



WONHE MULTIMEDIA COMMERCE LIMITED ACN 607 288 755
LEVEL 14, 565 BOURKE ST, MELBOURNE, 3000 PH 613 9041 6663

15 November 2016

ASX Announcement
Parent Entity Financial Report

Please see attached Financial Report lodged by the parent entity of Wonhe Multimedia Commerce Limited, Wonhe High-Tech International, with the U.S. Securities and Exchange Commission.

Justyn Stedwell
Company Secretary
Wonhe Multimedia Commerce Limited

U. S. Securities and Exchange Commission
Washington, D. C. 20549

FORM 10-Q

☒ QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2016

☐ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File No. 0-54744

WONHE HIGH-TECH INTERNATIONAL, INC.
(Name of Registrant in its Charter)

Nevada

26-0775642

(State of Other Jurisdiction of
incorporation or organization)

(I.R.S.) Employer I.D. No.)

Room 1001, 10th Floor, Resource Hi-Tech Building South Tower
No. 1 Songpingshan Road, North Central Avenue North High-Tech Zone
Nanshan District, Shenzhen, Guangdong Province, P.R. China 518057
(Address of Principal Executive Offices)

Issuer's Telephone Number: 852-2815-0191

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

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

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

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

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☒

APPLICABLE ONLY TO CORPORATE ISSUERS: Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date:

November 14, 2016
Common Voting Stock: 73,510,130

**WONHE HIGH-TECH INTERNATIONAL, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE FISCAL QUARTER ENDED SEPTEMBER 30, 2016**

TABLE OF CONTENTS

	<u>Page No</u>
Part I Financial Information	
Item 1. Financial Statements (unaudited):	1
Consolidated Balance Sheets (Unaudited) – September 30, 2016 and December 31, 2015	1
Consolidated Statements of Income and Other Comprehensive Income (Unaudited) - for the Three and Nine Months Ended September 30, 2016 and 2015	3
Consolidated Statement of Changes in Stockholders Equity (Unaudited) for the Nine Months Ended September 30, 2016	6
Consolidated Statements of Cash Flows (Unaudited) – for the Nine Months Ended September 30, 2016 and 2015	7
Notes to Consolidated Financial Statements (Unaudited)	9
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	30
Item 3. Quantitative and Qualitative Disclosures about Market Risk	35
Item 4. Controls and Procedures	36
Part II Other Information	
Item 1. Legal Proceedings	37
Items 1A. Risk Factors	37
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	37
Item 3. Defaults upon Senior Securities	37
Item 4. Mine Safety Disclosures	37
Item 5. Other Information	37
Item 6. Exhibits	37
Signatures	38

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(IN U.S. \$)

	September 30, 2016	December 31, 2015
	(Unaudited)	
ASSETS		
Current assets:		
Cash	\$ 43,903,921	\$ 52,074,752
Accounts receivable	5,101,893	3,645,907
Inventory	138,042	-
Prepaid expense	22,019	-
Total current assets	49,165,875	55,720,659
Fixed assets	865,760	2,161,102
Less: accumulated depreciation	(390,837)	(416,521)
Fixed assets, net	474,923	1,744,581
Other assets:		
Intangible assets, net	11,244	16,749
Investment in project	23,360,531	5,852,430
Other assets	17,541	17,121
Prepaid income taxes	146,296	1,164,478
Total other assets	23,535,612	7,050,778
TOTAL ASSETS	\$ 73,176,410	\$ 64,516,018

See accompanying notes to the consolidated financial statements.

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(IN U.S. \$)

September 30, **December 31,**
2016 **2015**
(Unaudited)

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Payroll payable	\$ 56,848	\$ 47,891
Taxes payable	936,972	176,997
Dividend payable	186,122	-
Loan from stockholder	408,996	335,655
Accrued expenses and other payables	177,367	192,550
Total current liabilities	1,766,305	753,093

Commitments and Contingencies

Stockholders' equity:

Preferred stock: \$0.001 par value; 10,000,000 shares authorized; none issued and outstanding	-	-
Common stock: \$0.001 par value; 90,000,000 shares authorized; 73,510,130 and 58,510,130 shares issued and outstanding at September 30, 2016 and December 31, 2015, respectively	73,510	58,510
Additional paid-in capital	38,781,666	37,592,346
Retained earnings	11,423,571	7,610,229
Statutory reserve fund	2,123,887	1,695,564
Other comprehensive (loss)	(2,822,954)	(1,989,695)
Stockholders' equity before noncontrolling interests	49,579,680	44,966,954
Noncontrolling interests	21,830,425	18,795,971
Total stockholders' equity	71,410,105	63,762,925
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 73,176,410	\$ 64,516,018

See accompanying notes to the consolidated financial statements.

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME (LOSS)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(IN U.S. \$) (UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Sales	\$ 12,229,139	\$ 8,005,378	\$ 33,864,873	\$ 21,430,062
Cost of sales	(8,288,251)	(4,643,462)	(22,654,594)	(11,759,459)
Gross profit	3,940,888	3,361,916	11,210,279	9,670,603
Operating expenses:				
Research and development expenses	225,067	48,770	378,585	104,155
Selling and marketing	140,710	309,859	442,422	441,221
General and administrative	261,187	8,055,125	934,585	8,356,569
Total operating expenses	626,964	8,413,754	1,755,592	8,901,945
Income from operations	3,313,924	(5,051,838)	9,454,687	768,658
Non-operating income (loss):				
Interest income	99,367	48,098	272,195	129,770
Write off leasehold improvements	-	(54,404)	-	(54,404)
Other non-operating income (loss)	27	(8,150)	(4,154)	(8,150)
Total non-operating income (loss)	99,394	(14,456)	268,041	67,216

See accompanying notes to the consolidated financial statements.

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME (LOSS)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(IN U.S. \$) (UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Income (Loss) before provision for income taxes	3,413,318	(5,066,294)	9,722,728	835,874
Provision for income taxes	883,926	311,426	1,698,921	1,051,267
Net income (loss)	2,529,392	(5,377,720)	8,023,807	(215,393)
Noncontrolling interests	1,192,900	(661,853)	3,782,143	(919,348)
Net income (loss) attributable to common stockholders	\$ 1,336,492	\$ (6,039,573)	\$ 4,241,664	\$ (1,134,741)
Earnings (loss) per common share, basic and diluted	\$ 0.02	\$ (0.1)	\$ 0.06	\$ (0.02)
Weighted average shares outstanding, basic and diluted	73,510,130	58,510,130	64,444,196	51,800,130

See accompanying notes to the consolidated financial statements.

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME (LOSS)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(IN U.S. \$) (UNAUDITED)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Comprehensive income (loss):				
Net income (loss)	\$ 2,529,392	\$ (5,377,720)	\$ 8,023,807	\$ (215,393)
Foreign currency translation adjustment	209,449	(2,354,088)	(1,396,779)	(2,191,963)
Comprehensive (loss) income	2,738,841	(7,731,808)	6,627,028	(2,407,356)
Comprehensive income (loss) attributable to noncontrolling interests	1,112,404	266,459	3,218,623	530,811
Net comprehensive income (loss) attributable to common stockholders	\$ 1,626,437	\$ (7,998,267)	\$ 3,408,405	\$ (2,938,167)

See accompanying notes to the consolidated financial statements.

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016
(UNAUDITED, IN U.S. \$)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Statutory Reserve Fund	Noncontrolling Interests	Other Comprehensive Income	Total
Balance, December 31, 2015	\$ 58,510	\$37,592,346	\$ 7,610,229	\$1,695,564	\$ 18,795,971	\$ (1,989,695)	\$63,762,925
Sale of common stock	15,000	1,189,320	-	-	-	-	1,204,320
Net income	-	-	4,241,665	-	3,782,142	-	8,023,807
Appropriation of statutory reserve	-	-	(428,323)	428,323	-	-	-
Dividend declared	-	-	-	-	(184,168)	-	(184,168)
Other comprehensive income	-	-	-	-	(563,520)	(833,259)	(1,396,779)
Balance, September 30, 2016	\$ 73,510	\$38,781,666	\$11,423,571	\$2,123,887	\$ 21,830,425	\$ (2,822,954)	\$71,410,105

See accompanying notes to the consolidated financial statements.

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(UNAUDITED, IN U.S. \$)

	Nine Months Ended September 30,	
	2016	2015
Cash flows from operating activities:		
Net income (loss)	\$ 8,023,807	\$ (215,393)
Adjustment to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	180,570	115,298
Loss on disposal of fixed assets	4,144	54,404
Stock compensation for shareholder and consultants	-	7,534,080
Change in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(1,456,406)	535,864
(Increase) in inventory	(138,042)	-
(Increase) in prepaid expenses	(22,019)	-
Decrease in prepaid income taxes	1,018,182	714,605
Increase in payroll payable	8,957	20,859
Increase (decrease) in taxes payable	759,975	(20,195)
(Decrease) increase in accrued expenses and other payable	(15,184)	52,104
Net cash provided by operating activities	8,363,984	8,791,626
Cash flows from Investing activities:		
Purchase of property, plant and equipment	(56,951)	(1,889,913)
Purchase of intangible assets	(7,569)	(21,830)
Proceeds from sale of subsidiary's stock	-	1,290
Purchase of VIE	-	(1,569)
Investment in project	(16,789,227)	-
Net cash used in investing activities	(16,853,747)	(1,912,022)
Cash flows from financing activities:		
Proceeds from sales of common stock	1,204,320	15,196,298
Net cash provided by financial activities	1,204,320	15,196,298
Effect of exchange rate changes on cash	(885,388)	(2,144,561)
Net change in cash	(8,170,831)	19,931,341
Cash, beginning	52,074,752	34,447,100
Cash, ending	\$ 43,903,921	\$ 54,378,441

See accompanying notes to the consolidated financial statements.

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(UNAUDITED, IN U.S. \$)

	Nine Months Ended September 30,	
	2016	2015
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	\$ -	\$ 391,805
Cash paid for interest	\$ -	\$ -
Noncash Investing activities:		
Fixed assets transferred to investment in project	\$ 1,270,689	\$ -
Noncash financing activities:		
Dividend declared not paid	186,122	-
Payment of accrued expenses by stockholder	\$ 75,000	\$ 70,742

See accompanying notes to the consolidated financial statements.

