WONHE MULTIMEDIA COMMERCE LIMITED ACN 607 288 755
SUITE 3, 35 TOORAK ROAD, SOUTH YARRA, VIC, 3141, PH 613 9041 6663

10 April 2017

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

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

FORM 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from _________ to __________

Commission File Number 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
(Address of Principal Executive Offices)

Issuer's Telephone Number: 852-2815-0191

Securities Registered Pursuant to Section 12(b) of the Exchange Act: NONE

Securities Registered Pursuant to Section 12(g) of the Exchange Act:

COMMON STOCK, $0.001 PAR VALUE
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 406 of the Securities Act. Yes ☐ No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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 ☒

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

As of June 30, 2016, the last day of the registrant's most recent fiscal second quarter, the aggregate market value of the common stock held by non-affiliates was $5,103,824 based upon the closing sale price on June 30, 2016 of $.10 per share.

As of April 4, 2017, there were 73,510,130 shares of common stock outstanding.

Documents incorporated by reference: NONE

PART I

FORWARD-LOOKING STATEMENTS: NO ASSURANCES INTENDED

In addition to historical information, this Annual Report contains forward-looking statements, which are generally identifiable by use of the words "believes," "expects," "intends," "anticipates," "plans to," "estimates," "projects," or similar expressions. These forward-looking statements represent Management's belief as to the future of Wonhe High-Tech International, Inc. Whether those beliefs become reality will depend on many factors that are not under Management's control. Many risks and uncertainties exist that could cause actual results to differ materially from those reflected in these forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in Section 1A of this Report, entitled "Risk Factors." Readers are cautioned not to place undue reliance on these forward-looking statements. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements.

ITEM 1. BUSINESS

We conduct our operations through our consolidated affiliate Shenzhen Wonhe Technology Co., Ltd. (hereinafter referred to as "Shenzhen Wonhe"). Shenzhen Wonhe, founded in November 2010, is a high tech company specializing in research and development, outsourced-manufacturing and marketing of high-end business and personal information technology products. Shenzhen Wonhe is located in Shenzhen, People's Republic of China ("PRC").

Our Corporate History and Background

Wonhe High-Tech International, Inc. (the "Company") was incorporated in the State of Nevada on August 13, 2007 under the name "Baby Fox International, Inc." Until June 30, 2011, the Company was a specialty retailer, developer, and designer of fashionable, value-priced women's apparel and accessories. On June 30, 2011, the Company entered into and closed a Reorganization Agreement under which it disposed of its prior business operations and became a shell company.

On June 27, 2012, we completed a reverse acquisition through a share exchange with World Win International Holding Ltd (BVI), a corporation organized in the British Virgin Islands ("World Win"). We acquired 100% of the issued and outstanding capital stock of World Win in exchange for 19,128,130 shares of our common stock, which constituted 80.0% of our issued and outstanding capital stock. As a result of the reverse acquisition, World Win became our wholly-owned subsidiary and the former shareholders of World Win became our controlling stockholders. The share exchange was treated for accounting purposes as a reverse acquisition, with World Win as the acquirer and the Company as the acquired party.

World Win was established in the British Virgin Islands on April 5, 2012, at which time it acquired ownership of Kuayu International Holdings Group Ltd. (Hong Kong), an entity established in Hong Kong ("Kuayu") on January 11, 2012 to serve as an intermediate holding company. On April 6, 2012, the local government of the PRC issued a certificate of approval regarding the acquisition by Kuayu of Shengshihe Management Consulting (Shanzhen) Co., Ltd., an entity established in the PRC on April 17, 2012 ("Shengshihe Consulting").

Until September 15, 2015, the business of Shengshihe Consulting was to provide management services to Shenzhen Wonhe. The services were provided pursuant to a set of four agreements among Shengshihe Consulting, Shenzhen Wonhe and the shareholders of Shenzhen Wonhe: Youliang Wang, Qing Tong, Jingwu Li and Nanfang Tong. The four agreements assigned to Shengshihe Consulting over 95% of the benefit arising from the operations of Shenzhen Wonhe as well as control of the corporate activities of that entity. As a result, for accounting purposes, Shenzhen Wonhe was considered a variable interest entity with respect to Shengshihe Consulting, and the balance sheet and financial results of Shenzhen Wonhe were consolidated with those of the Company in our 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 $1,440). The equity was purchased from the Shenzhen Wonhe Shareholders, each of whom is a member of the Company's Board of Directors. From that date forward, the financial results of Shenzhen Wonhe have been consolidated as a subsidiary of Shengshihe Consulting.

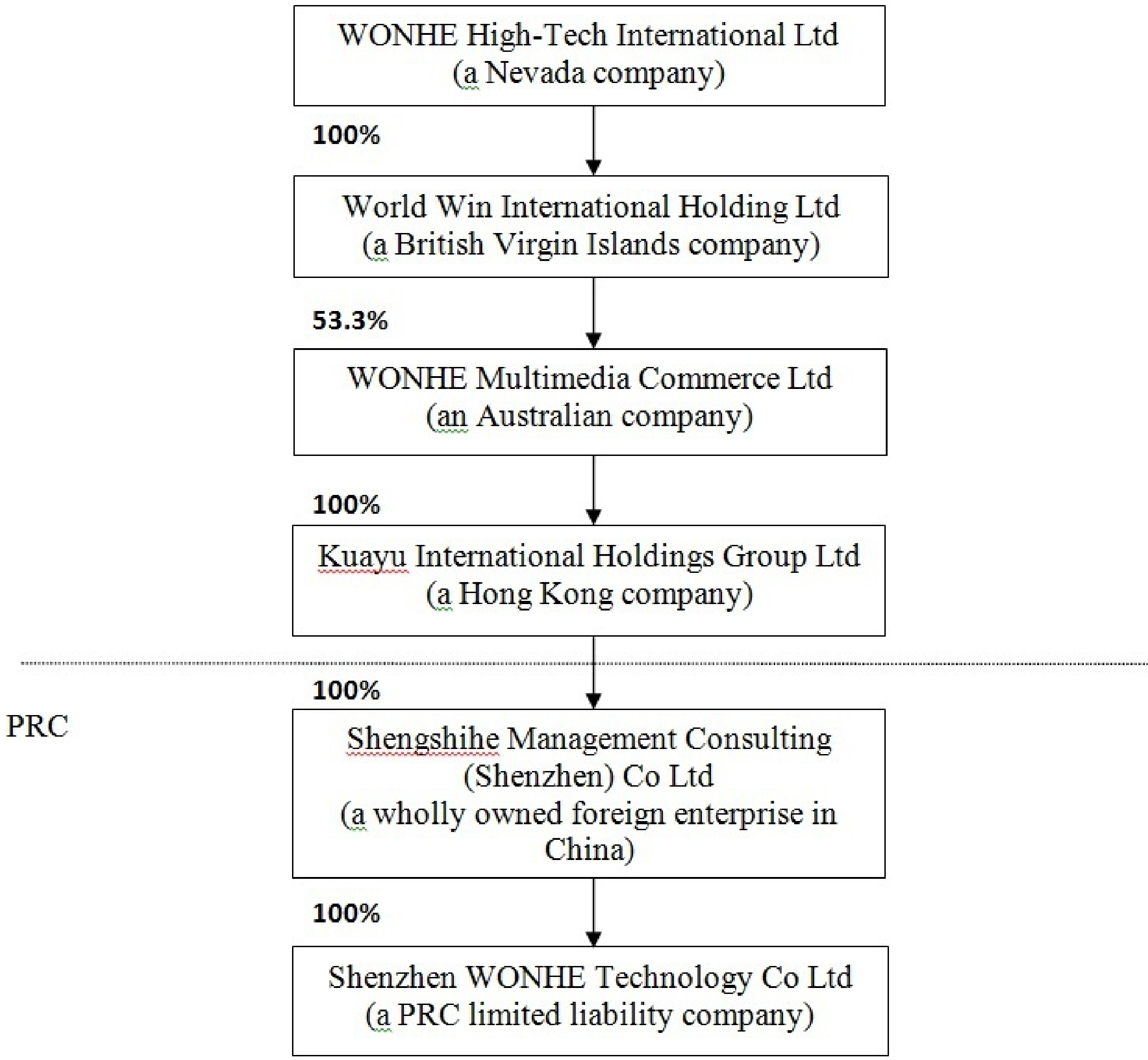
Australian Wonhe

In July 2015, World Win 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 to Australian Wonhe. In exchange for Kuayu, Australian Wonhe paid World Win $10,000 Hong Kong Dollars (US $1,290). Since Kuayu is the sole owner of Shengshihe Consulting, which in turn owns our operating company, Shenzhen Wonhe, the effect of the sale of Kuayu was to reduce the Company's interest in its operating entity by 40%.

On December 21, 2015, Australia Wonhe was listed on the Australian Securities Exchange ("ASX") and sold 16,951,802 of its ordinary shares for net proceeds of US$1,941,318. As a result, the Company's beneficial ownership of Shenzhen Wonhe has been reduced to 53.3%.

On October 31, 2016 Australian Wonhe paid an interim dividend of AU$637,190 (US$486,500) to its shareholders; on May 31, 2017 Australian Wonhe will pay a final dividend for 2016 totaling AU$893,000 (US$643,140). The dividends are tax-free in Australia. 53.3% of each dividend is payable to World Win, as the owner of 53.3% of the outstanding shares of Australian Wonhe. The funds payable to World Win have been retained by Shengshihe Consulting in an escrow account pursuant to an agreement among World Win, Australian Wonhe and Shengshihe Consulting, which provides that the funds cannot be disbursed for any purpose without the approval of the board of directors of World Win. The Company plans to use the escrowed funds, in part, to pay the Company's expenses incurred in the U.S. and Australia in connection with its public stock listings in those nations.

As a result of the reorganization and offering on the ASX during 2015, our current organizational structure is as follows:



Business Overview

Shenzhen Wonhe is a high-tech enterprise which specializes in research and development and the marketing of high-end business and personal IT products that provide third party application services. In 2011 we introduced our first product, a Home Media Center. Our initial Home Media Center, the “HMC660”, was marketed exclusively in Guangdong Province. However, in October 2014 we introduced our second generation home media center, the “HMC720”, which we developed in order to meet government purchasing standards in additional provinces, and thus allow the expansion of our market.

In March 2015 we expanded our product offerings with the introduction of our YLT-100S Wifi Router. This was followed in June 2015 by our YLT-300S Wifi Router, and in October 2016 by our YLT-300J Wifi Router. The YLT-100S and YLT-300J are marketed primarily for home use; the YLT-300S is designed for larger commercial networks. Our “Smart Routers” have a complex operating system that provides users a broad range of capabilities, allowing smart management of networks and devices.

The results of our sales of these four products during 2015 and 2016 were:

	2016		2015	
	Units	Revenue	Units	Revenue
HMC720 Home Media Center	51,260	$ 25,295,059	47,840	$ 25,068,803
Smart Routers	160,965	$ 23,906,905	54,900	$ 6,356,160

HMC720 Home Media Center

The HMC720 is a data storage, management and control center for household equipment, and a central processing center which uses remote wireless technology to allow a user to control various devices while at home or remotely when away from home. HMC720 provides a software platform that has the functional characteristics of both a family security device and a direct TV receiver, with the ability to access TV and video on demand, as well as to function as a game console and storage facility for family and business information. HMC720 can be used to watch satellite programs, read CD-ROMs and video files, support Wifi functions, share broadband access, support 3G module functions, and can be adapted to include other applications.

Our HMC720 includes the fourth-generation Intel program and 4G memory. The HMC720 uses a 2.5 inch 1T hard disk as well as a dual band processing system to ensure the successful reception of signals, and to guarantee a clear image. In addition to supporting MPEG-1/2/4, H.264, H.263, WMV7/8/9, Divx and other formats, HMC720 adds the rapid hardware function and stable play function of APEG. HMC720 products are sensitive in speed regulation and key press, along with having excellent thermal dissipation function. The noise is lower than 20 decibels. Thus, users can have interactive digital recreation, education and commercial activities at the same time that they watch digital television programs.

We believe our HMC720 has the following favorable traits and advantages compared to other similar products currently available in the marketplace:

1. Excellent performance: good audio and video decoding capability equipped with high-performance CPU and AV chips, supporting 1080P high definition play and 7.1 sound track HIFI effect.

2. Ultralow power: the incorporation of the INTEL ATOM ultralow power master chip series along with advanced inner thermal design reduces power consumption to only one-tenth of a typical desktop computer. In addition, the fine heat dissipation and structural design ensure the surface temperature remains below 35°C even while working for a long time. Avoidance of extreme temperatures contributes to the chip's performance and minimizes disruptions.

3. Complete functions: our HMC 720 combines a PC set top box ("STB"), DVD, multimedia computer, security monitor HZJTHY and visual telephone into one comprehensive digital home furnishing solution with a fashionable appearance and compact size.

4. Abundant applications: the application software combines telecommunication, radio and television and the internet, provides abundant video content themed by television, movies and information programs, households themed by family security, smart home, motion sports and videophone; and value-added services themed by telemedicine, online instruction, auto repair and E-shopping.

Smart Routers

The operating system in our Smart Routers incorporates a BCM4709 dual core 1GHz processor, which is uncommon in routers. This enhanced processing power enables router to offer users control over bandwidth, online access and web browsing, as well as the ability to install any number of applications, all under the protection of a built-in firewall and 64/128 bit WEP encryption. With strong USB sharing capabilities, our Smart Routers facilitate management of networks and devices by individually controlling the download or upload bandwidth of a specified port and enabling transfers to an associated storage device. Effectively, our Smart Routers integrate the functions of a router, four-interface switch, wireless access point and firewall into a single device.

Our Smart Routers are manufactured using an aluminum alloy, which not only provides a smooth and shiny futuristic appearance, but protects the main board and chip from damage and significantly reduces heat loss. Our Smart Routers meet IEEE802.11n, IEEE802.11g and IEEE802.11b standards, while providing wireless transmission rates up to 300Mbps. With QOS fast security settings, the routers allow users to set up wireless security easily. A remote management function permits users to manage the router remotely via the Internet.

Among the functions available on our Smart Routers are:

- *AppStore acceleration*. After installation, the App Store Accelerator will increase AppStore download acceleration by up to 1000%.

- *Adblock function*. Our Smart Routers will help users strip away the advertisements that precede most downloaded videos.

- *Single-threaded download accelerating*. Our Smart Routers automatically accelerate the download of zip, rar and exe files by more than 100%.

- *Mobile phone management*. Users can download onto their mobile phones any of three apps that will enable password access to the router for management purposes.

The YLT-300J, which we introduced in 2016, incorporates much of the functionality of the YLT-300S, but in an economic smaller router suitable for domestic use. The following table is a summary comparison of the two products.

	YLT-300S	YLT-300J
Primary market	Commercial enterprises	Family
Primary functions	● Facilitating marketing by small business ● Direct access to customers ● Hi-level management of AppStore platform	● Home data delivery ● Data storage ● Ease of use of AppStore function
Concurrent sessions	100	20
Web identification	Supports 50 users	Supports 20 users
Retail price (incl. VAT)	1,400 RMB (US$201)	500 (US$72)

We initiated sales of the YLT-300J in October 2016, and recorded sales of 13,360 units as of December 31, 2016.

Products Under Development

Our major product under development is a computer set-top-box ("PC-STB"), which combines the system architecture of a multimedia computer with that of a digital set-top box, and features wireless remote control, fully integrating a family's multimedia application requirements into a single device. We hope to introduce the PC-STB to the market in July 2017 as an upgrade to our HMC720.

In addition, we have seven other hardware products that are in various stages of research and development, including a domestic mini-terminal server, a minicomputer, an All-In-One PC, an ARM panel personal computer and an Android smartphone. We have also completed development of a Wonhe applications platform and a metropolitan business information website, which we will integrate with our future product offerings.

Our Industry

In the description below we rely on certain information and statistics regarding our industry and the economy in China that we derived from the "National Informatization Plan" included in the 13th Five Year Plan of the State Council of the People's Republic of China. We have no reason to believe that the information and statistics we cite are not accurate.

In recent years the electronic information products industry has achieved growth rates above that of the overall Chinese economy. In 2015, the PRC electronic information products industry achieved 17.1 trillion RMB in sales revenue. The nation's output of intelligent terminals, communications equipment, and other electronic information products ranked first in the world, and a number of world-class network enterprises have been emerging. With the continuing growth of China's national economy and the anticipated continuation of the transformation of Chinese society to a more western-style information economy, market demand for electronic information products is expected to continue to grow faster than the overall economy.

Today the electronic information industry is viewed by many countries as a leading strategic industry. The rapid promotion of global information, the development of cross-border investment, and the transnational transmission of information, have enhanced the value of the electronic information industry. As the Chinese electronic information industry has grown, international competition has continued to increase. Despite the growth in the Chinese electronic information industry, some bottle-neck issues have developed, such as technical limitations, capital restrictions, availability of personnel, as well as increasing costs and a decrease in foreign-funded investment in recent years as a result of the macro-environment changes in China and abroad. Despite these problems, we believe the electronics information industry will continue to grow, based on the following trends:

1. *The electronic information industry has a solid history of growth.*

   Since 2000, the Chinese domestic electronic information industry has consistently experienced rapid growth and has always been a leading industry in the whole national economy. As of the end of 2015, the number of Internet users had reached 688 million, the Internet penetration rate was 50.3%, and the number of Internet users and users with broadband access ranked first in the world. The third generation mobile communications network (3G) covers all of the townships in China; the commercial use of the fourth generation mobile communications network (4G) has expanded nationwide; and China holds a leading position in research and development of the fifth generation network. At the same time, the speed of China's communications network is accelerating and the cost of usage is decreasing. And the move toward integration of the Internet with broadband radio television and wireless satellite communications is steadily advancing.

2. *Technological innovation is being improved*.

Since 2000, the rate of innovation in the electronic information industry has grown rapidly. Advances in processor technology, the Chinese Linux operating system, the third generation of mobile communications, cluster communications and digital television technology all serve to confirm that China has valuable intellectual property that has narrowed the gap with the global state of the art. In particular, the development of TD-SCDMA technology as a Chinese standard has enabled the communications industry in China to achieve performance levels competitive with the best standards available.

3. *Regional industrial clusters are emerging*.

The potentially huge domestic electronic information products market, the availability of abundant low-priced manpower, the availability of a broad array of resources, and the continuously improving investment environment are all key factors attracting foreign companies and investors to establish business bases in China. Foreign capital accelerates the development of China's electronic information industry, particularly in the Pearl River Delta, Yangtze River Delta and Bohai. These areas have the good industrial base, strong ability to provide the auxiliary items necessary for growth, and the strong service consciousness from government necessary to attract foreign capital investments, and promote the development of local industries.

The specific niche in the electronic information products market occupied by Shenzhen Wonhe should benefit from this confluence of positive trends. In the 13th five-year plan, the government emphasized that industry should promote the integration of the telecommunication and broadcast networks with the capabilities of the computer. Toward that end, all of the relevant departments in the country are actively implementing the tri-networks integration project. The technology developed by Shenzhen Wonhe can play a leading role in that process.

Competition

Our products will compete with other manufacturers and providers of electronic furniture and digital/multimedia home entertainment systems, such as Shenzhen Huawei Technology Co., Ltd, Datang Tele-Communication Technology Co., Ltd., Haier Group, TCL Group Co., and Lenovo Group Co., Ltd. We compete on the basis of style, price, quality, comfort and brand name prestige and recognition, among other considerations.

Our home media center ("HMC") entertainment system competes with numerous well-known domestic brands such as Huawei, Haier, TCL and Lenovo, as well as well-known foreign brands such as Samsung and Apple iPad. Due to the lower costs and labor expenses in Asia Pacific regions, many international HMC manufacturers are establishing plants in Asia. This allows large manufacturers to compete with local manufacturers in pricing. Many of our competitors are larger in scale, have been in existence for a longer period of time, have achieved greater recognition for their brand names, have captured greater market shares and/or have substantially greater financial, distribution, marketing and other resources than we do.

