included in management's report on internal control over financial reporting) incorporated in this prospectus supplement and the accompanying prospectus by reference to the Annual Report on Form 20-F for the year ended December 31, 2012 have been so incorporated in reliance on the report of PricewaterhouseCoopers Accountants N.V., and PricewaterhouseCoopers LLP, independent registered public accounting firms, given on the authority of said firms as experts in auditing and accounting.

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PROSPECTUS

Unilever N.V.
Unilever Capital Corporation

Guaranteed Debt Securities

Payment of Principal, Premium, if any,
and Interest, if any, Guaranteed Jointly, Severally, Fully
and Unconditionally by

Unilever United States, Inc.,
Unilever N.V. and Unilever PLC

From time to time, we may sell guaranteed debt securities on terms we will determine at the times we sell the guaranteed debt securities. When we decide to sell a particular series of guaranteed debt securities, we will prepare and deliver a supplement to this prospectus describing the particular terms of the guaranteed debt securities we are offering. Payment of principal, premium, if any, and interest, if any, with respect to the guaranteed debt securities will be guaranteed by Unilever United States, Inc., and either or both of Unilever N.V. and Unilever PLC (depending on whether Unilever N.V. is the issuer of a particular series of debt securities). At the option of Unilever Capital Corporation or Unilever N.V., as the case may be, any series of the guaranteed debt securities and the guarantees on such series may be subordinated to all Senior Debt of the issuer and guarantors of such series and/or may be convertible into Ordinary Shares, par value €0.16 per share, of Unilever N.V.

We may sell the guaranteed debt securities directly, through agents, through underwriters or dealers, or through a combination of such methods. If we elect to use agents, underwriters or dealers in any offering of guaranteed debt securities, we will disclose their names and the nature of our arrangements with them in the prospectus supplement we prepare for such offering. Our net proceeds from such sale will also be set forth in the prospectus supplement we prepare for such offering.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this Prospectus is November 1, 2011.

Unilever N.V. and Unilever PLC and their group companies are together referred to in this prospectus as "Unilever", the "Unilever Group" or the "Group". For such purposes "group companies" means, in relation to Unilever N.V. and Unilever PLC, those companies required to be consolidated in accordance with Netherlands and United Kingdom legislative requirements relating to consolidated accounts. Unilever N.V. and Unilever PLC and their group companies together constitute a single group for the purpose of meeting those requirements.

In this prospectus references to "U.S.$", "U.S. Dollars" and "United States Dollars" are to the lawful currency of the United States of America, references to "£" and "pounds sterling" are to the lawful currency of the United Kingdom, references to "€" and "euro" are to the lawful currency of the member states of the European Monetary Union that have adopted or that adopt the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union (the "Treaty").

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ENFORCEMENT OF CIVIL LIABILITIES AGAINST FOREIGN PERSONS

Unilever N.V. is a Netherlands corporation and Unilever PLC is a company incorporated under the laws of and registered in England and Wales. Most of the directors of Unilever N.V. and Unilever PLC and certain of the experts named in this Prospectus are residents of The Netherlands or the United Kingdom or other countries and all or a substantial portion of their respective assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon Unilever N.V., Unilever PLC or such persons with respect to matters arising under the Federal securities laws or to enforce against them judgments of courts of the United States predicated upon civil liability under the Federal securities laws. Unilever N.V. has been advised by its Dutch counsel, De Brauw Blackstone Westbroek London B.V., that a claim based solely upon Federal securities laws may not be enforceable in a Dutch court and that, in addition, a judgement of a United States court, whether or not based solely upon Federal securities laws, will not be enforceable in the Netherlands, although a Dutch court may give binding effect to such judgement if certain conditions are satisfied. Unilever PLC has been advised by its English counsel, Slaughter and May, that there is doubt as to the enforceability in the United Kingdom, in original actions or in actions for enforcement of judgments of United States courts, of liabilities predicated solely upon the Federal securities laws. Unilever N.V. and Unilever PLC have consented to service of process in New York City for claims based upon the Indenture, the debt securities and the guarantees described under "Description of Debt Securities and Guarantees."

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WHERE YOU CAN FIND MORE INFORMATION ABOUT US

Unilever N.V. and Unilever PLC file annual reports with and furnish other information to the SEC. You may read and copy any document we file with or furnish to the SEC at the SEC's public reference room at 100 F Street, N. E., Washington, D.C., 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at *http://www.sec.gov*.

The SEC allows us to "incorporate by reference" into this prospectus the information we file with or furnish to it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus, and information that we file with the SEC after the date of this prospectus will automatically update and supersede the information in this prospectus. We incorporate by reference the documents listed below and any future filings made with the SEC under Section 13(a), 13(c) or 15(d) of the Securities Exchange Act of 1934, as well as any Form 6-K we furnish to the SEC which so provides, until our offering is completed (Unilever N.V.'s and Unilever PLC's file numbers with the SEC are 1-4547 and 1-4546 respectively).

(a) Unilever N.V.'s Annual Report on Form 20-F for the year ended December 31, 2010;

(b) Unilever PLC's Annual Report on Form 20-F for the year ended December 31, 2010;

(c) Unilever N.V.'s Reports on Form 6-K furnished to the Securities and Exchange Commission on March 4, 2011 (Annual Report and Accounts 2010), March 25, 2011 (Unilever sells Sanex and acquires laundry brands), March 30, 2011 (Chairman's Letter and Notice of Meeting; Voting Instruction Form), April 1, 2011 (Unilever issues first-ever Renminbi Bond), April 13, 2011 (Settlement Reached with European Commission), May 5, 2011 (Trading Statement First Quarter 2011), May 11, 2011 (Unilever Completes Alberto Culver Acquisition), October 21, 2011 (Half Year Results); and

(d) Unilever PLC's Reports on Form 6-K furnished to the Securities and Exchange Commission on March 4, 2011 (Annual Report and Accounts 2010), March 25, 2011 (Unilever sells Sanex and acquires laundry brands), March 30, 2011 (Chairman's Letter and Notice of Meeting; Proxy Form for Voting), April 1, 2011 (Annual Financial Report, Unilever issues first-ever Renminbi Bstyle="TEXT-INDENT: 0pt; DISPLAY: block">
Joint Venture

The Company analyzes its investments in joint ventures to determine if the joint venture is a variable interest entity (a “VIE”) and would require consolidation. The Company (a) evaluates the sufficiency of the total equity at risk, (b) reviews the voting rights and decision-making authority of the equity investment holders as a group, and whether there are any guaranteed returns, protection against losses, or capping of residual returns within the group and (c) establishes whether activities within the venture are on behalf of an investor with disproportionately few voting rights in making this VIE determination. The Company would consolidate a venture that is determined to be a VIE if it was the primary beneficiary. Beginning January 1, 2010, a new accounting standard became effective and changed the method by which the primary beneficiary of a VIE is determined 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 assesses the existence of a controlling financial interest under a voting interest model to determine whether the venture should be consolidated.

Equity Method

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

Cost Method

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

Long-Lived Assets & Impairment

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

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

In our business in the future, we may be required to record impairment charges on our long-lived assets. In the second quarter of fiscal year 2015, we impaired plant and equipment in our Tianjin operations in China. The impairment was due to certain equipment found unsuitable to test customer's products and hence the decision to impair this asset. There was no impairment in fiscal year 2016.

Fair Value Measurements

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

Income Tax

We account for income taxes using the liability method in accordance with the provisions of ASC Topic 740, Accounting for Income Taxes (“ASC Topic 740”), which requires an entity to recognize deferred tax liabilities and assets. Deferred tax assets and liabilities are recognized for the future tax consequence attributable to the difference between the tax bases of assets and liabilities and their reported amounts in the financial statements, which will result in taxable or deductible amounts in future years. Further, the effects of enacted tax laws or rate changes are included as part of deferred tax expenses or benefits in the period that covers the enactment date. Management believed that it was more likely than not that the future benefits from these timing differences would not be realized. Accordingly, a full allowance was provided as of June 30, 2016 and 2015.

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

Stock Based Compensation

We adopted the fair value recognition provisions under ASC Topic 718, Share Based Payments (“ASC Topic 718”), using the modified prospective application method. Under this transition method, compensation cost recognized during the twelve months ended June 30, 2016 included the applicable amounts of: (a) compensation cost of all share-based payments granted prior to, but not yet vested as of, July 1, 2016 (based on the grant-date fair value estimated in accordance with the original provisions of ASC Topic 718) and (b) compensation cost for all share-based payments granted subsequent to June 30, 2016.

Non-controlling Interests in Consolidated Financial Statements

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

Loan Receivables

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

Interest Income

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

Recent Accounting Pronouncements

The amendments in Accounting Standards Update ("ASU") 2016-13 ASC Topic 326: Financial Instruments —Credit Losses ("ASC Topic 326") are issued for the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. For public companies that are not SEC filers, the ASU is effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. For all other organizations, the ASU on credit losses will take effect for fiscal years beginning after December 15, 2020, and for interim periods within fiscal years beginning after December 15, 2021. While early application will be permitted for all organizations for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, the Company has not yet determined if it will early adopt. The effectiveness of this update is not expected to have a significant effect on the Company's consolidated financial position or results of operations.

The amendments in ASU 2016-09 ASC Topic 718: Compensation – Stock Compensation ("ASC Topic 718") are issued to simplify several aspects of the accounting for share-based payment award transactions, including (a) income tax consequences (b) classification of awards as either equity or liabilities; and (c) classification on the statement of cash flows. For public business entities, the amendments are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. For all other entities, the amendments are effective for annual periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. Early adoption is permitted for any entity in any interim or annual period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. An entity that elects early adoption must adopt all of the amendments in the same period. The Company does not intend to early adopt and has not yet determined the effects on the Company's consolidated financial position or results of operations on the adoption of this update.

The amendments in ASU 2016-02 ASC Topic 842: Leases ("ASC Topic 842") are required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: (a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) a right-of-use asset, which is as an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, for any of the following: a public business entity (1) a not-for-profit entity that has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market, and (2) an employee benefit plan that files financial statements with the U.S. Securities and Exchange Commission (SEC). For all other entities, the amendments in this update are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. While early adoption is permitted, the Company has not elected to early adopt. The effectiveness of this update is not expected to have a significant effect on the Company's consolidated financial position or results of operations.

The amendments in ASU 2015-17 eliminate the current requirement for organizations to present deferred tax liabilities and assets as current and non-current in a classified balance sheet. Instead, organizations will be required to classify all deferred tax assets and liabilities as non-current. For a public entity, the amendments in ASU 2015-17 are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early application is permitted and the Company has adopted this ASU for the fiscal year ended June 30, 2016 and there is no significant effect on the Company's consolidated financial position or results of operations.

The amendments in ASU 2015-14 ASC Topic 606: Deferral of the Effective Date ("ASC Topic 606") defers the effective date of update 2014-09 for all entities by one year. For a public entity, the amendments in ASU 2014-09 are effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The adoption of this update is not expected to have a significant effect on the Company's consolidated financial position or results of operations.

The Financial Accounting Standards Board ("FASB") has issued converged standards on revenue recognition. Specifically, the Board has issued ASU 2014-09, ASC Topic 606. ASU 2014-09 affects any entity using U.S. GAAP that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of non-financial assets unless those contracts are within the scope of other standards (e.g., insurance contracts or lease contracts). ASU 2014-09 will supersede the revenue recognition requirements in ASC Topic 605, Revenue Recognition ("ASC Topic 605"), and most industry-specific guidance. ASU 2014-09 also supersedes some cost guidance included in Subtopic 605-35, Revenue Recognition—Construction-Type and Production-Type Contracts. In addition, the existing requirements for the recognition of a gain or loss on the transfer of non-financial assets that are not in a contract with a customer (e.g., assets within the scope of ASC Topic 360, Property, Plant, and Equipment, ("ASC Topic 360"), and intangible assets within the scope of Topic 350, Intangibles—Goodwill and Other) are amended to be consistent with the guidance on recognition and measurement (including the constraint on revenue) in ASU 2014-09. For a public entity, the amendments in ASU 2014-09 are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. As the new standard will supersede substantially all existing revenue guidance affecting the Company under GAAP, it could impact revenue and cost recognition on sales across all the Company's business segments. The Company carried out an evaluation on the impact and found it to be immaterial, if any, the adoption of this standard will have on its Consolidated Financial Statements.

The amendments in ASU 2015-11 ASC Topic 330: Simplifying the Measurement of Inventory ("ASC Topic 330") specify that an entity should measure inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Subsequent measurement is unchanged for inventory measured using Last-In-First-Out or the retail inventory method. The amendments in ASU 2015-011 are effective for public business entities for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. A reporting entity should apply the amendments retrospectively to all periods presented. While early adoption is permitted, the Company has not elected to early adopt. The adoption of this update is not expected to have a significant effect on the Company's consolidated financial position or results of operations.

FASB amended ASU 2015-07 ASC Topic 820: Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent), which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. The amendments in ASU 2015-07 are effective for public business entities for fiscal years beginning after December 15, 2015 and interim periods within those fiscal years. A reporting entity should apply the amendments retrospectively to all periods presented. While early adoption is permitted, the Company has not elected to early adopt. The effectiveness of this update is not expected to have a significant effect on the Company's consolidated financial position or results of operations.

The amendments in ASU 2015-06 ASC Topic 260: Effects on Historical Earnings per Unit of Master Limited Partnership Dropdown Transactions ("ASC Topic 260") specify that for purposes of calculating historical earnings per unit under the two-class method, the earnings or losses of a transferred business before the date of a dropdown transaction should be allocated entirely to the general partner. The amendments in ASU 2015-06 are effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. While early adoption is permitted, the Company has not elected to early adopt. The amendments should be applied retrospectively for all financial statements presented. The effectiveness of this update is not expected to have a significant effect on the Company's consolidated financial position or results of operations.

The amendments in ASU 2015-02 ASC Topic 810: Amendments to the Consolidation Analysis are intended to improve targeted areas of consolidation guidance for legal entities such as limited partnerships, limited liability corporations, and securitization structures (collateralized debt obligations, collateralized loan obligations, and mortgage-backed security transactions). The amendments in ASU 2015-02 are effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. While early adoption is permitted, including adoption in an interim period, the Company has not elected to early adopt. ASU 2015-02 may be applied retrospectively in previously issued financial statements for one or more years with a cumulative-effect adjustment to retained earnings as of the beginning of the first year restated. The effectiveness of this update is not expected to have a significant effect on the Company's consolidated financial position or results of operations.

The amendments in ASU 2015-01 eliminate from U.S. GAAP the concept of extraordinary items. Subtopic 225-20, Income Statement - Extraordinary and Unusual Items ("ASC Topic 225"), requires that an entity separately classify, present, and disclose extraordinary events and transactions. Presently, an event or transaction is presumed to be an ordinary and usual activity of the reporting entity unless evidence clearly supports its classification as an extraordinary item. The amendments in ASU 2015-01 are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. A reporting entity may apply the amendments prospectively. A reporting entity also may apply the amendments retrospectively to all prior periods presented in the financial statements. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. The Company has not elected to early adopt. The effectiveness of this update is not expected to have a significant effect on the Company's consolidated financial position or results of operations.