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(UNAUDITED, IN U.S. \$)

1. ORGANIZATION AND BUSINESS

Wonhe High-Tech International, Inc. (the “Company” or “Wonhe High-Tech”) was incorporated in the State of Nevada on August 13, 2007. The Company changed its name from Baby Fox International, Inc. to Wonhe High-Tech International, Inc. on April 20, 2012. On June 27, 2012, the Company acquired all of the outstanding capital stock of World Win International Holding Ltd. or “World Win” in exchange for 19,128,130 shares of the Company’s common stock (the “Share Exchange”).

As a result of the acquisition in June 2012, the Company’s consolidated subsidiaries included World Win, the Company’s wholly-owned subsidiary, which is incorporated under the laws of the British Virgin Island (“BVI”), Kuayu International Holdings Group Limited (Hong Kong), or “Kuayu,” a wholly-owned subsidiary of World Win which is incorporated under the laws of Hong Kong, and Shengshihe Management Consulting (Shenzhen) Co., Ltd., or “Shengshihe Consulting,” a wholly-owned subsidiary of Kuayu which is incorporated under the laws of the People’s Republic of China (“PRC”). The Company also consolidated the financial position and results of operations of Shenzhen Wonhe Technology Co., Ltd., or “Shenzhen Wonhe,” a company incorporated under the laws of the PRC which was effectively and substantially controlled by Shengshihe Consulting through a series of captive agreements. Shenzhen Wonhe was considered a variable interest entity (“VIE”) of Shengshihe Consulting.

On May 30, 2012, Shenzhen Wonhe entered into (i) an Exclusive Technical Service and Business Consulting Agreement, (ii) a Proxy Agreement, (iii) Share Pledge Agreement, and (iv) Call Option Agreement with Shengshihe Consulting. The foregoing agreements are collectively referred to as the “VIE Agreements.”

Exclusive Technical Service and Business Consulting Agreement: Pursuant to the Exclusive Technical Service and Business Consulting Agreement, Shengshihe Consulting provided technical support, consulting, training, marketing and business consulting services to Shenzhen Wonhe as related to its business activities. In consideration for such services, Shenzhen Wonhe agreed to pay as an annual service fee to Shengshihe Consulting, 95% of Shenzhen Wonhe’s annual net income plus an additional monthly payment of approximately \$8,015 (RMB 50,000). The agreement had an unlimited term and could only be terminated by mutual agreement of the parties.

Proxy Agreement: Pursuant to the Proxy Agreement, the stockholders of Shenzhen Wonhe agreed to irrevocably entrust Shengshihe Consulting to designate a qualified person, acceptable under PRC law and foreign investment policies, to vote all of the equity interests in Shenzhen Wonhe held by each of its stockholders. The Agreement had an unlimited term and could only be terminated by mutual agreement of the parties.

Call Option Agreement: Pursuant to the Call Option Agreement, Shengshihe Consulting had an exclusive option to purchase, or to designate a purchaser for, to the extent permitted by PRC law and foreign investment policies, part or all of the equity interests in Shenzhen Wonhe held by each of its stockholders. To the extent permitted by PRC laws, the purchase price for the entire equity interest was approximately \$0.16 (RMB1.00) or the minimum amount required by PRC law or government practice.

Share Pledge Agreement: Pursuant to the Share Pledge Agreement, the stockholders of Shenzhen Wonhe pledged their shares to Shengshihe Consulting to secure the obligations of Shenzhen Wonhe under the Exclusive Technical Service and Business Consulting Agreement. In addition, the stockholders of Shenzhen Wonhe agreed not to transfer, sell, pledge, dispose of or create any encumbrance on their interests in Shenzhen Wonhe that would affect Shengshihe Consulting’s interests.

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(UNAUDITED, IN U.S. \$)

1. ORGANIZATION AND BUSINESS (continued)

Until September 15, 2015, Shengshihe Management controlled Shenzhen Wonhe through the above contractual agreements, which made Shenzhen Wonhe a variable interest entity, the effect of which was to cause the balance sheet and operating results of Shenzhen Wonhe to be consolidated with those of Shengshihe Management in the Company's financial statements.

On September 15, 2015, Shengshihe Consulting, exercised its option to purchase all of the registered equity of Shenzhen Wonhe. The purchase price paid for the equity was RMB10,000 (approximately \$1,569). The equity was purchased from Qing Tong, Nanfang Tong, Youliang Wang and Jingwu Li, who are the members of Wonhe High-Tech's Board of Directors. As a result of the acquisition by Shengshihe Consulting of the registered ownership of Shenzhen Wonhe, the balance sheet and operating results of Shenzhen Wonhe will hereafter continue to be consolidated with those of Shengshihe Consulting as its 100% owned subsidiary.

In July 2015, World Win, the Company's wholly-owned subsidiary, organized Wonhe Multimedia Commerce Ltd. ("Australian Wonhe") under Australian law. 60% of the capital stock of Australian Wonhe was issued to World Win, 25% was issued to Wonhe International (Hong Kong), which is wholly owned and controlled by Qing Tong, who is Chairman of the Board of Wonhe High-Tech and the remaining 15% was issued to three non-affiliated financial consultants. On August 5, 2015, World Win sold all of the outstanding capital stock of Kuayu to Australian Wonhe. In exchange for Kuayu, Australian Wonhe paid World Win \$10,000 Hong Kong Dollars (US \$1,290). Kuayu is the sole owner of Shengshihe Consulting, which in turn had the VIE agreements with Shenzhen Wonhe at that time, the Company's VIE and operating company. The sale of Kuayu, therefore, reduced the interest of the Company in its operating company by 40%.

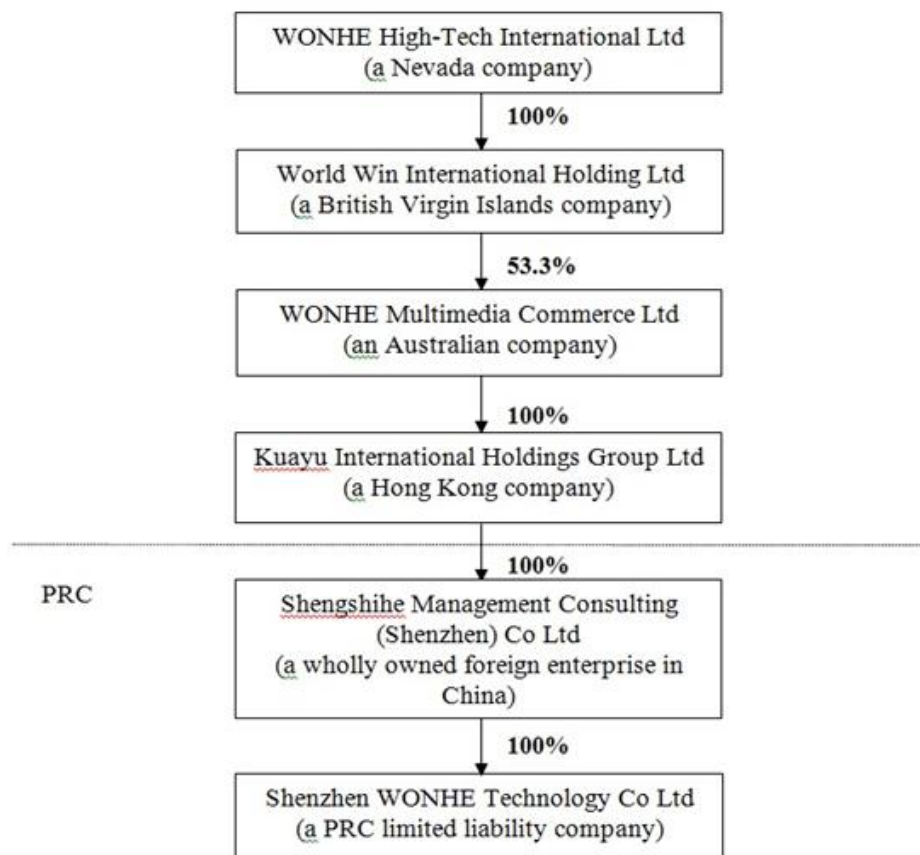
On December 21, 2015, the Company's 60% owned subsidiary, Australia Wonhe was listed on the ASX and sold 16,951,802 of its ordinary shares for net proceeds of \$1,941,318.

The 33,750,000 shares of Australia Wonhe issued to the chairman of the board's wholly owned company, Wonhe International (Hong Kong), and the 20,250,000 shares issued to the financial consultants were recognized as compensation during the nine months ended September 30, 2015. The value of the compensation was determined using the public offering price of \$0.13952 US per share for the shares to be sold in Australia. The total stock compensation recognized was \$7,534,080.

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(UNAUDITED, IN U.S. \$)

1. ORGANIZATION AND BUSINESS (continued)

The Company's current organization structure is as follows:



Shenzhen Wonhe is a Chinese entity established on November 16, 2010 with registered capital of \$7,495,000. It specializes in the research and development, outsourced-manufacturing and sale of hi-tech products based on x86 (instruction set architecture based on the Intel 8086 CPU) and ARM (32-bit reduced instruction set architecture). Current products still under research and development include a Smart Media Box (SMB), Home Smart Server (HSS), Mini PC (MPC), All in One PC (AIO-PC), Business PAD (B-PAD), and Portable PAD (P-PAD). The Company started to sell its new product HMC 720 in the last quarter of 2014. In addition, the Company started to sell another new product, a Wi-Fi Router with model number YLT-100S, during the first quarter of 2015 and model number YLT-300S during the second quarter of 2015. YLT-100S is used by individuals, and YLT-300S is used in shopping malls. Shenzhen Wonhe is located in the Shenzhen, Guangdong Province in the PRC.

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(UNAUDITED, IN U.S. \$)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting. The consolidated financial statements as of and for the three and nine months ended September 30, 2016 and 2015 include Wonhe High-Tech, World Win, Wonhe Multimedia, Kuayu, Shengshihe Consulting and Shenzhen Wonhe. All significant intercompany accounts and transactions have been eliminated in consolidation.