Our routers compete with domestics companies such as Shenzhen Huawei Technologies Co., Ltd., as well as multinational providers such as Xiaomi Company. We expect our routers to compete on the basis of stability, speed (our Wifi routers are three times faster than 4G) and, most especially, the extensive array of functions offered by our Smart Routers.

Our Growth Strategy

For the foreseeable future we intend to continue to emphasize the development of multimedia devices capable of integrating telecommunication, broadcast and computer (internet) networks. In addition, we intend to focus on the development of panel personal computers (i.e. portable pads,“PPC’s”) and smartphones. The telecommunications market in China is undergoing rapid development and there is a growing demand for portable media devices to be integrated into GSM and TD-SCDMA networks. If we are successful in developing such products, in addition to offering them to electronic products distributors, we will seek to enter into joint marketing or other cooperative agreements with mobile telecom carriers in China.

Business Partnerships - Media Devices

The company intends to utilize its social resources in an effort to develop business partnerships with China’s largest telecom operators. Among the programs that our strategic development staff will pursue are:

- Research into the preferences of China Mobile with regard to PPC and smart phone design, followed by intensive development efforts to resolve the technological problems that currently prevent China Mobile from satisfying those preferences.

- Cooperation with the government-enterprise customer departments of China Mobile, which is the largest mobile telecom carrier in China based on the GSM and TD-SCDMA network.

- Efforts to establish business partnership with China United Network Communications Group Co, Ltd., the largest telecom operator in China, and China Telecommunications Corporation, a large state-owned telecommunication company, to combine our sales of smart phone products with telecommunication services provided by those operators.

Although we intend to make efforts to establish these business relationships, there is no guarantee that we will succeed.

Since 2010, agencies of the Chinese government have expressed a national policy favoring tri-network integration (i.e. film and cable TV, video communication, web browser) throughout China in order to improve communications content, increase network security, and promote the Chinese telecommunications industry. Participants in the telecommunications industry have also stressed the need for further advances in this area. For this reason, we intend to focus our development efforts on products that will help to achieve this goal. To date our development efforts have been carried out by our in-house research and development staff. If, in the future, we require special expertise in order to provide customers with special tri-network applications, we will seek a cooperative arrangement with an application service provider capable of providing the necessary technical expertise.

Business Partnerships - Routers

We plan to utilize our business relationships for the growth of our router business as well. Our initial accomplishment in that regard was the formation of a joint venture with Guangdong Kesheng Enterprise Co., Ltd. ("Guangdong Kesheng") in January 2016, when Shenzhen Wonhe entered into an agreement titled "Wireless Network Coverage Project in Beijing Area" with Guangdong Kesheng. The agreement contemplated that the two parties would work together to develop a wireless network in certain designated areas of Beijing. The commercial purpose of the network was to serve as a vehicle for advertising and marketing, with the income to be shared between Shenzhen Wonhe and Guangdong Kesheng. Shenzhen Wonhe committed in the agreement to make a capital contribution of 382,990,000 RMB (USD $55.15 million) to the project. Shenzhen Wonhe also committed to develop the data systems that will be used by the network. Guangdong Kesheng committed to supervise the engineering and construction, coordinate relationships with local government, and manage the network's operations.

On November 30, 2016 Shenzhen Wonhe and Guangdong Kesheng signed an amendment to the January agreement. The amendment, titled "Cooperative Agreement on Wireless Network Coverage Project in Beijing Area", terminated the participation of Shenzhen Wonhe in the construction and operation of the wireless network, and also terminated the commitment of Shenzhen Wonhe to develop the data systems used by the network. Shenzhen Wonhe has no further obligation to contribute capital to the project, and will receive no distribution of income from the project. Shenzhen Wonhe will, however, supply 36,300 routers for the project prior to the end of 2017, and Guangdong Kesheng will pay Shenzhen Wonhe 1,800 RMB ($259) for each router.

As of November 30, 2016 Shenzhen Wonhe had contributed to the wireless network project cash, equipment, engineering, and a pilot project in the Tongzhou District of Beijing. The total contribution of 175,755,641 RMB (USD$25.31 million) will be repaid to Shenzhen Wonhe in three equal annual installments; the unpaid portion of that obligation will accrue interest at 4.75% per annum.

Our Marketing Strategy

Our marketing strategy will entail the establishment of a national network of dedicated sales agencies and distributors for our products. As we introduce products, Shenzhen Wonhe will first sell the product to local sales agencies and distributors to introduce the products to the market. As demand grows, we will transition to exclusive distribution and sales channels. Support for the marketing effort will involve a five prong program:

1. Design a "Wonhe Vision Identity";

2. Build "Wonhe" brand image by unifying the appearance of all regional agents as well as the website of Wonhe;

3. Secure product reviews on influential IT websites, such as PConline, 3G sina, to enhance the brand image and awareness of Wonhe;

4. Engage film stars and celebrities to be image spokespersons to promote Wonhe branded products;

5. Seek to place articles about Shenzhen Wonhe and its products in newspapers and elite fashion magazines (e.g. Modern Weekly, Fashion; Popular Science, etc.) in major cities.

We currently market the HMC720 Home Media Center through a network of distributors.

Our routers are marketed by a single distributor, Shenzhen Yun Lutong Science and Technology Ltd ("YLT"), which is owned by Qing Tong, one of the Company's directors. YLT markets the YLT-100S and the YLT-300J routers to domestic consumers at a markup over wholesale price. YLT markets our YLT-300S router to commercial customers such as shopping malls and restaurants that offer persons in or near to the establishment Internet access. The sales agreement with commercial customers provides for payment directly for the router plus payment to Shenzhen Wonhe of a commission from retail sales to users who purchase products from a retailer via the Wonhe App.

In April 2015, Shenzhen Wonhe entered into a three -year Strategic Cooperation Agreement with YLT. Under the agreement, as originally executed, YLT committed to purchase 662,000 routers from Shenzhen WONHE, with 200,000 to be purchased during the first year, 220,000 during the second year and 242,000 routers purchased during the third year, for a total purchase price of RMB 926,800,000 (US $133,467,742). The agreement was subsequently amended and restated to replace YLT's specific purchase commitment with a covenant of mutual cooperation. The following table shows router purchases by YLT since the execution of the agreement.

	Units Purchased	Price - RMB	Price - US$
12 months ended May 31, 2016	51,085	71,519,000	$ 11,161,786
7 months ended December 31, 2016	58,000	81,200,000	$ 12,074,185

The Strategic Cooperation Agreement provides that YLT will not sell any equity or issue any debt during the term of the agreement, and that any change in share ownership of YLT must be approved by Shenzhen Wonhe. In addition, Shenzhen Wonhe is given an exclusive right to acquire YLT, at an appraised price, if YLT's 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. To date, neither of those thresholds has been achieved.

Production

Shenzhen Wonhe does not engage in manufacturing, but provides technology and purchase orders to qualified manufacturers, which manufacture to our order. Our manufacturers are independent third parties with no relationship to Shenzhen Wonhe or its owners.

Although we have dual-sourced our manufacturing in the past, during 2015 Shenzhen Wonhe outsourced the manufacture of all three of its products to a single producer: Shenzhen Tehuilong Electronic R&D Center. In the fall of 2016, when we introduced YLT-300J to the market, we engaged Shenzhen Weimeng Technology Co., Ltd. to manufacture that product.

Relying on one manufacturer for each product is a risk to our business. However, in determining to outsource all of our manufacturing to Shenzhen Tehuilong and Shenzhen Weimeng, we considered the following factors:

- Each manufacturer's production capacity and manufacturing strength are sufficient to satisfy our current annual sales plan.
- Every month we ordered a sufficient quantity of products to meet the next month's demand, which protects us from the risk of non-delivery.
- We have been able to maintain close relations with other manufacturers that possess good production technology, and so could secure a replacement for our contracted manufacturer if necessary.

Intellectual Property

Research and Development

Shenzhen Wonhe possesses a core technology team, most of whom have been engaged in the IT industry for more than 10 years. The members of our technology team specialize in development of hardware, system drivers, industrial design, application software systems and backstage data service.

Producers of information technology products face strong pressure to respond quickly to industry demands with new designs and product innovations that support rapidly changing technical demand and regulatory requirements. Shenzhen Wonhe spent approximately $796,145, $142,527 and $92,956 on its research and development efforts for the years ended December 31, 2016, 2015 and 2014, respectively.

Shenzhen Wonhe has produced prototypes of domestic media centers, set top boxes, minicomputers, X86 panel personal computers and ARM panel personal computers, each of which is ready for the production development stage. The initial development of our All-in-One computers and domestic smart servers has been completed and these products have entered into the engineering test stage. However, before we initiate marketing of any of these products, we will have to assess the market demand for the product. We will also have to obtain government approval. The process of applying for and securing government approval of a product can be lengthy; so we cannot predict when we will introduce any new product to the market. We do anticipate, however, that we will introduce our new PC-STB to the market in July of 2017.

We have developed client-side application software equipped with the characteristics of mellow human-computer interface, humanized menu design and handy function switchover. We are simultaneously proceeding with cross-platform transplanting to adapt to Windows, Linux and Android OS; software such as resources search engine, video filtering and processing technology, resource allocation and management, disposition and scheme of backstage application and data server are all completed by the Shenzhen Wonhe Application Center.

Protection of IP

We protect our intellectual property primarily by maintaining strict control over the use of production processes. All our employees, including key employees and engineers, have signed our standard form of labor contracts, pursuant to which they are obligated to hold in confidence any of our trade secrets, know-how or other confidential information and not to compete with us. In addition, for each project, only the personnel associated with the project have access to the related intellectual property. Access to proprietary data is limited to authorized personnel to prevent unintended disclosure or otherwise using our intellectual property without proper authorization. We will continue to take steps to protect our intellectual property.

As we develop new technologies, we secure patent protection from the Chinese patent office (“SIPO”) as needed. The following table lists the patent applications by Shenzhen Wonhe that have been authorized by SIPO:

Description	Patent Number	Filing Date
Tri-networks integration equipment	ZL 2011 20095525.X	Sept. 21, 2011
TV system and remote control	ZL 2011 20130608.8	October 19, 2011
Smart network TV system	CN 2015 10194880.5	April 23, 2015
TV set-top box	CN 2015 30175457.1	June 2, 2015
Router	CN 2015 30118715.2	April 28, 2015
Router management system	CN 2016 20188189.6	March 11, 2016

Regulation

Because our operating affiliate, Shenzhen Wonhe, is located in the PRC, our business is regulated by the national and local laws of the PRC. We believe our conduct of business complies with existing PRC laws, rules and regulations.

General Regulation of Businesses

We believe we are in material compliance with all applicable labor and safety laws and regulations in the PRC, including the PRC Labor Contract Law, the PRC Production Safety Law, the PRC Regulation for Insurance for Labor Injury, the PRC Unemployment Insurance Law, the PRC Provisional Insurance Measures for Maternity of Employees, PRC Interim Provisions on Registration of Social Insurance, PRC Interim Regulation on the Collection and Payment of Social Insurance Premiums and other related regulations, rules and provisions issued by the relevant governmental authorities from time to time.

According to the PRC Labor Contract Law, we are required to enter into labor contracts with our employees. We are required to pay no less than local minimum wages to our employees. We are also required to provide employees with labor safety and sanitation conditions meeting PRC government laws and regulations and carry out regular health examinations of our employees engaged in hazardous occupations.

Foreign Currency Exchange

The principal regulation governing foreign currency exchange in China is the Foreign Currency Administration Rules (1996), as amended (2008). Under these Rules, RMB is freely convertible for current account items, such as trade and service-related foreign exchange transactions, but not for capital account items, such as direct investment, loan or investment in securities outside China unless the prior approval of, and/or registration with, the State Administration of Foreign Exchange of the People's Republic of China, or SAFE, or its local counterparts (as the case may be) is obtained.

Pursuant to the Foreign Currency Administration Rules, foreign invested enterprises, or FIEs, in China may purchase foreign currency without the approval of SAFE for trade and service-related foreign exchange transactions by providing commercial documents evidencing these transactions. They may also retain foreign exchange (subject to a cap approved by SAFE) to satisfy foreign exchange liabilities or to pay dividends. In addition, if a foreign company acquires a subsidiary in China, the acquired company will also become an FIE. However, the relevant PRC government authorities may limit or eliminate the ability of FIEs to purchase and retain foreign currencies in the future. In addition, foreign exchange transactions for direct investment, loan and investment in securities outside China are still subject to limitations and require approvals from, and/or registration with, SAFE.

Dividend Distribution

Under applicable PRC regulations, FIEs in China may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, a FIE in China is required to set aside at least 10% of its after-tax profit based on PRC accounting standards each year to its general reserves until the cumulative amount of such reserves reach 50% of its registered capital. These reserves are not distributable as cash dividends.

The EIT Law and its implementing rules generally provide that a 10% withholding tax applies to China-sourced income derived by non-resident enterprises for PRC enterprise income tax purposes unless the jurisdiction of incorporation of such enterprises' shareholder has a tax treaty with China that provides for a different withholding arrangement. Shengshihe Consulting is considered a FIE and is directly held by our subsidiary in Hong Kong, Kuayu. According to a 2006 tax treaty between the Mainland and Hong Kong, dividends payable by an FIE in China to the company in Hong Kong that directly holds at least 25% of the equity interests in the FIE will be subject to a no more than 5% withholding tax. We expect that such 5% withholding tax will apply to dividends paid to Kuayu by Shengshihe Consulting, but this treatment will depend on our status as a non-resident enterprise.

Employees

We have a total of 51 full-time employees and no part-time employees.

ITEM 1A RISK FACTORS

Investing in our common stock involves risk. You should carefully consider the risks described below together with all of the other information contained in this Report, including the financial statements and the related notes, before deciding whether to purchase any shares of our common stock. If any of the following risks occurs, our business, financial condition or operating results could materially suffer. In that event, the trading price of our common stock could decline and you may lose all or part of your investment.

RISKS RELATED TO OUR BUSINESS

Our management has limited experience in managing and operating a public company. Any failure to comply with federal securities laws, rules or regulations could subject us to fines or regulatory actions, which may materially adversely affect our business, results of operations and financial condition.

Prior to 2012, our current management had no experience managing and operating a public company and has relied in many instances on the professional experience and advice of third parties including our attorneys and accountants. Few members of our middle and top management staff were educated and trained in the Western system, and we may have difficulty hiring new employees in the PRC with such training. As a result, we may experience difficulty in establishing management, legal and financial controls, collecting financial data and preparing financial statements, books of account and corporate records and instituting business practices that meet Western standards. Therefore, we may, in turn, experience difficulties in implementing and maintaining adequate internal controls as required under Section 404 of the Sarbanes-Oxley Act of 2002, as amended. This may result in significant deficiencies or material weaknesses in our internal controls, which could impact the reliability of our financial statements and prevent us from complying with the U.S. Securities and Exchange Commission ("SEC") rules and regulations and the requirements of the Sarbanes-Oxley Act of 2002, as amended. Failure to comply with any laws, rules, or regulations applicable to our business may result in fines or regulatory actions, which may materially adversely affect our business, results of operation, or financial condition and could result in delays in developing of an active and liquid trading market for our common stock. To the extent that the market place perceives that we do not have a strong financial staff and financial controls, the market for, and price of, our stock may be impaired.

The lack of expertise in Australian and U.S. GAAP among the staff of our finance department could result in errors in our filings.

The books and records of Shenzhen Wonhe, our operating entity, are maintained in accordance with bookkeeping practices that are customary in China. The financial statements of Shenzhen Wonhe and Shengshihe Consulting are prepared in accordance with accounting principles generally accepted in China. The staff of our finance department, which prepares those financial statements, has extensive experience with Chinese GAAP, but very limited experience with either Australian or U.S. GAAP. Therefore, in order to file with the SEC consolidated financial statements prepared in accordance with U.S. GAAP, we have engaged independent consultants who makes the adjustments to the financial statements of Shenzhen Wonhe and Shengshihe Consulting necessary to achieve compliance, first with Australian GAAP and then with U.S. GAAP, then performs the consolidation required to produce the consolidated financial statements of Wonhe High-Tech International, Inc. Because those consultants, who are not present in our executive offices, are the only participants in the preparation of our financial statements possessing a familiarity with either Australian or U.S. GAAP, there is a risk that the persons responsible for the initial classifications of the elements of our financial results will err in making those classifications, which will cause our reported financial statements to be erroneous. Any such errors, besides being misleading to investors, could result in subsequent restatements, which could have an adverse effect on the perception of the Company among investors.

We encounter substantial competition in our business and any failure to compete effectively could adversely affect our results of operations.

The electronics and information technology industry is highly competitive, and we may not be able to compete successfully against current or potential competitors. We compete with large PRC electronics companies, such as Shenzhen Huawei Technology Co., Ltd., Datang Telecom Technology Co., Ltd., as well as a large number of small firms. Many of our competitors have greater financial resources than we do. We anticipate that our competitors will continue to expand and seek to obtain additional market share with competitive price and performance characteristics. Aggressive expansion by our competitors or the entrance of new competitors into our markets could have a material adverse effect on our business, results of operations and financial condition.

We require highly qualified personnel and, if we are unable to hire or retain qualified personnel, we may not be able to grow effectively.

Our future success also depends upon our ability to attract and retain highly qualified personnel. Expansion of our business and the proposed growth of our business will require additional managers and employees with industry experience, and our success will be highly dependent on our ability to attract and retain skilled management personnel and other employees. We may not be able to attract or retain highly qualified personnel. Competition for skilled information technology personnel is significant. This competition may make it more difficult and expensive to attract, hire and retain qualified managers and employees.

The loss of the services of our key employees, particularly the services rendered by Qing Tong, our chairman, Nanfang Tong, our chief executive officer, or Jingwu Li, our chief financial officer, could harm our business.

Our success depends to a significant degree on the services rendered to us by our key employees. If we fail to attract, train and retain sufficient numbers of these qualified people, our prospects, business, financial condition and results of operations will be materially and adversely affected. In particular, we are heavily dependent on the continued services of Qing Tong, our chairman, Nanfang Tong, our chief executive officer and Jingwu Li, our chief financial officer. We currently do not have key employee insurance for our officers and directors. The loss of any these key employees, including members of our senior management team, and our inability to attract highly skilled personnel with sufficient experience in our industry could harm our business.

We rely on one third-party manufacturer to manufacture our products.

We currently depend on one contracted manufacturer to manufacture three of the products that we sell, and a second contracted manufacturer to fabricate the fourth product. If any significant problems occur at the production facility of our third-party manufacturer, our ability to deliver our products could be adversely affected. If our contract manufacturer is unable to maintain adequate manufacturing and shipping capacity, it may be unable to provide us with timely delivery of products of acceptable quality. Our inability to meet our customers' demand for our products could have a material adverse impact on our business, financial condition and results of operations. In addition, if the prices charged by our contractor increase for reasons such as increases in labor costs or currency fluctuations, our cost of manufacturing would increase, adversely affecting our results of operations. We require our contract manufacturers to meet our standards in terms of product quality and other matters. Any failure by either of our contract manufacturers to meet these standards, to adhere to labor or other laws or to diverge from our mandated practices, and the potential negative publicity relating to any of these events, could harm our business and reputation.

We also depend on third parties to transport and deliver our products. Due to the fact that we do not have any independent transportation or delivery capabilities of our own, if these third parties are unable to transport or deliver our products for any reason, or if they increase the price of their services, including as a result of increases in the cost of fuel, our operations and financial performance may be adversely affected.

We may not be able to meet the internal control reporting requirements imposed by the SEC resulting in a possible decline in the price of our common stock and our inability to obtain future financing.