FASB amended ASU 2014-15 Subtopic 205-40, Presentation of Financial Statements – Going Concern ("ASC Topic 205") to define management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. Under GAAP, financial statements are prepared under the presumption that the reporting organization will continue to operate as a going concern, except in limited circumstances. The going concern basis of accounting is critical to financial reporting because it establishes the fundamental basis for measuring and classifying assets and liabilities. Currently, GAAP lacks guidance about management's responsibility to evaluate whether there is substantial doubt about the organization's ability to continue as a going concern or to provide related footnote disclosures. ASU 2014-15 provides guidance to an organization's management, with principles and definitions that are intended to reduce diversity in the timing and content of disclosures that are commonly provided by organizations today in the financial statement footnotes. The amendments in ASU 2014-15 are effective for annual periods ending after December

15, 2016, and interim periods within annual periods beginning after December 15, 2016. While early application is permitted for annual or interim reporting periods for which the financial statements have not previously been issued, the Company has not elected to early adopt. The effectiveness of this update is not expected to have a significant effect on the Company’s consolidated financial position or results of operations.

The FASB has issued ASU No. 2014-08, ASC Topic 205 Presentation of Financial Statements ("ASC Topic 205") and ASC Topic 360 Property, Plant, and Equipment ("ASC Topic 360"): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. The amendments in ASU 2014-08 change the criteria for reporting discontinued operations while enhancing disclosures in this area. It also addresses sources of confusion and inconsistent application related to financial reporting of discontinued operations guidance in U.S. GAAP. Under the new guidance, only disposals representing a strategic shift in operations should be presented as discontinued operations. Those strategic shifts should have a major effect on the organization's operations and financial results. Examples include a disposal of a major geographic area, a major line of business, or a major equity method investment. In addition, the new guidance requires expanded disclosures about discontinued operations that will provide financial statement users with more information about the assets, liabilities, income, and expenses of discontinued operations. The new guidance also requires disclosure of the pre-tax income attributable to a disposal of a significant part of an organization that does not qualify for discontinued operations reporting. This disclosure will provide users with information about the ongoing trends in a reporting organization's results from continuing operations. The amendments became effective as to the Company with respect to fiscal year 2015. The effectiveness of this update did not have a significant effect on the Company's consolidated financial position or results of operations.

Other new pronouncements issued but not yet effective until after June 30, 2016 are not expected to have a significant effect on the Company's consolidated financial position or results of operations.

Comparison of Operating Results

The following table presents certain data from the consolidated statements of operating income as a percentage of net sales for the fiscal years ended June 30, 2016 and 2015:

	For the Year Ended June 30,	
	2016	2015
Revenue	100.0%	100.0%
Cost of sales	74.5	73.7
Gross Margin	25.5%	26.3%
Operating expenses:		
General and administrative	18.7%	20.2%
Selling	2.0	2.1
Research and development	0.6	0.5
Impairment loss	0.0	0.2
(Gain) / loss on disposal of property, plant and equipment	0.0	(0.3)
Total operating expenses	21.3%	22.7%
Income from Operations	4.2%	3.6%

Overall Revenue

The overall revenue is composed of the revenues from the manufacturing, testing services, distribution and real estate segments. The following table presents the components of the overall revenue realized in fiscal years 2016 and 2015 in percentage format, respectively.

	For the Year Ended June 30,	
	2016	2015
Manufacturing	42.1 %	37.9 %
Testing	44.3	53.1
Distribution	13.2	8.5
Real Estate	0.4	0.5
Total	100.0 %	100.0 %

Revenue in fiscal year 2016 was $34,454, an increase of $522 or 1.5%, compared to $33,932 in fiscal year 2015. The increase in revenue was due to an increase in sales from our manufacturing segment and distribution segment, which was partially offset by the decrease in sales in our testing segment and real estate segment. Although actual sales were higher in fiscal year 2016 than in fiscal year 2015, the currency translation to United States dollars from our subsidiaries' functional currency served to offset reported revenues for fiscal year 2016. The increase in revenues in the manufacturing segment was primarily attributable to an increase in volume in our manufacturing segment in our Singapore operations and Suzhou, China operations, which was offset by a decrease in volume in our manufacturing segment in our United States operations. In the testing segment Malaysia and Tianjin increased its volume but the revenue decreased mainly due to the currency translation effect and also due to the lower average selling price per unit caused by the competition. The increase in revenues in the distribution segment was mainly attributable to the increase in volume in our Singapore operations and Malaysia operations.

As a percentage of total revenue, the revenue generated by the manufacturing segment in fiscal year 2016 accounted for 42.1%, an increase of 4.2%, as compared to 37.9% in fiscal year 2015. In terms of dollar amount, the revenue generated by the manufacturing segment in fiscal year 2016 was $14,510, reflecting an increase of $1,637, or 12.7%, compared to $12,873 in fiscal year 2015. The increase in revenue generated by the manufacturing segment was due to the higher demand of manufacturing services in the Singapore operations and Suzhou, China operations from sales in the Far East, which was offset with the decrease in sales by another Singapore operation to a major customer through our United States operations.

Backlog in the manufacturing segment was $3,657 as at June 30, 2016, representing an increase of $334 from $3,323 as at June 30, 2016. We expect the demand for our products to continue to increase at a slower pace in fiscal year 2017 as compared to fiscal year 2016, depending on the global market for testing equipment and systems.

As a percentage of total revenue, the revenue generated by the testing services segment in fiscal year 2016 accounted for 44.3% of total sales, a decrease of 8.8% compared to 53.1% in fiscal year 2015. In terms of dollar amount, the revenue generated by the testing services segment for fiscal year 2016 was $15,280, reflecting a decrease of $2,740, compared to $18,020 for fiscal year 2015. The decrease in revenue generated by the testing segment was primarily due to a decrease in the average selling price due to stiffer competition in our Malaysia and Tianjin, China operations, resulting in lower revenue despite higher volume during fiscal year 2016. The decrease in revenue in the Suzhou, China operations was due to the effects of translation to functional currency, despite an increase in revenue in local currency. These decreases were partially offset by the increase in revenue in our testing operations in Singapore and Thailand. The increase in Singapore was due to receiving orders from new testing customers and our existing customers increasing their order for certain product categories, which is dependent on the demand for their products. The increase in Thailand was due to an increase in orders from a major customer. Demand for testing services varies from country to country depending on changes taking place in the market and our customers' forecasts. Because it is difficult to accurately forecast fluctuations in the market, we believe that it is necessary to maintain testing facilities in close proximity to our customers in order to make it convenient for them to send us their newly manufactured parts for testing and to enable us to maintain a share of the market.

Backlog in the testing services segment as at June 30, 2016 was $818, an increase of $97 as compared to $721 at June 30, 2015. The increase in backlog was mainly from our Singapore operations. The backlog depends on the orders received from customers which are in turn dependent upon the customers' inventory levels.

As a percentage of total revenue, the revenue generated by the distribution segment in fiscal year 2016 accounted for 13.2% of total sales, an increase of 4.7% compared to 8.5% in fiscal year 2015. In terms of dollar amount, revenue for fiscal year 2016 was $4,542, an increase of $1,676, or 58.5%, compared to $2,866 for fiscal year 2015. The increase in our distribution segment was due to the increase in orders for certain products from existing customers and new customers in our Singapore and Malaysia operations in fiscal year 2016.

Backlog in the distribution segment as at June 30, 2016 was $1,292, reflecting an increase of $271 compared to the backlog of $1,021 at June 30, 2015. The increase in backlog was mainly due to an increase in orders from customers due to an increase in the demand for the customer's products and expansion of our customer base. We believe that our competitive advantage in the distribution segment is our design and engineering capabilities in components and touch screen products, which allow customization to meet the specific requirement of our customers. Product volume for the distribution segment depends on sales activities such as placing orders, queries on products and backlog. Equipment and electronic component sales are very competitive, as the products are readily available in the market.

As a percentage of total revenue, the revenue generated by the real estate segment in fiscal years 2016 and 2015 accounted for 0.4% and 0.5% of total sales, respectively. In terms of dollar value, revenue for fiscal year 2016 was $122, a decrease of $51, or 29.5%, compared to $173 for fiscal year 2015. Our real estate segment saw a decrease in rental income from our MaoYe and FuLi properties in fiscal 2016.

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Backlog in the real estate segment as at June 30, 2016 was $537, an increase of $434 as compared to $103 at June 30, 2015. The increase in backlog was mainly due to renewal of expired rental agreements of certain properties in our China operations. The operation in Chongqing is actively looking for suitable tenants.

Overall Gross Margin

Overall gross margin as a percentage of revenue was 25.5% in fiscal year 2016, a decrease of 0.8% compared to 26.3% in fiscal year 2015. The decrease in gross margin as a percentage of revenue was mainly due to a decrease in gross margin in the testing, distribution and real estate segments, which was partially offset by the increase in gross margin in the manufacturing segment. In terms of dollar value, the overall gross profit for fiscal year 2016 was $8,769, a decrease of $156, or 1.7%, compared to $8,925 for fiscal year 2015. The decrease in dollar value of gross margin was caused primarily by the foreign currency translation. The exchange rates in fiscal 2016 were not as favorable as they were in fiscal year 2015.

The gross margin as a percentage of revenue in the manufacturing segment was 24.1% in fiscal year 2016, an increase of 4.3% compared to 19.8% in fiscal year 2015. In terms of dollar amount, gross profit for the manufacturing segment in fiscal year 2016 was $3,502, an increase of $947, or 37.1%, compared to $2,555 in fiscal year 2015. The increase in absolute dollar amount of gross margin was primarily due to a change in product mix. The increase in gross profit was also attributable to the increase in manufacturing revenue in our Singapore and Suzhou, China operations.

The gross margin as a percentage of revenue in the testing services segment was 30.7% in fiscal year 2016, a decrease of 2.4% compared to 33.1% in fiscal year 2015. In terms of dollar amounts, gross profit in the testing services segment in fiscal year 2016 was $4,693, a decrease of $1,268, or 21.3%, compared to $5,961 in fiscal year 2015. The decrease in gross profit margin was primarily due to the decrease in revenue brought about by a lower average selling price in our Malaysia and Tianjin, China operations, as discussed earlier.

The gross margin as a percentage of revenue in the distribution segment was 12.7% in fiscal year 2016, a decrease of 0.3% compared to 13.0% in fiscal year 2016. The decrease in gross margin was due to the change in product mix, as this segment had fewer sales of products with a higher profit margin as compared to the same period of last fiscal year. In terms of dollar amount, gross profit in the distribution segment was $575, an increase of $202, or 54.2%, compared $373 in fiscal year 2015. The gross 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.

The gross margin as a percentage of revenue in the real estate segment was negative 0.8% in fiscal year 2016, a deterioration of 21.6% compared to a gross margin of 20.8% in fiscal year 2015. In absolute dollar amount, gross loss in the real estate segment was $1 in fiscal year 2016, a deterioration of $37, as compared to $36 in fiscal year 2015. The deterioration was primarily due to costs and expenses decreasing less than the decrease in rental income from both investment properties, MaoYe and FuLi, as a result of decrease in space rented during the period, as compared to the same period in the last fiscal year.

Operating Expenses

Operating expenses for the fiscal years ended June 30, 2016 and 2015 were as follows:

	For the Year Ended June 30,	
	2016	2015
General and administrative	$ 6,449	$ 6,848
Selling	676	717
Research and development	200	182
Impairment loss	-	70
Gain on disposal of property, plant and equipment	(16)	(99)
Total	$7,309	$7,718

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General and administrative expenses decreased by $399, or 5.8%, from $6,848 in fiscal year 2015 to $6,449 in fiscal year 2016. The decrease was mainly attributable to a decrease in legal, advertising and travel expenses, and asset valuation fee in the Chongqing, China operations, wages, bonus, travel claims, in the corporate office, and staff related expenses in the Singapore operations and exchange differences when translating to functional currency for the Malaysia and Thailand operations. However, these decreases were partially offset by the increase in provision for bonus, wages and staff benefits expenses in the Singapore and Tianjin, China operations.

Selling expenses were $676 and $717 in fiscal years 2016 and 2015, respectively, reflecting a decrease of $41, or 5.7%. The decrease was mainly due to the decrease in commissions in the Singapore operations and travel expenses in the Malaysia operation, which was partially offset by the increase in travel expenses in the Tianjin, China operations and commission and travel expenses in the United States operations. The exchange rate differences had a more profound effect on fiscal year 2016 compared to fiscal year 2015.

Research and development expenses increased by $18, or 9.9%, to $200 in fiscal year 2016 from $182 in fiscal year 2015. Our Singapore operations increased their spending on research and development related activities.

Impairment loss on property, plant and equipment was nil and $70 in fiscal years 2016 and 2015, respectively. The impairment loss in fiscal 2015 was from the manufacturing segment in the Singapore operations and the testing segment in the Tianjin operations in China.

Gain on disposal of property, plant and equipment decreased by $83 to $16 in fiscal year 2016 as compared to $99 in fiscal year 2015. The decrease in gain on disposal of property, plant and equipment is due to the decrease in disposal by the Malaysia and Singapore operations, coupled with the loss on disposal of property, plant and equipment in the Singapore operations.

Income from Operations

Income from operations was $1,460 in fiscal year 2016, an increase of $253, as compared to $1,207 in fiscal year 2015. The improvement was mainly due to an increase in revenue and a decrease in operating expenses, which was partially offset by the increase in the cost of sales, as discussed earlier.

Interest Expenses

The interest expenses for fiscal years 2016 and 2015 were as follows:

	For the Year Ended June 30,	
	2016	2015
Interest expenses	$ 204	$ 245

Interest expenses decreased by $41, or 16.7%, to $204 in fiscal year 2016 from $245 in fiscal year 2015. The decrease in interest expenses was primarily due to payment of credit facilities in the Singapore and Malaysia operations. We are trying to keep our debt at a minimum in order to save financing costs. As at June 30, 2016, the Singapore, Malaysia, and Tianjin, China operations had an unused line of credit of $5,241.

Other Income, Net

Other income, net for fiscal years 2016 and 2015 was as follows:

	For the Year Ended June 30,	
	2016	2015
Investment income deemed interest income	$ -	68
Interest income	18	8
Other rental income	97	127
Exchange gain / (loss)	(371)	84
Allowance for doubtful deemed interest receivables	-	(68)
Other miscellaneous income	302	144
Total	$ 46	$ 363

Other income decreased by $317 to $46 for fiscal year 2016 as compared to $363 for fiscal year 2015. The decrease in other income in fiscal year 2016 was caused mainly by an exchange loss of $371 compared to an exchange gain of $84 in fiscal year 2015, in addition to a decrease in rental income. This was partially offset by the increase in interest and other miscellaneous income. Other income in fiscal year 2015 included investment income, which was deemed to be interest income since the investment was deemed and classified as a loan receivables based on ASC Topic 310-10-25 Receivables, which amounted to $68. Other income included $68 in allowance for doubtful interest receivables in fiscal year 2015.