The unaudited interim consolidated financial statements of the Company as of September 30, 2016 and for the three and nine months ended September 30, 2016 and 2015, have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules and regulations of the SEC which apply to interim financial statements. Accordingly, they do not include all of the information and footnotes normally required by accounting principles generally accepted in the United States of America for annual financial statements. In the opinion of management, such information contains all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for the periods presented. The interim consolidated financial information should be read in conjunction with the consolidated financial statements and the notes thereto, included in the Company's Form 10-K filed with the SEC. The results of operations for the three and nine months ended September 30, 2016 and 2015 are not necessarily indicative of the results to be expected for future quarters or for the year ending December 31, 2016.

All consolidated financial statements and notes to the consolidated financial statements are presented in United States dollars ("US Dollar" or "US\$" or "\$").

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Foreign Currency Translation

Almost all of the Company's assets are located in the PRC. The functional currency for the majority of the operations is the Renminbi ("RMB"). For Kuayu, the functional currency for the majority of its operations is the Hong Kong Dollar ("HKD"). For Australian Wonhe, the functional currency is the Australian dollar ("AUD"). The Company uses the US Dollar for financial reporting purposes. The consolidated financial statements of the Company have been translated into US dollars in accordance with the Financial Accounting Standards Board "FASB" Accounting Standards Codification "ASC" section 830, "*Foreign Currency Matters*."

All asset and liability accounts have been translated using the exchange rate in effect at the balance sheet date. Equity accounts have been translated at their historical exchange rates when the capital transactions occurred. The consolidated statements of operations and other comprehensive income (loss) amounts have been translated using the average exchange rate for the periods presented. Adjustments resulting from the translation of the Company's consolidated financial statements are recorded as other comprehensive income (loss).

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(UNAUDITED, IN U.S. \$)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currency Translation (continued)

The exchange rates used to translate amounts in RMB into US dollars for the purposes of preparing the consolidated financial statements are as follows:

	September 30,		December 31,	
	2016		2015	
	(unaudited)			
Balance sheet items, except for stockholders' equity, as of periods end	0.1499		0.1540	

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Amounts included in the statements of income and cash flows for the periods	0.1500	0.1593	0.1520	0.1617

The exchange rates used to translate amounts in AUD into US dollars for the purposes of preparing the consolidated financial statements are as follows:

	September 30,		December 31,	
	2016		2015	
	(unaudited)			
Balance sheet items, except for stockholders' equity, as of periods end	0.7635		0.7288	

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Amounts included in the statements of income and cash flows for the periods	0.7579	0.7773	0.7420	0.7819

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(UNAUDITED, IN U.S. \$)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currency Translation (continued)

For the three and nine months ended September 30, 2016 and 2015, foreign currency translation adjustments of \$209,449 and \$(2,354,088) respectively, \$(1,396,779) and \$(2,191,963), respectively, have been reported as other comprehensive income (loss). Other comprehensive income (loss) of the Company consists solely of foreign currency translation adjustments. Pursuant to FASB ASC 740-30-25-17, "*Exceptions to Comprehensive Recognition of Deferred Income Taxes*," the Company does not recognize deferred U.S. taxes related to the undistributed earnings of its foreign subsidiaries and, accordingly, recognizes no income tax expense or benefit from foreign currency translation adjustments.

Although government regulations now allow convertibility of the RMB for current account transactions, significant restrictions still remain. Hence, such translations should not be construed as representations that the RMB could be converted into US and Australian dollars at that rate or any other rate.

The value of the RMB against the US and Australian dollar may fluctuate and is affected by, among other things, changes in the PRC's political and economic conditions. Any significant revaluation of the RMB may materially affect the Company's financial condition in terms of US dollar reporting.

Revenue and Cost Recognition

The Company receives revenues from the sale of electronic products. The Company's revenue recognition policies are in compliance with SEC Staff Accounting Bulletin ("SAB") 104 (codified in FASB ASC Topic 605). Sales revenue is recognized when the products are delivered and when customer acceptance occurs, the price is fixed or determinable, no other significant obligations of the Company exist and collectability is reasonably assured. Finished goods are delivered from outsourced manufacturers to the Company. Revenue is recognized when the title to the products has been passed to the customer, which is the date the products are picked up by the customer at the Company's location or delivered to the designated locations by Company employees and accepted by the customer and the previously discussed requirements are met. The customer's acceptance occurs upon inspection at the time of pickup or delivery by signing an acceptance form.

The Company does not provide its customers with the right of return. A 36-month warranty is offered to customers for exchange or repair of defective products, the cost of which is substantially covered by the outsourced manufacturers' warranty policies as specified in the contract between the Company and its outsourced manufacturers. As a result, the Company does not recognize a warranty liability.

The Company follows the guidance set forth by FASB ASC 605-45-45 to assess whether the Company acts as the principal or agent in the transaction. The determination involves judgment and is based on an evaluation of whether the Company has the substantial risks and rewards of ownership under the terms of the arrangement. Based on the assessment, the Company determined it acts as a principal in the transaction and reports revenues on the gross basis.

FASB ASC 605-45-45 sets forth eight criteria that support reporting recognition of gross revenue (i.e. principal sales) and three that support reporting net revenue (i.e. agent sales). As applied to the relationship between the Company, its manufacturers, and its customers, the following are the criteria that support reporting gross revenue:

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(UNAUDITED, IN U.S. \$)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and Cost Recognition (continued)

- Shenzhen Wonhe is the primary obligor in each sale, as it is responsible for fulfillment of customer orders, including the acceptability of the products purchased by the customer.
- Shenzhen Wonhe has general inventory risk, as it takes title to a product before that product is ordered by or delivered to a customer.
- Shenzhen Wonhe establishes its own pricing for its products.
- Shenzhen Wonhe has discretion in supplier selection.
- Shenzhen Wonhe designed the Home Media Center Model 720 (the “HMC720”) and the two Wi-Fi Routers and is responsible for all of its specifications.
- Shenzhen Wonhe has physical inventory loss risk until the product is delivered to the customer.
- Shenzhen Wonhe has full credit risk for amounts billed to its customers.

The only criterion supporting recognition of gross revenue that is not satisfied by the relationship between the Company and its manufacturers is: the entity changes the product or performs part of the service. Moreover, none of the three criteria supporting recognition of net revenue is present in the Company’s sales transactions. For this reason, the Company records gross revenue with respect to sales by Shenzhen Wonhe.

Fair Value of Financial Instruments

FASB ASC 820 specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs). In accordance with ASC 820, the following summarizes the fair value hierarchy:

Level 1 Inputs – Unadjusted quoted market prices for identical assets and liabilities in an active market that the Company has the ability to access.

Level 2 Inputs – Inputs other than the quoted prices in active markets that are observable either directly or indirectly.

Level 3 Inputs – Inputs based on prices or valuation techniques that are both unobservable and significant to the overall fair value measurements.

ASC 820 requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. As of September 30, 2016 and December 31, 2015, none of the Company’s assets and liabilities was required to be reported at fair value on a recurring basis. Carrying values of non-derivative financial instruments, including cash, accounts receivable and various payables, approximate their fair values due to the short term nature of these financial instruments. There were no changes in methods or assumptions during the periods presented.

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(UNAUDITED, IN U.S. \$)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising Costs

Advertising costs are paid to an advertising agency for market analysis and strategic planning and are charged to operations when incurred. Advertising costs were \$112,514 and \$134,316, respectively, \$341,975 and \$232,056, respectively, for the three and nine months ended September 30, 2016 and 2015.

Research and Development Costs

The Company develops software to be marketed as part of its products, and that is not for internal use. The software is essential to the functionality of the Company's tangible products. Therefore, the Company accounts for research and development costs incurred in development of its software in accordance with FASB ASC 985-20.

Research and development costs are charged to operations when incurred. Development costs of computer software to be sold, leased, or otherwise marketed are subject to capitalization beginning when a product's technological feasibility has been established and ending when a product is available for general release to customers. In most instances, the Company's products are released soon after technological feasibility has been established. Therefore, costs incurred subsequent to achievement of technological feasibility are usually not significant, and generally most software development costs have been expensed as incurred. Research and development costs were \$225,067 and \$48,770, respectively, and \$378,585 and \$104,155, respectively, for the three and nine months ended September 30, 2016 and 2015.

Cash and Cash Equivalents

The Company considers all demand and time deposits and all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at cost, net of an allowance for doubtful accounts. Receivables outstanding longer than the payment terms are considered past due. The Company provides an allowance for doubtful accounts for estimated losses resulting from the failure of customers to make required payments, when due. The Company reviews the accounts receivable on a periodic basis and makes allowances where there is doubt as to the collectability of the outstanding balance. In evaluating the collectability of an individual receivable balance, the Company considers many factors, including the age of the balance, the customer's payment history, its current credit-worthiness and current economic trends. As of September 30, 2016 and December 31, 2015, the Company considered all accounts receivable collectable and an allowance for doubtful accounts was not necessary. For the three and nine months ended September 30, 2016 and 2015, the Company did not write off any accounts receivable as bad debts.

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(UNAUDITED, IN U.S. \$)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed Assets and Depreciation

Fixed assets are recorded at cost, less accumulated depreciation. Cost includes the price paid to acquire the asset, and any expenditure that substantially increases the asset's value or extends the useful life of an existing asset. Leasehold improvements are amortized over the lesser of the remaining term of the lease or the estimated useful lives of the improvements. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Major repairs and betterments that significantly extend original useful lives or improve productivity are capitalized and depreciated over the periods benefited. Maintenance and repairs are generally expensed as incurred.

The estimated useful lives for fixed asset categories are as follows:

Office equipment	5 years
Motor vehicles	5 years
Leasehold improvements	Shorter of the remaining term of the lease or life of the improvement

Impairment of Long-lived Assets

The Company applies FASB ASC 360, "*Property, Plant and Equipment*," which addresses the financial accounting and reporting for the recognition and measurement of impairment losses for long-lived assets. In accordance with ASC 360, long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company may recognize the impairment of long-lived assets in the event the net book value of such assets exceeds the future undiscounted cash flows attributable to those assets. No impairment of long-lived assets was recognized for the periods presented.