As directed by Section 404 of the Sarbanes-Oxley Act, the SEC adopted rules requiring each public company to include a report of management on the company's internal controls over financial reporting in its annual reports. Although the Dodd-Frank Wall Street Reform and Consumer Protection Act exempts companies with a public float of less than $75 million from the requirement that our independent registered public accounting firm attest to our financial controls, this exemption does not affect the requirement that we include a report of management on our internal control over financial reporting and does not affect the requirement to include the independent registered public accounting firm's attestation if our public float exceeds $75 million.

While we expect to expend significant resources in developing the necessary documentation and testing procedures required by Section 404 of the Sarbanes-Oxley Act, there is a risk that we may not be able to comply timely with all of the requirements imposed by this rule. Regardless of whether we are required to receive a positive attestation from our independent registered public accounting firm with respect to our internal controls, if we are unable to do so, investors and others may lose confidence in the reliability of our financial statements and our stock price and ability to obtain equity or debt financing as needed could suffer.

In addition, in the event that our independent registered public accounting firm is unable to rely on our internal controls in connection with its audit of our financial statements, and in the further event that it is unable to devise alternative procedures in order to satisfy itself as to the material accuracy of our financial statements and related disclosures, it is possible that we would be unable to file our Annual Report on Form 10-K with the SEC, which could also adversely affect the market for and the market price of our common stock and our ability to secure additional financing as needed.

We do not carry business interruption or other insurance, so we have to bear losses ourselves.

We are subject to risk inherent to our business, including equipment failure, theft, natural disasters, industrial accidents, labor disturbances, business interruptions, property damage, product liability, personal injury and death. We do not carry any business interruption insurance or third-party liability insurance or other insurance to cover risks associated with our business. As a result, if we suffer losses, damages or liabilities, including those caused by natural disasters or other events beyond our control and we are unable to make a claim against a third party, we will be required to bear all such losses from our own funds, which could have a material adverse effect on our business, financial condition and results of operations.

Our inability to protect our trademarks, patent and trade secrets may prevent us from successfully marketing our products and competing effectively.

Failure to protect our intellectual property could harm our brands and our reputation, and adversely affect our ability to compete effectively. Further, enforcing or defending our intellectual property rights, including our trademarks, patents, copyrights and trade secrets, could result in the expenditure of significant financial and managerial resources. We produce, market and sell our products under the brand “Woner” (“网尔” in Chinese). We have obtained the trademark right for the image of “Woner,” composed of an image and the Chinese characters of “网尔”, and are currently applying for trademark protection for other marks in China. We cannot provide any assurance that trademark protection will be granted or that the grant of trademark protection will provide adequate protection for our brands. We regard our intellectual property, particularly our trademarks and trade secrets, to be of considerable value and importance to our business and our success. We rely on a combination of trademark, patent, and trade secrecy laws, and contractual provisions to protect our intellectual property rights. There can be no assurance that the steps taken by us to protect these proprietary rights will be adequate or that third parties will not infringe or misappropriate our trademarks, trade secrets or similar proprietary rights. In addition, there can be no assurance that other parties will not assert infringement claims against us, and we may have to pursue litigation against other parties to assert our rights. Any such claim or litigation could be costly and we may lack the resources required to defend against such claims. In addition, any event that would jeopardize our proprietary rights or any claims of infringement by third parties could have a material adverse effect on our ability to market or sell our brands, and profitably exploit our products.

We may be exposed to liabilities under the Foreign Corrupt Practices Act and Chinese anti-corruption law, and any determination that we violated these laws could have a material adverse effect on our business.

We are subject to the U.S. Foreign Corrupt Practices Act, (“FCPA”) and other laws that prohibit improper payments or offers of payments to foreign governments and their officials and political parties by U.S. persons and issuers for the purpose of obtaining or retaining business. We are also subject to Chinese anti-corruption law, which strictly prohibits the payment of bribes to government officials.

We principally have operations, agreements with third parties and make sales in China, which may experience corruption. Our activities in China create the risk of unauthorized payments or offers of payments by one of the employees, consultants or distributors of our company, because these parties are not always subject to our control. We are in process of implementing an anticorruption program, which prohibits the offering or giving of anything of value to foreign officials, directly or indirectly, for the purpose of obtaining or retaining business. We believe that to date we have complied in all material respects with the provisions of the FCPA and Chinese anti-corruption law. However, our existing safeguards and any future improvements may prove to be less than effective, and the employees, consultants or distributors of our Company may engage in conduct for which we might be held responsible. Violations of the FCPA or Chinese anti-corruption law may result in severe criminal or civil sanctions, and we may be subject to other liabilities, which could negatively affect our business, operating results and financial condition. In addition, the government may seek to hold our Company liable for successor liability FCPA violations committed by companies in which we invest or that we acquire.

RISKS RELATED TO DOING BUSINESS IN CHINA

Uncertainties with respect to the PRC legal system could limit the legal protections available to you and us.

We conduct substantially all of our business through our operating subsidiary in the PRC. Our operating subsidiary is generally subject to laws and regulations applicable to foreign investments in China and, in particular, laws applicable to foreign-invested enterprises. The PRC legal system is based on written statutes, and prior court decisions may be cited for reference but have limited precedential value. Since 1979, a series of new PRC laws and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. However, since the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involve uncertainties, which may limit legal protections available to you and us. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

We are a Nevada holding company and most of our assets are located outside of the United States. All of our current business operations are conducted in the PRC through our subsidiary, Shenzhen Wonhe Technology Co., Ltd. ("Shenzhen Wonhe"). In addition, all of our directors and officers are nationals and residents of countries other than the United States. A substantial portion of the assets of these persons is located outside the United States. As a result, it may be difficult for you to effect service of process within the United States upon these persons. It may also be difficult for you to enforce in U.S. courts judgments on the civil liability provisions of the U.S. federal securities laws against us and our officers and directors, most of whom are not residents in the United States and the substantial majority of whose assets are located outside of the United States. In addition, there is uncertainty as to whether the courts of the PRC would recognize or enforce judgments of U.S. courts. Courts in China may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based on treaties between China and the country where the judgment is made or on reciprocity between jurisdictions. China does not have any treaties or other arrangements that provide for the reciprocal recognition and enforcement of foreign judgments with the United States. In addition, according to the PRC Civil Procedures Law, courts in the PRC will not enforce a foreign judgment against us or our directors and officers if they decide that the judgment violates basic principles of PRC law or national sovereignty, security or the public interest. So it is uncertain whether a PRC court would enforce a judgment rendered by a court in the United States.

Restrictions on currency exchange may limit our ability to receive and use our sales revenue effectively.

All our sales revenue and expenses are denominated in RMB. Under PRC law, the RMB is currently convertible under the "current account," which includes dividends and trade and service-related foreign exchange transactions, but not under the "capital account," which includes foreign direct investment and loans. Currently, our PRC subsidiaries 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, or SAFE, by complying with certain procedural requirements. However, the relevant PRC government authorities may limit or eliminate our ability to purchase foreign currencies in the future. Since a significant amount of our future revenue will be denominated in RMB, any existing and future restrictions on currency exchange may limit our ability to utilize revenue generated in RMB to fund our business activities outside China that are denominated in foreign currencies.

Foreign exchange transactions by our PRC operating subsidiary under the capital account continue to be subject to significant foreign exchange controls and require the approval of or need to register with PRC government authorities, including SAFE. In particular, if our PRC operating subsidiary borrows foreign currency through loans from us or other foreign lenders, these loans must be registered with SAFE, and if we finance the subsidiary by means of additional capital contributions, these capital contributions must be approved by certain government authorities, including the Ministry of Commerce, or MOFCOM, or their respective local counterparts. These limitations could affect their ability to obtain foreign exchange through debt or equity financing.

Fluctuations in exchange rates could adversely affect our business and the value of our securities.

The value of our common stock will be indirectly affected by the foreign exchange rate between U.S. dollars and RMB and between those currencies and other currencies in which our sales may be denominated. Appreciation or depreciation in the value of the RMB relative to the U.S. dollar would affect our financial results reported in U.S. dollar terms without giving effect to any underlying change in our business or results of operations. Fluctuations in the exchange rate will also affect the relative value of any dividend we issue that will be exchanged into U.S. dollars as well as earnings from, and the value of, any U.S. dollar-denominated investments we make in the future.

In August 2015, the PRC government devaluated the RMB by approximately 3.5%, and during 2016 the PRC government devalued its currency by an additional 6.5%. Additional devaluation could occur in the future and affect our results.

Since July 2005, the RMB is no longer pegged to the U.S. dollar. Although the People's Bank of China regularly intervenes in the foreign exchange market to prevent significant short-term fluctuations in the exchange rate, the RMB may appreciate or depreciate significantly in value against the U.S. dollar in the medium to long term. Moreover, it is possible that in the future PRC authorities may lift restrictions on fluctuations in the RMB exchange rate and lessen intervention in the foreign exchange market.

Very limited hedging transactions are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions. While we may enter into hedging transactions in the future, the availability and effectiveness of these transactions may be limited, and we may not be able to successfully hedge our exposure at all. In addition, our foreign currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert RMB into foreign currencies.

Restrictions under PRC law on our PRC subsidiary's ability to make dividend and other distributions could materially and adversely affect our ability to grow, make investments or complete acquisitions that could benefit our business, pay dividends to you, and otherwise fund and conduct our businesses.

Substantially all of our revenues are earned by our PRC subsidiary. However, PRC regulations restrict the ability of our PRC subsidiary to make dividend and other payments to its offshore parent company. PRC legal restrictions permit payments of dividend by our PRC subsidiary only out of its accumulated after-tax profits, if any, determined in accordance with PRC accounting standards and regulations. Our PRC subsidiary is also required under PRC laws and regulations to allocate at least 10% of our annual after-tax profits determined in accordance with PRC GAAP to a statutory general reserve fund until the amounts in said fund reaches 50% of our registered capital. Allocations to these statutory reserve funds can only be used for specific purposes and are not transferable to us in the form of loans, advances or cash dividends. Any limitations on the ability of our PRC subsidiary to transfer funds to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends and otherwise fund and conduct our business.

Under the EIT Law, we may be classified as a "resident enterprise" of China. Such classification will likely result in unfavorable tax consequences to us and our non-PRC stockholders.

Under the New Income Tax Law, enterprises established outside the PRC whose "de facto management bodies" are located in the PRC are considered "resident enterprises" and their global income will generally be subject to the uniform 25% enterprise income tax rate. On December 6, 2007, the PRC State Council promulgated the Implementation Regulations on the New Income Tax Law, which define "de facto management bodies" as bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. In addition, a circular issued by the State Administration of Taxation on April 22, 2009 provides that a foreign enterprise controlled by a PRC company or a PRC company group will be classified as a "resident enterprise" with its "de facto management bodies" located within the PRC if the following requirements are satisfied:

(i) the senior management and core management departments in charge of its daily operations function mainly in the PRC;

(ii) its financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC;

(iii) its major assets, accounting books, company seals, and minutes and files of its board and shareholders' meetings are located or kept in the PRC; and

(iv) more than half of the enterprise's directors or senior management with voting rights reside in the PRC.

Because the EIT Law, its implementing rules and the recent circular are relatively new, no official interpretation or application of this new "resident enterprise" classification is available. Therefore, it is unclear how tax authorities will determine tax residency based on the facts of each case.

If the PRC tax authorities determine that we are a "resident enterprise" for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. First, we may be subject to the enterprise income tax at a rate of 25% on our worldwide taxable income as well as PRC enterprise income tax reporting obligations. In our case, this would mean that non-China source income would be subject to PRC enterprise income tax at a rate of 25%. Second, although under the EIT Law and its implementing rules dividends paid to us from our PRC subsidiary would qualify as "tax-exempt income," we cannot guarantee that such dividends will not be subject to a 10% withholding tax, as the PRC foreign exchange control authorities, which enforce the withholding tax, have not yet issued guidance with respect to the processing of outbound remittances to entities that are treated as resident enterprises for PRC enterprise income tax purposes. Finally, it is possible that future guidance issued with respect to the new "resident enterprise" classification could result in a situation in which a 10% withholding tax is imposed on dividends we pay to our non-PRC stockholders and with respect to gains derived by our non-PRC stockholders from transferring our shares.

If we were treated as a "resident enterprise" by PRC tax authorities, we would be subject to taxation in both the U.S. and China, and our PRC tax may not be creditable against our U.S. tax.

If the China Securities Regulatory Commission ("CSRC") or another PRC regulatory agency determines that CSRC approval was required in connection with the reverse acquisition of World Win, the reverse acquisition may be unwound, or we may become subject to penalties.

On August 8, 2006, six PRC regulatory agencies, including the CSRC, promulgated the Provisions Regarding Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (the "**M&A Rule")**, which became effective on September 8, 2006. The M&A Rule, among other things, requires that an offshore company controlled by PRC companies or individuals that have acquired a PRC domestic company for the purpose of listing the PRC domestic company's equity interest on an overseas stock exchange must obtain the approval of the CSRC prior to the listing and trading of such offshore company's securities on an overseas stock exchange. In addition, when an offshore company acquires a PRC domestic company, the offshore company is generally required to pay the acquisition consideration within three months after the issuance of the foreign-invested company license unless certain ratification from the relevant PRC regulatory agency is obtained. On September 21, 2006, the CSRC, pursuant to the M&A Rule, published on its official web site procedures specifying documents and materials required to be submitted to it by offshore companies seeking CSRC approval of their overseas listings.

We believe the M&A Rule mandating CSRC approval for acquisition of a PRC domestic company by an offshore company controlled by PRC companies or individuals should not apply to our reverse acquisition of World Win because none of World Win, Kuayu or Shengshihe Consulting was a "Special Purpose Vehicle" or an "offshore company controlled by PRC companies or individuals" at the moment of acquisition. However, we cannot assure you that we would be able to obtain the approval required from MOFCOM. If the PRC regulatory authorities take the view that the reverse acquisition of World Win constituted a round-trip investment without MOFCOM approval, they could invalidate our acquisition and ownership of World Win.

The M&A Rule establishes more complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

The M&A Rule establishes additional procedures and requirements that could make some acquisitions of Chinese companies by foreign investors more time-consuming and complex, including requirements in some instances that the PRC Ministry of Commerce be notified in advance of any change-of-control transaction, and in some situations require approval of the PRC Ministry of Commerce when a foreign investor takes control of a Chinese domestic enterprise. In the future, we may grow our business in part by acquiring complementary businesses, although we do not have any plans to do so at this time. The M&A Rule also requires PRC Ministry of Commerce anti-trust review of any change-of-control transactions involving certain types of foreign acquirers. Complying with the requirements of the M&A Rule to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the PRC Ministry of Commerce, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

Failure to comply with PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident shareholders to personal liability, limit our ability to acquire PRC companies or to inject capital into our PRC subsidiary or affiliate, limit our PRC subsidiary's and affiliate's ability to distribute profits to us or otherwise materially adversely affect us.

On July 4, 2014, SAFE issued the Notice on Issues Relating to the Administration of Foreign Exchange for Overseas Investment and Financing and Reverse Investment by Domestic Residents via Special Purpose Vehicles, or Circular 37, which replaced the Notice on Issues Relating to the Administration of Foreign Exchange for the Financing and Reverse Investment by Domestic Residents via Offshore Special Purpose Vehicles issued by SAFE in October 2005, or Circular 75. Pursuant to Circular 37, any PRC residents, including both PRC institutions and individual residents, are required to register with the local SAFE branch before making any contribution to a company set up or controlled by the PRC residents outside of the PRC for the purpose of overseas investment or financing with their legally owned domestic or offshore assets or interests, referred to in this circular as a "special purpose vehicle." Under Circular 37, the term "PRC institutions" refers to entities with legal person status or other economic organizations established within the territory of the PRC. The term "PRC individual residents" includes all PRC citizens (also including PRC citizens abroad) and foreigners who habitually reside in the PRC for economic benefits. A registered special purpose vehicle is required to amend its SAFE registration in the event of any change of basic information including PRC individual resident shareholder, name, term of operation, or PRC individual resident's increase or decrease of capital, transfer or exchange of shares, merger, division or other material changes. In addition, if a non-listed special purpose vehicle grants any equity incentives to directors, supervisors or employees of domestic companies under its direct or indirect control, the relevant PRC individual residents could register with the local SAFE branch before exercising such options. The SAFE simultaneously issued a series of guidances to its local branches with respect to the implementation of Circular 37. Circular 37 modified certain defined terms under Circular 75 to clarify the SAFE registration scope. For example, Circular 37 broadened the definition of special purpose vehicle to offshore entities that were (i) established for the purpose of overseas investments by PRC residents (in addition to for the purpose of financing as defined under Circular 75) and (ii) established by PRC residents with their legally owned offshore assets or interests (in addition to domestic assets or interests as defined under Circular 75); and it also broadened the definition of reverse investment to include establishing new foreign invested entities or projects as a way of domestic direct investment by PRC residents, directly or indirectly, through a special purpose vehicle, which was excluded by Circular 75. Furthermore, Circular 37 modified certain SAFE registration procedures and requirements for special purpose vehicles and clarified the SAFE registration procedures for equity incentive awards granted by non-listed special purpose vehicles to directors, supervisors or employees of their controlled domestic companies.

We have advised our shareholders who are PRC residents, as defined in Circular 37, to register with the relevant branch of SAFE, as currently required, in connection with their equity interests in us and our acquisitions of equity interests in our PRC subsidiary and affiliate. However, as SAFE registration is a personal obligation of each shareholder, we cannot provide any assurances that their existing registrations have fully complied with, and they have made all necessary amendments to their registration to fully comply with, all applicable registrations or approvals required by Circular 37. Moreover, because of uncertainty over how Circular 37 will be interpreted and implemented, and how or whether SAFE will apply it to us, we cannot predict how it will affect our business operations or future strategies. For example, our present and prospective PRC subsidiaries' ability to conduct foreign exchange activities, such as the remittance of dividends and foreign currency-denominated borrowings, may be subject to compliance with Circular 37 by our PRC resident beneficial holders. In addition, such PRC residents may not always be able to complete the necessary registration procedures required by Circular 37. We also have little control over either our present or prospective direct or indirect shareholders or the outcome of such registration procedures. A failure by our PRC resident beneficial holders or future PRC resident shareholders to comply with Circular 37, if SAFE requires it, could subject these PRC resident beneficial holders to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit our subsidiaries' ability to make distributions or pay dividends or affect our ownership structure, which could adversely affect our business and prospects.

Additionally in October of 2016, the Interim Measures for the Administration of the Establishment and Record Alteration of Foreign Investment Enterprises ("Interim Measures") took effect and now mandates that WFOEs, among other types of PRC domiciled companies must register with MOFCOM and request MOFCOM's approval for any change in ownership by foreign investors. Neither our U.S. parent company nor our operating subsidiary, Shenzhen Wonhe, are affected by the Interim Measures, but our subsidiary Shengshihe Consulting is subject to the Interim Measures as a WFOE. As such, any change in ownership of Shengshihe Consulting would require the approval of MOFCOM, and such approval cannot be guaranteed. Any failure to seek approval of any change in ownership of Shengshihe Consulting could create liability affecting our U.S. parent company, and the potential barrier in changing the ownership structure of the U.S. parent and its subsidiaries owned by Shengshihe Consulting could limit opportunities for restructuring. Shengshihe Consulting has already registered its current ownership with MOFCOM prior to the effective date of the Interim Measures, so under the U.S. Company's current corporate structure, the Interim Measures will not affect our business. Shengshihe Consulting does not have any material operations, and we plan to retain the current ownership structure under Shengshihe Consulting's existing registration with MOFCOM in order to avoid any risk.

Lack of bank deposit insurance in the PRC puts our cash balances at risk of loss, the loss of which could have a material adverse effect on our business.