Income Tax Expenses / Benefits

Income tax expenses for fiscal year 2016 were $237, as compared to $507 for fiscal year 2015. The decrease in income tax expense was mainly attributable to lower profit in our Tianjin, China operations. In fiscal year 2016, Tianjin operations in China had lower tax provision in 2016 due to lower taxable profit in fiscal year 2016. Tax expenses for the Singapore operation included $25 and $207, respectively, in fiscal years 2016 and 2015, representing the taxes withheld by the China and Malaysia subsidiaries for the payments made to the Singapore subsidiary, since these taxes withheld are not recoverable. The tax withheld by the China and Malaysia subsidiaries was paid to the Inland Revenue department of the respective countries. Deferred tax for the timing difference recorded in fiscal year 2016 also contributed to the decrease in tax expenses, as compared to the previous fiscal year.

As at June 30, 2016, we had net operating expense loss carry-forward of approximately $129 and $293 for federal and state tax purposes, respectively, expiring through 2024. We also had tax credit carry-forward of approximately $834 for federal income tax purposes, expiring through 2033. We are uncertain whether these tax benefits will be realized. Accordingly, no impact of this tax position was recognized in the statement of operations for fiscal year 2016. We did not include any potential income tax position in federal and state income tax returns currently filed.

Loss / Income from Discontinued Operations

Loss from discontinued operations was $4 in fiscal year 2016, a deterioration of $10, as compared to income from discontinued operations of $6 in fiscal year 2015. We discontinued our fabrication segment in fiscal year 2013. The loss was attributable to other income caused by foreign exchange fluctuation being lower than the general and administrative expenses incurred in the discontinued operations during fiscal year 2016.

Non-controlling Interest

As of June 30, 2016 we held an indirect 55% interest each in Trio-Tech (Malaysia) Sdn. Bhd. (“TTM”), Trio-Tech (Kuala Lumpur) Sdn. Bhd. (“TTKL”), SHI and PT SHI, and a 76% interest in Prestal Enterprise Sdn. Bhd. (“Prestal”). The non-controlling interest for fiscal year 2016, in the net income of subsidiaries, was $282, a decrease of $21 compared to the non-controlling interest in the net income of $303 for the previous fiscal year. The decrease in the non-controlling interest in the net income of subsidiaries was primarily attributable to the lower net income generated by the Malaysia operations in fiscal year 2016, as compared to the previous fiscal year.

Net Income Attributable to Trio-Tech International Common Shareholders

Net income for fiscal year 2016 was $779, an increase of $258, as compared to $521 for fiscal year 2015. The increase during fiscal year 2016 was mainly due to the increase in revenue and a decrease in operating expenses, a decrease in interest expenses, a decrease in income tax expenses and a decrease in share of net income to non-controlling interest, which were partially offset by the increase in cost of goods sold, as discussed earlier.

Earnings per Share

Basic and diluted earnings per share from continuing operations for fiscal year 2016 was $0.22, an increase of $0.07 as compared to basic and diluted earnings per share from continuing operations of $0.15 in the prior year.

Basic and diluted loss per share from discontinued operations were nil for fiscal years 2016 and 2015.

Segment Information

The revenue, gross margin and income or loss from each segment for fiscal years 2016 and 2015 are presented below. As the segment revenue and gross margin have been discussed in the previous section, only the comparison of income or loss from operations is discussed below.

Manufacturing Segment

The revenue, gross margin and loss from operations for the manufacturing segment for fiscal years 2016 and 2015 were as follows:

	For the Year Ended June 30,	
	2016	2015
Revenue	$ 14,510	$ 12,873
Gross margin	24.1%	19.8%
Income / (loss) from operations	$ 260	$ (426)

Income from operations in the manufacturing segment was $260 in fiscal year 2016, an improvement of $686, as compared to a loss of $426 in fiscal year 2015. The change was attributable to an increase in revenue by $1,637 and an increase in gross margin by $947, which was offset partially by an increase in operating expenses by $261. The increase in operating expenses was mainly due to an increase in general and administrative expenses, research and development, increased allocation of corporate charges and a loss on disposal of property, plant and equipment as compared to a gain in fiscal year 2015. These increases were partially offset by a decrease in impairment losses.

Testing Services Segment

The revenue, gross margin and income from operations for the testing services segment for fiscal years 2016 and 2015 were as follows:

	For the Year Ended June 30,	
	2016	2015
Revenue	$ 15,280	$ 18,020
Gross margin	30.7%	33.1 %
Income from operations	$1,010	$1,955

Income from operations in the testing services segment in fiscal year 2016 was $1,010, a decrease of $945 compared to $1,955 in fiscal year 2015. The decrease in operating income was attributable to a decrease in revenue of $2,740 and a decrease in gross margin of $1,268. Operating expenses were $3,683 and $4,006 for fiscal years 2016 and 2015, respectively. The decrease in operating expenses was mainly attributable to a reduction in corporate overhead and a decrease in selling and general and administrative expenses and impairment. The impairment loss in fiscal year 2015 was due to certain equipment in the Tianjin operations in China being found to be unsuitable to test our customers' products, leading to the asset being impaired, while there was no impairment loss in fiscal year 2016.

Distribution Segment

The revenue, gross margin and income from operations for the distribution segment for fiscal years 2016 and 2015 were as follows:

	For the Year Ended June 30,	
	2016	2015
Revenue	$ 4,542	$ 2,866
Gross margin	12.7%	13.0%
Income from operations	$ 224	$ 23

Income from operations in the distribution segment was $224 in fiscal year 2016, an increase of $201, as compared to $23 in fiscal year 2015. The increase was mainly due to the increase in revenue of $1,676 and an increase in gross margin of $202, while operating expenses did not increase significantly. Increase in allocations of corporate expenses was partially offset by decreases in general and administrative and selling expenses.

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Real Estate

The revenue, gross margin and loss from operations for the real estate segment for fiscal years 2016 and 2015 were as follows:

	For the Year Ended June 30, 2016		2015	
Revenue	$	122	$	173
Gross margin		-0.8%		20.8%
Loss from operations	$	(100)	$	(129)

Loss from operations in the real estate segment decreased by $29 from $129 in fiscal year 2015 to $100 in fiscal year 2016. The decrease in operating loss was primarily due to the decrease in operating expenses. Operating expenses were $99 for fiscal year 2016 as compared to $165 for fiscal year 2015. The decrease in operating expenses was mainly attributable to a decrease in general and administrative expenses brought about by a decrease in legal, advertising and travel expenses and professional fees for valuing the investment properties.

Corporate

The following table presents the loss from operations for Corporate for fiscal years 2016 and 2015, respectively:

	For the Year Ended June 30, 2016		2015	
Income / (loss) from operations	$	66	$	(216)

In fiscal year 2016, Corporate operating income was $66, an improvement of $282 as compared to an operating loss of $216 in fiscal year 2015. This was due to a decrease in operating expenses and an increase in corporate overhead allocated collected. The decrease in operating expenses was mainly due to a decrease in wages, stock options expense, bonus provision and travel expenses . The decrease in bonus expense is due to a balance in bonus provision brought forward from the previous fiscal year. Stock option expenses in fiscal year 2016 were $101, a decrease of $5 as compared to $106 in fiscal year 2015. These decreases were partially offset by the increase in insurance premium.

Liquidity

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

Net cash provided by operating activities decreased by $3,076 to $1,014 for the twelve months ended June 30, 2016 from $4,090 in the same period of the last fiscal year. Despite an increase of $237 in net income, net cash provided by operating activities decreased, primarily due to decreased cash inflow of $1,799 from trade receivables and $133 from other receivables, in addition to increased cash outflow of $500 from other assets and $208 from inventories. In addition, deferred tax provision decreased by $161 while income tax payable decreased by $149. In non-cash items, there was a decrease of $402 in depreciation and amortization, which was partially offset by an increase in accrued interest by $120 and $83 decrease in gain on disposal of property, plant and equipment.

Net cash used in investing activities increased by $488 to an outflow of $1,580 for the twelve months ended June 30, 2016 from an outflow of $1,092 for the same period of last fiscal year. The increase in net cash used in investing activities was primarily due to an increase in cash outflow of $200 from investments in restricted and unrestricted deposits, in addition to a decrease in cash inflow of $1,102 from maturing of restricted and unrestricted deposits and $223 from disposal of property, plant and equipment. The increase in net cash used in investing activities was partially offset by a decrease of $1,037 in capital expenditure.

Net cash generated from financing activities for the twelve months ended June 30, 2016 was $235, representing a change of $1,922 compared to $1,687 net cash used in financing activities during the twelve months ended June 30, 2015. Cash outflow decreased, mainly due to a decrease in payment on lines of credit by $6,814. The decrease in cash outflow was offset by a decrease in cash inflow of $4,735 from borrowings from bank loans, and an increase in cash outflow of $175 in dividends paid to non-controlling interest.

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

Capital Resources

Our working capital (defined as current assets minus current liabilities) has historically been generated primarily from the following sources: operating cash flow, availability under our revolving line of credit, and short-term loans. The working capital was $6,479 as of June 30, 2016, representing an increase of $1,191, or 22.5%, compared to working capital of $5,288 as of June 30, 2015. The increase in working capital was mainly due to increases in current assets such as cash and cash equivalents, short term deposits, trade receivables, other receivables, inventories and prepaid expenses and other current assets and decreases in current liabilities such as accrued expenses, income taxes payable and current portion of bank loans payable. Such fluctuations were partially offset by decreases in current assets such as assets held for sale and increases in current liabilities such as lines of credit, trade payable and current portion of capital leases, as discussed above.

The majority of our capital expenditures are based on demands from our customers, as we are operating in a capital-intensive industry. Our capital expenditures were $1,657 and $2,694 for fiscal year 2016 and fiscal year 2015, respectively. The capital expenditure in fiscal year 2016 was primarily in the Singapore operation, Malaysia operation and Tianjin, China, operation, which provide testing services to one of our major customers. We financed our capital expenditures and other operating expenses through operating cash flows, revolving lines of credit and long-term debts.

Our credit rating provides us with ready and adequate access to funds in the global market. At June 30, 2016, we had available unused lines of credit totaling $5,241.

Entity with Facility	Type of Facility	Interest Rate	Expiration Date	Credit Limitation	Unused Credit
Trio-Tech International Pte. Ltd., Singapore	Lines of Credit	Ranging from 1.6% to 5.5%	-	$ 5,745	$ 3,856
Trio-Tech (Malaysia) Sdn. Bhd.	Lines of Credit	Ranging from 6.3% to 6.7%	-	$ 783	$ 783
Trio-Tech (Tianjin) Co., Ltd.	Lines of Credit	Ranging from 4.9% to 6.3%	-	$ 1,204	$ 602

On April 10, 2015, Trio-Tech Tianjin signed an agreement with a bank for an Accounts Receivable Financing facility for RMB 8,000, or approximately $1,204. Interest is charged at the bank's lending rate plus a floating interest rate. The effective interest rate is 130% of the bank's lending rate. The financing facility was set up to facilitate the growing testing operations in our Tianjin operations in China. The immediate holding company, Trio-Tech International Pte. Ltd., acted as the guarantor for this bank facility. The bank account for this credit facility was set up on August 24, 2015 and was put to use during fiscal year 2016.

At June 30, 2015, we had available unused lines of credit totaling $7,529.

Entity with Facility	Type of Facility	Interest Rate	Expiration Date	Credit Limitation	Unused Credit
Trio-Tech International Pte. Ltd., Singapore	Lines of Credit	Ranging from 1.9% to 5.6%	-	$ 7,422	$ 6,161
Trio-Tech (Malaysia) Sdn. Bhd.	Lines of Credit	Ranging from 6.3% to 6.7%	-	$ 396	$ 79
Trio-Tech (Tianjin) Co., Ltd.	Lines of Credit	Ranging from 4.9% to 6.3%	-	$ 1,289	$ 1,289

We believe that the projected cash flows from operations, borrowing availability under our revolving lines of credit, cash on hand, and trade credit will provide the necessary capital to meet our projected cash requirements for at least the next 12 months. Should we find an attractive capital investment, we may seek additional debt or equity financing in order to fund the transaction, in the form of bank financing, convertible debt, or the issuance of Common Stock.

Off-Balance Sheet Arrangements

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

ITEM 7A – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information called for by this item is included in the Company's consolidated financial statements beginning on page F-1 of this Annual Report on Form 10-K.

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

None.

ITEM 9A – CONTROLS AND PROCEDURES

An evaluation was carried out by the Company’s Chief Executive Officer and Chief Financial Officer (the principal executive and principal financial officers, respectively, of the Company) of the effectiveness of the Company’s disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended) as of June 30, 2016, the end of the period covered by this Form 10-K. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures were effective as of June 30, 2016.

Additionally, management has the responsibility for establishing and maintaining adequate internal control over financial reporting for the Company and thus also assessed the effectiveness of our internal controls over financial reporting as of June 30, 2016. Management used the framework set forth in the report entitled “Internal Control – Integrated Framework” published by the Committee of Sponsoring Organizations of the Treadway Commission in 2013 to evaluate the effectiveness of the Company’s internal control over financial reporting.

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

1. Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;

2. Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorization of management and directors of the Company; and

3. Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, and use or disposition of the Company’s assets that could have a material effect on the financial statements.

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

Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company’s internal controls over financial reporting were effective as of June 30, 2016.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company’s internal control over financial reporting during the fourth quarter of 2016, which were identified in connection with management’s evaluation required by paragraph (d) of rules 13a-15 and 15d-15 under the Exchange Act, that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

ITEM 9B – OTHER INFORMATION

None.

PART III

The information required by Items 10 through 14 of Part III of this Form 10-K (information regarding our directors and executive officers, executive compensation, security ownership of certain beneficial owners, management, related stockholder matters, and certain relationships and related transactions and principal accountant fees and services, respectively) is hereby incorporated by reference from the Company's Proxy Statement to be filed with the Securities and Exchange Commission within 120 days after the end of fiscal year 2016.

PART IV

ITEM 15 – EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

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

The following financial statements, including notes thereto and the independent auditors' report with respect thereto, are filed as part of this Annual Report on Form 10-K, starting on page F-1 hereof:

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

ITEM 16 – FORM 10-K SUMMARY

Not applicable.