Statutory Reserve Fund

Pursuant to corporate law of the PRC, Shengshihe Consulting and Shenzhen Wonhe are required to transfer 10% of their net income, as determined under PRC accounting rules and regulations, to a statutory reserve fund until such reserve balance reaches 50% of their registered capital. The statutory reserve fund is non-distributable, other than during liquidation, and can be used to fund prior years' losses, if any, and may be utilized for business expansion or used to increase registered capital, provided that the remaining reserve balance after such use is not less than 25% of the registered capital. As of September 30, 2016, \$2,123,887 has been transferred from retained earnings to the statutory reserve fund.

Income Taxes

The Company accounts for income taxes in accordance with FASB ASC 740, "*Income Taxes*" ("ASC 740"), which requires the recognition of deferred income taxes for differences between the basis of assets and liabilities for financial statement and income tax purposes. Deferred tax assets and liabilities represent the future tax consequences for those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes are also recognized for operating losses that are available to offset future taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(UNAUDITED, IN U.S. \$)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes (continued)

ASC 740 addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under ASC 740, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position would be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. ASC 740 also provides guidance on de-recognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, and accounting for interest and penalties associated with these tax positions. As of September 30, 2016 and December 31, 2015, the Company did not have any liabilities for unrecognized tax benefits.

The income tax laws of various jurisdictions in which the Company and its subsidiaries operate are summarized as follows:

United States

The Company is subject to United States tax at graduated rates from 15% to 35%. No provision for income taxes in the United States has been made as the Company had no U.S. taxable income for the three and nine months ended September 30, 2016 and 2015.

BVI

World Win is incorporated in the BVI and is governed by the income tax laws of the BVI. According to current BVI income tax law, the applicable income tax rate for the Company is 0%.

Australia

Australian Wonhe is incorporated in Australia. Pursuant to the income tax laws of Australia, the Company is not subject to tax on non-Australia source income.

Hong Kong

Kuayu International is incorporated in Hong Kong. Pursuant to the income tax laws of Hong Kong, the Company is not subject to tax on non-Hong Kong source income.

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(UNAUDITED, IN U.S. \$)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes (continued)

PRC

Shenzhen Wonhe and Shengshihe Consulting are subject to an Enterprise Income Tax at 25% and each file their own tax returns. Consolidated tax returns are not permitted in China. On July 23, 2012, the National Tax Bureau, Shenzhen Nanshan Branch declared that Shenzhen Wonhe is qualified for the preferential tax treatment afforded by the PRC to enterprises engaged in the development of software or integrated circuits. As a result, starting from its first profitable year, Shenzhen Wonhe had a two-year exemption from the Enterprise Income Tax and has a 50% exemption for the next three years commencing January 1, 2014. The tax regulations required that the enterprise pay income tax until its eligibility for the exemption is determined - i.e. until the local tax bureau determines that the enterprise has recorded its first profitable year. Payments were made of approximately \$2,600,000 (RMB 16,107,000) based upon 2012 income while the local tax bureau reviewed the Company's financial results. The National Tax Bureau determined that the Company had realized a profit in 2012. Since the Company was declared exempt from tax with respect to 2012, the payments that were made will be applied to future income taxes due. The payments have been reflected as prepaid income taxes on the balance sheet as of September 30, 2016 and December 31, 2015. As of June 30, 2016, the eligibility for the 50% tax exemption had expired. From July 1, 2016, the Company will be required to pay 25% Enterprise Income Tax in full without any tax exemption. For the three and nine months ended September 30, 2016 and 2015, the Company offset the income tax provision of \$188,707 and \$309,417, respectively, and \$1,003,702 and \$1,045,118, respectively, leaving a balance of prepaid income taxes of \$146,296 on September 30, 2016.

Noncontrolling Interests

The noncontrolling interest in Wonhe Multimedia is not attributable, directly or indirectly, to the Company. The noncontrolling interest is measured at its carrying value in the stockholders' equity section of the consolidated balance sheets.

Net Income (Loss) Per Share

The Company computes net income (loss) per common share in accordance with FASB ASC 260, "*Earnings Per Share*" ("ASC 260"). Under the provisions of ASC 260, basic net income per common share is computed by dividing the amount available to common stockholders by the weighted average number of shares of common stock outstanding during the period. Diluted income per common share is computed by dividing the amount available to common stockholders by the weighted average number of shares of common stock outstanding plus the effect of any dilutive shares outstanding during the period. Accordingly, the number of weighted average shares outstanding as well as the amount of net income per share are presented for basic and diluted per share calculations for the period reflected in the accompanying consolidated statements of operations and other comprehensive income. There were no dilutive shares outstanding during the three and nine months ended September 30, 2016 and 2015.

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(UNAUDITED, IN U.S. \$)

3. RECENTLY ISSUED ACCOUNTING STANDARDS

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. This ASU addresses the classification of certain specific cash flow issues including debt prepayment or extinguishment costs, settlement of certain debt instruments, contingent consideration payments made after a business combination, proceeds from the settlement of certain insurance claims and distributions received from equity method investees. This ASU is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years, with early adoption permitted. An entity that elects early adoption must adopt all of the amendments in the same period. The Company is currently evaluating the effect this ASU will have on its consolidated statement of cash flows.

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The new standard requires financial assets measured at amortized cost be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The standard will be effective for the Company beginning January 1, 2020, with early application permitted. The Company is evaluating the impact of adopting this new accounting guidance on its consolidated financial statements.

In May, 2016, the FASB issued ASU No. 2016-10, Revenue with Contracts with Customers: Narrow-scope Improvements and Practical Expedients, which is an amendment to ASU No. 2014-09 that clarifies the objective of the collectability criterion, to allow entities to exclude amounts collected from customers from all sales taxes from the transaction price, to specify the measurement date for noncash consideration is contract inception, variable consideration guidance applies only to variability resulting from reasons other than the form of the consideration, and clarification on contract modifications at transition. The implementation guidelines follow ASU No. 2014-09.

In April, 2016, the FASB issued ASU No. 2016-10, Revenue with Contracts with Customers: Identifying Performance Obligations and Licensing, which is an amendment to ASU No. 2014-09 that clarifies the aspects of identifying performance obligations and the licensing implementing guidance, while retaining the related principles within those areas. The implementation guidelines follow ASU No. 2014-09.

In March, 2016, the FASB issued ASU No. 2016-08, Revenue with Contracts with Customers: Principal versus Agent Considerations (Reporting Revenue Gross versus net), which is an amendment to ASU No. 2014-09 that improved the operability and understandability of implementation guidance versus agent considerations by clarifying the determination of principal versus agent. The implementation guidelines follow ASU No. 2014-09.

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(UNAUDITED, IN U.S. \$)

3. RECENTLY ISSUED ACCOUNTING STANDARDS (continued)

In March 2016, the FASB issued ASU No. 2016-06, Contingent Put and Call Options in Debt Instruments, Derivatives and Hedging (Topic 815). ASU 2016-06 clarifies that determining whether the economic characteristics of a put or call are clearly and closely related to its debt host requires only an assessment of the four-step decision sequence outlined in FASB ASC paragraph 815-15-25-24. Additionally, entities are not required to separately assess whether the contingency itself is clearly and closely related. The standard is effective for public business entities in interim and annual periods in fiscal years beginning after December 15, 2016. Early adoption is permitted in any interim period for which the entity's financial statements have not been issued, but would be retroactively applied to the beginning of the year that includes the interim period. The standard requires a modified retrospective transition approach, with a cumulative catch-up adjustment to opening retained earnings in the period of adoption. For instruments that are eligible for the fair value option, an entity has a one-time option to irrevocably elect to measure the debt instrument affected by the standard in its entirety at fair value with changes in fair value recognized in earnings. The Company does not expect the application of this guidance to have a material impact on the Company's Consolidated Statements of Operations or Consolidated Statements of Condition.

In March 2016, the FASB issued ASU 2016-07, Investments—Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting. This new guidance effectively removes the retroactive application imposed in current guidance when an investment qualifies for use of the equity method as a result of an increase in the level of ownership interest or degree of influence. The amendments require that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor's previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. The new standard becomes effective for the Company on January 1, 2017. Early adoption is permissible. The Company does not anticipate the adoption of ASU 2015-11 to have a material impact on the consolidated financial statements and related disclosures.

In March 2016, the FASB Issued ASU No. 2016-09, Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. The updated guidance changes how companies account for certain aspects of share-based payment awards to employees, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. The standard will be effective for the Company beginning January 1, 2017, with early application permitted. The Company is evaluating the impact of adopting this new accounting guidance on its consolidated financial statements.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, Leases. The new standard establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. This accounting standard update is not expected to have a material impact on the Company's financial statements.

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(UNAUDITED, IN U.S. \$)

3. RECENTLY ISSUED ACCOUNTING STANDARDS (continued)

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. The updated guidance enhances the reporting model for financial instruments, which includes amendments to address aspects of recognition, measurement, presentation and disclosure. The update to the standard is effective for the Company beginning June 1, 2018. The Company is currently evaluating the effect the guidance will have on the Consolidated Financial Statements.

In August 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date. The amendment is effective for all entities for fiscal years and interim periods within those fiscal years, beginning after December 15, 2017. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The Company is evaluating the impact of this standard on its Consolidated Financial Statements.

4. FIXED ASSETS

Fixed assets at September 30, 2016 and December 31, 2015 are summarized as follows:

	September 30, 2016	December 31, 2015
	(Unaudited)	
Office equipment	\$ 221,588	\$ 211,897
Motor vehicles	644,172	661,703
Production equipment	-	1,287,502
	865,760	2,161,102
Less: accumulated depreciation	(390,837)	(416,521)
Fixed assets, net	\$ 474,923	\$ 1,744,581

Depreciation expense charged to operations for the three and nine months ended September 30, 2016 and 2015 was \$28,690 and \$63,453, respectively, \$175,440 and \$106,404, respectively.