We maintain bank accounts in China the balances of which are not insured and are not protected by U.S. FDIC insurance or other insurance. As of December 31, 2016 we held the equivalent of approximately $42,085,769 in US Dollars in bank accounts in China. If a Chinese bank holding our funds were to experience insolvency or closure, it may not permit us to withdraw our funds, which would result in a loss of such funds, which could have a material adverse effect on our business.

RISKS RELATED TO THE MARKET FOR OUR STOCK GENERALLY

There is only a very limited market for our Common Stock.

While our common stock is listing for quotation on the OTCQB, there is currently little trading in our common stock. We cannot provide any assurances as to when an active market will develop for our common stock.

Our common stock is subject to penny stock rules.

Our common stock is subject to Rule 15g-1 through 15g-9 under the Exchange Act, which imposes certain sales practice requirements on broker-dealers which sell our common stock to persons other than established customers and "accredited investors" (generally, individuals with net worth's in excess of $1,000,000 or annual incomes exceeding $200,000 (or $300,000 together with their spouses)). For transactions covered by this rule, a broker-dealer must make a special suitability determination for the purchaser and have received the purchaser's written consent to the transaction prior to the sale. This rule adversely affects the ability of broker-dealers to sell our common stock and the ability of our stockholders to sell their shares of common stock.

Additionally, our common stock is subject to the SEC regulations for "penny stock." Penny stock includes any equity security that is not listed on a national exchange and has a market price of less than $5.00 per share, subject to certain exceptions. The regulations require that prior to any non-exempt buy/sell transaction in a penny stock, a disclosure schedule set forth by the SEC relating to the penny stock market must be delivered to the purchaser of such penny stock. This disclosure must include the amount of commissions payable to both the broker-dealer and the registered representative and current price quotations for the common stock. The regulations also require that monthly statements be sent to holders of penny stock that disclose recent price information for the penny stock and information of the limited market for penny stocks. These requirements adversely affect the market liquidity of our common stock.

Certain provisions of our Articles of Incorporation may make it more difficult for a third party to effect a change-of-control.

Our Articles of Incorporation authorizes the board of directors to issue up to 10,000,000 shares of preferred stock in one or more series. The terms of the preferred stock may include preferences as to dividends and liquidation, conversion rights, redemption rights and sinking fund provisions. The issuance of any preferred stock could diminish the rights of holders of our common stock, and therefore could reduce the value of such common stock. In addition, specific rights granted to future holders of preferred stock could be used to restrict our ability to merge with, or sell assets to, a third party. The ability of the board of directors to issue preferred stock could make it more difficult, delay, discourage, prevent or make it more costly to acquire or effect a change-in-control, which in turn could prevent our stockholders from recognizing a gain in the event that a favorable offer is extended and could materially and negatively affect the market price of our common stock.

ITEM 1B UNRESOLVED STAFF COMMENTS

Not Applicable.

ITEM 2. DESCRIPTION OF PROPERTY

We occupy our principal executive offices in Shenzhen, China at a current monthly rental of approximately $11,175. Our lease for the premises expires on May 31, 2017.

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 for the laboratory for the period from inception (May 5, 2016) through December 31, 2016 was $281,489.

We expect that our current facilities will be adequate for our operations for the foreseeable future.

ITEM 3. LEGAL PROCEEDINGS

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

(a) Market Information

Our common stock has been listed for quotation on the OTCQB since October 21, 2011. It is currently listed under the symbol "WHHT." The following table sets forth for the respective periods indicated the prices of the common stock, as reported by the OTCQB. Such prices are based on inter-dealer bid and asked prices, without markup, markdown, commissions, or adjustments and may not represent actual transactions.

	Bid	
Quarter Ending	High	Low
March 31, 2015	$ 3.07	$ 3.07
June 30, 2015	$ 3.07	$ 0.10
September 30, 2015	$ 1.50	$ 0.10
December 31, 2015	$ 0.40	$ 0.29
March 31, 2016	$ 0.25	$ 0.07
June 30, 2016	$ 0.17	$ 0.01
September 30, 2016	$ 0.18	$ 0.03
December 31, 2016	$ 0.13	$ 0.06

(b) Shareholders

On April 3, 2017 there were 6,255 holders of record of our common stock.

(c) Dividends

Since the Company's incorporation, no dividends have been paid on our Common Stock. We intend to retain any earnings for use in our business activities, so it is not expected that any dividends on our common stock will be declared and paid in the foreseeable future.

(d) Securities Authorized for Issuance Under Equity Compensation Plans

The information set forth in the table below regarding equity compensation plans (which include individual compensation arrangements) was determined as of December 31, 2016.

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	0	N.A.	0
Equity compensation plans not approved by security holders	0	N.A.	0
Total	0	N.A.	0

(e) Sale of Unregistered Securities

Wonhe High-Tech International did not effect any unregistered sales of equity securities during the quarter ended December 31, 2016.

(f) Repurchase of Equity Securities

Wonhe High-Tech International, Inc. did not repurchase any of its equity securities that were registered under Section 12 of the Securities Act during the quarter ended December 31, 2016.

ITEM 6. SELECTED FINANCIAL DATA

Not applicable.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS 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 $1,440). 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 completed a capital raise by selling 16,951,802 shares for $0.20 AUD for a total of AUD $3,390,360 (USD $2,436,449) and receiving net proceeds of approximately AUD $2,701,000 (USD $1,941,000). As a result, our beneficial interest in Australian Wonhe and, derivatively, in Shenzhen Wonhe was reduced to 53.3%.

Results of Operations

The following table sets forth in U.S. dollars, key components of our results of operations during the years ended December 31, 2016 and 2015.

	Years Ended December 31,	
	2016	2015
Sales	**$ 49,201,963**	$ 31,424,963
Gross profit	**16,061,825**	13,288,988
Operating income	**13,394,978**	4,110,114
Net income (loss) attributable to common stockholders	**$ 5,283,834**	$ (2,116,783)

Sales.

Since October 2014, we have been marketing our second generation home media center, the HMC720. In the year ended December 31, 2016, our sales of HMC 720 remained stable at $25,295,059 compared to sales of HMC 720 of $25,068,803 in the year ended December 31, 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$53). 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$202). In October 2016, we introduced a third Wifi Router, the YLT-300J, which is designed to be used in larger residential locations. The unit selling price of the YLT-300J (including 3% VAT) is RMB 500 (US$72) 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 was $2,730,573 and $1,998,490, respectively, for the years ended December 31, 2016 and 2015. Combined sales of router YLT-300S and YLT-300J was $21,176,332 and $4,357,670 for the years ended December 31, 2016 and 2015, respectively.

Gross Profit. Although our sales increased, quarter-to-quarter, by 56.6%, our gross profit increased by only 20.9%, from $13,288,988 in the year ended December 31, 2015 to $16,061,825 in the year ended December 31, 2016. This discrepancy occurred primarily because our cost of goods for routers is a significantly higher percentage of the sales price than our cost of goods for our home entertainment centers. As routers come to represent a larger portion of our overall business, our gross margins are likely to fall. The potential market for our routers is large, however. Thus, 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 year ended December 31, 2016 decreased to $2,666,847 from $9,178,874 for the year ended December 31, 2015. The primary reason for the decrease was the $7,534,000 in compensation to our chairman of the board and certain financial consultants that we recorded during 2015 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 are primarily comprised of salaries for R&D employees. In the year ended December 31, 2016 and 2015, our research and development expenses were $796,145 and $142,527, respectively. The significant increase in 2016 was primarily attributable to our development of the computer set-top-box (PC-STB) that we expect to introduce in 2017 as an upgrade to our HMC720.

- ***Selling and Marketing Expenses.*** Selling and marketing expenses are primarily comprised of salaries and advertising expenses. We incurred $578,701 and $642,207, respectively, in selling and marketing expenses during the years ended December 31, 2016 and 2015. For the years ended December 31, 2016 and 2015, we incurred advertising expenses of $451,714 and $341,840, respectively, which were the main selling and marketing expenses.

- ***General and Administrative Expenses.*** Our general and administrative ("G&A") expenses are comprised of rent, administrative employees' salaries, professional fees and other expenses incurred for G&A functions. We incurred $1,292,001 and $8,394,140, respectively, in general and administrative expenses during the years ended December 31, 2016 and 2015. As noted above, the $7,534,000 stock compensation expense incurred in the 3rd quarter of 2015 was the primary component of the G&A expenses of $8,394,140 for that year. But for that item, our G&A expenses would have increased by 50% year-to-year, comparable to the 57% year-to-year increase in our revenue.

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 years ended December 31, 2016 and 2015 we realized income (loss) from operations of $13,394,978 and $4,110,114, respectively.

Other Income (Expense). The components of our non-operating income and expense during the years ended December 31, 2016 and 2015 were:

- Our interest income was $453,674 and $172,305 for the years ended December 31, 2016 and 2015, respectively. Our interest income for 2016 includes $104,752 of interest accrued on the loan receivable from Guangdong Kesheng in addition to the interest income earned from bank deposits. We have no interest-bearing debt.

- In November 2016 we terminated our participation in the joint venture with Guangdong Kesheng, and by mutual agreement converted our capital contribution to that venture into a loan of US$25,307,626 payable by Guangdong Kesheng to us with 4.75% annual interest. To reflect the present value of that loan, including the risk of nonpayment, we recorded an allowance for doubtful account of $2,047,267 as an other non-operating expense.

- We recorded a loss of $5,338 and $61,287 on disposal of certain fixed assets during the years ended December 31, 2016 and 2015, respectively.

- We made a donation of $8,015 during the year ended December 31, 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 ($2,319,573) 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. For the three years following, we have a 50% reduction in the Enterprise Income Tax. As a result, tax provisions, after the 50% deduction, of $1,795,044 and $1,489,251, respectively, were recorded for the years ended December 31, 2016 and 2015, which were offset against the prepaid income tax described above.

Net Income. We reported net income of $10,001,003 and $2,725,790, respectively, for the years ended December 31, 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 40% non-controlling interest. For that reason, we reduced our net income for the years ended December 31, 2016 and 2015 by an allocation to the "non-controlling interests" of $4,717,169 and $4,842,574, respectively, before recognizing net income (loss) attributable to the common stockholders. After those allocations, our net income (loss) attributable to common stockholders for the years ended December 31, 2016 and 2015 was $5,283,834 ($0.08 per share) and $(2,116,783) ($(0.04) 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 years ended December 31, 2016 and 2015, foreign currency translation adjustments of $(3,506,673) and $(3,318,614), 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 2015, followed by a devaluation of approximately 6.5% in 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 December 31, 2016, our only debt consisted of $434,324 that we have borrowed from a stockholder, primarily in order to obtain U.S. and Australian Dollars to pay the expenses of our parent corporation and professional expenses in those countries. At December 31, 2016, our working capital totaled $47,433,614, a decrease of $7,533,952 since December 31, 2015. The primary reason for the decrease was that we contributed $25,307,626 to our joint venture with Guangdong Kesheng, which was then converted to a long-term loan receivable in that amount when we terminated our participation in the joint venture. The loan was recorded on our balance sheet as a non-current asset with a discounted present value of $23,349,800.

Our cash and cash equivalents of $42,085,769 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 $7,798,031 in accounts receivable. This represented approximately 42% of our sales for the recent quarter, and represented an increase of $4,152,124 from our accounts receivable balance at the end of 2015. All accounts receivable at December 31, 2016 have been subsequently collected.

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

	Year ended December 31, 2016	Year ended December 31, 2015
Net cash provided by operating activities	**$ 10,498,300**	$ 11,395,670
Net cash (used in) investing activities	**$ (19,669,293)**	$ (7,991,191)
Net cash provided by financing activities	**$ 1,030,152**	$ 17,185,319

Operating activities

Our operations provided $10,498,300 in cash during the year ended December 31, 2016, which was only slightly greater than our net income before non-controlling interest of $10,001,003 in this period. Relative parity between net income and cash provided was achieved because the $4,613,282 increase in our accounts receivable was offset by an increase in accounts payable of $1,445,485, the fact that we were able to offset our income tax liability with prepaid income taxes of $1,103,590, as well as the fact that our net income had been reduced by a non-cash allowance for bad debt of $2,047,267.

Cash from operations for year ended December 31, 2015 was $11,395,670, despite net income of only $2,725,790, as net income was reduced by non-cash stock compensation expense of $7,534,080.

Since we purchase the HMC720 and our Wifi Routers from 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

Generally, because we outsource all of our manufacturing operations, our cash flows can be dedicated to working capital, and we have very modest investments. For example, during the year ended December 31, 2016 we used only $56,420 to improve or acquire property, plant and equipment.

In 2015, however, we initiated a wireless network pilot project, and used $1,877,447 primarily to purchase equipment related to that project and $6,091,847 to develop that project. In January 2016 we folded the project into a joint venture with Guangdong Kesheng Enterprise Co., Ltd., and contributed another $19,612,873 in cash resources pursuant to an investment agreement for the Wireless Network Coverage Project in Beijing Area with Guangdong Kesheng Enterprise Co., Ltd. On November 30, 2016, however, we terminated our participation in that project (other than as a vendor of routers) and changed the original investment into a loan with 4.75% annual interest. As a result, during the year ended December 31, 2016, we used $19,669,293 in cash on investing activities, having used $7,991,191 in cash on investing activities during 2015. As Guangdong Kesheng repays the $25.3 million loan over the next three years, our investing activities should be a net source of cash.

Financing activities

During the year ended December 31, 2016, we issued 15,000,000 common shares and raised funds totaling $1,214,320. In addition, our Australian subsidiary paid a dividend to its shareholders of $184,168.

During the year ended December 31, 2015, we issued 20,130,000 common shares and raised $15,196,298. We also raised $1,941,318 from the issue of common shares by our Australian subsidiary. In addition, we received a loan from our shareholder of $47,703.

We believe that our cash on hand and cash flow from operations will meet our cash needs for the next 12 months.

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.

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 year ended December 31, 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 7A QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not Applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Index to the Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
Wonhe High-Tech International, Inc.

We have audited the accompanying consolidated balance sheets of Wonhe High-Tech International, Inc. and subsidiaries (the "Company") as of December 31, 2016 and 2015, and the related consolidated statements of operations and other comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the two year period ended December 31, 2016. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Wonhe High-Tech International, Inc. and subsidiaries as of December 31, 2016 and 2015, and the consolidated results of their operations and their cash flows for each of the years in the two year period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

/s/ Wei, Wei & Co., LLP
Wei, Wei & Co., LLP
Flushing, NY
April 5, 2017

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

ASSETS	December 31, 2016	December 31, 2015
Current assets:		
Cash	$ 42,085,769	$ 52,074,752
Accounts receivable	7,798,031	3,645,907
Inventory	1,785	-
Interest receivable	100,176	-
Prepaid expenses	14,998	-
Total current assets	50,000,759	55,720,659
Fixed assets	831,534	2,161,102
Less: accumulated depreciation	(401,535)	(416,521)
Fixed assets, net	429,999	1,744,581
Other assets:		
Intangible assets, net	9,180	16,749
Investment in project	-	5,852,430
Loan receivable	23,349,800	-
Other assets	31,378	17,121
Prepaid income taxes	33,436	1,164,478
Total other assets	23,423,794	7,050,778
TOTAL ASSETS	$ 73,854,552	$ 64,516,018

See accompanying notes to the consolidated financial statements.

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

LIABILITIES AND STOCKHOLDERS' EQUITY	December 31, 2016	December 31, 2015
Current liabilities:		
Accounts payable	$ 1,382,335	$ -
Payroll payable	54,708	47,891
Taxes payable	281,637	176,997
Loan from stockholder	434,324	335,655
Accrued expenses and other payables	414,141	192,550
Total current liabilities	2,567,145	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 December 31, 2016 and December 31, 2015, respectively	73,510	58,510
Additional paid-in capital	38,791,666	37,592,346
Retained earnings	12,469,735	7,610,229
Statutory reserve fund	2,119,892	1,695,564
Other comprehensive (loss)	(4,145,398)	(1,989,695)
Stockholders' equity before noncontrolling interests	49,309,405	44,966,954
Noncontrolling interests	21,978,002	18,795,971
Total stockholders' equity	71,287,407	63,762,925
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 73,854,552	$ 64,516,018

See accompanying notes to the consolidated financial statements.

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND OTHER COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015
(IN U.S. $)

	Year Ended December 31,	
	2016	2015
Sales	**$ 49,201,963**	$ 31,424,963
Cost of sales	**(33,140,138)**	(18,135,975)
Gross profit	**16,061,825**	13,288,988
Operating expenses:		
Research and development expenses	**796,145**	142,527
Selling and marketing expenses	**578,701**	642,207
General and administrative expenses	**1,292,001**	8,394,140
Total operating expenses	**2,666,847**	9,178,874
Income from operations	**13,394,978**	4,110,114
Other income (expense):		
Interest income	**453,674**	172,305
Other non-operating income	**-**	1,924
Other non-operating (expenses)	**(2,052,605)**	(69,302)
Total non-operating (expenses) income	**(1,598,931)**	104,927
Income before provision for income taxes	**11,796,047**	4,215,041
Provision for income taxes	**1,795,044**	1,489,251

See accompanying notes to the consolidated financial statements.

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND OTHER COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015
(IN U.S. $)

	Year Ended December 31,	
	2016	2015
Net income	**10,001,003**	2,725,790
Noncontrolling interests	**4,717,169**	4,842,574
Net income (loss) attributable to common stockholders	**$ 5,283,834**	$ (2,116,783)
Earnings (loss) per common share, basic and diluted	**$ 0.08**	$ (0.04)
Weighted average shares outstanding, basic and diluted	**68,989,582**	52,333,253
Comprehensive income:		
Net income	**$ 10,001,003**	$ 2,725,790
Foreign currency translation adjustment	**(3,506,673)**	(3,318,614)
Comprehensive income (loss)	**6,494,330**	(592,824)
Comprehensive income attributable to noncontrolling interests	**3,366,199**	3,942,638
Comprehensive income (loss) attributable to common stockholders	**$ 3,128,131**	$ (4,535,461)

See accompanying notes to the consolidated financial statements.

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015 (IN U.S. $)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Statutory Reserve Fund	Noncontrolling Interests	Other Comprehensive Income	Total
Balance, December 31, 2014	**$ 38,380**	**$17,011,131**	**$18,332,743**	**$2,033,776**	**$ 1,481,776**	**$ 787,787**	**$39,685,593**
Sale of common stock in private placement	20,130	15,176,168	-	-	-	-	15,196,298
Acquisition of VIE noncontrolling interest	-	373,210	957,945	106,262	(1,481,776)	42,819	(1,540)
Subsidiary stock issued for compensation	-	7,534,080	-	-	-	-	7,534,080
Reclassification for issuance of subsidiary stock for compensation	-	(3,029,520)	(7,716,275)	(856,015)	11,945,813	(344,003)	-
Increase and reclassification in equity attributable to the sale of subsidiary stock	-	527,277	(1,292,476)	(143,383)	2,907,520	(57,620)	1,941,318
Net income	-	-	(2,116,784)	-	4,842,574	-	2,725,790
Appropriation of statutory reserves	-	-	(554,924)	554,924	-	-	-
Other comprehensive (loss)	-	-	-	-	(899,936)	(2,418,678)	(3,318,614)
Balance, December 31, 2015	58,510	37,592,346	7,610,229	1,695,564	18,795,971	(1,989,695)	63,762,925
Net income			5,283,834		4,717,169		10,001,003
Sale of common stock	15,000	1,199,320					1,214,320
Dividend declared					(184,168)		(184,168)
Appropriation of statutory reserves			(424,328)	424,328			-
Other comprehensive (loss)					(1,350,970)	(2,155,703)	(3,506,673)
Balance, December 31, 2016	**$ 73,510**	**$38,791,666**	**$12,469,735**	**$2,119,892**	**$ 21,978,002**	**$ (4,145,398)**	**$71,287,407**

See accompanying notes to the consolidated financial statements.