EXHIBITS:

Number	Description
3.1	Articles of Incorporation, as currently in effect. [Incorporated by reference to Exhibit 3.1 to the Registrant's Annual Report on Form 10-K for June 30, 1988.]
3.2	Bylaws, as currently in effect. [Incorporated by reference to Exhibit 3.2 to the Registrant's Annual Report on Form 10-K for June 30, 1988.]
10.1	Amendment to 2007 Employee Stock Option Plan [Incorporated by reference to Exhibit A to the Registrant's Proxy Statement for its Annual Meeting held December 14, 2010.]**
10.2	Amendment to 2007 Directors Equity Incentive Plan [Incorporated by reference to Exhibit B to the Registrant's Proxy Statement for its Annual Meeting held December 14, 2010.]**
10.3	Amendment to 2007 Directors Equity Incentive Plan [Incorporated by reference to Appendix A to the Registrant's Proxy Statement for its Annual Meeting held December 9, 2013.]**
21.1	Subsidiaries of the Registrant (100% owned by the Registrant except as otherwise stated)
	Express Test Corporation (Dormant), a California Corporation
	Trio-Tech Reliability Services (Dormant), a California Corporation
	KTS Incorporated, dba Universal Systems (Dormant), a California Corporation
	European Electronic Test Center. Ltd., a Cayman Islands Corporation (Operation ceased on November 1, 2005)
	Trio-Tech International Pte. Ltd., a Singapore Corporation
	Universal (Far East) Pte. Ltd., a Singapore Corporation
	Trio-Tech International (Thailand) Co., Ltd., a Thailand Corporation
	Trio-Tech (Bangkok) Co., Ltd., a Thailand Corporation
	Trio-Tech (Malaysia) Sdn Bhd., a Malaysia Corporation (55% owned by the subsidiary of Registrant)
	Trio-Tech (Kuala Lumpur) Sdn Bhd., a Malaysia Corporation (100% owned by Trio-Tech Malaysia)
	Prestal Enterprise Sdn. Bhd., a Malaysia Corporation (76% owned by the Registrant)
	Trio-Tech (Suzhou) Co., Ltd., a China Corporation
	Trio-Tech (Shanghai) Co., Ltd., a China Corporation
	Trio-Tech (Chongqing) Co. Ltd., (100% owned by Trio-Tech International Pte. Ltd., a Singapore Corporation)
	SHI International Pte. Ltd, a Singapore Corporation (55% owned Trio-Tech International Pte. Ltd., a Singapore Corporation)
	PT SHI Indonesia, an Indonesia Corporation (100% owned by SHI International Pte. Ltd., a Singapore Corporation)
	Trio-Tech (Tianjin) Co., Ltd., a China Corporation (100% owned by Trio-Tech International Pte. Ltd., a Singapore Corporation)
23.1	Consent of Independent Registered Public Accounting Firm*
31.1	Rule 13a-14(a) Certification of Principal Executive Officer of Registrant*
31.2	Rule 13a-14(a) Certification of Principal Financial Officer of Registrant*
32	Section 1350 Certification. *

101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase
101.DEF*	XBRL Taxonomy Extension Definition Linkbase
101.LAB*	XBRL Taxonomy Extension Label Linkbase
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase

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

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TRIO-TECH INTERNATIONAL

By: /s/Victor H.M. Ting
VICTOR H.M. TING
Vice President and
Chief Financial Officer
Date: September 26, 2016

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

/s/A. Charles Wilson
A. Charles Wilson, Director
Chairman of the Board
September 26, 2016

/s/S.W.Yong
S. W. Yong, Director
President, Chief Executive Officer
(Principal Executive Officer)
September 26, 2016

/s/Victor H. M. Ting
Victor H.M. Ting, Director
Vice President, Chief Financial Officer
(Principal Financial Officer)
September 26, 2016

/s/Jason T. Adelman
Jason T. Adelman, Director
September 26, 2016

/s/Richard M. Horowitz
Richard M. Horowitz, Director
September 26, 2016

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Trio-Tech International and Subsidiaries (the "Company") as of June 30, 2016 and 2015, and the related consolidated statements of operations and comprehensive income (loss), shareholders' equity and cash flows for each of the years in the two-year period ended June 30, 2016. The Company's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Trio-Tech International and Subsidiaries as of June 30, 2016 and 2015, and the results of their operations and their cash flows for each of the years in the two-year period ended June 30, 2016 in conformity with accounting principles generally accepted in the United States of America.

Mazars LLP
PUBLIC ACCOUNTANTS AND
CHARTERED ACCOUNTANTS

/s/Mazars LLP

Singapore
September 26, 2016

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	June 30, 2016	June 30, 2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$3,807	$3,711
Short-term deposits	295	101
Trade accounts receivable, less allowance for doubtful accounts of $270 and $313	8,826	7,875
Other receivables	596	389
Inventories, less provision for obsolete inventory of $697 and $764	1,460	1,141
Prepaid expenses and other current assets	264	244
Assets held for sale	92	98
Total current assets	15,340	13,559
NON-CURRENT ASSETS:		
Deferred tax assets	401	453
Investment properties, net	1,340	1,540
Property, plant and equipment, net	11,283	12,522
Other assets	1,788	1,823
Restricted term deposits	2,067	2,140
Total non-current assets	16,879	18,478
TOTAL ASSETS	$32,219	$32,037
LIABILITIES		
CURRENT LIABILITIES:		
Lines of credit	$2,491	$1,578
Accounts payable	2,921	2,770
Accrued expenses	2,642	3,084
Income taxes payable	230	296
Current portion of bank loans payable	342	346
Current portion of capital leases	235	197
Total current liabilities	8,861	8,271
NON-CURRENT LIABILITIES:		
Bank loans payable, net of current portion	1,725	2,198
Capital leases, net of current portion	503	475
Deferred tax liabilities	216	333
Other non-current liabilities	43	38
Total non-current liabilities	2,487	3,044
TOTAL LIABILITIES	$11,348	$11,315
EQUITY		
TRIO-TECH INTERNATIONAL’S SHAREHOLDERS' EQUITY:		
Common stock, no par value, 15,000,000 shares authorized; 3,513,055 shares issued and outstanding as at June 30, 2016 and June 30, 2015	$10,882	$10,882
Paid-in capital	3,188	3,087
Accumulated retained earnings	3,025	2,246
Accumulated other comprehensive gain-translation adjustments	2,162	2,771
Total Trio-Tech International shareholders' equity	19,257	18,986
Non-controlling interests	1,614	1,736
TOTAL EQUITY	$20,871	$20,722
TOTAL LIABILITIES AND EQUITY	$32,219	$32,037

See notes to consolidated financial statements.

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

	For the Year Ended June 30, 2016	For the Year Ended June 30, 2015
Revenue		
Products	$ 14,510	$ 12,873
Testing services	15,280	18,020
Distribution	4,542	2,866
Others	122	173
	34,454	33,932
Cost of Sales		
Cost of products sold	11,008	10,318
Cost of testing services rendered	10,587	12,059
Cost of distribution	3,967	2,493
Others	123	137
	25,685	25,007
Gross Margin	8,769	8,925
Operating Expenses:		
General and administrative	6,449	6,848
Selling	676	717
Research and development	200	182
Impairment loss	-	70
Gain on disposal of property, plant and equipment	(16)	(99)
Total operating expenses	7,309	7,718
Income from Operations	1,460	1,207
Other Income / (Expenses)		
Interest expenses	(204)	(245)
Other income, net	46	363
Total other (expenses) / income	(158)	118
Income from Continuing Operations before Income Taxes	1,302	1,325
Income Tax Expenses	(237)	(507)
Income from continuing operations before non-controlling interests, net of tax	1,065	818
Discontinued Operations (Note 24)		
Income / (loss) from discontinued operations, net of tax	(4)	6
NET INCOME	1,061	824
Less: net income attributable to non-controlling interests	282	303
Net Income Attributable to Trio-Tech International Common Shareholders	$ 779	$ 521
Amounts Attributable to Trio-Tech International Common Shareholders:		
Income from continuing operations, net of tax	788	517
Income / (loss) from discontinued operations, net of tax	(9)	4
Net Income Attributable to Trio-Tech International Common Shareholders	$ 779	$ 521
Basic and Diluted Earnings per Share:		
Basic and diluted earnings per share from continuing operations attributable to Trio-Tech International	$ 0.22	$ 0.15
Basic and diluted loss per share from discontinued operations attributable to Trio-Tech International	$ -	$ -

Basic and Diluted Earnings per Share from Net Income Attributable to Trio-Tech International	$	0.22	$	0.15
Weighted average number of common shares outstanding				
Basic		3,513		3,513
Dilutive effect of stock options		22		16
Number of shares used to compute earnings per share diluted		3,535		3,529

See notes to consolidated financial statements.

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

	For the Year Ended	
	June 30, 2016	June 30, 2015
Comprehensive Income / (Loss) Attributable to Trio-Tech International Common Shareholders:		
Net income	1,061	824
Foreign currency translation, net of tax	(832)	(1,050)
Comprehensive Income / (Loss)	229	(226)
Less: comprehensive income / (loss) attributable to the non-controlling interests	59	4
Comprehensive Income / (Loss) Attributable to Trio-Tech International Common Shareholders	$ 170	$ (230)

See notes to consolidated financial statements.

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

	Common Stock No. of Shares	Amount	Additional Paid-in Capital	Accumulated Retained Earnings	Accumulated Other Comprehensive Income	Non-Controlling Interests	Total
		$	$	$	$	$	$
Balance at June 30, 2014	3,513	10,882	2,972	1,725	3,522	1,732	20,833
Stock option expenses	-	-	106	-	-	-	106
Net income	-	-	-	521	-	303	824
Translation adjustment	-	-	-	-	(751)	(299)	(1,050)
Contribution to capital – payable forgiveness	-	-	9	-	-	-	9
Balance at June 30, 2015	3,513	10,882	3,087	2,246	2,771	1,736	20,722
Stock option expenses	-	-	101	-	-	-	101
Net income	-	-	-	779	-	282	1,061
Dividend declared by subsidiary						(181)	(181)
Translation adjustment	-	-	-	-	(609)	(223)	(832)
Balance at June 30, 2016	3,513	10,882	3,188	3,025	2,162	1,614	20,871

See accompanying notes to consolidated financial statements.

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

	Year Ended June 30, 2016	Year Ended June 30, 2015
Cash Flow from Operating Activities		
Net income	$ 1,061	$ 824
Adjustments to reconcile net income to net cash flow provided by operating activities		
Depreciation and amortization	1,838	2,240
Bad debt expenses, net	(27)	(28)
Inventory recovery	(64)	(36)
Warranty (recovery) / expense, net	(25)	49
Accrued interest expense, net accrued interest income	193	73
Impairment loss	-	70
Contribution to capital – payable forgiveness	-	9
Gain on sale of property, plant & equipment	(16)	(99)
Stock compensation	101	106
Deferred tax (benefit) / provision	(72)	89
Changes in operating assets and liabilities		
Accounts receivables	(924)	875
Other receivables	(207)	(74)
Other assets	(342)	158
Inventories	(255)	(47)
Prepaid expenses and other current assets	(20)	(50)
Accounts payable and accrued liabilities	(165)	(151)
Income tax payable	(66)	83
Other non-current liabilities	4	(1)
Net Cash Provided by Operating Activities	1,014	4,090
Cash Flow from Investing Activities		
Proceeds from maturing of unrestricted and restricted term deposits, net	63	1,165
Additions to property, plant and equipment	(1,657)	(2,694)
Investments in restricted and un-restricted deposits	(201)	(1)
Proceeds from disposal of property, plant and equipment	215	438
Net Cash Used in Investing Activities	(1,580)	(1,092)
Cash Flow from Financing Activities		
Repayment on lines of credit	(8,014)	(14,828)
Dividends paid on non-controlling interest	(181)	(6)
Repayment of bank loans and capital leases	(703)	(721)
Proceeds from long-term bank loans	9,133	13,868
Net Cash Generated from / (Used in) Financing Activities	235	(1,687)
Effect of Changes in Exchange Rate	427	(538)
NET INCREASE IN CASH AND CASH EQUIVALENTS	96	773
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,711	2,938
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 3,807	$ 3,711
Supplementary Information of Cash Flows		
Cash paid during the period for:		
Interest	$ 204	$ 247
Income taxes	$ 241	$ 31
Non-Cash Transactions		
Capital lease of property, plant and equipment	$ 279	$ 566

See accompanying notes to consolidated financial statements.

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TRIO-TECH INTERNATIONAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015
(IN THOUSANDS, EXCEPT EARNINGS PER SHARE)

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

Basis of Presentation and Principles of Consolidation - Trio-Tech International (the "Company" or "TTI" hereafter) was incorporated in fiscal 1958 under the laws of the State of California. TTI provides third-party semiconductor testing and burn-in services primarily through its laboratories in Southeast Asia. In addition, TTI operates testing facilities in the United States. The Company also designs, develops, manufactures and markets a broad range of equipment and systems used in the manufacturing and testing of semiconductor devices and electronic components. In fiscal 2016, TTI conducted business in the foregoing four segments: Manufacturing (assembly), Testing Services, Distribution and Real Estate. TTI has subsidiaries in the U.S., Singapore, Malaysia, Thailand and China as follows:

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

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

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (''U.S. GAAP''). The basis of accounting differs from that used in the statutory financial statements of the Company's subsidiaries and equity investee companies, which are prepared in accordance with the accounting principles generally accepted in their respective countries of incorporation. In the opinion of management, the consolidated financial statements have reflected all costs incurred by the Company and its subsidiaries in operating the business.

All dollar amounts in the financial statements and in the notes herein are United States dollars (''U.S. dollars'') unless otherwise designated.

Liquidity – The Company earned net income of $779 and $521for fiscal years 2016 and 2015, respectively.

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

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

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

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

Revenue Recognition — Revenue derived from testing services is recognized when testing services are rendered. Revenues generated from sales of products in the manufacturing and distribution segments are recognized when persuasive evidence of an arrangement exists, delivery of the products has occurred, customer acceptance has been obtained (which means the significant risks and rewards of ownership have been transferred to the customer), the price is fixed or determinable and collectability is reasonably assured. Certain products sold (in the manufacturing segment) require installation and training to be performed.

Revenue from product sales is also recorded in accordance with the provisions of ASC Topic 605 and Staff Accounting Bulletin (“SAB”) 104 Revenue Recognition in Financial Statements, (“ASC Topic 605”), which generally require revenue earned on product sales involving multiple-elements to be allocated to each element based on the relative fair values of those elements. Accordingly, the Company allocates revenue to each element in a multiple-element arrangement based on the element’s respective fair value, with the fair value determined by the price charged when that element is sold and specifically defined in a quotation or contract. The Company allocates a portion of the invoice value to products sold and the remaining portion of invoice value to installation work in proportion to the fair value of products sold and installation work to be performed. Training elements are valued based on hourly rates, which services the Company charges for when sold apart from product sales. The fair value determination of products sold and the installation and training work is also based on our specific historical experience of the relative fair values of the elements if there is no easily observable market price to be considered. In fiscal years 2016 and 2015, the installation revenues generated in connection with product sales were immaterial and were included in the product sales revenue line on the consolidated statements of operations and comprehensive income or loss.

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

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

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

The Company's management considers the following factors when determining the collectability of specific customer accounts: customer credit-worthiness, past transaction history with the customer, current economic industry trends, and changes in customer payment terms. The Company includes any account balances that are determined to be uncollectible, along with a general reserve, in the overall allowance for doubtful accounts. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. Based on the information available to management, the Company believed that its allowance for doubtful accounts was adequate as of June 30, 2016 and 2015.

Warranty Costs — The Company provides for the estimated costs that may be incurred under its warranty program at the time the sale is recorded in its manufacturing segment. The Company estimates warranty costs based on the historical rates of warranty returns. The Company periodically assesses the adequacy of its recorded warranty liability and adjusts the amounts as necessary.

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

Term Deposits — Term deposits consist of bank balances and interest bearing deposits having maturities of 4 to 12 months. As of June 30, 2016, the Company held approximately $199 of unrestricted term deposits in the company's Malaysian subsidiary and $96 of unrestricted term deposits in the Company's 100% owned Thailand subsidiary, which were denominated in the currency of Malaysian ringgit and Thai baht, as compared to nil and $101 as of June 30, 2015, respectively.