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(UNAUDITED, IN U.S. \$)

5. INTANGIBLE ASSETS

Intangible assets at September 30, 2016 and December 31, 2015 are summarized as follows:

	September 30, 2016	December 31, 2015
	(Unaudited)	
Software	\$ 51,692	\$ 45,432
Less: accumulated amortization	(40,448)	(28,683)
Intangible assets, net	\$ 11,244	\$ 16,749

Amortization expense charged to operations for the three and nine months ended September 30, 2016 and 2015 was \$1,710 and \$3,938, respectively, \$5,130 and \$8,894, respectively.

6. COMMITMENTS

In May 2015, the Company entered into a new lease agreement with an unrelated party at a monthly rent of \$11,132 for one year, expiring in May 2016. In May 2016, the Company renewed this lease at the same monthly rent to May 2017. Rent expense for the three and nine months ended September 30, 2016 and 2015 was \$36,789 and \$44,671, respectively, and \$111,819 and \$116,387, respectively. On May 5 2016, the Company entered into an agreement to lease a laboratory office from an unrelated party with the fee to be determined based on usage. The lease has a two-year term, which expires on May 5, 2018. The lease fee of the laboratory for the three and nine months ended September 30, 2016 was \$141,240 and \$184,892, respectively.

Employment Agreements

Shenzhen Wonhe, our operating subsidiary, has employment agreements with our officers Nanfang Tong and Qing Tong:

Nanfang Tong's employment agreement, as the chief executive officer, provides for a monthly salary of RMB 13,000 (approximately US \$1,950) and expires on October 31, 2016. Mr. Tong is eligible for a bonus which is determined by, and at the discretion of, the Board of Directors of the Company, based on a review of Mr. Tong's performance.

Qing Tong's employment agreement as an officer provides for a monthly salary of RMB 15,000 (approximately US \$2,250) and expires on October 31, 2016. Mr. Tong is eligible for a bonus which is determined by, and at the discretion of, the Board of Directors of the Company, based on a review of Mr. Tong's performance.

On November 1, 2016, the Company renewed the employment agreements with Nanfang Tong and with Qing Tong for a three year period that expires on October 31, 2019. At September 30, 2016, the future commitments under these agreements was approximately \$153,000.

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(UNAUDITED, IN U.S. \$)

6. COMMITMENTS (continued)

Other than the salary and necessary social benefits required by the government, which are defined in the employment agreements, we currently do not provide other benefits to the officers at this time. Other than government severance payments, our executive officers are not entitled to severance payments upon the termination of their employment agreements or following a change in control.

PRC employment law requires an employee be paid severance pay based on the number of years worked with the employer at the rate of one month's wage for each full year worked. Any period of more than six months but less than one year shall be counted as one year. The severance pay payable to an employee for any period of less than six months shall be one-half of his monthly wages. The monthly salary mentioned above is defined as the average salary of 12 months before revocation or termination of the employment contract.

Strategic Cooperation Agreement

In April 2015, the Company entered into a distribution agreement with Shenzhen Yunlutong Technology Co., Ltd ("YLT"), which is owned by one of the Company's directors, who owns 4.87% of the Company's common stock. The agreement expires in three years. Under the agreement, YLT shall purchase 662,000 commercial routers from Shenzhen WONHE, with 200,000 purchased during the first year, 220,000 during the second year and 242,000 during the third year, for a total purchase price of RMB 926,800,000 (US \$148,566,040). Any change in share ownership of YLT shall be approved by Shenzhen Wonhe. In addition, Shenzhen Wonhe obtained an exclusive right to acquire YLT if its gross annual revenues reach RMB 150,000,000 (US \$24,480,000) and net annual profit reaches RMB 12,500,000 (US \$2,040,000) during the term of the agreement. YLT agreed not to sell any equity or issue any debt during the 3 years. The price of the acquisition shall be established by an independent appraiser. The Company produced approximately \$5,145,000 and \$13,403,000 in sales with YLT for the three and nine months ended September 31, 2016.

7. RELATED PARTY TRANSACTIONS

From time to time, a stockholder/officer loans money to the Company, primarily to meet the non-RMB cash requirements of the parent and its subsidiaries. The loans are non-interest bearing, and the balance due was \$408,996 and \$335,655 at September 30, 2016 and December 31, 2015, respectively.

The proceeds of the loans were principally used to pay professional and legal fees incurred in the U.S. and other operating expenses for Wonhe High-Tech and Shengshihe Consulting incurred since their inception. The balance is reflected as loan from stockholder.

8. SALE OF COMMON STOCK

In April 2015, Wonhe High-Tech International, Inc. sold 20,130,000 shares of common stock to 21 unrelated individuals, three individuals who were shareholders of Shenzhen Wonhe at the time, and three unrelated companies in a private offering in the PRC. The purchase price for the shares was approximately RMB 4.72 (US \$0.77) per share, or a total of RMB 93,000,600 (US \$15,196,298). The shares were sold to accredited investors for their own accounts. The offering was exempt from registration under the Securities Act of 1933 pursuant to Section 4(2) and Section 4(5) of the Securities Act. The offering was also sold in compliance with the exemption from registration provided by Regulation S, as all of the purchasers were residents of the People's Republic of China.

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(UNAUDITED, IN U.S. \$)

8. SALE OF COMMON STOCK (continued)

Of the 20,130,000 shares sold, 4,600,000 (22.7%) were sold to two directors and one officer/director of the Company. On the date of sale, the Company's common stock was quoted on the OTCQB at \$3.07 per share. Since over 75% of the shares in this offering were sold to unrelated parties at \$0.77 per share, and no shares of the Company's common stock were traded on the OTCQB from January 1, 2015 to April 22, 2015, the Company believes that the sales price of \$0.77 was more representative of the fair value per share than the ORCQB price of \$3.07. As a result, management believes that the \$0.77 per share was a fair price and recorded no compensation related to the share sold to the officer and directors of the Company.

On April 19, 2016 the Company sold a total of 15,000,000 shares of common stock to two investors in a private offering. Qing Tong, a member of the Registrant's board of directors, purchased 3,000,000 shares. The remaining 12,000,000 shares were purchased by an unaffiliated entity. The purchase price for the shares was 0.52 Renminbi (approx. \$.08) per share, or a total of 7,800,000 Renminbi (approx. \$1,200,000).

The shares were sold to investors who are accredited investors and were purchasing for their own accounts. The offering, therefore, was exempt from registration under the Securities Act of 1933 pursuant to Section 4(2) and Section 4(5) of the Securities Act. The offering was also sold in compliance with the exemption from registration provided by Regulation S, as all of the purchasers were residents of the People's Republic of China.

9. CASH DIVIDENDS

On September 30, 2016, the Board of Directors of Wonhe Multimedia Commerce Ltd., in which Wonhe High-Tech indirectly owns a 53.3% interest, declared a cash dividend of AUD \$0.004857 per share, for a total dividend of AUD\$637,190 (approximately USD\$486,498). The dividend payment was made to the shareholders of Wonhe Multimedia Commerce Ltd. subsequent to the third quarter.

10. INCOME TAXES

The Company is required to file income tax returns in both the United States and the PRC. Its operations in the United States have been insignificant and income taxes have not been accrued. In the PRC, the Company files tax returns for Shenzhen Wonhe and Shengshihe Consulting.

The provision for (benefit from) income taxes consists of the following for the three and nine months ended September 30, 2016 and 2015:

	For the Three Months Ended		For the Nine Months ended	
	September 30,		September 30,	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current	\$ 883,926	\$ 311,426	\$ 1,698,921	\$ 1,051,267
Deferred	-	-	-	-
	\$ 883,926	\$ 311,426	\$ 1,698,921	\$ 1,051,267

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(UNAUDITED, IN U.S. \$)

10. INCOME TAXES (continued)

The following is a reconciliation of the statutory rate with the effective income tax rate for the three and nine months ended September 30, 2016 and 2015.

	For the Three Months Ended September 30, 2016		For the Nine Months Ended September 30, 2016	
	Tax Provision	Rate of Tax	Tax Provision	Rate of Tax
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Tax at PRC statutory rate	\$ 853,330	25.0%	\$ 2,430,682	25.0%
VIE tax holiday			(814,995)	(8.4)%
Non-deductible allowance	30,596	0.90%	83,234	0.9%
Effective tax rate	\$ 883,926	25.9%	\$ 1,698,921	17.5%

	For the Three Months Ended September 30, 2015		For the Nine Months Ended September 30, 2015	
	Tax Provision	Rate of Tax	Tax Provision	Rate of Tax
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Tax at PRC statutory rate	\$ (1,266,574)	25.0%	\$ 208,968	25.0%
Non-deductible stock	1,887,417	(37.3)%	1,887,417	225.8%
VIE tax holiday	(309,417)	6.1%	(1,045,118)	(125.0)%
Effective tax rate	\$ (311,426)	-6.2%	\$ 1,051,267	125.8%

The following presents the aggregate dollar and per share effects of the Company's subsidiaries/VIE tax holidays:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Aggregate dollar effect of tax holiday	\$ 439,340	\$ 309,417	\$ 1,254,335	\$ 1,045,118
Per share effect, basic and diluted	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.02

The Company's PRC tax filings for the tax years ended December 31, 2015 and 2014 were examined by the tax authorities. The examinations were completed and resulted in no adjustments.

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(UNAUDITED, IN U.S. \$)

10. INCOME TAXES (continued)

The Company did not file its U.S. federal income tax returns, including, without limitation, information returns on Internal Revenue Service ("IRS") Form 5471, "*Information Return of U.S. Persons with Respect to Certain Foreign Corporations*" for the fiscal year ended June 30, 2012, the six month period ended December 31, 2012, a short year income tax return required to be filed as a result of the change in the fiscal year and the years ended December 31, 2015, 2014 and 2013. Failure to furnish any income tax and information returns with respect to any foreign business entity required, within the time prescribed by the IRS, subjects the Company to civil penalties. Management is of the opinion that penalties, if any, that may be assessed would not be material to the consolidated financial statements.

Because the Company did not generate any income in the United States or otherwise have any U.S. taxable income, the Company does not believe that it has any U.S. federal income tax liabilities with respect to any transactions that the Company or any of its subsidiaries may have engaged in through December 31, 2015. However, there can be no assurance that the IRS will agree with this position, and therefore the Company ultimately could be liable for U.S. federal income taxes, interest and penalties. The tax year ended June 30, 2012, six-month tax period ended December 31, 2012, and the tax years ended December 31, 2015, 2014 and 2013 remain open to examination by the IRS.