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015 (IN U.S. $)

	Year Ended December 31, 2016	Year Ended December 31, 2015
Cash flows from operating activities:		
Net income	**$ 10,001,003**	$ 2,725,790
Adjustment to reconcile net (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	**207,922**	207,546
Loss on disposal of fixed assets	**4,105**	61,287
Allowance for doubtful account	**2,047,267**	-
Stock compensation	**-**	7,534,080
Change in operating assets and liabilities:		
(Increase) in accounts receivable	**(4,613,282)**	(378,097)
(Increase) in inventory	**(1,867)**	-
(Increase) in prepaid expenses	**(15,198)**	-
(Increase) in interest receivable	**(104,752)**	-
Decrease in prepaid income taxes	**1,103,590**	1,176,822
(Increase) in other assets	**(14,257)**	-
Increase in accounts payable	**1,445,485**	-
Increase in payroll payable	**10,382**	25,204
Increase in taxes payable	**99,947**	4,749
Increase in accrued expenses and other payable	**327,955**	38,289
Net cash provided by operating activities	**10,498,300**	11,395,670
Cash flows from Investing activities:		
Purchase of property, plant and equipment	**(56,420)**	(1,877,447)
Loan to third party	**(19,612,873)**	-
Purchase of intangible assets	**-**	(21,647)
Investment in project	**-**	(6,091,847)
Proceeds from sale of subsidiary's stock	**-**	1,290
Acquisition of VIE	**-**	(1,540)
Net cash (used in) investing activities	**(19,669,293)**	(7,991,191)
Cash flows from financing activities:		
Net proceeds from sale of subsidiary's stock	**-**	1,941,318
Dividend paid	**(184,168)**	-
Proceeds from stockholder loan	**-**	47,703
Proceeds from sale of common stock	**1,214,320**	15,196,298
Net cash provided by financial activities	**1,030,152**	17,185,319

See accompanying notes to the consolidated financial statements.

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015 (IN U.S. $)

	Year Ended December 31,	
	2016	2015
Effect of exchange rate changes on cash	**(1,848,142)**	(2,962,146)
Net change in cash	**(9,988,983)**	17,627,652
Cash, beginning	**52,074,752**	34,447,100
Cash, ending	**$ 42,085,769**	$ 52,074,752
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	**$ 691,454**	$ 388,412
Cash paid for interest	**$ -**	$ -
Noncash financing activities:		
Loan to third party	**$ 6,748,441**	$ -
Payment of accrued expenses by stockholder	**$ 115,000**	$ 108,003

See accompanying notes to the consolidated financial statements.

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015
(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 provides 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.

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015
(IN U.S. $)

1. ORGANIZATION AND BUSINESS (continued)

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.

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 effect of the sale of Kuayu, therefore, reduced the interest of the Company in its operating company by 40%.

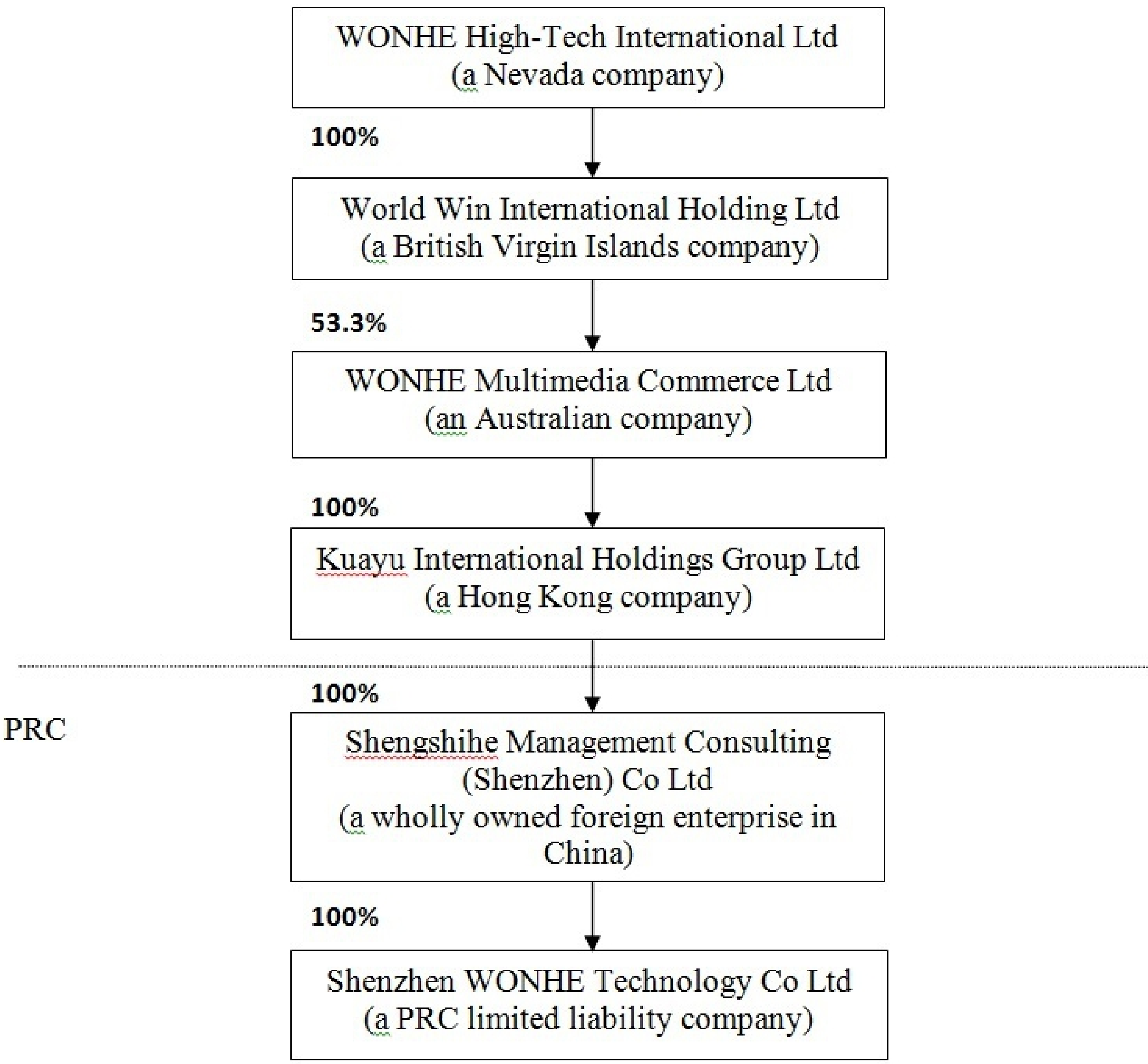
WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015
(IN U.S. $)

1. ORGANIZATION AND BUSINESS (continued)

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 was recognized as compensation during the quarter 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.

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, leaving the Company with a 53.3% beneficial interest in Australian Wonhe and its subsidiaries.

The Company's current organization structure is as follows:



WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015
(IN U.S. $)

1. ORGANIZATION AND BUSINESS (continued)

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, model number YLT-300S during the second quarter of 2015, and model number YLT-300J during the fourth quarter of 2016. YLT-100S and YLT-300J are used by individuals, and YLT-300S is used in shopping malls. Shenzhen Wonhe is located in City of Shenzhen, Guangdong Province in the PRC.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The accompanying consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules and regulations of the U.S. Securities and Exchange Commission ("SEC") which apply to annual financial statements. The consolidated financial statements as of and for the years ended December 31, 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.

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.

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015
(IN U.S. $)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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).

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

	December 31,	
	2016	2015
Balance sheet items, except for stockholders' equity, as of year end	0.1440	0.1540
Amounts included in the statements of operations and the comprehensive income (loss), changes in stockholders' equity and cash flows	0.1506	0.1603

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

	December 31,	
	2016	2015
Balance sheet items, except for stockholders' equity, as of year end	**0.7202**	0.7288
Amounts included in the statements of operations and the comprehensive income (loss), changes in stockholders' equity and cash flows	**0.7438**	0.7188

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015
(IN U.S. $)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currency Translation (continued)

For the years ended December 31, 2016 and 2015, foreign currency translation adjustments of $(3,596,114) and $(3,318,614), respectively, have been reported as other comprehensive 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. During year 2016, the PRC devalued its currency by approximately 6.5%.

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.

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015
(IN U.S. $)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and Cost Recognition (continued)

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:

- 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 three Wifi Routers and is responsible for all of their 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.

During the last quarter of 2014, the Company started to sell the HMC720, which was developed by the Company and outsourced to others to produce. During the first quarter of 2015, the Company commenced selling the Wifi-Router YLT-100S. During the second quarter of 2015, the Company commenced selling the YLT-300S. During the fourth quarter of 2016, the Company commenced selling the YLT-300J. These routers were developed by the Company and outsourced to others to produce.

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015
(IN U.S. $)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 December 31, 2016 and 2015, none of the Company's assets and liabilities were required to be reported at fair value on a recurring basis. Carrying values of non-derivative financial instruments, including cash, accounts receivable and various receivables and 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.

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 $451,714 and $341,840 for the years ended December 31, 2016 and 2015, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 $796,145 and $142,527 for the years ended December 31, 2016 and 2015, respectively.

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 December 31, 2016 and 2015, the Company considered all accounts receivable collectable and an allowance for doubtful accounts was not necessary. For the years ended December 31, 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 YEAR ENDED DECEMBER 31, 2016 AND 2015
(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 December 31, 2016, $424,328 has been transferred from retained earnings to the statutory reserve fund.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 December 31, 2016 and 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 years ended December 31, 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%.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes (continued)

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.

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 December 31, 2016 and 2015. For the year ended December 31, 2015, the Company offset the income tax provision of $1,485,898, paid income tax of $ 388,412, leaving a balance of prepaid income taxes of $ 1,164,478. For the year ended December 31, 2016, the Company offset the income tax provision of $1,131,042, and paid income tax of $ 691,454.

Noncontrolling Interests

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 (loss) 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 (loss) 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 years ended December 31, 2016 and 2015.

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.

3. RECENTLY ISSUED ACCOUNTING STANDARDS (continued)

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.

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 financial statements.

3. RECENTLY ISSUED ACCOUNTING STANDARDS (continued)

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.

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.

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4. FIXED ASSETS

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

	December 31, 2016	December 31, 2015
Office equipment	**$ 212,828**	$ 211,897
Motor vehicles	**618,706**	661,703
Production equipment	**-**	1,287,502
	831,534	2,161,102
Less: accumulated depreciation	**(401,535)**	(416,521)
Fixed assets, net	**$ 429,999**	$ 1,744,581

Depreciation expense charged to operations for the years ended December 31, 2016 and 2015 was $201,146 and $194,789, respectively.

5. INTANGIBLE ASSETS

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

	December 31, 2016	December 31, 2015
Software	**$ 49,649**	$ 45,432
Less: accumulated amortization	**(40,469)**	(28,683)
Intangible assets, net	**$ 9,180**	$ 16,749

Amortization expense charged to operations for the years ended December 31, 2016 and 2015 was $6,776 and $12,757 respectively.

6 COMMITMENTS

In May 2015, the Company entered into a lease agreement with an unrelated party at a monthly rent of $11,175 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 year ended December 31, 2016 and 2015 was $147,707 and $135,657, 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 year ended December 31, 2016 was $315,887.

Employment Agreements

Shenzhen Wonhe, our operating subsidiary, entered into employment agreements with our officers Nanfang Tong and Qing Tong on November 1, 2016:

- Nanfang Tong's employment agreement, as the chief executive officer, provides for a monthly salary of RMB 13,000 (approximately US $1,872) and expires on October 31, 2019. 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 chairman of Board of Directors provides for a monthly salary of RMB 15,000 (approximately US $2,160) and expires on October 31, 2019. 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.

At December 31, 2016, the future commitments under these agreements was approximately $137,082.

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.

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6. COMMITMENTS (continued)

Strategic Cooperation Agreement

In April 2015, Shenzhen Wonhe entered into a strategic cooperation agreement with Shenzhen Yunlutong Technology Co., Ltd (the "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 3 years. Under the agreement, as amended and restated, YLT and Shenzhen Wonhe agreed to engage in mutual cooperation aimed at the sale of routers by Shenzhen Wonhe to YLT. The Company produced approximately $18,211,683 in sales with YLT for the year ended December 31, 2016.

In addition, Shenzhen Wonhe obtained the 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. The price of the acquisition shall be established by an independent appraiser. YLT agreed not to sell any equity or issue any debt during the 3 years, and any change in ownership of YLT must be approved by Shenzhen Wonhe.

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 $434,324 and $335,655 at December 31, 2016 and 2015, respectively.

The loans principally represent professional and legal fees incurred in the U.S. paid by the stockholder and operating expenses for Wonhe High-Tech and Shengshihe Consulting since their inception. The balance is reflected as loan from stockholder.

Nanfang Tong, the chief executive officer and Qing Tong, the director, are brothers.

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, 3 major shareholders of Shenzhen Wonhe at the time, and 3 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 are residents of the People's Republic of China.

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 since 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 price of $.77 per share was more representative of the fair value than $3.07. As a result, management recorded no compensation related to the share sold to the officer director 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 Company'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), which exceeded the market price on that date.

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$486,000). The dividend payment was made to the shareholders of Wonhe Multimedia Commerce Ltd. subsequent to the third quarter.

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.

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.

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10. INCOME TAXES (continued)

The provision for (benefit from) income taxes consists of the following for the years ended December 31, 2016 and 2015:

	Year Ended December 31, 2016	Year Ended December 31, 2015
Current	**$ 1,795,044**	$ 1,489,251
Deferred	**-**	-
Total	**$ 1,795,044**	$ 1,489,251

The following is a reconciliation of the statutory rate with the effective income tax rate for the year ended December 31, 2016 and 2015.

	Year Ended December 31, 2016	Year Ended December 31, 2015
Tax at PRC statutory rate	**25.0%**	25.0%
VIE tax holiday	**(13.0)**	(12.5)
Effect of unusable parent tax loss	**-**	22.6
Other	**0.9**	0.2
Effective tax rate	**12.9%**	35.3%

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

	Years Ended December 31, 2016	Years Ended December 31, 2015
Aggregate dollar effect of tax holiday	**$ 1,795,044**	$ 1,448,924
Per share effect, basic and diluted	**0.03**	0.03

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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 years ended December 31, 2016, 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, 2016. 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 years ended December 31, 2016, 2015, 2014 and 2013 remain open to examination by the IRS.

All of the Company's operations are conducted in the PRC. At December 31, 2016, the Company's unremitted foreign earnings of its PRC subsidiaries totaled approximately $21.3 million and the Company held approximately $27.7 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.

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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, 2016, 2015, 2014, and 2013, 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.

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 Australian government up to AUD 250,000.

Major customers

One customer accounted for approximately 37% of total sales for the year ended December 31, 2016. Three customer accounted for approximately 36% of total sales for the year ended December 31, 2015. Two customers accounted for approximately 61% of accounts receivable as of December 31, 2016, the largest being 34%. Four customers accounted for approximately 94% of accounts receivable as of December, 2015, the largest being 34%.

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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 year ended December 31, 2016 and 2015 were as follow:

	Year Ended December 31, 2016	Year Ended December 31, 2015
Total contributions	**$ 43,805**	$ 29,981

14. LOAN RECEIVABLE

On January 12, 2016 the Registrant's operating subsidiary, Shenzhen Wonhe Technology Co., Ltd. ("Shenzhen Wonhe"), entered into an agreement titled "Cooperative Agreement on Wireless Network Coverage Project in Beijing Area" with Guangdong Kesheng Enterprise Co., Ltd. ("Guangdong Kesheng"). The agreement contemplated that the two parties would work together to develop a wireless network in certain designated areas of Beijing. The commercial purpose of the network was to serve as a vehicle for advertising and marketing, with the income to be shared between Shenzhen Wonhe and Guangdong Kesheng. Shenzhen Wonhe committed in the agreement to make a capital contribution of RMB 382,990,000 (USD $55.63 million) to the project. Shenzhen Wonhe also committed to develop the data systems that will be used by the network. Guangdong Kesheng committed to supervise the engineering and construction, coordinate relationships with local government, and manage the network's operations.

On November 30, 2016 Shenzhen Wonhe and Guangdong Kesheng signed an amendment to the January agreement, titled "Cooperative Agreement on Wireless Network Coverage Project in Beijing Area", which terminates the participation of Shenzhen Wonhe in the construction and operation of the wireless network, and also terminates the commitment of Shenzhen Wonhe to develop the data systems used by the network. Shenzhen Wonhe has no further obligation to contribute capital to the project, and will receive no distribution of income from the project. Shenzhen Wonhe will, however, supply 36,300 routers for the project prior to the end of 2017, and Guangdong Kesheng will pay Shenzhen Wonhe RMB 1,800 ($261) for each router.

As of November 30, 2016 Shenzhen Wonhe had contributed to the wireless network project cash, equipment, engineering, and a pilot project in the Tongzhou District of Beijing. The total contribution of RMB 175,755,641 (USD$25.31 million) will be repaid to Shenzhen Wonhe in three equal annual installments, and Shenzhen Wonhe will get the first repayment on December 31, 2017; the unpaid portion of that obligation will accrue interest at 4.75% per annum. The related receivable is recorded at its present value after applying a discount rate of 20% to reflect the market risk of depending on Guangdong Kesheng's continuing operations and the related risk that Guangdong Kesheng will fail to make required payments when due.

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15. CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY

The condensed financial information of the Company's US parent only balance sheets as of December 31, 2016, and the US parent company only statements of operations, and cash flows for the years ended December 31, 2016 and 2015 are as follows:

Condensed Balance Sheets

	December 31,	
	2016	2015
ASSETS		
Cash-restricted	**$ 14,428,459**	$ 14,332,241
Other receivable from subsidiaries	**11,116,320**	9,912,000
Investment in subsidiaries	**24,198,950**	21,093,752
TOTAL ASSETS	**$ 49,743,729**	$ 45,337,994
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Loan from stockholder	**$ 434,324**	$ 366,040
Accrued liabilities	**-**	5,000
Total current liabilities	**434,324**	371,040
Stockholders' equity:		
Preferred stock: $0.001 par value; 10,000,000 shares authorized; none issued and outstanding	**-**	-
Common stock: $0.001 par value; 90,000,000 shares authorized; 73,510,130 and 58,510,130 shares issued and outstanding at December 31, 2016 and 2015, respectively	**73,510**	58,510
Additional paid-in capital	**38,791,666**	37,592,346
Retained earnings	**10,444,229**	7,316,098
Total stockholders' equity	**49,309,405**	44,966,954
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 49,743,729**	$ 45,337,994

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15. CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY (continued)

Condensed Statements of Income

	Year Ended December 31,	
	2015	2015
Revenues:		
Share of earnings from investment in subsidiaries	**$ 5,393,835**	$ 5,521,942
Operating expenses:		
Stock compensation	**-**	7,534,080
General and administrative	**110,000**	104,645
Net income	**$ 5,283,835**	$ (2,116,783)

Condensed Statements of Cash Flows

	Year Ended December 31,	
	2016	2015
Cash flows from operating activities:		
Net income	**$ 5,283,835**	$ (2,116,783)
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Share of earnings from investment in subsidiaries	**(5,283,835)**	(5,521,942)
Stock compensation	**-**	7,534,080
(Decrease) increase in accrued liabilities	**-**	(32,509)
Net cash (used by) operating activities	**-**	(137,154)
Cash flows from financing activities:		
Proceeds from sale of common stock	**-**	15,196,298
Proceeds from stockholders	**-**	137,154
Net cash (used by) financing activities	**-**	15,333,452
Effect of exchange rate changes on cash:	**96,218**	(864,057)

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015
(IN U.S. $)

15. CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY (continued)

Condensed Statements of Cash Flows (continued)

	Year Ended December 31, 2016	Year Ended December 31, 2015
Net increase in cash	**96,218**	14,332,241
Cash, beginning of year	**14,332,241**	-
Cash, end of year	**$ 14,428,459**	$ 14,332,241
Noncash financing activities:		
Payment of accrued liabilities by shareholder	**$ 115,000**	$ 108,003

Basis of Presentation

The Company records its investment in its subsidiaries under the equity method of accounting. Such investment is presented as “Investment in subsidiaries” in the condensed balance sheets and the U.S. parent’s share of the subsidiaries’ profits are presented as “Share of earnings from investment in subsidiaries” in the condensed statements of income.