Restricted Term Deposits — The Company held certain term deposits in the Singapore and Malaysia operations which were considered restricted as they were held as security against certain facilities granted by the financial institutions. As of June 30, 2016 the Company held approximately $1,853 of restricted term deposits in the Company's 100% owned Trio-Tech International Pte. Ltd., which were denominated in Singapore currency, and $214 of restricted term deposits in the Company's 55% owned Malaysian subsidiary, which were denominated in the currency of Malaysia, as compared to June 30, 2015 when the Company held approximately $1,919 of restricted term deposits in the Company's 100% owned Trio-Tech International Pte. Ltd., which were denominated in Singapore currency, and $221 of restricted term deposits in the Company's 55% owned Malaysian subsidiary, which were denominated in the currency of Malaysia.

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

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

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

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

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

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

Leases — The Company leases certain property, plant and equipment in the ordinary course of business. The leases have varying terms. Some may have included renewal and/or purchase options, escalation clauses, restrictions, penalties or other obligations that the Company considered in determining minimum lease payments. The leases were classified as either capital leases or operating leases, in accordance with ASC Topic 840, Accounting for Leases ("ASC Topic 840"). The Company records monthly rental expense equal to the total amount of the payments due in the reporting period over the lease term in accordance with U.S. GAAP. The difference between rental expense recorded and the amount paid is credited or charged to deferred rent, which is included in accrued expenses in the accompanying consolidated balance sheets.

The Company's management expects that in the normal course of business, operating leases will be renewed or replaced by other leases. The future minimum operating lease payments, for which the Company is contractually obligated as of June 30, 2016, are disclosed in these notes to the consolidated financial statements.

Assets under capital leases are capitalized using interest rates appropriate at the inception of each lease and are depreciated over either the estimated useful life of the asset or the lease term on a straight-line basis. The present value of the related lease payments is recorded as a contractual obligation. The future minimum annual capital lease payments are included in the total future contractual obligations as disclosed in the notes to the consolidated financial statements.

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

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

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

Retained Earnings — It is the intention of the Company to reinvest earnings of its foreign subsidiaries in the operations of those subsidiaries. Accordingly, no provision has been made for U.S. income and foreign withholding taxes that would result if such earnings were repatriated. These taxes are undeterminable at this time. The amount of earnings retained in subsidiaries was $8,843 and $8,149 at June 30, 2016 and 2015, respectively.

Research and Development Costs — The Company incurred research and development costs of $200 and $182 in fiscal year 2016 and in fiscal year 2015, respectively, which were charged to operating expenses as incurred.

Stock Based Compensation — The Company adopted the fair value recognition provisions under ASC Topic 718, Share Based Payments ("ASC Topic 718") using the modified prospective application method. Under this transition method, compensation cost recognized during the twelve months ended June 30, 2016 included the applicable amounts of: (a) compensation cost of all share-based payments granted prior to, but not yet vested as of July 1, 2005 (based on the grant-date fair value estimated in accordance with the original provisions of ASC Topic 718) and (b) compensation cost for all share-based payments granted subsequent to June 30, 2005.

Earnings per Share — Computation of basic earnings per share is conducted by dividing net income available to common shares (numerator) by the weighted average number of common shares outstanding (denominator) during a reporting period. Computation of diluted earnings per share gives effect to all dilutive potential common shares outstanding during a reporting period. In computing diluted earnings per share, the average market price of common shares for a reporting period is used in determining the number of shares assumed to be purchased from the exercise of stock options. In fiscal year 2016, all the outstanding options were excluded in the computation of diluted EPS because they were anti-dilutive.

Fair Values of Financial Instruments — Carrying values of trade accounts receivable, accounts payable, accrued expenses, and term deposits approximate their fair value due to their short-term maturities. Carrying values of the Company's lines of credit and long-term debt are considered to approximate their fair value because the interest rates associated with the lines of credit and long-term debt are adjustable in accordance with market situations when the Company tries to borrow funds with similar terms and remaining maturities. See Note 17 for detailed discussion of the fair value measurement of financial instruments.

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

Level 1—Valuations based on quoted prices in active markets for identical assets or liabilities that we have the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment. Financial assets utilizing Level 1 inputs include U.S. treasuries, most money market funds, marketable equity securities and our employee deferred compensation plan;

Level 2—Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly. Financial assets and liabilities utilizing Level 2 inputs include foreign currency forward exchange contracts, most commercial paper and corporate notes and bonds; and

Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement. Financial assets utilizing Level 3 inputs primarily include auction rate securities. We use an income approach valuation model to estimate the exit price of the auction rate securities, which is derived as the weighted-average present value of expected cash flows over various periods of illiquidity, using a risk adjusted discount rate that is based on the credit risk and liquidity risk of the securities.

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

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

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

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

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

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

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

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

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

Reclassification - Certain reclassification have been made to the previous year's consolidated cash flow statements to conform to current year's presentation, with no effect on previously reported net income. These reclassifications made is to reflect the gross repayment on lines of credit and proceeds of long-term loans under financing activities.

2. NEW ACCOUNTING PRONOUNCEMENTS

The amendments in Accounting Standards Update ("ASU") 2016-13 ASC Topic 326: Financial Instruments —Credit Losses ("ASC Topic 326") are issued for the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. For public companies that are not SEC filers, the ASU is effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. For all other organizations, the ASU on credit losses will take effect for fiscal years beginning after December 15, 2020, and for interim periods within fiscal years beginning after December 15, 2021. While early application will be permitted for all organizations for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, the Company has not yet determined if it will early adopt. The effectiveness of this update is not expected to have a significant effect on the Company's consolidated financial position or results of operations.

The amendments in ASU 2016-09 ASC Topic 718: Compensation – Stock Compensation ("ASC Topic 718") are issued to simplify several aspects of the accounting for share-based payment award transactions, including (a) income tax consequences (b) classification of awards as either equity or liabilities; and (c) classification on the statement of cash flows. For public business entities, the amendments are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. For all other entities, the amendments are effective for annual periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. Early adoption is permitted for any entity in any interim or annual period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. An entity that elects early adoption must adopt all of the amendments in the same period. The Company does not intend to early adopt and has not yet determined the effects on the Company's consolidated financial position or results of operations on the adoption of this update.

The amendments in ASU 2016-02 ASC Topic 842: Leases ("ASC Topic 842") are required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: (a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) a right-of-use asset, which is as an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, for any of the following: a public business entity (1) a not-for-profit entity that has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market, and (2) an employee benefit plan that files financial statements with the U.S. Securities and Exchange Commission (SEC). For all other entities, the amendments in this update are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. While early adoption is permitted, the Company has not elected to early adopt. The effectiveness of this update is not expected to have a significant effect on the Company's consolidated financial position or results of operations.

The amendments in ASU 2015-17 eliminate the current requirement for organizations to present deferred tax liabilities and assets as current and non-current in a classified balance sheet. Instead, organizations will be required to classify all deferred tax assets and liabilities as non-current. For a public entity, the amendments in ASU 2015-17 are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early application is permitted and the Company has adopted this ASU for the fiscal year ended June 30, 2016 and there is no significant effect on the Company's consolidated financial position or results of operations.

The amendments in ASU 2015-14 ASC Topic 606: Deferral of the Effective Date ("ASC Topic 606") defers the effective date of update 2014-09 for all entities by one year. For a public entity, the amendments in ASU 2014-09 are effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The adoption of this update is not expected to have a significant effect on the Company's consolidated financial position or results of operations.

The Financial Accounting Standards Board ("FASB") has issued converged standards on revenue recognition. Specifically, the Board has issued ASU 2014-09, ASC Topic 606. ASU 2014-09 affects any entity using U.S. GAAP that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of non-financial assets unless those contracts are within the scope of other standards (e.g., insurance contracts or lease contracts). ASU 2014-09 will supersede the revenue recognition requirements in ASC Topic 605, Revenue Recognition ("ASC Topic 605"), and most industry-specific guidance. ASU 2014-09 also supersedes some cost guidance included in Subtopic 605-35, Revenue Recognition—Construction-Type and Production-Type Contracts. In addition, the existing requirements for the recognition of a gain or loss on the transfer of non-financial assets that are not in a contract with a customer (e.g., assets within the scope of ASC Topic 360, Property, Plant, and Equipment, ("ASC Topic 360"), and intangible assets within the scope of Topic 350, Intangibles—Goodwill and Other) are amended to be consistent with the guidance on recognition and measurement (including the constraint on revenue) in ASU 2014-09. For a public entity, the amendments in ASU 2014-09 are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. As the new standard will supersede substantially all existing revenue guidance affecting the Company under GAAP, it could impact revenue and cost recognition on sales across all the Company's business segments. The Company carried out an evaluation on the impact and found it to be immaterial, if any, the adoption of this standard will have on its Consolidated Financial Statements.

The amendments in ASU 2015-11 ASC Topic 330: Simplifying the Measurement of Inventory ("ASC Topic 330") specify that an entity should measure inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Subsequent measurement is unchanged for inventory measured using Last-In-First-Out or the retail inventory method. The amendments in ASU 2015-011 are effective for public business entities for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. A reporting entity should apply the amendments retrospectively to all periods presented. While early adoption is permitted, the Company has not elected to early adopt. The adoption of this update is not expected to have a significant effect on the Company's consolidated financial position or results of operations.

FASB amended ASU 2015-07 ASC Topic 820: Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent), which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. The amendments in ASU 2015-07 are effective for public business entities for fiscal years beginning after December 15, 2015 and interim periods within those fiscal years. A reporting entity should apply the amendments retrospectively to all periods presented. While early adoption is permitted, the

Company has not elected to early adopt. The effectiveness of this update is not expected to have a significant effect on the Company's consolidated financial position or results of operations.

The amendments in ASU 2015-06 ASC Topic 260: Effects on Historical Earnings per Unit of Master Limited Partnership Dropdown Transactions ("ASC Topic 260") specify that for purposes of calculating historical earnings per unit under the two-class method, the earnings or losses of a transferred business before the date of a dropdown transaction should be allocated entirely to the general partner. The amendments in ASU 2015-06 are effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. While early adoption is permitted, the Company has not elected to early adopt. The amendments should be applied retrospectively for all financial statements presented. The effectiveness of this update is not expected to have a significant effect on the Company's consolidated financial position or results of operations.

The amendments in ASU 2015-02 ASC Topic 810: Amendments to the Consolidation Analysis are intended to improve targeted areas of consolidation guidance for legal entities such as limited partnerships, limited liability corporations, and securitization structures (collateralized debt obligations, collateralized loan obligations, and mortgage-backed security transactions). The amendments in ASU 2015-02 are effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. While early adoption is permitted, including adoption in an interim period, the Company has not elected to early adopt. ASU 2015-02 may be applied retrospectively in previously issued financial statements for one or more years with a cumulative-effect adjustment to retained earnings as of the beginning of the first year restated. The effectiveness of this update is not expected to have a significant effect on the Company's consolidated financial position or results of operations.

The amendments in ASU 2015-01 eliminate from U.S. GAAP the concept of extraordinary items. Subtopic 225-20, Income Statement - Extraordinary and Unusual Items ("ASC Topic 225"), requires that an entity separately classify, present, and disclose extraordinary events and transactions. Presently, an event or transaction is presumed to be an ordinary and usual activity of the reporting entity unless evidence clearly supports its classification as an extraordinary item. The amendments in ASU 2015-01 are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. A reporting entity may apply the amendments prospectively. A reporting entity also may apply the amendments retrospectively to all prior periods presented in the financial statements. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. The Company has not elected to early adopt. The effectiveness of this update is not expected to have a significant effect on the Company's consolidated financial position or results of operations.

FASB amended ASU 2014-15 Subtopic 205-40, Presentation of Financial Statements – Going Concern ("ASC Topic 205") to define management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. Under GAAP, financial statements are prepared under the presumption that the reporting organization will continue to operate as a going concern, except in limited circumstances. The going concern basis of accounting is critical to financial reporting because it establishes the fundamental basis for measuring and classifying assets and liabilities. Currently, GAAP lacks guidance about management's responsibility to evaluate whether there is substantial doubt about the organization's ability to continue as a going concern or to provide related footnote disclosures. ASU 2014-15 provides guidance to an organization's management, with principles and definitions that are intended to reduce diversity in the timing and content of disclosures that are commonly provided by organizations today in the financial statement footnotes. The amendments in ASU 2014-15 are effective for annual periods ending after December 15, 2016, and interim periods within annual periods beginning after December 15, 2016. While early application is permitted for annual or interim reporting periods for which the financial statements have not previously been issued, the Company has not elected to early adopt. The effectiveness of this update is not expected to have a significant effect on the Company's consolidated financial position or results of operations.

The FASB has issued ASU No. 2014-08, ASC Topic 205 Presentation of Financial Statements ("ASC Topic 205") and ASC Topic 360 Property, Plant, and Equipment ("ASC Topic 360"): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. The amendments in ASU 2014-08 change the criteria for reporting discontinued operations while enhancing disclosures in this area. It also addresses sources of confusion and inconsistent application related to financial reporting of discontinued operations guidance in U.S. GAAP. Under the new guidance, only disposals representing a strategic shift in operations should be presented as discontinued operations. Those strategic shifts should have a major effect on the organization's operations and financial results. Examples include a disposal of a major geographic area, a major line of business, or a major equity method investment. In addition, the new guidance requires expanded disclosures about discontinued operations that will provide financial statement users with more information about the assets, liabilities, income, and expenses of discontinued operations. The new guidance also requires disclosure of the pre-tax income attributable to a disposal of a significant part of an organization that does not qualify for discontinued operations reporting. This disclosure will provide users with information about the ongoing trends in a reporting organization's results from continuing operations. The amendments became effective as to the Company with respect to fiscal year 2015. The effectiveness of this update did not have a significant effect on the Company's consolidated financial position or results of operations.

Other new pronouncements issued but not yet effective until after June 30, 2016 are not expected to have a significant effect on the Company's consolidated financial position or results of operations.

3. TERM DEPOSITS

	For the Year Ended June 30, 2016	2015
Short-term deposits	$295	$101
Restricted term deposits	2,067	2,140
Total	$2,362	$2,241

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

4. TRADE ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

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

Senior management reviews accounts receivable on a periodic basis to determine if any receivables will potentially be uncollectible. Management includes any accounts receivable balances that are determined to be uncollectible in the allowance for doubtful accounts. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. Based on the information available to us, management believed the allowance for doubtful accounts as of June 30, 2016 and June 30, 2015 was adequate.

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

	For the Year Ended June 30, 2016	2015
Beginning	$313	$ 438
Additions charged to expenses	21	84
Recovered / (write-off)	(48)	(180)
Currency translation effect	(16)	(29)
Ending	$270	$ 313

5. LOANS RECEIVABLE FROM PROPERTY DEVELOPMENT PROJECTS

The following table presents TTCQ's loans receivable from property development projects in China as of June 30, 2016. The exchange rate is based on the historical rate published by the Monetary Authority of Singapore as on March 31, 2015, since the net loan receivable was "nil" as at June 30, 2016.