All of the Company's operations are conducted in the PRC. At September 30, 2016, the Company's unremitted foreign earnings of its PRC subsidiaries totaled approximately \$19.2 million and the Company held approximately \$46.2 million of cash and cash equivalents in the PRC. These unremitted earnings are planned to be reinvested indefinitely into the operations of the Company in the PRC. While repatriation of cash held in the PRC may be restricted by local PRC laws, most of the Company's foreign cash balances could be repatriated to the United States but, under current U.S. income tax laws, would be subject to U.S. federal income taxes less applicable foreign tax credits. Determination of the amount of unrecognized deferred U.S. income tax liability on the unremitted earnings is not practicable because of the complexities associated with this hypothetical calculation, and as the Company does not plan to repatriate any cash in the PRC to the United States during the foreseeable future, no deferred tax liability has been accrued.

11. CONTINGENCIES

As disclosed in Note 10, the Company was delinquent in filing certain tax returns with the U.S. Internal Revenue Service. The Company is unable to determine the amount of penalties, if any, that may be assessed at this time. Management is of the opinion that penalties, if any, that may be assessed would not be material to the consolidated financial statements.

The Company did not file the information reports for the years ended December 31, 2015, 2014, 2013 and 2012, concerning its interest in foreign bank accounts on form TDF 90-22.1, "Report of Foreign Bank and Financial Accounts" ("FBAR"). Not complying with the FBAR reporting and recordkeeping requirements will subject the Company to civil penalties up to \$10,000 for each of its foreign bank accounts. The Company has not determined the amount of any penalties that may be assessed at this time and believes that penalties, if any, that may be assessed would not be material to the consolidated financial statements.

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(UNAUDITED, IN U.S. \$)

12. CONCENTRATION OF CREDIT RISK

Cash and cash equivalents

Substantially all of the Company's bank accounts are in banks located in the People's Republic of China and are not covered by protection similar to that provided by the FDIC on funds held in United States banks. The Company's bank account in Australia is protected by the Australian government up to AUD 250,000.

Major customers

Three customers accounted for approximately 10%, 41% and 10% (total of 61%, i.e. \$7,495,572) of total sales for the three months ended September 30, 2016 and another three customers accounted for approximately 14%, 25% and 14% (total of 52%, i.e. \$4,148,605) of total sales for the three months ended September 30, 2015. One customer accounted for approximately 38% of total sales for the nine months ended September 30, 2016 and no customer accounted for over 10% of total sales for the nine months ended September 30, 2015. Four customers accounted for approximately 14%, 15%, 51% and 15%, (total of 95%, i.e. \$4,837,273) of accounts receivable as of September 30, 2016. Four customers accounted for approximately 27%, 19%, 15% and 27% (total of 89%, i.e. \$2,517,850) of accounts receivable as of December 31, 2015.

13. CONTRIBUTIONS TO MULTI-EMPLOYER WELFARE PROGRAMS

Shenzhen Wonhe is required to make contributions to PRC multi-employer welfare programs by government regulations sometimes identified as the Mainland China Contribution Plan. Specifically, the following regulations require that the Company pay a percentage of employee salaries into the specified plans:

Regulation	Plan	% of Salary
Shenzhen Special Economic Zone Social Retirement Insurance Regulations	Pension	13%
Shenzhen Work-Related Injury Insurance Regulations	Workers Comp.	0.4%
Guangdong Unemployment Insurance Regulations	Unemployment	2%
Housing Provident Fund Management Regulations	Housing	5%
Shenzhen Social Medical Insurance Measures	Medical	6.5% or 0.6%*
Guangdong Employees Maternity Insurance	Maternity	0.5% or 0.2%*

* Depending on their position in the Company, employees receive either hospitalization, medical and maternity insurance or comprehensive medical and maternity insurance, which is a lower premium.

Total contributions to employee welfare programs for the three and nine months ended September 30, 2016 and 2015 were as follow:

	For the three months ended September 30,		For the nine months ended September 30,	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Total contributions	\$ 19,357	\$ 6,676	\$ 28,349	\$ 21,188

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(UNAUDITED, IN U.S. \$)

14. INVESTMENT IN PROJECT

On January 12, 2016 the Company's operating subsidiary, Shenzhen Wonhe Technology Co., Ltd. ("Shenzhen Wonhe"), entered into an agreement titled "Wireless Network Coverage Project in Beijing Area" with Guangdong Kesheng Enterprise Co., Ltd. ("Guangdong Kesheng"). The agreement contemplates that the two parties will work together to develop a wireless network in certain designated areas of Beijing. The commercial purpose of the network will be to serve as a vehicle for advertising and marketing, with the revenue to be shared between Shenzhen Wonhe and Guangdong Kesheng.

Shenzhen Wonhe has committed in the agreement to provide 382,990,000 RMB (USD \$57.42 million), including 226,010,000 RMB (USD \$33.88 million) in cash and 118,980,000 RMB (USD \$17.84 million) in routers and other equipment. Shenzhen Wonhe will also contribute the network that it developed in the Tongzhou District of Beijing as a pilot project, at a cost of 38,000,000 RMB (USD \$5.70 million). Shenzhen Wonhe's cash contribution will be paid over three years: 104,498,990 RMB in 2016, 84,636,558 RMB in 2017 and 36,871,412 RMB in 2018. Shenzhen Wonhe has also committed to develop the data systems that will be used by the network. Guangdong Kesheng has committed to supervise the engineering and construction, coordinate relationships with local government, and manage the network's operations. As of September 30, 2016, USD\$23,360,531 had been contributed to the project.

Prior to signing the official investment contract, the Company invested RMB38,000,000 (USD \$5.70 million) to develop a network station in one of the contracted "Wireless Network Coverage Project" locations, the Tongzhou District of Beijing, as a pilot project. As of September 30, 2016, total payments for the pilot project were included in "investment in project" in the consolidated balance sheet.

15. SUBSEQUENT EVENT

On October 31 2016, Wonhe Multimedia Commerce Ltd., the Company's 53.3%-owned Australian subsidiary, paid the dividend of AUD \$637,190 (approximately USD\$486,000) declared on September 30, 2016.

On November 1, 2016, the Company renewed the employment agreements with Nanfang Tong and with Qing Tong for a three year period that expires on October 31, 2019.

f10q0916_wonhehightech.htm	Form Type: 10-Q	Page 32
Edgar Agents LLC	WONHE HIGH-TECH INTERNATIONAL, INC.	11/14/2016 12:51 PM

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

On May 30, 2012, Shengshihe Consulting, a subsidiary of Wonhe High-Tech International, Inc. (the "Company") and Shenzhen Wonhe and its shareholders, Youliang Wang, Qing Tong, Jingwu Li and Nanfang Tong (together referred to as "Shenzhen Wonhe Shareholders") entered into a series of agreements known as variable interest agreements (the "VIE Agreements") pursuant to which Shenzhen Wonhe became Shengshihe Consulting's contractually controlled affiliate. The accounting effect of the VIE Agreements between Shengshihe Consulting and Shenzhen Wonhe required the balance sheets and financial results of Shenzhen Wonhe to be consolidated with those of Shengshihe Consulting, with respect to which Shenzhen Wonhe was a variable interest entity. Since the entities that were parties to the VIE Agreements were under common control at the time when the VIE Agreements were executed, the financial statements included in this report reflect the consolidation of the results of operations and cash flows of Shenzhen Wonhe since inception.

On September 15, 2015, Shengshihe Consulting exercised its option to purchase all of the registered equity of Shenzhen Wonhe. The purchase price paid for the equity was RMB10,000 (approximately \$1,540). The equity was purchased from the Shenzhen Wonhe Shareholders, each of whom is a member of the Company's Board of Directors. As a result of that purchase, since September 15, 2015, 100% of the financial results of Shenzhen Wonhe have been consolidated as a subsidiary of Shengshihe Consulting.

In July 2015, World Win International Holdings Ltd. ("World Win"), a wholly-owned subsidiary of Wonhe High-Tech, organized Wonhe Multimedia Commerce Ltd. ("Australian Wonhe") under Australian law. 60% of the capital stock of Australian Wonhe was issued to World Win, 25% was issued to Wonhe International (Hong Kong), which is wholly owned and controlled by Qing Tong, who is Chairman of the Board of the Company. The remaining 15% was issued to three non-affiliated financial consultants. On August 5, 2015, World Win sold all of the outstanding capital stock of Kuayu International Holdings Group Limited ("Kuayu") to Australian Wonhe. In exchange for Kuayu, Australian Wonhe paid World Win \$10,000 Hong Kong Dollars (USD \$1,290).

Kuayu is the sole owner of Shengshihe Consulting, which in turn has owned our operating company, Shenzhen Wonhe, since September 15, 2015. The effect of the sale of Kuayu, therefore, was to reduce the Company's interest in its operating entity by 40%. The 40% reduction in ownership of Kuayu was recognized as compensation valued at \$7,534,080 to the chairman of the board and the financial consultants during the year ended December 31, 2015.

On December 21, 2015, our 60% owned subsidiary, Australia Wonhe, was listed on the ASX, and raised capital selling 16,951,802 shares for \$0.20 AUD for a total of AUD \$3,390,360 (USD \$2,436,449) and received net proceeds of approximately AUD \$2,701,000 (USD \$1,941,000). As a result of the capital raise, our ownership interest in Australian Wonhe was reduced to 53.3%.

Shenzhen Wonhe is a Chinese entity established on November 16, 2010, with registered capital of \$7,495,000. It specializes in the research and development, outsourced-manufacturing and sale of hi-tech products based on x86 (instruction set architecture based on the Intel 8086 CPU) and ARM (32-bit reduced instruction set architecture). Since December 2011, Shenzhen Wonhe has marketed a series of home media centers, it introduced its current product, HMC720, in the fourth quarter of 2014. During the first quarter of 2015, Shenzhen Wonhe introduced its first Wi-Fi Router, model number YLT-100S, followed by model number YLT-300S in the second quarter of 2015. Current products still under research and development include a Smart Media Box (SMB), Home Smart Server (HSS), Mini PC (MPC), All in One PC (AIO-PC), Business PAD (B-PAD), and Portable PAD (P-PAD).