Certain information and footnote disclosures normally included in financial statements prepared in conformity with accounting principles generally accepted in the United States of America have been condensed or omitted. The parent only financial information has been derived from the Company’s consolidated financial statements and should be read in conjunction with the Company’s consolidated financial statements.

Restricted Net Assets

Under PRC laws and regulations, the Company’s PRC subsidiaries are restricted in their ability to transfer certain of their net assets to the parent company in the form of dividend payments, loans or advances. The restricted net assets of the Company’s PRC subsidiaries amounted to $49,309,405 and $44,966,954 as of December 31, 2016 and 2015, respectively.

In addition, the Company’s operations and revenues are conducted and generated in the PRC; all of the Company’s revenues being earned and currency received are denominated in RMB. RMB is subject to the foreign exchange control regulations in China, and, as a result, the Company may be unable to distribute dividends outside of China due to PRC’s foreign exchange control regulations that restrict the Company’s ability to convert RMB into US Dollars.

Schedule I of Article 5-04 of Regulation S-X requires the condensed financial information of the parent company to be filed when the restricted net assets of consolidated subsidiaries exceed 25 percent of consolidated net assets as of the end of the most recently completed fiscal year. For purposes of this test, restricted net assets of consolidated subsidiaries shall mean that amount of the registrant’s proportionate share of net assets of its consolidated subsidiaries (after intercompany eliminations) which as of the end of the most recent fiscal year may not be transferred to the parent company in the form of loans, advances or cash dividends without the consent of a third party. The condensed parent company financial statements have been prepared in accordance with Rule 12-04, Schedule I of Regulation S-X as the restricted net assets of the Company’s PRC subsidiaries exceed 25% of the consolidated net assets of the Company.

16. SUBSEQUENT EVENT

On March 31, 2017, the Board of Australia Wonhe announced that the Company will pay an AUD $0.005882 (approximately USD $0.0042) per share unfranked final dividend.

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

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

(a) **Evaluation of 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 December 31, 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 December 31, 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.

(b) **Changes in Internal Controls.**

There was no change in internal controls over financial reporting (as defined in Rule 13a-15(f) promulgated under the Securities Exchange Act or 1934) identified in connection with the evaluation described in the preceding paragraph that occurred during the Company's fourth fiscal quarter that has materially affected or is reasonably likely to materially affect the Company's internal control over financial reporting.

(c) **Management's Report on Internal Control over Financial Reporting.**

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. We have assessed the effectiveness of those internal controls as of December 31, 2016, using the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") Internal Control – Integrated Framework (1992) as a basis for our assessment.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

A material weakness in internal controls is a deficiency in internal control, or combination of control deficiencies, that adversely affects the Company's ability to initiate, authorize, record, process, or report external financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a material misstatement of the Company's annual or interim financial statements that is more than inconsequential will not be prevented or detected. In the course of making our assessment of the effectiveness of internal controls over financial reporting, we identified four material weaknesses in our internal control over financial reporting. These material weaknesses consisted of:

- 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.

Bcause of the above conditions, management's assessment is that the Company's internal controls over financial reporting were not effective as of December 31, 2016.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The officers and directors of the Company are:

Name	Age	Positions with the Company
Qing Tong	49	Chairman of the Board of Directors
Nanfang Tong	44	Director, Chief Executive Officer
Jingwu Li	41	Director, Chief Financial Officer
Youliang Wang	50	Director
Chahua Yuan	35	Secretary

The following sets forth biographical information regarding the Company's directors.

Mr. Qing Tong has served as our Chairman since June 2012 and the Chairman of Shenzhen Wonhe since September 2010. From 2000 until 2010, Mr. Tong served as the Chairman of Wonhe International Venture Capital Investment Hong Kong Co., Ltd., a company specializing in investing. From 1998 to 2000, Mr. Tong served as the Manager of Guangdong Xingbao Group, a manufacturer of micro-electronics and computer products. From 1996 to 1998, Mr. Tong served as the Marketing Director of Zhongshan Cordyceps Sinensis Product Co., Ltd., which manufactured and marketed health-care products made from cordyceps sinensis. Mr. Tong graduated from Hubei University with a concentration in Chinese language and literature. Mr. Tong was selected as a Director because of his extensive management experience and knowledge of the business of the Company. Qing Tong is the brother of Nanfang Tong, our Chief Executive Officer.

Mr. Nanfang Tong served as our President, Secretary and Treasurer from March 2012 until June 2012 and has served as our Chief Executive Officer and a Director since June 2012. From 2010 to the present, Mr. Tong has served as Chief Executive Officer at Shenzhen Wonhe. From 2009 to 2010, Mr. Tong served as Executive Deputy General Manager at Zhongshan Yinli Automatic System Devices Co., Ltd. From 2004 to 2009, Mr. Tong served as General Manager at Zhongshan Yinli Automatic System Devices Co., Ltd, a manufacturer of security equipment. From 2002 to 2004, Mr. Tong was employed as Vice General Manager by Zhongshan Yinli Automatic System Devices Co., Ltd. In 1993, Mr. Tong graduated from the Huazhong University of Science and Technology with a Bachelor's Degree in Applied Electronics. Mr. Tong was selected as a director because of his extensive management experience, his background in the electronics industry and his knowledge of the business of the Company. Nanfang Tong is the brother of Qing Tong, our Chairman of the Board.

Mr. Jingwu Li has served as our Chief Financial Officer since June 2, 2015, and has been a Director of the Company since June 2012. From November 2010 to the present, Mr. Li has served as a Director at Shenzhen Wonhe. From 2006 until 2010, Mr. Li served as a director and general manager of Hong Kong Jiaheng International Co., Ltd., an international company specializing in international trade and e-commerce. From 2005 until 2006, Mr. Li served as a general manager of Shanghai Jinshu Trading Co., Ltd., a steel products processing and trading company. From 2002 until 2005, Mr. Li served as the Vice-General Manager of Beijing Fuyuan Shengshi Electronic Co., Ltd., a company engaged in e-commerce. From 1999 until 2002, Mr. Li served as the business section chief in the Pizhou City Labor Trade Centre. Mr. Li graduated from Capital University of Economics and Business. Mr. Li was selected as a director because of his extensive management experience and knowledge of the business of the Company.

Mr. Youliang Wang. Mr. Wang provides the Registrant with the benefit of 25 years of business experience. Mr. Wang is currently the General Manager and Chief Executive Officer of Heilongjiang Zhongxian Information Co., Ltd., and has held those positions since 2010. From 2008 to 2010, Mr. Wang was employed as Vice President of the Jiangsu branch of Guofa Venture Investment Co., Ltd. From 2006 to 2008, Mr. Wang was employed as Chief Marketing Officer of Yunnan Nanyao Jiaoxiong Pharmaceutical Co., Ltd. From 1997 to 2006, Mr. Wang was employed as President of Tonghua Hongyuan Trading Co., Ltd., a company that he founded. Previously, Mr. Wang spent six years as a staff member in the Tonghua branch of China Construction Bank. Mr. Wang graduated from Jilin University with a bachelor's degree in economics.

Ms. Chahua Yuan has served as Secretary of the Company since June 2012, and served as Chief Financial Officer from June 2012 to June 2015. From December 2010 to June 2015, Ms. Yuan was employed as Chief Financial Officer at Shenzhen Wonhe. From 2008 until 2010, Ms. Yuan was employed as an accounting supervisor by Shenzhen Liuqiba Kanghui Restaurant Management Co., Ltd. From 2007 until 2008, Ms. Yuan was employed as an accountant by Shenzhen Deyi Electronic Technology Co., Ltd., a company specialized in the trading of electronics components. From July 2002 until May 2007, Ms. Yuan was employed as an accountant by Dongguan South China Electronic Co., Ltd., an electronic condenser producing and marketing company. In 2009 Ms. Yuan graduated from Jinan University.

All of our directors hold offices until the next annual meeting of the shareholders of the Company, and until their successors have been qualified after being elected or appointed. Officers serve at the discretion of the board of directors.

Audit Committee; Compensation Committee; Nominating Committee

The Board of Directors has not yet appointed an Audit Committee, a Compensation Committee or a Nominating Committee. The functions that would be performed by such committees are performed by the Board of Directors. The Board of Directors does not have yet an "audit committee financial expert," as we have only recently become a U.S. public company.

Procedure for Nominating or Recommending for Nomination Candidates for Director

The Board of Directors will consider candidates recommended by shareholders. However, the Board has no plan to hold an annual meeting of shareholders unless and until the Company's securities are listed on an exchange. In the meantime, any shareholder who wishes to recommend a candidate for the Board should address the recommendation in writing to the Chairman of the Board at the Company's principal executive offices.

Code of Ethics

The Company has not yet adopted a Code of Ethics that applies to its executive officers, due to the small size of its management.

Section 16(a) Beneficial Ownership Reporting Compliance

None of the officers, directors or beneficial owners of more than 10% of the Company's common stock failed to file on a timely basis the reports required by Section 16(a) of the Exchange Act during the year ended December 31, 2016, except that Qing Tong failed to file a Form 4 to report his purchase of shares from the Company in April 2016, and Youliang Wang failed to file a Form 3.

ITEM 11. EXECUTIVE COMPENSATION

The following table sets forth all compensation awarded to, earned by, or paid by Shenzhen Wonhe to Nanfang Tong, the Company's Chief Executive Officer, for services rendered in all capacities to the Company during the years ended December 31, 2016, 2015 and 2014. There were no executive officers whose total salary and bonus for the fiscal year ended December 31, 2016 exceeded $100,000.

	Fiscal Year	*Salary**	*Bonus*	*Stock Awards*	*Option Awards*	*Other Compensation*
Nanfang Tong	2016	$ 29,747	--	--	--	--
	2015	$ 19,196	--	--	--	--
	2014	$ 16,916	--	--	--	--

* Includes basic salary, performance bonus, expense allowance, insurance and year-end bonus

Employment Agreements

Wonhe High-Tech International, Inc. does not have any employment agreements with any of its directors or executive officers. Shenzhen Wonhe, our operating affiliate, has employment agreements with our officers Nanfang Tong and Qing Tong:

- Nanfang Tong's employment agreement provides that he will serve as General Manager of Shenzhen Wonhe for a monthly salary of RMB 13,000 (approximately $1,872). The agreement terminates on October 31, 2019. 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 provides that he will serve as Chairman of Shenzhen Wonhe for a monthly salary of RMB 15,000 (approximately $2,160). The agreement terminates on October 31, 2019. 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 Ms. Yuan's performance.

Other than the salary and necessary social benefits required by the government, which are defined in the employment agreement, 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.

Compensation of Directors

The members of our board of directors receive no compensation for service on the board, other than the compensation that they receive for service as employees of Shenzhen Wonhe.

Equity Grants

The following tables set forth certain information regarding the stock options acquired by the Company's Chief Executive Officer during the year ended December 31, 2016 and those options held by him on December 31, 2016.

Option Grants in the Last Fiscal Year

	Number of securities underlying option granted	Percent of total options granted to employees in fiscal year	Exercise Price ($/share)	Expiration Date	Potential realizable value at assumed annual rates of appreciation for option term	
					5%	10%
Nanfang Tong	--	--	--	--	--	--

The following tables set forth certain information regarding the stock grants received by the executive officer named in the table above during the year ended December 31, 2016 and held by him unvested at December 31, 2016.

Unvested Stock Awards in the Last Fiscal Year

	Number of Shares That Have Not Vested	Market Value of Shares That Have Not Vested
Nanfang Tong	--	--

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth information known to us with respect to the beneficial ownership of our common stock as of the date of this prospectus by the following:

- each shareholder known by us to own beneficially more than 5% of our common stock;
- NanFang Tong, our Chief Executive Officer
- each of our directors; and
- all directors and executive officers as a group.

There are 73,510,130 shares of our common stock outstanding on the date of this report. Except as otherwise indicated, we believe that the beneficial owners of the common stock listed below have sole voting power and investment power with respect to their shares, subject to community property laws where applicable. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission.

In computing the number of shares beneficially owned by a person and the percent ownership of that person, we include shares of common stock subject to options or warrants held by that person that are currently exercisable or will become exercisable within 60 days. We do not, however, include these "issuable" shares in the outstanding shares when we compute the percent ownership of any other person.

Beneficial Owner[(1)]	*Amount and Nature of Beneficial Ownership*[(2)]	*Percentage of Class*
Nanfang Tong	2,173,844	2.6%
Qing Tong	3,573,844	4.9%
Jingwu Li	573,844	0.8%
All officers and directors as a group (5 persons)	10,471,888	14.2%
Shanghai Qianhai Asian Culture Center Asian Currency Digital Currency Asset Management Co.[(3)]	12,000,000	16.3%

(1) The address of the directors named in the table is c/o Wonhe High-Tech International, Inc..

(2) Except as otherwise noted, all shares are owned of record and beneficially.

(3) The address for Shanghai Qianhai Asian Culture Center Asian Currency Digital Currency Asset Management Co. is Room 201, Building A, First Qianwan Road, Qianhai Cooperation Zone, Shenzhen, P.R. China.

ITEM 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Certain Relationships and Related Transactions

There have been no transactions since the beginning of the 2016 fiscal year, or any currently proposed transaction, in which we were or are to be a participant and the amount involved exceeded or exceeds the lesser of $120,000 or one percent of the average of our total assets at year-end for the last two completed fiscal years, and in which any related person had or will have a direct or indirect material interest (other than compensation described under "Executive Compensation"), except as follows:

Stock Purchase 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 Company'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. $1,172,403), which exceeded the market price for the common stock at the time of the sale.

Director Independence

There are no members of our Board of Directors who are independent, as "independent" is defined in the rules of the NYSE MKT.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Audit Fees

Wei, Wei & Co., LLP billed $90,000 to the Company for professional services rendered for the audit of financial statements for the fiscal year ended December 31, 2016. Wei, Wei & Co., LLP billed $90,000 to the Company for professional services rendered for the audit of financial statements for the fiscal year ended December 31, 2015.

Audit-Related Fees

Wei, Wei & Co., LLP billed $10,000 to the Company during fiscal 2016 for assurance and related services that are reasonably related to the performance of the fiscal 2016 audit or review of the quarterly financial statements. Wei, Wei & Co., LLP billed $0 to the Company during fiscal 2015 for assurance and related services that are reasonably related to the performance of the fiscal 2015 audit or review of the quarterly financial statements.

Tax Fees

Wei, Wei & Co., LLP billed $10,000 to the Company during fiscal 2016 for professional services rendered for tax compliance, tax advice and tax planning. Wei, Wei & Co., LLP billed $0 to the Company during fiscal 2015 for professional services rendered for tax compliance, tax advice and tax planning.

All Other Fees

Wei, Wei & Co., LLP billed $0 to the Company in fiscal 2016 for services not described above. Wei, Wei & Co., LLP billed $0 to the Company in fiscal 2015 for services not described above.

It is the policy of the Company that all services other than audit, review or attest services must be pre-approved by the Board of Directors. No such services have been performed by Wei, Wei & Co., LLP.

Subcontracted Services

The hours expended on Wei, Wei & Co., LLP's engagement to audit the Company's financial statements for the year ended December 31, 2016 that were attributed to work performed by persons other than full-time permanent employees of Wei, Wei & Co., LLP was not greater than 50% of the total hours expended.

ITEM 15 EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Exhibit List

3-a	Certificate of Incorporation, as amended through May 12, 2008 - filed as an exhibit to the Company's Registration Statement on Form S-1, filed on May 12, 2008, and incorporated herein by reference.
3-a(1)	Certificate of Amendment of Certificate of Incorporation dated April 20, 2012 - filed as an exhibit to the Company's Current Report on Form 8-K on May 8, 2012 and incorporated herein by reference.
3-b	Amended and Restated Bylaws - Filed as an exhibit to the Company's Current Report on Form 8-K on July 7, 2011 and incorporated herein by reference.
10-a	Cooperative Agreement on Wireless Network Coverage Project in Beijing Area dated January 2016 between Guangdong Kesheng Enterprise Co., Ltd. and Shenzhen Wonhe Technology Co., Ltd. - filed as an exhibit to the Current Report on Form 8-K filed on January 20, 2016 and incorporated herein by reference.
10-b	Cooperative Agreement on Wireless Network Coverage Project in Beijing Area dated November 30, 2016 between Guangdong Kesheng Enterprise Co., Ltd. and Shenzhen Wonhe Technology Co., Ltd. - filed as an exhibit to the Current Report on Form 8-K filed on December 5, 2016 and incorporated herein by reference.
10-c	Labor Contract dated October 31, 2016 between Shenzhen Wonhe Technology Co., Ltd. and Nanfang Tong.
10-d	Labor Contract dated October 31, 2016 between Shenzhen Wonhe Technology Co., Ltd. and Qing Tong.
21.	Subsidiaries – World Win International Holding Ltd. (BVI), a British Virgin Islands company Wonhe Multimedia Commerce Ltd., an Australian company Kuayu International Holdings Group Limited (Hong Kong), a Hong Kong company
	Shengshihe Management Consulting (Shenzhen) Co., Ltd, a Chinese company Shenzhen Wonhe Technology Co., Ltd., a Chinese company
31.1	Rule 13a-14(a) Certification – CEO
31.2	Rule 13a-14(a) Certification - CFO
32	Rule 13a-14(b) Certifications
101.INS *	XBRL Instance Document
101.SCH *	XBRL Taxonomy Extension Schema Document
101.CAL *	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF *	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB *	XBRL Taxonomy Extension Label Linkbase Document XBRL
101.PRE *	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

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

WONHE HIGH-TECH INTERNATIONAL, INC.

Date: April 5, 2017

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

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ Nanfang Tong Nanfang Tong Director, Chief Executive Officer	April 5, 2017
/s/ Jingwu Li Jingwu Li Chief Financial and Accounting Officer	April 5, 2017
/s/ Qing Tong Qing Tong, Director	April 5, 2017
/s/ Youliang Wang Youliang Wang, Director	April 5, 2017

* * * * *

Exhibit 10-c

深 圳 市
Shenzhen

劳
动
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同
Labor Contract

（使用全日制用工）

(Full-time employment)

深圳市劳动和社会保障局编制

Established by Shenzhen Labor & Social Security Bureau

甲方（用人单位）

Party A (employer)

名称：深圳市网合科技股份有限公司

Name：Shenzhen Wonhe Technology Co., Ltd.

住所：深圳市宝安区新安街道甲岸路及海秀路交汇处熙龙湾花园（N23区）商业办公楼 2505-2511之2505

Address: Room 2505 of 2505-2511, Commercial Office Building, Xi Longwan Garden (N23 District) on the interchange of Jia'an Road of Xin'an Street and Haixiu Road, Bao'an District, Shenzhen

法定代表人

Legal Representative

（主要负责人）________________________

(Person chiefly in charge) ________________________

联系人 ________________________

Contact person ________________________

联系电话 ________________________

Contract number ________________________

乙方（员工）

Party B (Employee)

姓名：童南方

Name: Nanfang Tong

性别：男

Gender：Male

身份证（~~护照~~）

ID Card (~~Passport~~)

号码 429004197211033130

Number 429004197211033130

住址 ________________________

Address ________________________

联系电话 ________________________

Contract number ______________

根据《中华人民共和国劳动法》（以下简称《劳动法》）、《中华人民共和国劳动合同法》（以下简称《劳动合同法》）等有关法律法规的规定，甲乙双方遵循合法、公平、平等自愿、协商一致、诚实信用的原则，签订本合同，共同遵守本合同所列条款。

In accordance with the provisions of *Labor Law of the People's Republic of China* (hereinafter referred to as *Labor Law*), *Labor Contract Law of the People's Republic of China* (hereinafter referred to as *Labor Contract Law*) and other relevant laws and regulations, on the principle of legitimacy, fairness, equality, consensus and good faith, Party A and Party B enter into this contract to abide the terms of this contract.