	Loan Expiry Date	Loan Amount (RMB)	Loan Amount (U.S. Dollars)
Short-term loan receivables			
JiangHuai (Project - Yu Jin Jiang An)	May 31, 2013	2,000	325
Less: allowance for doubtful receivables		(2,000)	(325)
Net loan receivable from property development projects		-	-
Long-term loan receivables			
Jun Zhou Zhi Ye	Oct 31, 2016	5,000	814
Less: transfer – down-payment for purchase of investment property		(5,000)	(814)
Net loan receivable from property development projects		-	-

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

	Loan Expiry Date	Loan Amount (RMB)	Loan Amount (U.S. Dollars)
Short-term loan receivables			
Investment in JiangHuai (Project - Yu Jin Jiang An)	May 31, 2013	2,000	325
Less: allowance for doubtful receivables		(2,000)	(325)
Net loan receivable from property development projects		-	-
Long-term loan receivables			
Jun Zhou Zhi Ye	Oct 31, 2016	5,000	814
Less: transfer – down-payment for purchase of investment property		(5,000)	(814)
Net loan receivable from property development projects		-	-

On November 1, 2010, TTCQ entered into a Memorandum Agreement with JiangHuai Property Development Co. Ltd. ("JiangHuai") to invest in their property development projects (Project - Yu Jin Jiang An) located in Chongqing City, China. 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 renminbi ("RMB") 2,000, or approximately $325. The loan was renewed, but expired on May 31, 2014. TTCQ is in the legal process of recovering the outstanding amount of $325. TTCQ did not generate other income from JiangHuai for the fiscal year ended June 30, 2016, or for the same period in the last fiscal year. Based on TTI's financial policy, an impairment of $325 on the investment in JiangHuai was provided for during the second quarter of fiscal 2014 based on TTI's financial policy.

On November 1, 2010, TTCQ entered into a 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, amounting to RMB 5,000, or approximately $814 based on the exchange rate as at March 31, 2015 published by the Monetary Authority of Singapore. The amount was unsecured and repayable at the end of the term. The loan was renewed in November 2011 for a period of one year, which expired on October 31, 2012 and was again renewed in November 2012 and expired in November 2013. On November 1, 2013 the loan was transferred by JiaSheng to, and is now payable by, Chong Qing Jun Zhou Zhi Ye Co. Ltd. ("Jun Zhou Zhi Ye"), and the transferred agreement expires on October 31, 2016. Hence the loan receivable was reclassified as a long-term receivable. The book value of the loan receivable approximates its fair value. TTCQ did not generate other income from Jun Zhou Zhi Ye for the fiscal year ended June 30, 2016. For the fiscal year ended June 30, 2015, TTCQ recorded RMB 417, or approximately $68, in other income from Jun Zhou Zhi Ye. In fiscal year 2015, an allowance for doubtful deemed interest receivables from Jun Zhou Zhi Ye of $68 was made on the other income. In the second quarter of fiscal year 2015, the loan receivable was transferred to down payment for purchase of investment property that is being developed in the Singapore Themed Resort Project.

6. INVENTORIES

Inventories consisted of the following:

	For the Year Ended June 30,	
	2016	2015
Raw materials	$ 967	$ 1,038
Work in progress	909	611
Finished goods	279	348
Less: provision for obsolete inventory	(697)	(764)
Currency translation effect	2	(92)
	$ 1,460	$ 1,141

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

	For the Year Ended June 30,	
	2016	2015
Beginning	$764	$844
Additions charged to expenses	22	67
Usage - disposition	(86)	(103)
Currency translation effect	(3)	(44)
Ending	$697	$764

7. ASSETS HELD FOR SALE

During the fourth quarter of 2015, the operations in Malaysia planned to sell its factory building in Penang, Malaysia. In May 2015, Trio-Tech Malaysia was approached by a potential buyer to purchase the factory building. Negotiation is still ongoing and is subject to approval by Penang Development Corporation. In accordance with ASC Topic 360, during fiscal year 2015, the property was reclassified from investment property, which had a net book value of RM 371, or approximately $92, to assets held for sale, since there was an intention to sell the factory building. The net book values of the building were RM371, or $92, for fiscal years 2016 and RM 371, or approximately $98, for fiscal year 2015.

8. INVESTMENTS

Investments were nil as at June 30, 2016 and as at June 30, 2015.

During the second quarter of fiscal year 2011, the Company entered into a joint-venture agreement with JiaSheng to develop real estate projects in China. The Company invested RMB 10,000, or approximately $1,606 based on the exchange rate as of March 31, 2014 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 stipulated that the Company would nominate two of the five members of the Board of Directors of the joint venture and had the ability to assign two members of management to the joint venture. The agreement also stipulated that the Company would receive a fee of RMB 10,000, or approximately $1,606 based on the exchange rate as of March 31, 2014 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 $803 based on the exchange rate published by the Monetary Authority of Singapore as of March 31, 2014. The remaining RMB 5,000, which was not recorded as a receivable as the Company considered the collectability uncertain, would be paid over 72 months commencing in 36 months from the date of the agreement when the joint venture secured a property development project stated inside the joint venture agreement. The Company considered the RMB 5,000, or approximately $803 based on the exchange rate as of March 31, 2014 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 RMB10,000, or approximately $1,606 based on the exchange rate as of March 31, 2014 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 March 31, 2014. The Company further reduced its investments by RMB 137, or approximately $22, towards the losses from operations incurred by the joint-venture, resulting in a net investment of RMB 4,863, or approximately $781 based on exchange rates published by the Monetary Authority of Singapore as of March 31, 2014.

“Investments” in the real estate segment were the cost of an investment in a joint venture in which we had a 10% interest. During the second quarter of fiscal year 2014, TTCQ disposed of its 10% interest in the joint venture. The joint venture had to raise funds for the development of the project. As a joint-venture partner, TTCQ was required to stand guarantee for the funds to be borrowed; considering the amount of borrowing, the risk involved was higher than the investment made and hence TTCQ decided to dispose of the 10% interest in the joint venture investment. On October 2, 2013, TTCQ entered into a share transfer agreement with Zhu Shu. Based on the agreement, the purchase price was to be paid by (1) RMB 10,000 worth of commercial property in Chongqing China, or approximately $1,634 based on exchange rates published by the Monetary Authority of Singapore as of October 2, 2013, by non-monetary consideration and (2) the remaining RMB 8,000, or approximately $1,307 based on exchange rates published by the Monetary Authority of Singapore as of October 2, 2013, by cash consideration. The consideration consisted of (1) commercial units measuring 668 square meters to be delivered in June 2016 and (2) sixteen quarterly equal installments of RMB500 per quarter commencing from January 2014. Based on ASC Topic 845 Non-monetary Consideration, the Company deferred the recognition of the gain on disposal of the 10% interest in joint venture investment until such time that the consideration is paid, so that the gain can be ascertained. The recorded value of the disposed investment amounting to $783, based on exchange rates published by the Monetary Authority of Singapore as of June 30, 2014, is classified as “other assets” under non-current assets, because it is considered a down payment for the purchase of the commercial property in Chongqing. TTCQ performed a valuation on a certain commercial unit and its market value was higher than the carrying amount. The first three installment amounts of RMB 500 each due in January 2014, April 2014 and July 2014 were all outstanding until the date of disposal of the investment in the joint venture. Out of the outstanding RMB 8,000, TTCQ had received RMB 100 during May 2014. However, the transferee, Jun Zhou Zhi Ye, has not registered the share transfer (10% interest in the joint venture) with the relevant authorities in China as of the date of this report.

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

a) Long term loan receivable RMB 5,000, or approximately $814, as disclosed in Note 5, plus the interest receivable on long term loan receivable of RMB 1,250;

b) Commercial units measuring 668 square meters, as mentioned above; and

c) RMB 5,900 for the part of the unrecognized cash consideration of RMB 8,000 relating to the disposal of the joint venture.

The shop lots are to be delivered to TTCQ upon completion of the construction of the shop lots in the Singapore Themed Resort Project, and the initial targeted date of completion was no later than December 31, 2016. However, should there be further delays in the project completion, based on the discussion with the developers it is estimated to be completed by December 31, 2018. The consideration does not include the remaining outstanding amount of RMB 2,000, or approximately $326, which will be paid in cash.

9. INVESTMENT PROPERTIES

The following table presents the Company's investment properties in China as of June 30, 2016. The exchange rate is based on the exchange rate as of June 30, 2016 published by the Monetary Authority of Singapore.

	Investment Date	Investment Amount (RMB)	Investment Amount (U.S.Dollars)
Purchase of Property I – MaoYe	Jan 04, 2008	5,554	894
Purchase of Property II – JiangHuai	Jan 06, 2010	3,600	580
Purchase of Property III – FuLi	Apr 08, 2010	4,025	648
Currency translation		-	(139)
Gross investment in rental properties		13,179	1,983
Accumulated depreciation on rental properties	June 30, 2016	(4,278)	(643)
Net investment in properties – China		8,901	1,340

The following table presents the Company's investment properties in China as of June 30, 2015. The exchange rate is based on the exchange rate as of June 30, 2015 published by the Monetary Authority of Singapore.

	Investment Date	Investment Amount (RMB)	Investment Amount(U.S.Dollars)
Purchase of Property I – MaoYe	Jan 04, 2008	5,554	894
Purchase of Property II – JiangHuai	Jan 06, 2010	3,600	580
Purchase of Property III – FuLi	Apr 08, 2010	4,025	648
Currency translation		-	1
Gross investment in rental properties		13,179	2,123
Accumulated depreciation on rental properties	June 30, 2015	(3,619)	(583)
Net investment in properties – China		9,560	1,540

The following table presents the Company's investment properties in Malaysia as of June 30, 2016. The exchange rate is based on the exchange rate as of June 30, 2015 published by the Monetary Authority of Singapore.

	Investment Date	Investment Amount (RM)	Investment Amount (U.S. Dollars)
Reclassification of Penang Property I	Dec 31, 2012	681	181
Gross investment in rental property		681	181
Accumulated depreciation on rental property	June 30, 2015	(310)	(83)
Reclassified as "Assets held for sale"	June 30, 2015	(371)	(98)
Net investment in rental property - Malaysia		-	-

The following table presents the Company's investment properties in Malaysia as of June 30, 2015. The exchange rate is based on the exchange rate as of June 30, 2015 published by the Monetary Authority of Singapore.

	Investment Date	Investment Amount (RM)	Investment Amount (U.S. Dollars)
Reclassification of Penang Property I	Dec 31, 2012	681	181
Gross investment in rental property		681	181
Accumulated depreciation on rental property	June 30, 2014	(310)	(83)
Reclassified as "Assets held for sale"	June 30, 2015	(371)	(98)
Net investment in rental property - Malaysia		-	-

Rental Property I - MaoYe

In fiscal 2008, TTCQ purchased an office in Chongqing, China from MaoYe Property Ltd. ("MaoYe"), for a total cash purchase price of RMB 5,554, or approximately $894. TTCQ rented this property to a third party on July 13, 2008. The term of the rental agreement was five years. The rental agreement was renewed on July 16, 2014 for a further period of five years. The rental agreement provides for a rent increase of 8% every year after July 15, 2015. The renewed agreement expires on July 15, 2018; however, this rental agreement (1,104 square meters at a monthly rental of RMB 39, or approximately $6) was terminated on July 31, 2015. TTCQ identified a new tenant and signed a new rental agreement (653 square meters at a monthly rental of RMB 39, or approximately $6) on August 1, 2015. This rental agreement provides for a rent increase of 5% every year on January 31, commencing with 2017 until the rental agreement expires on July 31, 2020. TTCQ signed a new rental agreement (451 square meters at a monthly rental of RMB 27, or approximately $4) on January 29, 2016. This rental agreement provides for a rent increase of 5% every year on January 29, commencing with 2017 until the rental agreement expires on February 28, 2019.

Property purchased from MaoYe generated a rental income of $78 and $115 for the years ended June 30, 2016 and 2015, respectively.

Rental Property II - JiangHuai

In fiscal year 2010, TTCQ purchased eight units of commercial property in Chongqing, China from Chongqing JiangHuai Real Estate Development Co. Ltd. ("JiangHuai") for a total purchase price of RMB 3,600, or approximately $580. TTCQ rented all of these commercial units to a third party until the agreement expired in January 2012. TTCQ then rented three of the eight commercial units to another party during the fourth quarter of fiscal year 2013 under a rental agreement that expired on March 31, 2014. Currently all the units are vacant and TTCQ is working with the developer to find a suitable buyer to purchase all the commercial units. TTCQ has yet to receive the title deed for these properties; however, TTCQ has the vacancies in possession with the exception of two units, which are in the process of clarification. TTCQ is in the legal process to obtain the title deed, which is dependent on JiangHuai completing the entire project. In August 2016, TTCQ performed a valuation on one of the commercial units and its market value was higher than the carrying amount.

Property purchased from JiangHuai generated a rental income of nil for both the years ended June 30, 2016 and 2015.

Rental Property III – FuLi

In fiscal 2010, TTCQ entered into a Memorandum Agreement with Chongqing FuLi Real Estate Development Co. Ltd. ("FuLi") to purchase two commercial properties totaling 311.99 square meters ("office space") located in Jiang Bei District Chongqing. 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 RMB 4,025, or approximately $649. The development was completed and the property was handed over during April 2013 and the title deed was received during the third quarter of fiscal 2014.

The two commercial properties were leased to third parties under two separate rental agreements, one of which expired in April 2014 and the other of which expired in August 2014.

For the unit for which the agreement expired in April 2014, a new tenant was identified and a new agreement was executed, which expires on April 30, 2017. The new agreement carried an increase in rent of 20% in the first year. Thereafter the rent increases by approximately 8% for the subsequent years until April 2017.

For the unit for which the agreement expired in August 2014, a new tenant was identified and a rental agreement was executed, which agreement was to expire on August 9, 2016. The agreement carried an increase in rent of approximately 21% in the first year. Thereafter the rent was to increase by approximately 6% for the subsequent year. The tenant of this unit defaulted on payment of the quarterly rental due in August 2015, however the rental deposit is available to offset the outstanding rent. In early October 2015, TTCQ issued a legal letter to this tenant on the outstanding amounts, to which the tenant has not responded. As of the date of this report, the August 2014 rental agreement (161 square meters at a monthly rental of RMB 16, and approximately $2) was terminated.

A new rental agreement with a new tenant (161 square meters at a monthly rental of RMB 14, or approximately $2) was signed on October 21, 2015. This rental agreement provides for a rent increase of 6% after the first year, commencing from the year 2016 until the rental agreement expires on October 20, 2017. The tenant of this unit had defaulted on payment of the monthly rental due for February 2016, however the rental deposit has been offset and the balance amount recognized as other income. In March 2016, TTCQ issued a legal letter to this tenant on the outstanding amounts, to which the tenant has not responded. A new rental agreement with a new tenant (161 square meters at a monthly rental of RMB 14, or approximately $2) was signed commencing from April 1, 2016 until the rental agreement expires on March 31, 2018.

Property purchased from FuLi generated a rental income of $44 and $58 for the years ended June 30, 2016 and 2015, respectively.

Penang Property

During the fourth quarter of 2015, the operations in Malaysia planned to sell its factory building in Penang, Malaysia. In accordance to ASC Topic 360, the property was reclassified from investment property, which had a net book value of RM 371, or approximately $98, to assets held for sale since there was an intention to sell the factory building. In May 2015, TTM was approached by a potential buyer to purchase the factory building. On September 14, 2015, application to sell the property was rejected by PDC. The rejection was based on the business activity of the purchaser not suitable to the industry that is being promoted on the said property. PDC made an offer to purchase the property, which was not at the expected value and the offer expired on March 28, 2016. However, management is still actively looking for a suitable buyer. As of June 30, 2016 the net book value was RM 369, or approximately $92.