Results of Operations

The following table sets forth in U.S. dollars, key components of our results of operations during the three and nine months ended September 30, 2016 and 2015.

Sales.

	Three Months Ended September 30,	
	2016	2015
Sales	\$ 12,229,139	\$ 8,005,378
Gross profit	3,940,888	3,361,916
Operating income (loss)	3,313,924	(5,051,838)
Net income (loss) attributable to common stockholders	\$ 1,336,492	\$ (6,039,573)

	Nine Months Ended September 30,	
	2016	2015
Sales	\$ 33,864,873	\$ 21,430,062
Gross profit	11,210,279	9,670,603
Operating income	9,454,687	768,658
Net income (loss) attributable to common stockholders	\$ 4,241,664	\$ (1,134,741)

On October 15, 2014, our second generation home media center, the HMC720, passed its stability test, which was the final pre-requisite before we could introduce it to the market. In the fourth quarter of 2014, we commenced sales of the HMC720 at a unit selling price of \$514. In the three and nine months ended September 30, 2016, our sales of HMC 720 remained stable at \$6,512,593 and \$18,820,901, respectively, compared to sales of HMC 720 of \$6,287,865 and \$18,720,527 in the three and nine months ended September 30, 2015.

In March 2015, we expanded our product offerings to include a line of “Wifi Routers.” Our initial product, the YLT-100S, is designed for home use. The unit’s selling price (including 3% VAT) is RMB 369 (US\$56). In June 2015 we introduced a second Wifi Router, the YLT-300S, which is designed to be used in large commercial networks. The unit selling price of the YLT-300S (including 3% VAT) is RMB 1,400 (US\$213). As with our home media center, we do not manufacture the routers, all manufacturing of the Wifi Routers is outsourced. Sales of router YLT-100S were \$698,564 and \$2,032,090 for the three and nine months ended September 30, 2016, respectively. Sales of router YLT-300S were \$4,994,946 and \$13,011,882 for the three and nine months ended September 30, 2016, respectively.

Gross Profit. Although our sales increased quarter-to-quarter, by 52.8% our gross profit increased by only 17.2%, from \$3,361,916 in the three months ended September 30, 2015 to \$3,940,888 in the three months ended September 30, 2016. Similarly, our sales increased by 58.2% for the nine months ended September 30, 2015 to the nine months ended September 30, 2016, and our gross profit increased by only 15.9% from \$9,670,603 in the nine months ended September 30, 2015 to \$11,210,279 in the nine months ended September 30, 2016. This discrepancy occurred primarily because our cost of goods for routers was a significantly higher percentage of the sales price than our cost of goods for our home entertainment centers. As routers represent a larger portion of our overall business, our gross margins are likely to fall. The potential market for our routers is large, however. So our diversification into the router market makes bottom-line sense, even if our gross margins become diminished.

Income from Operations. Our operating expenses for the three and nine months ended September 30, 2016 decreased to \$626,964 and \$1,755,592, respectively, from \$8,413,754 and \$8,901,945, respectively, incurred in the three and nine months ended September 30, 2015. The primary reason for the decrease was the \$7,534,000 in compensation to our chairman of the board and financial consultants for the three and nine months ended September 30, 2015 that we recorded as a result of the transfer of our subsidiary Kuayu to an entity in which those individuals owned 40% of the equity.

The components of our operating expenses were:

- **Research and development expenses.** Research and development expenses were primarily comprised of salaries for R&D employees. In the three and nine months ended September 30, 2016 and 2015, our research and development expenses were \$225,067 and \$48,770, respectively, \$378,585 and \$104,155, respectively.
- **Selling and Marketing Expenses.** Selling and marketing expenses are primarily comprised of salaries and advertising expenses. We incurred \$140,710 and \$309,895, respectively, \$442,422 and \$441,221, respectively, in selling and marketing expenses during the three and nine months ended September 30, 2016 and 2015. For the three months ended September 30, 2015, we incurred conference expenses of approximate \$130,000, which were recorded under selling expenses. This was the primary reason why selling expenses in the third quarter of 2015 exceeded those incurred in the third quarter of 2016.
- **General and Administrative Expenses.** Our general and administrative (“G&A”) expenses are primarily comprised of rent, administrative employees’ salaries, professional fees and other expenses incurred for G&A functions. We incurred \$261,187 and \$8,055,125, respectively, \$934,585 and \$8,356,569, respectively, in general and administrative expenses during the three and nine months ended September 30, 2016 and 2015. As noted above, the \$7,534,000 stock compensation expense incurred in the third quarter of 2015 contributed to an increase in G&A expenses to \$8,055,125 for that quarter.

General and administrative expenses are also affected by changes in employees’ remuneration. Shenzhen Wonhe is required to make contributions to multi-employer welfare programs by government regulation, sometimes identified as the Mainland China Contribution Plan. Specifically, the following regulations require that we pay a percentage of employee salaries into the specified plans:

Regulation	Plan	% of Salary
Shenzhen Special Economic Zone Social Retirement Insurance Regulations	Pension	13%
Shenzhen Work-Related Injury Insurance Regulations	Workers Comp.	0.4%
Guangdong Unemployment Insurance Regulations	Unemployment	2%
Housing Provident Fund Management Regulations	Housing	5%
Shenzhen Social Medical Insurance Measures	Medical	6.5% or 0.6%*
Guangdong Employees Maternity Insurance	Maternity	0.5% or 0.2%*

* Depending on their position in the Company, employees receive either hospitalization medical and maternity insurance or comprehensive medical and maternity insurance, which is a lower premium.

Our contributions are proportionate to salaries paid. Therefore, as labor rates in China have increased significantly in recent years and can be expected to continue to increase, those increases cause an increase in the amount we pay to employee welfare plans.

After deducting these operating expenses, for the three months ended September 30, 2016 and 2015 the company realized income (loss) from operations of \$3,313,924 and \$(5,051,838), respectively, and for the nine months ended September 30, 2016 and 2015 we realized income from operations of \$9,454,687 and \$768,658, respectively.

Other Income (Expense). The components of our non-operating income and expense during the three and nine months ended September 30, 2016 and 2015 were:

- Our interest income was \$99,367 and \$48,098, respectively, \$272,195 and \$129,770, respectively, for the three and nine months ended September 30, 2016 and 2015. We have no interest-bearing debt.
- We recorded a loss of \$54,404 on write-off of leasehold improvements when we moved our offices during the third quarter of 2015.
- We recorded a loss \$4,154 on disposal of certain fixed assets during the nine months ended September 30, 2016.
- We made a donation of \$8,150 during the three months ended September 30, 2015.

Provision for Income Taxes. In 2013, our operating entity received preferential tax treatment from the PRC State Administration of Taxation. Shenzhen Wonhe was awarded a two-year exemption from the Enterprise Income Tax followed by a three year 50% reduction in its Enterprise Income Tax rate. On May 10, 2013, we were informed by the local tax bureau that the income tax previously paid as of the date of notification of RMB 16,107,114 (\$2,615,795) could be offset against our future income taxes after the tax exemption period.

The Company's 100% Income Tax exemption expired on December 31, 2013. As of June 30, 2016, our eligibility for the 50% tax exemption had expired. From July 1, 2016, the Company will be subject to the 25% Enterprise Income Tax in full without any tax exemption. As a result, tax provisions, after the 25% deduction, of \$883,926 and \$(311,426), respectively, \$1,698,921 and \$1,051,267, respectively, were recorded for the three and nine months ended September 30, 2016 and 2015, which were offset against the prepaid income tax described above.

Net Income. We reported net income (loss) of \$2,529,392 and \$(5,377,720), respectively, for the three months ended September 30, 2016 and 2015, and \$8,023,807 and \$(215,393), respectively, for the nine months ended September 30, 2016 and 2015. The VIE agreements, which were terminated on September 15, 2015, assigned to Shengshihe Consulting only 95% of the net profit generated from Shenzhen Wonhe before September 15, 2015. In addition, for all periods after August 5, 2015, our interest in Australian Wonhe has been reduced by a non-controlling interest (40% from September 15, 2015 to December 21, 2015, and 46.7% thereafter). For that reason, we reduced our net income (loss) for the three months ended September 30, 2016 and 2015 by an allocation to the "non-controlling interests" of \$1,192,900 and \$(661,853), respectively, and by an allocation of \$3,782,143 and \$(919,348), respectively, for the nine months ended September 30, 2016 and 2015, before recognizing net income (loss) attributable to the common stockholders. After those allocations, our net income (loss) attributable to common stockholders for the three months ended September 30, 2016 and 2015 was \$1,336,492 (\$0.02 per share) and \$(6,039,573) (\$0.10 per share), respectively, and for the nine months ended September 30, 2016 and 2015 was \$4,242,664 (\$0.06 per share) and \$(1,134,741) (\$0.02 per share), respectively.

Foreign Currency Translation Adjustment. Our reporting currency is the U.S. dollar. Our local currency, Renminbi (RMB), is our functional currency. Results of operations and cash flows are translated at average exchange rates during the period, and assets and liabilities are translated at the unified exchange rate as quoted by the People's Bank of China at the end of the period. Translation adjustments resulting from this process are included in accumulated other comprehensive income (loss) in the statement of stockholders' equity. Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the results of operations as incurred. For the three and nine months ended September 30, 2016 and 2015, foreign currency translation adjustments of \$209,449 and \$(2,354,088), respectively, \$(1,396,779) and \$(2,191,963), respectively, have been reported as other comprehensive income (loss) in the consolidated statements of operations and other comprehensive income (loss). The reason for the significant increase in the translation adjustment was the devaluation of the RMB by approximately 3.5% in August 2015, followed by a devaluation of approximately 1% in January 2016.