一、合同期限

I. Term of Contract

（一）甲乙双方同意按以下第 1 种方式确定本合同期限。

Party A and Party B agree to ensure the term of contract as the first method below.

1、 有固定期限：从 2016 年 11 月1日起至 2019 年 10 月 31 日止。
With fixed period: From November 1, 2016 to October 31, 2019.

2、无固定期限：从 / 年 / 月 / 日起。

Without fixed period: Since / Year / Month / Date.

3、以完成一定工作任务为期限：从 / 年 / 月 / 日起至 / 工作任务完成时止。完成工作任务的标志是 / 。

Period is confirmed by completing prescribed work: From / Year / Month / Date to to complete the work. The signal of completing prescribed work is / .

（二）试用期为 无 （试用期包括在合同期限内，如无试用期，则填写“无”）。

The probation period is none (probation period is included in the contract period, if there is no probation period, then fill with “no”).

二、工作内容和工作地点

II. Content and Place of Working

乙方的工作内容（岗位或工种） 总经理。

The work content of Party B (post or profession) is: General Manager.

乙方工作地点 深圳 。

Working place of the Party B is Shenzhen.

三、工作时间和休息休假

III. Working Hours, Rest and Vacation

（一）甲乙双方同意按以下第 1 种方式确定乙方的工作时间。

Party A and Party B agree to confirm Party B’s working hours as first method below.

√ 标准工作制，即每日工作 8 小时（不超过8小时），每周工作 40 小时（不超过40小时），每周至少休息一日。

Standard working hours system, e. g. working hours for each day is 8 hours (no more than 8 hours); 40 hours a week (no more than 40 hours). In one week, there should be off-work for at least one day.

2、不定时工作制，即经劳动保障行政部门审批，乙方所在岗位实行不定时工作制。

Flexible working hour system, namely the post where Party B belongs to executes flexible working hour system through the approval of the Labor Security Administration Department.

3、综合计算工时工作制，即经劳动保障行政部门审批，乙方所在岗位实行综合计算工时工作制。

Comprehensive Calculation Working Time System, namely the post where Party B belongs to executes comprehensive Calculation Working Time System through the approval of the Labor Security Administration Department.

（二）甲方由于生产经营需要延长工作时间的，按照《劳动法》第四十一条执行。

If Party A needs to extend working hours due to the production and operation, execute according to Article 41of *Labor law*.

（三）乙方依法享有法定节假日、婚假、产假、丧假等假期。

Party B is entitled to enjoy the statutory holidays, marriage leave, maternity leave, funeral leave and such holidays legally.

（四）乙方的其他休息休假安排 按国家规定享有有薪年假

Other rest and holiday schedule of Party B: having the paid annual leave according to the regulations of the state.

四、劳动报酬

IV. Labor Payment

（一）甲方依法制定工资分配制定，并告知乙方。甲方支付给乙方的工资不得低于市政府公布的当年度最低工资。

Pursuant to the law, Party A sets wage distribution plan and notify to Party B. Wages paid to Party B by Party A can't lower than current year minimum wage released by the municipal government.

（二）乙方每月工资 13000 元（其中试用期每月工资 / 元）或按 ______ 执行。

Party B's monthly salary is RMB 13000 yuan (monthly salary in probation period is ~~RMB~~_____yuan) or will execute in accordance with ______________

（三）甲方每月 25 日发放工资。甲方至少每月以货币形式向乙方支付一次工资。

Party A shall monthly pay salary on (date) 25. Party A shall at least pay salary to Party B in currency form each month.

（四）乙方加班工资，假期工资及特殊情况下的工资支付按有关法律、法规的归档执行。

Overtime wage, vacation wages and special circumstances salary of Party B shall be paid in accordance with filing relevant laws and regulations.

（五）甲乙双方对工资的其他约定________________

Other agreements for both sides on salary________________

五、社会保险和福利待遇

V. Social insurance and welfare benefits

（一）甲乙双方按照国家和省、市有关规定，参加社会保险，缴纳社会保险费。

Both sides in accordance with the relevant provisions of the nation, province and city, participate in social insurance, pay society insurance premium.

（二）乙方患病或非因工负伤，甲方应按国家和省、市的有关规定给予乙方享受医疗期和医疗期待遇。

If Party B suffer from an illness or injured with no relation to work, Party A shall in accordance with the relevant provisions of the nation, province and city, provide Party B with medical period and medical treatment.

（三）乙方患职业病、因工负伤的，甲方按《职业病防治法》《工伤保险条例》等有关法律法规的规定执行。

If Party B suffered from occupational disease, work-related injury, Party A shall in accordance with *Law on Prevention and Control of Occupational Disease* and *Regulations on Worker's Compensation Insurance* and related laws and regulations to execute activities.

（四）甲方为乙方提供以下福利待遇____________________

____________________。

Party A provides Party B with the following benefits.____________________

____________________.

六、劳动保护、劳动条件和职业危害防护

VI. Labor protection, working conditions and occupational hazard protection

（一）甲方按国家和省、市有关劳动保护规定，提供符合国家安全卫生标准的劳动作业场所和必要的劳动防护用品，切实保护乙方在生产工作中的安全和健康。

Party A provides labor workplaces conforming to the safety and health standards of the state and necessary labor protection articles in accordance with the national and provincial, municipal regulations on labor protection to effectively protect Party B's safety and health in the production work.

（二）甲方按国家和省、市有关规定，做好女员工和未成年工的特殊劳动保护工作。

Party A should do the special labor protection work well for the women employees and underage workers in accordance with the national and provincial, municipal regulations.

（三）乙方从事 ______作业，可能产生__________职业危害，甲方应采取防护措施，并每年组织乙方健康检查____次。

xx work that Party B does may produce xx occupational hazard. Party A should take xx protection measures and organize Party B to do health examination xx a year.

（四）乙方有权拒绝甲方的违章指挥，强令冒险作业；对甲方危害生命安全和身体健康的行为，乙方有权要求改正或向有关部门举报。

Party B has the right to refuse Party A's illegal command of compulsorily taking risky work; Party B has the right to request amend or report to related departments for Party A's action of damaging life safety and body health.

七、规章制度

VII. Rules and Regulations

（一）甲方依法制定的规章制度，应当告知乙方。

Party A shall inform Party B of the rules and regulations formulated according to the law.

（二）乙方应遵守国家和省、市有关法律法规和甲方依法制定的规章制度，按时完成工作任务，提高职业技能，遵守安全操作规程、劳动纪律和职业道德。

Party B shall finish the work tasks on time, improve their vocational skills, observe the rules of safe operation, labor discipline and professional ethics in accordance with the national and provincial, municipal laws and regulations and the rules and regulations formulated by Party A according to the law.

（三）乙方自觉遵守国家和省、市计划生育的有关规定。

Party B shall consciously abide by the national and provincial, municipal relevant provisions on the family planning.

八、合同变更

Ⅷ. Contract Change

甲乙双方经协商一致，可以变更合同。变更合同应采用书面形式。变更后的合同文本双方各执一份。

Party A and Party B can change the contract through reaching a negotiated consensus. The changed contracts shall take the written form. Each party holds one of the changed contracts.

九、合同解除和终止

IX.Contract rescission and termination

（一）甲乙双方协商一致，可以解除合同。

The contract could be rescinded after being negotiated and agreed by party A and Party B.

（二）乙方提前三十日以书面形式通知甲方，可以解除劳动合同；乙方使用期内提前三日通知甲方，可以解除劳动合同。

Party B could inform Party A 30 days in advance in writing to rescind the labor contract. Within usage period, Party B could inform party A 3 days in advance to rescind the labor contract.

（三）甲方有下列情形之一的，乙方可以通知甲方解除劳动合同：

Party B could inform Party A to rescind the labor contract if party A has one of the following situations:

1、未按照劳动合同约定提供劳动保护或者劳动条件的；

Not provide labor protection or labor conditions according to the stipulations of the contract;

2、未及时足额支付劳动报酬的；

Not pay labor remuneration in full and on time;

3、未依法为乙方缴纳社会保险费的；

Not pay social insurance for party B according to law;

4、甲方的规章制度违反法律、法规的规定，损害乙方权益的；

Have rules and regulations that violate the provision of laws and statutes, hereby causing damage to party B’s rights and interests;

5、甲方以欺诈、胁迫的手段或者乘人之危，使乙方在违背真实意思的情况下订立或者变更本合同，致使劳动合同无效的的；

Force Party B to conclude or alter this contract against Party B’s true will by means of deception, coercion or exploitation of his unfavorable position, resulting that the labor contract becomes invalid;

6、甲方免除自己法定责任、排除乙方权利，致劳动合同无效的；

The labor contract is invalid because Party A exempts his statutory duties and excludes party B’s rights;

7、甲方违反法律、行政法规强制性规定，致使劳动合同无效的；

The labor contract is invalid because party A breaks the mandatory provisions of laws and administrative laws and regulations;

8、法律、行政法规规定乙方可以解除劳动合同的其他情形。

Other situations in which party B can rescind the labor contract according to the provisions of laws and administrative laws and regulations.

（四）甲方使用暴力、威胁或者非法限制人身自由的手段强迫乙方劳动的，或者甲方违章指挥、强令冒险作业及乙方人身安全的，乙方可以立即解除劳动合同，不需事先告知甲方。

Party A forces party B to labor by the means of violence, threat or illegal restriction of personal freedom, or if Party A gives commands against regulations and mandatory instructions which force party B to work in risks and endanger party B’s personal safety, party B could rescind the labor contract immediately without informing party A in advance.

（五）乙方有下列情形之一的，甲方可以解除劳动合同：

Party A shall rescind the labor contract if Party B has one of the following circumstances:

1、在试用期间被证明不符合录用条件的；

Proved not to be in conformity with the conditions of employment during the probation period;

2、严重违反甲方的规章制度的；

Violate Party A's rules and regulations seriously;

3、严重失职，营私舞弊，给甲方造成重大损害的；

Cause significant damage to Party A due to its serious dereliction of duties and jobbery;

4、乙方同时与其他用人单位建立劳动关系，对完成本单位的工作任务造成严重影响，或者经甲方提出，拒不改正的；

Make labor relations with other employer at the same time which causes significant influence on completing Party A’s work task, or refuses to correct their errors that Party A has pointed out.

5、乙方以欺诈、胁迫的手段或者乘人之危，使甲方在违背真实意思的情况下订立或者变更本合同，致使劳动合同无效的；

Force Party A to conclude or alter this contract against Party A’s true will by means of deception, coercion or exploitation of his unfavorable position, resulting that the labor contract becomes invalid;

6、被依法追究刑事责任的。

Subject to criminal liabilities according to law.

（六）有下列情形之一的，甲方提前三十日以书面形式通知乙方或者额外支付乙方一个月工资后，可以解除劳动合同：

In any of the following circumstances, Party A shall rescind the contract either with 30 day’s notice in advance in writing or after paying additional one month's wage to Party B:

1、乙方患病或者非因公负伤，在规定的医疗期满后不能从事原工作，也不能从事由甲方另行安排的工作的；

Party B cannot continue work in his original position nor in other positions arranged by Party A even after regulated recovery period due to illness or non-work injury.

2、乙方不能胜任工作，经过培训或者调整工作岗位，仍不能胜任工作的；

Party B is not qualified for the work and remains so upon training or adjustment to his working post;

3、劳动合同订立时所依据的客观情况发生重大变化，使劳动合同无法履行，经甲乙双方协商，未能就变更劳动合同内容达成协议的。

The objective conditions based on which the contract is signed are gone through significant change so that the contract cannot be carried out, and both Parties could not reach any agreement in terms of modifying the labor contract after negotiation.

（七）有下列情形之一，甲方需要裁减人员二十人以上或者裁减不足二十人但占甲方职工总数百分之十以上的，甲方应提前三十日向工会或者全体职工说明情况，在听取工会或者职工的意见，并将裁减人员方案向劳动行政部门报告后，可以裁减人员：

Of the following circumstances, Party A needs to cut workforce by 20 persons or more, or cut less than 20 but up 10 percent of the total number of employees, before the cut-down Party A shall notify to the labor union or all employees the case thirty days in advance, after hearing the views of the labor union or the employees and reporting to the labor administrative department the staff reduction program:

1、依照企业破产法规定进行重整的；

Reforming in accordance with the provisions of Enterprise Bankruptcy Law reforming;

2、生产经营发生严重困难的；

Having serious difficulties in production and operation;

3、企业转产、重大技术革新或者经营方式调整，经变更劳动合同后，仍需裁减人员的；

Enterprise switches, major technological innovation or business method revise, after amendment of employment contracts, it still needs to reduce staff;

4、其他因劳动合同订立时所依据的客观经济情况发生重大变化，致使劳动合同无法履行的。

Other significant change on objective economic conditions that the labor contract based, resulting the contract failed to perform.

（八）有下列情形之一的，劳动合同终止：

Of the following circumstances, the labor contract shall be terminated:

1、劳动合同期满的；

Labor contract expired;

2、乙方开始依法享受基本养老保险待遇的；

Party B began to enjoy the basic old-age insurance benefits;

3、乙方死亡的，或者被人民法院宣告死亡或者宣告失踪的；

Party B died or declared dead or missing by People's Court;

4、甲方被依法宣告破产的；

Party has been declared bankrupt;

5、甲方被吊销营业执照、责令关闭、撤销或者甲方决定提前解散的；

Party A’s business license revoked or ordered to close, cancel or Party A decided to dismiss early;

6、法律、行政法规规定的其他情形。

Other situations that laws or administrative regulations allowed.

十、经济补偿

X Financial Compensation

（一）符合下列情形之一的，甲方应当向乙方支付经济补偿：

Of the following circumstances, Party A shall pay financial compensation to B:

1、甲方依据本合同第九条（一）项规定向乙方提出解除劳动合同并与乙方协商一致解除劳动合同的；

Party A in accordance with Article 9 Item 1 proposes to terminate and negotiate with Party B together to terminate this Labor Contract.

2、乙方依据本合同第九条第（三）项、第（四）项规定解除劳动合同的；

Party B in accordance with Article 9 Item3, 4 proposes to terminate this Labor Contract.

3、甲方依照本合同第九条第（六）项规定解除劳动合同的；

Party A in accordance with Article 9 Item 6 terminates this Labor Contract.

4、甲方依照本合同第九条第（七）项规定解除劳动合同的；

Party A in accordance with Article 9 Item 7 terminates this Labor Contract.

5、除甲方维持或者提高劳动合同约定条件续订劳动合同，乙方不同意续订的情形外，依据本合同第九条第（八）项第1目规定终止固定期限劳动合同的；

Except the situation that Party B do not agree to renew the contract for Party A sustain or increase the agreed term to renew the contract, in accordance with Article 9 Item 8 (1) to terminate fixed-term labor contract.

6、依据本合同第九条第（八）项第4目、第5目规定终止劳动合同的；

In accordance with Article 9 Item 8 (4) , (5) to terminate the labor contract.

7、法律、行政法规规定的其他情形。

Other situations stipulated by laws, administrative laws and regulations.

（二）甲乙双方解除或终止本合同的，经济补偿的发放标准应按《劳动合同法》和国家和省市有关规定执行。甲方依法应向乙方支付经济补偿的，应在乙方办结工作交接时支付。

The two parties cancel or terminate this contract, the distribution standard of economic compensation shall carry out in accordance of *Labor Contract Law* and relevant provisions of the nation, province and city. The economic compensation shall legally paid by Party A to Party B, should be paid when Party B handover its work.

十一、合同解除和终止手续

XI Termination of the contract and termination procedures

甲乙双方解除和终止本合同的，乙方应按双方约定，办理工作交接等手续。甲方应依法向乙方出具书面证明，并在十五日内为乙方办理档案和社会保险关系转移手续。

Any termination of this contract occurred between two Parties, Party B shall hand over the matters related to his work as agreed upon by both parties. Party A shall issue a written confirmation to Party B pursuant to the laws, and shall handle the formalities for the transfer of files and social insurance relations within fifteen days.

十二、争议处理

XII Treatment of disputes

甲乙双方发生劳动争议的，应先协商解决，协商不成的，可以向本单位工会寻求解决或向本单位劳动调解争议委员会申请调解；也可以直接向劳动争议仲裁委员会申请仲裁。对仲裁裁决无异议的，双方必须履行；对仲裁裁决不服的，可以向人民法院起诉。

Any labor dispute occurred, two parties should first negotiated settlement, if no agreement is reached through consultation, then could go to the enterprise trade union for solutions or to labor dispute mediation committee for mediation; two parties could also directly apply to the labor dispute arbitration committee for arbitration. Without objection to the arbitration award, the two parties must perform; if any party is not satisfied with the arbitration award, he may prosecute to the people's court.

十三、双方认为需要约定的其他事项：
XIII Other matters that are necessary to be agreed upon by both Parties, including:

1. 严格遵守《公司保密协议》及公司各项规章制度。

   Be strictly abide by the *Confidentiality Agreement of the Company* and rules and regulations of the company

2. 《公司保密协议》和公司各项规章制度具有同等效力

   Confidentiality Agreement of the Company and rules and regulations of the company are with the same legal effect.

十四、其他

XIV. Miscellaneous

（一）本合同未尽事宜或合同条款与现行法律法规规定有抵触的，按现行法律法规执行。

Any conflict occurred between contracts matters not mentioned herein or contract terms and the existing laws and regulations, the current laws and regulations are preferred.

（二）本合同至甲乙双方签字盖章之日起生效，涂改或未经书面授权代签无效。

This contract shall come into effect since the date on which two Parties' signature and seal, if altered or signed without written authorization, the contract shall be invalid.

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甲方：（盖章）深圳市网合科技股份有限公司	乙方：（签名）童南方
Party A: (seal) Shenzhen Wonhe Technology Co., Ltd.	Party B: (seal) Nanfang Tong
法定代表人：童清	
Legal representative: Qing Tong （主要负责人） (Key Personnel)	
2016年 10月31日	2016年 10月 31日
October 31, 2016	October 31, 2016

Exhibit 10-d

深 圳 市

Shenzhen

劳

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合

同

Labor Contract

（使用全日制用工）

(Full-time employment)

深圳市劳动和社会保障局编制
Prepared by Shenzhen Labor & Social Security Bureau

甲方（用人单位）

Party A (employer)

名称：深圳市网合科技股份有限公司

Name：Shenzhen Wonhe Technology Co., Ltd.

住所：深圳市宝安区新安街道甲岸路及海秀路交汇处熙龙湾花园(N23区)商业办公楼2505-2511之2505

Address：Room 2505 from 2505 to 2511 of Commercial Building, (N23 Area) Xilongwan Garden, interchange between Haixiu Road and Jia'an Road, Xin'an Subdistrict, Baoan District, Shenzhen City.

法定代表人

Legal Representative

（主要负责人）________________

(Person chiefly in charge) ________

联系人 _____/________

Contact____________

联系电话 ________________

Contract number ___/_________

乙方（员工）

Party B (Employee)

姓名：童清

Name: Qing Tong

性别： 男

Gender： Male

身份证 ~~（护照）~~

ID Card ~~(Passport)~~

号码 422427196804023216

Number 422427196804023216

住址 _____/_____

Address___________

联系电话 ____/_____

Contract number________

根据《中华人民共和国劳动法》（以下简称《劳动法》）、《中华人民共和国劳动合同法》（以下简称《劳动合同法》）等有关法律法规的规定，甲乙双方遵循合法、公平、平等自愿、协商一致、诚实信用的原则，签订本合同，共同遵守本合同所列条款。

In accordance with the provisions of *Labor Law of the People's Republic of China* (hereinafter referred to as *Labor Law*), *Labor Contract Law of the People's Republic of China* (hereinafter referred to as *Labor Contract Law*) and other relevant laws and regulations, on the principle of legitimacy, fairness, equality, consensus and good faith, Party A and Party B enter into this contract to abide the terms of this contract.