Summary

Total rental income for all investment properties (Property I, II and III) in China was $122 for the year ended June 30, 2016, and was $173 for the same period in the last fiscal year.

Rental income from the Penang property was nil for the years ended June 30, 2016 and 2015, as the property in Penang, Malaysia was vacant at the date of this report. In the fourth quarter of fiscal year 2015, the Penang property was reclassified from investment property to assets held for sale.

Depreciation expenses for all investment properties in China were $103 and 109 for both the years ended June 30, 2016, and 2015, respectively.

10. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following:

	Estimated Useful Life in Years	For the Year Ended June 30, 2016	2015
Building and improvements	3-20	$5,002	$ 4,980
Leasehold improvements	3-27	5,591	5,692
Machinery and equipment	3-7	24,106	23,679
Furniture and fixtures	3-5	823	873
Equipment under capital leases	3-5	1,171	672
Property, plant and equipment, gross		$36,693	$ 35,896
Less: accumulated depreciation		(22,828)	(21,740)
Accumulated amortization on equipment under capital leases		(633)	(458)
Total accumulated depreciation		$(23,461)	$(22,198)
Property, plant and equipment before currency translation effect, net		13,232	13,698
Currency translation effect		(1,949)	(1,176)
Property, plant and equipment, net		$11,283	$ 12,522

Depreciation and amortization expenses for property, plant and equipment during fiscal years 2016 and 2015 were $1,735 and $2,240, respectively.

11. OTHER ASSETS

Other assets consisted of the following:

	For the Year Ended June 30, 2016	2015
Down payment for purchase of investment properties	$1,536	$1,645
Down payment for purchase of property, plant and equipment	115	31
Deposits for rental and utilities	137	147
Total	$1,788	$1,823

12. LINES OF CREDIT

The carrying value of the Company's lines of credit approximates its fair value, because the interest rates associated with the lines of credit are adjustable in accordance with market situations when the Company borrowed funds with similar terms and remaining maturities.

The Company's credit rating provides it with readily and adequate access to funds in global markets.

As of June 30, 2016, the Company had certain lines of credit that are collateralized by restricted deposits.

Entity with Facility	Type of Facility	Interest Rate	Expiration Date	Credit Limitation	Unused Credit
Trio-Tech International Pte. Ltd., Singapore	Lines of Credit	Ranging from 1.6% to 5.5%	-	$ 5,745	$ 3,856
Trio-Tech (Malaysia) Sdn. Bhd.	Lines of Credit	Ranging from 6.3% to 6.7%	-	783	783
Trio-Tech (Tianjin) Co., Ltd.	Lines of Credit	Ranging from 4.9% to 6.3%	-	1,204	602

On May 3, 2016, Trio-Tech Tianjin used the facility amounting to RMB 2 million, or approximately $301, and on June 23, 2016, further used an additional facility of RMB 2 million, or approximately $301.

As of June 30, 2015, the Company had certain lines of credit that are collateralized by restricted deposits.

Entity with Facility	Type of Facility	Interest Rate	Expiration Date	Credit Limitation	Unused Credit
Trio-Tech International Pte. Ltd., Singapore	Lines of Credit	Ranging from 1.9% to 5.6%	-	$ 7,422	$ 6,161
Trio-Tech (Malaysia) Sdn. Bhd.	Lines of Credit	Ranging from 6.3% to 6.7%	-	$ 396	$ 79
Trio-Tech (Tianjin) Co., Ltd.	Lines of Credit	Ranging from 4.9% to 6.3%	-	$ 1,289	$ 1,289

On April 10, 2015, Trio-Tech Tianjin signed an agreement with a bank for an Accounts Receivable Financing facility with the bank for RMB 8,000, or approximately $1,289, interest is charged at the bank's lending rate plus a floating interest rate. The effective interest rate is 130% of the bank's lending rate. The financing facility was set up to facilitate the growing testing operations in our Tianjin operations in China. The immediate holding company, Trio-Tech International Pte. Ltd., acted as the guarantor for this bank facility. The bank account for this facility was set up on August 24, 2015 and has started use in fiscal year 2016.

13. ACCRUED EXPENSES

Accrued expenses consisted of the following:

	For the Year Ended June 30, 2016	2015
Payroll and related costs	1,311	1,513
Commissions	47	52
Customer deposits	91	41
Legal and audit	297	244
Sales tax	110	131
Utilities	115	129
Warranty	78	109
Accrued purchase of materials and property, plant and equipment	50	430
Provision for re-instatement	308	422
Other accrued expenses	331	243
Currency translation effect	(96)	(230)
Total	$2,642	$3,084

14. WARRANTY ACCRUAL

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

	For the Year Ended June 30, 2016	2015
Beginning	$ 103	$ 60
Additions charged to cost and expenses	80	114
Utilization / reversal	(105)	(65)
Currency translation effect	(2)	(6)
Ending	$ 76	$ 103

15. BANK LOANS PAYABLE

Bank loans payable consisted of the following:

	For the Year Ended June 30,	
	2016	2015
Note payable denominated in U.S. dollars to a commercial bank for expansion plans in Singapore and its subsidiaries, maturing in March 2017, bearing interest at the bank's lending rate (7.3% at June 30, 2016 and 2015), with monthly payments of principal plus interest of $16 and $18 through August 2024 in fiscal year 2016 and 2015, respectively. This note payable is secured by plant and equipment with the net book value of $294 and $357 as at June 30, 2016 and 2015, respectively.	148	326
Note payable denominated in RM to a commercial bank for expansion plans in Malaysia, maturing in August 2024, bearing interest at the bank's prime rate plus 1.50% (4.1% to 6.9% at June 30, 2016 and 2015), with monthly payments of principal plus interest of $22 and $12 through August 2024 in fiscal year 2016 and 2015, respectively. This loan payable is collateralized by the acquired building with the net book value of $2,898 and $3,146 as at June 30, 2016 and 2015, respectively.	1,919	2,218
Current portion	(342)	(346)
Long term portion of bank loans payable	$1,725	$2,198

Future minimum payments (excluding interest) as of June 30, 2016 were as follows:

2017	$ 342
2018	204
2019	215
2020	226
2021	239
Thereafter	841
Total obligations and commitments	$ 2,067

Future minimum payments (excluding interest) as of June 30, 2015 were as follows:

2016	$ 346
2017	322
2018	183
2019	193
2020	203
Thereafter	1,297
Total obligations and commitments	$ 2,544

16. COMMITMENTS AND CONTINGENCIES

The Company leases certain of its facilities and equipment under long-term agreements expiring at various dates through fiscal year 2016 and thereafter. Certain of these leases require the Company to pay real estate taxes and insurance and provide for escalation of lease costs based on certain indices.

Future minimum payments under capital leases and non-cancelable operating leases and net rental income under non-cancelable sub-leased properties as of June 30, 2016 were as follows:

For the Year Ending June 30,	Capital Leases	Operating Leases	Sub-lease Rental (Income)	Net Operating Leases
2017	$ 235	$ 598	$ (24)	$ 574
2018	212	269	(24)	245
2019	156	204	(24)	180
Thereafter	135	229	-	229
Total future minimum lease payments	$ 738	$ 1,300	$ (72)	$ 1,228
Less: amount representing interest	-			
Present value of net minimum lease payments	738			
Less: current portion of capital lease obligations	235			
Long-term obligations under capital leases	503			

Future minimum payments under capital leases and non-cancelable operating leases and net rental income under non-cancelable sub-leased properties as of June 30, 2015 were as follows:

For the Year Ending June 30,	Capital Leases	Operating Leases	Sub-lease Rental (Income)	Net Operating Leases
2016	$ 197	$ 803	$ (128)	$ 675
2017	199	671	(41)	630
2018	169	279	(24)	255
Thereafter	107	2,060	-	2,060
Total future minimum lease payments	$ 672	$ 3,813	$ (193)	$ 3,620
Less: amount representing interest	-			
Present value of net minimum lease payments	672			
Less: current portion of capital lease obligations	197			
Long-term obligations under capital leases	475			

The Company purchased equipment under the capital lease agreements with rates ranging from 1.6% to 7.5%. These agreements mature ranging from July 2016 to May 2020.

Total rental expense on all operating leases, cancelable and non-cancelable, amounted to $743 and $784 in fiscal years 2016 and 2015 respectively.

Trio-Tech (Malaysia) Sdn. Bhd. has a capital lease for the purchase of equipment and other related infrastructure costs amounting to RM 1,153, or approximately $287 based on the exchange rate on June 30, 2016 published by the Monetary Authority of Singapore, as compared to RM 33, or approximately $9 for the last fiscal year.

Trio-Tech Tianjin Co. Ltd has a capital lease for the purchase of equipment and other related infrastructure costs amounting to RMB 597, or approximately $93 based on the exchange rate on June 30, 2016 published by the Monetary Authority of Singapore, as compared to nil for last fiscal year.

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

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

17. FAIR VALUE OF FINANCIAL INSTRUMENTS APPROXIMATE CARRYING VALUE

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

There were no transfers between Levels 1 and 2 during the fiscal year ended June 30, 2016 and for the same period in last fiscal year.

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

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

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

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

18. CONCENTRATION OF CUSTOMERS

The Company had one major customer that accounted for the following revenue and trade accounts receivable:

	For the Year Ended June 30,			
	2016		2015	
Revenue				
- Customer A	60.6	%	63.4	%
Trade Accounts Receivable				
- Customer A	66.9	%	60.5	%

19. BUSINESS SEGMENTS

In fiscal year 2016, the Company operated in four segments; the testing service industry (which performs structural and electronic tests of semiconductor devices), the designing and manufacturing of equipment (which equipment tests the structural integrity of integrated circuits and other products), distribution of various products from other manufacturers in Singapore and Southeast Asia and the real estate segment in China

The real estate segment recorded other income of nil and $68 and allowance for doubtful interest receivables of nil and $68 for fiscal year 2016 and 2015, respectively, based on the average exchange rate for the twelve months ended June 30, 2016 and 2015, respectively, published by the Monetary Authority of Singapore. Due to the short-term nature of the investments, the investments were classified as loan receivables based on ASC Topic 310. Thus the investment income was classified under other income, which is not part of the below table.

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

All inter-segment sales were sales from the manufacturing segment to the testing and distribution segment. Total inter-segment sales were $1,086 in fiscal year 2016 and $1,655 in fiscal year 2015. Corporate assets mainly consisted of cash and prepaid expenses. Corporate expenses mainly consisted of stock option expenses, salaries, insurance, professional expenses and directors' fees. Corporate expenses are allocated to the four segments on a pre-determined fixed amount calculated based on the annual budgeted sales, except the Malaysia operation, which is calculated based on actual sales. The following segment information table includes segment operating income or loss after including corporate expenses allocated to the segments, which gets eliminated in the consolidation.

Business Segment Information:

	Year Ended June 30,	Net Revenue	Operating Income (Loss)	Total Assets	Depr. and Amort.	Capital Expenditures
Manufacturing	2016	$ 14,510	$ 260	$ 7,944	$ 202	$ 79
	2015	$ 12,873	$ (426)	$ 5,515	$ 151	$ 512
Testing Services	2016	15,280	1,010	19,849	1,531	1,574
	2015	18,020	1,955	21,906	1,981	2,175
Distribution	2016	4,542	224	662	2	4
	2015	2,866	23	854	-	6
Real Estate	2016	122	(100)	3,306	103	-
	2015	173	(129)	3,635	108	1
Fabrication	2016	-	-	30	-	-
Services*	2015	-	-	30	-	-
Corporate &	2016	-	66	428	-	-
Unallocated	2015	-	(216)	97	-	-
Total Company	2016	$ 34,454	$ 1,460	$ 32,219	$ 1,838	$ 1,657
	2015	$ 33,932	$ 1,207	$ 32,037	$ 2,240	$ 2,694

* Fabrication services is a discontinued operation (Note 24).

20. OPERATING LEASES

Operating leases arise from the leasing of the Company's commercial and residential real estate investment property. Initial lease terms generally range from 12 to 60 months. Depreciation expense for assets subject to operating leases is taken into account primarily on the straight-line method over a period of twenty years in amounts necessary to reduce the carrying amount of the asset to its estimated residual value. Depreciation expenses relating to the property held as investments in operating leases was $103 and $109 for fiscal years 2016 and 2015, respectively.

Future minimum rental income in China to be received from fiscal year 2017 to fiscal year 2021 on non-cancellable operating leases is contractually due as follows as of June 30, 2016:

2017	$ 174
2018	149
2019	116
2020	84
2021	7
	$ 530

Future minimum rental income in China to be received from fiscal year 2016 to fiscal year 2020 on non-cancellable operating leases is contractually due as follows as of June 30, 2015:

2016	$ 188
2017	165
2018	146
2019	6
2020	-
	$ 505

21. OTHER INCOME, NET

Other income, net consisted of the following:

	For the Year Ended June 30,	
	2016	2015
Investment income deemed interest income	$ -	68
Interest income	18	8
Other rental income	97	127
Exchange gain / (loss)	(371)	84
Allowance for doubtful deemed interest receivables	-	(68)
Other miscellaneous income	302	144
Total	$ 46	$ 363

Other income included investment income which was deemed to be interest income since the investment was deemed and classified as a loan receivables based on ASC Topic 310-10-25 Receivables amounted to nil for fiscal year 2016, as compared to $68 for fiscal year 2015. No allowance for doubtful interest receivables was included in fiscal year 2016, as compared to $68 in the previous fiscal year.

22. INCOME TAXES

On a consolidated basis, the Company's net income tax provisions were as follows:

	For the Year Ended June 30,	
	2016	2015
Current:		
Federal	$ -	$ -
State	2	2
Foreign	300	439
	$ 302	$ 441
Deferred:		
Federal	$ -	$ -
State	-	-
Foreign	(65)	66
	(65)	66
Total provisions	$ 237	$ 507

The reconciliation between the U.S. federal tax rate and the effective income tax rate was as follows:

	For the Year Ended June 30,	
	2016	2015
Statutory federal tax rate	(34.00)%	(34.00)%
State taxes, net of federal benefit	(6.00)	(6.00)
Foreign tax related to profits making subsidiaries	19.45	4.69
NOL Expiration	(0.21)	(0.24)
Other	(0.50)	(0.27)
Changes in valuation allowance	3.08	(2.71)
Effective rate	(18.18)%	(38.53)%

At June 30, 2016, the Company had net operating loss carry-forward of approximately $129 and $293 for federal and state tax purposes, respectively, expiring through 2024. The Company also had tax credit carry-forward of approximately $834 for federal income tax purposes expiring through 2033. Management of the Company is uncertain whether it is more likely than not that these future benefits will be realized. Accordingly, a full valuation allowance was established.

At June 30, 2015, the Company had net operating loss carry-forward of approximately $353 and $658 for federal and state tax purposes, respectively, expiring through 2024. The Company also had tax credit carry-forward of approximately $834 for federal income tax purposes expiring through 2033. Management of the Company is uncertain whether it is more likely than not that these future benefits will be realized. Accordingly, a full valuation allowance has been established.