Liquidity and Capital Resources

To date, we have financed our operations primarily through cash flows from operations, sales of common stock and equity contributions by our shareholders. As a result, at September 30, 2016, our only debt consisted of \$408,996 that we have borrowed from a stockholder, primarily in order to obtain U.S. and Australian Dollars to pay the professional and other expenses of our parent corporation and Australian subsidiary. At September 30, 2016, our working capital totaled \$47,399,570, a decrease of \$7,567,996 since December 31, 2015. The decrease occurred because we utilized \$16,789,227 to meet our obligation to fund our wireless network joint venture with Guangdong Kesheng.

Our cash and cash equivalents of \$43,903,921 primarily consist of cash on hand and demand deposits. Our ability to repatriate those amounts to the United States will be limited by the factors discussed below in "Restrictions on Transfer of Funds."

In addition to cash and cash equivalents, our working capital included \$5,101,893 in accounts receivable. This represented approximately 42% of our sales for the recent quarter, and represented an increase of \$1,455,986 from our accounts receivable balance at the end of 2015. All accounts receivable at September 30, 2016 have been subsequently collected.

The following table summarizes our cash flows for the periods indicated:

	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Net cash provided (used) by operating activities	\$ 8,363,984	\$ 8,791,626
Net cash (used in) investing activities	\$ (16,853,747)	\$ (1,912,022)
Net cash provided by financing activities	\$ 1,204,320	\$ 15,196,298

Operating activities

Our operations provided \$8,363,984 in cash during the nine months ended September 30, 2016. Cash provided by operations was approximately equal to our net income before non-controlling interest of \$8,023,807 for the period. Net income and cash provided were approximately equal because the increase in accounts receivable of \$1,456,406 was offset, as we used \$1,018,182 of our prepaid income taxes to satisfy our tax liability and incurred a non-cash depreciation expense of \$180,570. Cash from operations for the nine months ended September 30, 2015 was \$8,791,626, primarily because our net loss of \$215,393 in that period was caused by non-cash stock compensation valued at \$7,534,080. In addition, during the nine months ended September 30, 2015, we used \$714,605 in prepaid taxes and reduced our accounts receivable by \$535,864. Since we purchase the HMC720 and Wifi Routers from our outsourced manufacturers, mostly on the basis of orders received from distributors, we generally carry only nominal amounts of inventory. Our ability to utilize contract manufacturers in this manner allows us to operate without devoting significant amounts of cash to inventory, which will aid our cash flow in the future.

Investing activities

Because we outsource all of our manufacturing operations, we require little cash for investment in property and equipment. So the cash flows from our core operations can be dedicated to working capital. For example, during the nine months ended September 30, 2016 we used \$4,520 to purchase equipment, vehicles and intangible assets. However, during that same period we also contributed \$16,789,227 in cash to the Wireless Network Coverage Project in Beijing Area that we are implementing under our contract with Guangdong Kesheng Enterprise Co., Ltd. Under the terms of that contract, we will be responsible for a total cash investment of \$34.37 million and for providing routers valued at \$18.09 million. As compensation, we will have a fixed return from the advertising revenue generated by the project. As a result, the expenditure to date of \$23,360,531 has been classified on our balance sheets as an investment in the project. During the nine months ended September 30, 2015, we used \$1,911,743 to purchase equipment, vehicles and intangible assets to be used in the wireless network pilot project that we carried out in anticipation of our joint venture with Guangdong Kesheng. In addition, we also spent \$1,569 to acquire ownership of Shenzhen Wonhe and eliminate the VIE structure; and received \$1,290 from sales of our subsidiary's stock.

Financing activities

During the nine months ended September 30, 2016, we issued 15,000,000 common shares and raised fund of \$1,204,320. During the nine months ended September 30, 2015, we issued 20,130,000 common shares and raised \$15,196,298. We believe that our cash on hand and cash flow from operations will meet our cash needs for the next 12 months.

f10q0916_wonhehightech.htm	Form Type: 10-Q	Page 37
Edgar Agents LLC	WONHE HIGH-TECH INTERNATIONAL, INC.	11/14/2016 12:51 PM

Restrictions on Transfers of Funds

Almost all of the Company's cash is in the PRC. Any distributions of those funds or future operating profits from our Chinese subsidiaries, Shengshihe Consulting and Shenzhen Wonhe, to our U.S. parent company must comply with applicable Chinese laws affecting payments from Chinese companies to non-Chinese companies. The Chinese government strictly regulates conversion of RMB into foreign currencies. Currently, Shenzhen Wonhe and Shengshihe Consulting may purchase foreign currencies for settlement of current account transactions, including payments of dividends to us, without the approval of the State Administration of Foreign Exchange ("SAFE"), by complying with certain procedural requirements. Pursuant to applicable Chinese laws and regulations, foreign invested enterprises incorporated in China, such as Shengshihe Consulting, are required to apply for "Foreign Exchange Registration Certificates." Currently, conversion within the scope of the "current account" (e.g. remittance of foreign currencies for payment of dividends, trade and service-related foreign exchange transactions, etc.) can be effected without requiring the approval of SAFE, but must be effected through authorized Chinese banks in accordance with regulatory procedures. However, conversion of currency in the "capital account" (e.g. for capital items such as direct investments, loans, securities, etc.) still requires the approval of SAFE. Compliance with those procedural requirements can result in delays in currency conversion, which could interfere with offshore activities by the Company, such as acquisitions, offshore investments, or the payment of dividends to the Company's shareholders. Because of the effort involved in obtaining foreign currencies in exchange for RMB, the Company intends to pay most of the operating expenses of its U.S. parent from dollars loaned to the Company by related parties.

Shenzhen Wonhe is required to set aside at least 10% of its accumulated profits, if any, each year to fund the statutory general reserve until the reserve reaches 50% of its registered capital. Any amount in excess of 10% of accumulated profits that is contributed to the statutory general reserve is at Shenzhen Wonhe's discretion. The statutory general reserve is not distributable in the form of cash dividends to the Company and can be used to make up cumulative prior year losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings, or by increasing the par value of the shares currently held by them, provided that the reserve balance after such issue is not less than 25% of the registered capital. As of September 30, 2016, \$2,123,887 has been appropriated from retained earnings and set aside for the statutory reserve by Shenzhen Wonhe.

Critical Accounting Policies and Estimates

In preparing our financial statements we are required to formulate accounting policies regarding valuation of our assets and liabilities and to develop estimates of those values. In our preparation of the financial statements for the three and nine months ended September 30, 2016, there were no estimates made which were (a) subject to a high degree of uncertainty and (b) material to our results.

Impact of Accounting Pronouncements

There were no recent accounting pronouncements that have or will have a material effect on the Company's financial position or results of operations.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition or results of operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Evaluation of Disclosure Controls and Procedures. Our Chief Executive Officer and Chief Financial Officer carried out an evaluation of the effectiveness of the Company's disclosure controls and procedures (as defined in Rule13a-15(e) promulgated by the Securities and Exchange Commission) as of September 30, 2016. The evaluation revealed that there are material weaknesses in our disclosure controls, specifically:

- The relatively small number of employees who are responsible for accounting functions prevents us from segregating duties within our internal control system.
- Our internal financial staff lack expertise in identifying and addressing complex accounting issued under U.S. Generally Accepted Accounting Principles.
- Our Chief Financial Officer is not familiar with the accounting and reporting requirements of a U.S. public company.
- We have not developed sufficient documentation concerning our existing financial processes, risk assessment and internal controls.

Based on their evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the Company's system of disclosure controls and procedures was not effective as of September 30, 2016.

It is our intention to increase staffing to mitigate the current lack of segregation of duties within the general administrative and financial functions. In an effort to remediate the material weaknesses, we plan to document our process and procedures governing our internal reporting, including (1) timely review of reports prior to issuance, (2) a re-evaluation of our staffing needs, and (3) analysis of unusual transactions as they are occurring to allow adequate time for multiple levels of review.

In addition, we plan to designate individuals responsible for identifying reportable developments and to implement procedures designed to remediate the material weakness by focusing additional attention and resources on our internal accounting functions. However, the material weakness will not be considered remediated until the applicable remedial controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A Risk Factors

There have been no material changes from the risk factors included in the Annual Report on Form 10-K for the year ended December 31, 2015.

Item 2 Unregistered Sale of Securities and Use of Proceeds

(a) Unregistered sales of equity securities

The Company did not effect any sales of unregistered securities during the third quarter of fiscal 2016.

(c) Purchases of equity securities

The Company did not repurchase any of its equity securities that were registered under Section 12 of the Securities Exchange Act during the third quarter of fiscal 2016.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not Applicable.

Item 5. Other Information.

None.

Item 6. Exhibits

31.1 Rule 13a-14(a) Certification - CEO

31.2 Rule 13a-14(a) Certification - CFO

32 Rule 13a-14(b) Certification

101.INS XBRL Instance

101.SCH XBRL Schema XBRL Schema

101.CAL XBRL Calculation

101.DEF XBRL Definition

101.LAB XBRL Label

101.PRE XBRL Presentation

SIGNATURES

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

WONHE HIGH-TECH INTERNATIONAL, INC.

Date: November 14, 2016

By: /s/ Nanfang Tong
Nanfang Tong, Chief Executive Officer

By: /s/ Jungwu Li
Jungwu Li, Chief Financial Officer,
Chief Accounting Officer

EXHIBIT 31.1**Rule 13a-14(a) Certification**

I, Nanfang Tong, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Wonhe High-Tech International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal controls over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrants other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 14, 2016

/s/ Nanfang Tong
Nanfang Tong, Chief Executive Officer

EXHIBIT 31.2**Rule 13a-14(a) Certification**

I, Jungwu Li, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Wonhe High-Tech International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal controls over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrants other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 14, 2016

/s/ Jungwu Li
Jungwu Li, Chief Financial Officer

f10q0916ex32_wonhehigh.htm	Form Type: EX-32	Page 1
Edgar Agents LLC	WONHE HIGH-TECH INTERNATIONAL, INC.	11/14/2016 12:51 PM

EXHIBIT 32

Rule 13a-14(b) Certification

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officers of Wonhe High-Tech International, Inc. (the "Company") certify that:

1. The Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2016 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 14, 2016

/s/ Nanfang Tong
Nanfang Tong, Chief Executive Officer

November 14, 2016

/s/ Jungwu Li
Jungwu Li, Chief Financial Officer

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.