一、合同期限

I. Term of Contract

（一）甲乙双方同意按以下第 1 种方式确定本合同期限。

Party A and Party B agree to ensure the term of contract as the first method below.

1、 有固定期限：从 2016 年 11 月 1日起至 2019年 10 月 31日止。

With fixed period: From November 1, 2016 to October 31, 2019.

2、无固定期限：从 __/___ 年 __/___ 月 __/___ 日起。

Without fixed period: Since _/__Year_/__Month_/__Date.

3、以完成一定工作任务为期限：从 __/____ 年 __/____ 月 __/____ 日起至_____

____________________工作任务完成时止。完成工作任务的标志是 ________________________________。

Period is confirmed by completing prescribed work: From _/__Year_/__Month_/___Date to ______________ to complete the work. The signal of completing prescribed work is _________________________.

（二）试用期为 无 （试用期包括在合同期限内，如无试用期，则填写“无”）。

The probation period is no (probation period is included in the contract period, if there is no probation period, then fill with "no").

二、工作内容和工作地点

II. Content and Place of Working

乙方的工作内容（岗位或工种） 董事长 。

The work content of Party B (post or profession) is: Chairman.

乙方工作地点 深圳 。

Working place of the Party B is Shenzhen.

三、工作时间和休息休假

III. Working Hours, Rest and Vacation

（一）甲乙双方同意按以下第 1 种方式确定乙方的工作时间。

Party A and Party B agree to confirm Party B’s working hours as first method below.

1√ 标准工作制，即每日工作 8 小时（不超过8小时），每周工作 40 小时（不超过40小时），每周至少休息一日。

Standard working hours system, e. g. working hours for each day is 8 hours (no more than 8 hours); 40 hours a week (no more than 40 hours). In one week, there should be off-work for at least one day.

2、不定时工作制，即经劳动保障行政部门审批，乙方所在岗位实行不定时工作制。

Flexible working hour system, namely the post where Party B belongs to executes flexible working hour system through the approval of the Labor Security Administration Department.

3、综合计算工时工作制，即经劳动保障行政部门审批，乙方所在岗位实行综合计算工时工作制。

Comprehensive Calculation Working Time System, namely the post where Party B belongs to executes comprehensive Calculation Working Time System through the approval of the Labor Security Administration Department.

（二）甲方由于生产经营需要延长工作时间的，按照《劳动法》第四十一条执行。

If Party A needs to extend working hours due to the production and operation, execute according to Article 41of *Labor law*.

（三）乙方依法享有法定节假日、婚假、产假、丧假等假期。

Party B is entitled to enjoy the statutory holidays, marriage leave, maternity leave, funeral leave and such holidays legally.

（四）乙方的其他休息休假安排 按国家规定享有带薪年假____________

Other rest and holiday schedule of Party B Having the paid annual leave according to the regulations of the state.

四、劳动报酬

IV. Labor Payment

（一）甲方依法制定工资分配制定，并告知乙方。甲方支付给乙方的工资不得低于市政府公布的当年度最低工资。

Pursuant to the law, Party A sets wage distribution plan and notify to Party B. Wages paid to Party B by Party A can't lower than current year minimum wage released by the municipal government.

（二）乙方每月工资 15000 ____________元（其中试用期每月工资 元）或按 ____ 执行。

Party B's monthly salary is RMB 15000 yuan (monthly salary in probation period is_______ yuan) or will execute in accordance with ________________

____ .

（三）甲方每月 25 日发放工资。甲方至少每月以货币形式向乙方支付一次工资。

Party A shall monthly pay salary on 25th (date) . Party A shall at least pay salary to Party B in currency form each month.

（四）乙方加班工资，假期工资及特殊情况下的工资支付按有关法律、法规的归档执行。

Overtime wage, vacation wages and special circumstances salary of Party B shall be paid in accordance with filing relevant laws and regulations.

（五）甲乙双方对工资的其他约定______________________________

Other agreements for both sides on salary______________________________

五、社会保险和福利待遇

V. Social insurance and welfare benefits

（一）甲乙双方按照国家和省、市有关规定，参加社会保险，缴纳社会保险费。

Both sides in accordance with the relevant provisions of the nation, province and city, participate in social insurance, pay society insurance premium.

（二）乙方患病或非因工负伤，甲方应按国家和省、市的有关规定给予乙方享受医疗期和医疗期待遇。

If Party B suffer from an illness or injured with no relation to work, Party A shall in accordance with the relevant provisions of the nation, province and city, provide Party B with medical period and medical treatment.

（三）乙方患职业病、因工负伤的，甲方按《职业病防治法》《工伤保险条例》等有关法律法规的规定执行。

If Party B suffered from occupational disease, work-related injury, Party A shall in accordance with *Law on Prevention and Control of Occupational Disease* and *Regulations on Worker's Compensation Insurance* and related laws and regulations to execute activities.

（四）甲方为乙方提供以下福利待遇住房补贴、午餐补贴、交通补贴、通讯补贴、生日慰问金______________________

____________________________________。

Party A provides Party B with the following benefits, such as housing subsidies, lunch subsidies, transportation subsidies, communication allowance and birthday consolation money.

六、劳动保护、劳动条件和职业危害防护

VI. Labor protection, working conditions and occupational hazard protection

（一）甲方按国家和省、市有关劳动保护规定，提供符合国家安全卫生标准的劳动作业场所和必要的劳动防护用品，切实保护乙方在生产工作中的安全和健康。

Party A provides labor workplaces conforming to the safety and health standards of the state and necessary labor protection articles in accordance with the national and provincial, municipal regulations on labor protection to effectively protect Party B’s safety and health in the production work.

（二）甲方按国家和省、市有关规定，做好女员工和未成年工的特殊劳动保护工作。

Party A should do the special labor protection work well for the women employees and underage workers in accordance with the national and provincial, municipal regulations.

（三）乙方从事 ___/_____ 作业，可能产生 ____/________职业危害，甲方应采取 _/_______________________________防护措施，并每年组织乙方健康检查 __/______次。

xx work that Party B does may produce xx occupational hazard. Party A should take xx protection measures and organize Party B to do health examination xx a year.

（四）乙方有权拒绝甲方的违章指挥，强令冒险作业；对甲方危害生命安全和身体健康的行为，乙方有权要求改正或向有关部门举报。

Party B has the right to refuse Party A's illegal command of compulsorily taking risky work; Party B has the right to request amend or report to related departments for Party A's action of damaging life safety and body health.

七、规章制度

VII. Rules and Regulations

（一）甲方依法制定的规章制度，应当告知乙方。

Party A shall inform Party B of the rules and regulations formulated according to the law.

（二）乙方应遵守国家和省、市有关法律法规和甲方依法制定的规章制度，按时完成工作任务，提高职业技能，遵守安全操作规程、劳动纪律和职业道德。

Party B shall finish the work tasks on time, improve their vocational skills, observe the rules of safe operation, labor discipline and professional ethics in accordance with the national and provincial, municipal laws and regulations and the rules and regulations formulated by Party A according to the law.

（三）乙方自觉遵守国家和省、市计划生育的有关规定。

Party B shall consciously abide by the national and provincial, municipal relevant provisions on the family planning.

八、合同变更

VIII. Contract Change

甲乙双方经协商一致，可以变更合同。变更合同应采用书面形式。变更后的合同文本双方各执一份。

Party A and Party B can change the contract through reaching a negotiated consensus. The changed contracts shall take the written form. Each party holds one of the changed contracts.

九、合同解除和终止

IX. Contract rescission and termination

（一）甲乙双方协商一致，可以解除合同。

The contract could be rescinded after being negotiated and agreed by party A and Party B.

（二）乙方提前三十日以书面形式通知甲方，可以解除劳动合同；乙方使用期内提前三日通知甲方，可以解除劳动合同。

Party B could inform Party A 30 days in advance in writing to rescind the labor contract. Within usage period, Party B could inform party A 3 days in advance to rescind the labor contract.

（三）甲方有下列情形之一的，乙方可以通知甲方解除劳动合同：

Party B could inform Party A to rescind the labor contract if party A has one of the following situations:

1、未按照劳动合同约定提供劳动保护或者劳动条件的；

Not provide labor protection or labor conditions according to the stipulations of the contract;

2、未及时足额支付劳动报酬的；

Not pay labor remuneration in full and on time;

3、未依法为乙方缴纳社会保险费的；

Not pay social insurance for party B according to law;

4、甲方的规章制度违反法律、法规的规定，损害乙方权益的；

Have rules and regulations that violate the provision of laws and statutes, hereby causing damage to party B's rights and interests;

5、甲方以欺诈、胁迫的手段或者乘人之危，使乙方在违背真实意思的情况下订立或者变更本合同，致使劳动合同的；

Force Party B to conclude or alter this contract against Party B's true will by means of deception, coercion or exploitation of his unfavorable position, resulting that the labor contract becomes invalid;

6、甲方免除自己法定责任、排除乙方权利，致劳动合同无效的；

The labor contract is invalid because Party A exempts his statutory duties and excludes party B's rights;

7、甲方违反法律、行政法规强制性规定，致使劳动合同无效的；

The labor contract is invalid because party A breaks the mandatory provisions of laws and administrative laws and regulations;

8、法律、行政法规规定乙方可以解除劳动合同的其他情形。

Other situations in which party B can rescind the labor contract according to the provisions of laws and administrative laws and regulations.

（四）甲方使用暴力、威胁或者非法限制人身自由的手段强迫乙方劳动的，或者甲方违章指挥、强令冒险作业及乙方人身安全的，乙方可以立即解除劳动合同，不需事先告知甲方。

Party A forces party B to labor by the means of violence, threat or illegal restriction of personal freedom, or if Party A gives commands against regulations and mandatory instructions which force party B to work in risks and endanger party B’s personal safety, party B could rescind the labor contract immediately without informing party A in advance.

（五）乙方有下列情形之一的，甲方可以解除劳动合同：

Party A shall rescind the labor contract if Party B has one of the following circumstances:

1、在试用期间被证明不符合录用条件的；

Proved not to be in conformity with the conditions of employment during the probation period;

2、严重违反甲方的规章制度的；

Violate Party A's rules and regulations seriously;

3、严重失职，营私舞弊，给甲方造成重大损害的；

Cause significant damage to Party A due to its serious dereliction of duties and jobbery;

4、乙方同时与其他用人单位建立劳动关系，对完成本单位的工作任务造成严重影响，或者经甲方提出，拒不改正的；

Make labor relations with other employer at the same time which causes significant influence on completing Party A’s work task, or refuses to correct their errors that Party A has pointed out.

5、乙方以欺诈、胁迫的手段或者乘人之危，使甲方在违背真实意思的情况下订立或者变更本合同，致使劳动合同无效的；

Force Party A to conclude or alter this contract against Party A’s true will by means of deception, coercion or exploitation of his unfavorable position, resulting that the labor contract becomes invalid;

6、被依法追究刑事责任的。

Subject to criminal liabilities according to law.

（六）有下列情形之一的，甲方提前三十日以书面形式通知乙方或者额外支付乙方一个月工资后，可以解除劳动合同：

In any of the following circumstances, Party A shall rescind the contract either with 30 day’s notice in advance in writing or after paying additional one month's wage to Party B:

1、乙方患病或者非因公负伤，在规定的医疗期满后不能从事原工作，也不能从事由甲方另行安排的工作的；

Party B cannot continue work in his original position nor in other positions arranged by Party A even after regulated recovery period due to illness or non-work injury.

2、乙方不能胜任工作，经过培训或者调整工作岗位，仍不能胜任工作的；

Party B is not qualified for the work and remains so upon training or adjustment to his working post;

3、劳动合同订立时所依据的客观情况发生重大变化，使劳动合同无法履行，经甲乙双方协商，未能就变更劳动合同内容达成协议的。

The objective conditions based on which the contract is signed are gone through significant change so that the contract cannot be carried out, and both Parties could not reach any agreement in terms of modifying the labor contract after negotiation.

（七）有下列情形之一，甲方需要裁减人员二十人以上或者裁减不足二十人但占甲方职工总数百分之十以上的，甲方应提前三十日向工会或者全体职工说明情况，在听取工会或者职工的意见，并将裁减人员方案向劳动行政部门报告后，可以裁减人员：

Of the following circumstances, Party A needs to cut workforce by 20 persons or more, or cut less than 20 but up 10 percent of the total number of employees, before the cut-down Party A shall notify to the labor union or all employees the case thirty days in advance, after hearing the views of the labor union or the employees and reporting to the labor administrative department the staff reduction program:

1、依照企业破产法规定进行重整的；

Reforming in accordance with the provisions of Enterprise Bankruptcy Law reforming;

2、生产经营发生严重困难的；

Having serious difficulties in production and operation;

3、企业转产、重大技术革新或者经营方式调整，经变更劳动合同后，仍需裁减人员的；

Enterprise switches, major technological innovation or business method revise, after amendment of employment contracts, it still needs to reduce staff;

4、其他因劳动合同订立时所依据的客观经济情况发生重大变化，致使劳动合同无法履行的。

Other significant change on objective economic conditions that the labor contract based, resulting the contract failed to perform.

（八）有下列情形之一的，劳动合同终止：

Of the following circumstances, the labor contract shall be terminated:

1、劳动合同期满的；

Labor contract expired;

2、乙方开始依法享受基本养老保险待遇的；

Party B began to enjoy the basic old-age insurance benefits;

3、乙方死亡的，或者被人民法院宣告死亡或者宣告失踪的；

Party B died or declared dead or missing by People's Court;

4、甲方被依法宣告破产的；

Party has been declared bankrupt;

5、甲方被吊销营业执照、责令关闭、撤销或者甲方决定提前解散的；

Party A's business license revoked or ordered to close, cancel or Party A decided to dismiss early;

6、法律、行政法规规定的其他情形。

Other situations that laws or administrative regulations allowed.

十、经济补偿

X Financial Compensation

（一）符合下列情形之一的，甲方应当向乙方支付经济补偿：

Of the following circumstances, Party A shall pay financial compensation to B:

1、甲方依据本合同第九条（一）项规定向乙方提出解除劳动合同并与乙方协商一致解除劳动合同的；

Party A in accordance with Article 9 Item 1 proposes to terminate and negotiate with Party B together to terminate this Labor Contract.

2、乙方依据本合同第九条第（三）项、第（四）项规定解除劳动合同的；

Party B in accordance with Article 9 Item3, 4 proposes to terminate this Labor Contract.

3、甲方依照本合同第九条第（六）项规定解除劳动合同的；

Party A in accordance with Article 9 Item 6 terminates this Labor Contract.

4、甲方依照本合同第九条第（七）项规定解除劳动合同的；

Party A in accordance with Article 9 Item 7 terminates this Labor Contract.

5、除甲方维持或者提高劳动合同约定条件续订劳动合同，乙方不同意续订的情形外，依据本合同第九条第（八）项第1目规定终止固定期限劳动合同的；

Except the situation that Party B do not agree to renew the contract for Party A sustain or increase the agreed term to renew the contract, in accordance with Article 9 Item 8 (1) to terminate fixed-term labor contract.

6、依据本合同第九条第（八）项第4目、第5目规定终止劳动合同的；

In accordance with Article 9 Item 8 (4) , (5) to terminate the labor contract.

7、法律、行政法规规定的其他情形。

Other situations stipulated by laws, administrative laws and regulations.

（二）甲乙双方解除或终止本合同的，经济补偿的发放标准应按《劳动合同法》和国家和省市有关规定执行。甲方依法应向乙方支付经济补偿的，应在乙方办结工作交接时支付。

The two parties cancel or terminate this contract, the distribution standard of economic compensation shall carry out in accordance of *Labor Contract Law* and relevant provisions of the nation, province and city. The economic compensation shall legally paid by Party A to Party B, should be paid when Party B handover its work.

十一、合同解除和终止手续

XI Termination ofthe contract and termination procedures

甲乙双方解除和终止本合同的，乙方应按双方约定，办理工作交接等手续。甲方应依法向乙方出具书面证明，并在十五日内为乙方办理档案和社会保险关系转移手续。

Any termination of this contract occurred between two Parties, Party B shall hand over the matters related to his work as agreed upon by both parties. Party A shall issue a written confirmation to Party B pursuant to the laws, and shall handle the formalities for the transfer of files and social insurance relations within fifteen days.

十二、争议处理

XII Treatment of disputes

甲乙双方发生劳动争议的，应先协商解决，协商不成的，可以向本单位工会寻求解决或向本单位劳动调解争议委员会申请调解；也可以直接向劳动争议仲裁委员会申请仲裁。对仲裁裁决无异议的，双方必须履行；对仲裁裁决不服的，可以向人民法院起诉。

Any labor dispute occurred, two parties should first negotiated settlement, if no agreement is reached through consultation, then could go to the enterprise trade union for solutions or to labor dispute mediation committee for mediation; two parties could also directly apply to the labor dispute arbitration committee for arbitration. Without objection to the arbitration award, the two parties must perform; if any party is not satisfied with the arbitration award, he may prosecute to the people's court.

十三、双方认为需要约定的其他事项：

XIII Other matters that are necessary to be agreed upon by both Parties, including :

1. 严格遵守《公司保密协议》及公司各项规章制度。
   Be strictly abide by the *Confidentiality Agreement of the Company* and rules and regulations of the company

2. 《公司保密协议》和公司各项规章制度具有同等效力
   Confidentiality Agreement of the Company and rules and regulations of the company are with the same legal effect.

____

____

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____

十四、其他

XIV Miscellaneous

（一）本合同未尽事宜或合同条款与现行法律法规规定有抵触的，按现行法律法规执行。

Any conflict occurred between contract matters not mentioned herein or contract terms and the existing laws and regulations, the current laws and regulations are preferred.

（二）本合同至甲乙双方签字盖章之日起生效，涂改或未经书面授权代签无效。

This contract shall come into effect since the date on which two Parties' signature and seal, if altered or signed without written authorization, the contract shall be invalid.

（此页为签字页，无正文）

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甲方：（盖章）深圳市网合科技股份有限公司	乙方：（签名）童清
Party A:(seal) Shenzhen Wonhe Technology Co., Ltd.	Party B:(signature) Qing Tong
2016年 10月31日	2016年 10月31日
October 31 ,2016	October 31,2016

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

I, Nanfang Tong, certify that:

1. I have reviewed this annual report on Form 10-K 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 under which such statements were made, not misleading with respect to the period covered by this report;

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

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) 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 registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal controls over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal controls 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 controls over financial reporting.

Date: April 5, 2017

/s/ Nanfang Tong
Nanfang Tong, Chief Executive Officer

* * * * *

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

I, Jingwu Li, certify that:

1. I have reviewed this annual report on Form 10-K 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 under which such statements were made, not misleading with respect to the period covered by this report;

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

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) 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 registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal controls over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal controls 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 controls over financial reporting.

Date: April 5, 2017

/s/ Jingwu Li
Jingwu Li, Chief Financial Officer

* * * * *

EXHIBIT 32: Rule 13a-14(b) Certifications

The undersigned officers certify that this report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, and that the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of Wonhe High-Tech International, Inc.

A signed original of this written statement required by Section 906 has been provided to Wonhe High-Tech International, Inc. and will be retained by Wonhe High-Tech International, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

April 5, 2017	/s/ Nanfang Tong
	Nanfang Tong (Chief Executive Officer)
April 5, 2017	/s/ Jingwu Li
	Jingwu Li (Chief Financial Officer)