The components of deferred income tax assets (liabilities) were as follows:

	For the Year Ended June 30, 2016	2015
Deferred tax assets:		
Net operating losses and credits	$ 1,498	$ 1,645
Inventory valuation	99	99
Depreciation	-	-
Provision for bad debts	128	144
Accrued vacation	40	32
Capital loss	-	66
Accrued expenses	1,262	1,338
Investment in subsidiaries	169	169
Other	11	23
Total deferred tax assets	$ 3,207	$ 3,516
Deferred tax liabilities:	(34)	(56)
Accrued expenses	(182)	(277)
Depreciation	-	-
Other	(216)	(333)
Total deferred income tax liabilities		
Subtotal	2,991	3,183
Valuation allowance	(2,806)	(3,063)
Net deferred tax assets / (liability)	185	120
Presented as follows in the balance sheets:		
Deferred tax assets	401	453
Deferred tax liabilities	(216)	(333)
Net deferred tax assets / (liability)	185	120

The valuation allowance was decreased by $257 and increased by $187 in fiscal year years 2016 and 2015, respectively.

For U.S. income tax purposes, no provision has been made for U.S. taxes on undistributed earnings amounting to $694 and $617 as at June 30, 2016 and 2015, respectively, of overseas subsidiaries with which the Company intends to continue to reinvest. It is not practicable to estimate the amount of additional tax that might be payable on the foreign earnings if they were remitted as dividends or lent to the Company, or if the Company should sell its stock in the subsidiary. However, the Company believes that the existing U.S. foreign tax credits and net operating losses available would substantially eliminate any additional tax effects.

23. UNRECOGNIZED TAX BENEFITS

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

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

Balance at July 1, 2014	$(250)
Additions based on current year tax positions	-
Additions for prior year(s) tax positions	-
Reductions for prior year(s) tax positions	-
Settlements	-
Expiration of statute of limitations	-
Balance at June 30, 2015	$(250)
Additions based on current year tax positions	-
Additions for prior year(s) tax positions	-
Reductions for prior year(s) tax positions	-
Settlements	-
Expiration of statute of limitations	-
Balance at June 30, 2016	$(250)

The Company accrues penalties and interest on unrecognized tax benefits as a component of penalties and interest expense, respectively. The Company has not accrued any penalties or interest expense relating to the unrecognized benefits at June 30, 2016 and June 30, 2015.

The major tax jurisdictions in which the Company files income tax returns are the United States of America, Singapore, Malaysia, China, Thailand and Indonesia. The statute of limitations, in general, is open for years 2005 to 2015 for tax authorities in those jurisdictions to audit or examine income tax returns. The Company is under annual review by the governments of Singapore, Malaysia, China, Thailand and Indonesia. However, the Company is not currently under tax examination in any other jurisdiction.

24. DISCONTINUED OPERATION AND CORRESPONDING RESTRUCTURING PLAN

The Company's Indonesia operation and the Indonesia operation's immediate holding company, which comprise the fabrication services segment, suffered continued operating losses from fiscal year 2010 to 2014, and the cash flow was minimal from fiscal year 2009 to 2014. The Company established a restructuring plan to close the fabrication services operation, and in accordance with ASC Topic 205, Presentation of Financial Statement Discontinued Operations ("ASC Topic 205"), from fiscal year 2015 onwards, the Company presented the operation results from fabrication services as a discontinued operation as the Company believed that no continued cash flow would be generated by the discontinued component and that the Company would have no significant continuing involvement in the operations of the discontinued component.

In accordance with the restructuring plan, the Company's Indonesia operation is negotiating with its suppliers to settle the outstanding balance of accounts payable of $56 and has no collection for accounts receivable. The Company's fabrication operation in Batam, Indonesia is in the process of winding up the operations. The Company anticipates that it may incur costs and expenses when the winding up of the subsidiary in Indonesia takes place.

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, 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 discontinued component (Shanghai subsidiary) and that the Company would have no significant continuing involvement in the operations of the discontinued component. The Shanghai operation has an outstanding balance of accounts payable of $36 and is collecting the accounts receivable of $1.

The discontinued operations in Shanghai and in Indonesia incurred general and administrative expenses of $7 and $22 for the year ended June 30, 2016 and 2015. The Company anticipates that it may incur additional costs and expenses at the time of the winding up of the business of the subsidiary through which the Shanghai, China facility operated.

Income / (Loss) from discontinued operations was as follows:

	For the Year Ended June 30, 2016	For the Year Ended June 30, 2015
Revenue	$ -	$ -
Cost of sales	-	-
Gross loss	-	-
Operating expenses		
General and administrative	7	22
Selling	-	-
Impairment	-	-
Total	7	22
Loss from discontinued operation	(7)	(22)
Other income / (charges)	3	28
Net income / (loss) from discontinued operation	$ (4)	$ 6

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

25. EARNINGS PER SHARE

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

Options to purchase 366,250 shares of Common Stock at exercise prices ranging from $2.07 to $3.26 per share were outstanding as of June 30, 2016. All the other outstanding options were excluded in the computation of diluted EPS for fiscal year 2016 since they were anti-dilutive.

Options to purchase 430,000 shares of Common Stock at exercise prices ranging from $3.10 to $4.35 per share were outstanding as of June 30, 2015. All the outstanding options were excluded in the computation of diluted EPS for fiscal year 2015 since they were anti-dilutive.

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

	For the Year Ended June 30, 2016	For the Year Ended June 30, 2015
Income attributable to Trio-Tech International common shareholders from continuing operations, net of tax	$ 788	$ 517
Income / (loss) attributable to Trio-Tech International common shareholders from discontinued operations, net of tax	$ (9)	$ 4
Net income attributable to Trio-Tech International common shareholders	$ 779	$ 521
Weighted average number of common shares outstanding - basic	3,513	3,513
Dilutive effect of stock options	22	16
Number of shares used to compute earnings per share - diluted	3,535	3,529
Basic and diluted earnings per share from continuing operations attributable to Trio-Tech International	$ 0.22	$ 0.15
Basic and diluted earnings per share from discontinued operations attributable to Trio-Tech International	$ -	$ -
Basic and diluted earnings per share from net income attributable to Trio-Tech International	$ 0.22	$ 0.15

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26. 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. The Board also amended the 2007 Directors Plan in November 2013 to further increase the number of shares covered thereby from 400,000 shares to 500,000 shares, which amendment was approved by the shareholders on December 9, 2013. The 2007 Directors Plan provides for awards of up to 500,000 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:

	For the Year Ended June 30, 2016	2015
Expected volatility	60.41% to 104.94 %	71.44% to 104.94 %
Risk-free interest rate	0.30% to 0.78 %	0.30% to 0.78 %
Expected life (years)	2.50	2.50

The expected volatilities are based on the historical volatility of the Company's stock. Due to higher volatility, the observation is made on a daily basis for the twelve months ended June 30, 2016. The observation period covered is consistent with the expected life of options. The expected life of the options granted to employees has been determined utilizing the "simplified" method as prescribed by ASC Topic 718 Stock Based Compensation, which, among other provisions, allows companies without access to adequate historical data about employee exercise behavior to use a simplified approach for estimating the expected life of a "plain vanilla" option grant. The simplified rule for estimating the expected life of such an option is the average of the time to vesting and the full term of the option. The risk-free rate is consistent with the expected life of the stock options and is based on the United States Treasury yield curve in effect at the time of grant.

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).

On March 21, 2016, the Company granted options to purchase 40,000 shares of its Common Stock to employee directors pursuant to the 2007 Employee Plan during the twelve months ended June 30, 2016. The Company recognized stock-based compensation expenses of $2 in the twelve months ended June 30, 2016 under the 2007 Employee Plan. The balance of unamortized stock-based compensation of $3 based on fair value on the grant date related to options granted under the 2007 Employee Plan is to be recognized over a period of two years. No stock options were exercised during the twelve months ended June 30, 2016. The weighted-average remaining contractual term for non-vested options was 4.72 years. There were 271,875 shares of Common Stock available for grant under the 2007 Employee Plan.

The Company did not grant any stock options pursuant to the 2007 Employee Plan and no stock options were exercised during the twelve months ended June 30, 2015. There were no cash proceeds from exercise of stock options during fiscal year 2015. The Company recognized stock-based compensation expenses of $23 in fiscal year ended June 30, 2015 under the 2007 Employee Plan. The balance of unamortized stock-based compensation of $4 based on fair value on the grant date related to options granted under the 2007 Employee Plan is to be recognized over a period of three years. The weighted-average grant date fair-value and weighted-average remaining contractual term for non-vested options were $1.69 and 1.45 years, respectively.

As of June 30, 2016, there were vested employee stock options that were exercisable covering a total of 51,250 shares of Common Stock. The weighted-average exercise price was $3.28 and the weighted average contractual term was 2.82 years. The total fair value of vested and outstanding employee stock options as of June 30, 2016 was $168.

As of June 30, 2015, there were vested employee stock options covering a total of 112,500 shares of Common Stock. The weighted-average exercise price was $4.06 and the weighted average contractual term was 1.28 years. The total fair value of vested employee stock options was $457 and remains outstanding as of June 30, 2015.

A summary of option activities under the 2007 Employee Plan during the twelve-month period ended June 30, 2016 is presented as follows:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at July 1, 2015	130,000	$ 3.93	1.57	$ 13
Granted	40,000	3.26	-	-
Exercised	-	-	-	-
Forfeited or expired	(80,000)	4.35	-	-
Outstanding at June 30, 2016	90,000	$ 3.26	3.42	$ 30
Exercisable at June 30, 2016	51,250	$ 3.28	2.82	$ 16

The aggregate intrinsic value of the 90,000 shares of common stock upon exercise of options was $30.

A summary of option activities under the 2007 Employee Plan during the twelve-month period ended June 30, 2015 is presented as follows:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at July 1, 2014	130,000	$ 3.93	2.57	$ 13
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited or expired	-	-	-	-
Outstanding at June 30, 2015	130,000	$ 3.93	1.57	$ 13
Exercisable at June 30, 2015	112,500	$ 4.06	1.28	$ -

The aggregate intrinsic value of the 126,500 shares of common stock upon exercise of options was $175.

A summary of the status of the Company's non-vested employee stock options during the twelve months ended June 30, 2016 is presented below:

	Options	Weighted Average Grant-Date Fair Value
Non-vested at July 1, 2015	17,500	$ 1.69
Granted	40,000	-
Vested	(18,750)	-
Forfeited		-
Non-vested at June 30, 2016	38,750	$ 3.22

A summary of the status of the Company's non-vested employee stock options during the twelve months ended June 30, 2015 is presented below:

	Options	Weighted Average Grant-Date Fair Value
Non-vested at July 1, 2014	26,250	$ 1.69
Granted	-	-
Vested	8,750	-
Forfeited	-	-
Non-vested at June 30, 2015	17,500	$ 1.69

2007 Directors Equity Incentive Plan

The 2007 Directors Plan permits the grant of options covering up to an aggregate of 500,000 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.

On March 21, 2016, the Company granted options to purchase 150,000 shares of its Common Stock to directors pursuant to the 2007 Directors Plan with an exercise price equal to the fair market value of 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 150,000 shares of the Company's Common Stock was approximately $489 based on the fair value of $3.26 per share determined by the Black Scholes option pricing model. As all of the stock options granted under the 2007 Directors Plan vest immediately at the date of grant, there were no unvested stock options granted under the 2007 Directors Plan as of June 30, 2016. The Company recognized stock-based compensation expenses of $42 in the fiscal year 2016 under the 2007 Directors Plan. No stock options were exercised during the fiscal year 2016. There were 80,000 shares of Common Stock available for grant under the 2007 Directors Plan.

On October 5, 2015, the Company granted options to purchase 50,000 shares of its Common Stock to directors pursuant to the 2007 Directors Plan with an exercise price equal to the fair market value of 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 $51 based on the fair value of $2.69 per share determined by the Black Scholes option pricing model. As all of the stock options granted under the 2007 Directors Plan vest immediately at the date of grant, there were no unvested stock options granted under the 2007 Directors Plan as of June 30, 2015. The Company recognized stock-based compensation expenses of $55 in the six months ended December 31, 2015 under the 2007 Directors Plan. No stock options were exercised during the nine months ended December 31, 2015. No stock options were exercised during the six months ended December 31, 2015.

During the fiscal year 2015, the Company granted options to purchase 50,000 shares of its Common Stock to our directors pursuant to the 2007 Directors Plan 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) on October 21, 2014, the date of grant thereof. The fair value of the options granted to purchase 50,000 shares of the Company's Common Stock was $191 based on the grant date fair value of $3.81 per share determined by the Black Scholes option pricing model.

There were no stock options exercised during the fiscal year 2016, hence there were no proceeds from exercise of stock options during fiscal year 2016. The Company recognized stock-based compensation expenses of $$99 in the twelve-month period ended June 30, 2016 under the 2007 Directors Plan.

There were no stock options exercised during the twelve-month period ended June 30, 2015, hence there were no proceeds from exercise of stock options during fiscal year 2015. The Company recognized stock-based compensation expenses of $106 in the twelve-month period ended June 30, 2015 under the 2007 Directors Plan.

As of June 30, 2016, there were vested director stock options covering a total of 415,000 shares of Common Stock. The weighted-average exercise price was $3.14 and the weighted average remaining contractual term was 3.29 years. The total fair value of vested directors' stock options as of June 30, 2016 was $24. All of our director stock options vest immediately at the date of grant. There were no unvested director stock options as of June 30, 2016.

As of June 30, 2015, there were vested director stock options covering a total of 365,000 shares of Common Stock. The weighted-average exercise price was $3.65 and the weighted average remaining contractual term was 1.99 years. The total fair value of vested directors' stock options as of June 30, 2015 was $24. All of our director stock options vest immediately at the date of grant. There were no unvested director stock options as of June 30, 2015.

A summary of option activities under the 2007 Directors Plan during the twelve months ended June 30, 2016 is presented as follows:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at July 1, 2015	365,000	$ 3.65	1.99	$ 53
Granted	200,000	3.12		
Exercised				
Forfeited or expired	(150,000)	4.35		
Outstanding at June 30, 2016	415,000	3.14	3.29	198
Exercisable at June 30, 2016	415,000	3.14	3.29	198

A summary of option activities under the 2007 Directors Plan during the twelve months ended June 30, 2015 is presented as follows:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at July 1, 2014	315,000	$ 3.62	2.63	$ 24
Granted	50,000	3.81	-	-
Exercised	-	-	-	-
Forfeited or expired	-	-	-	-
Outstanding at June 30, 2015	365,000	$ 3.65	1.99	$ 53
Exercisable at June 30, 2015	365,000	$ 3.65	1.99	$ 53

27. NON-CONTROLLING INTEREST

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

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

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

Non-controlling interest	For the Year Ended June 30, 2016	2015
Beginning balance	$ 1,736	$ 1,732
Net income	282	303
Dividend declared by a subsidiary	(181)	-
Translation adjustment	(223)	(299)
Ending balance	$ 1,614	$ 1,736

28. RELATED PARTY TRANSACTION

There were no related party transactions in fiscal year 2016 or 2015.