WONHE MULTIMEDIA COMMERCE LIMITED ACN 607 288 755
1B / 205-207 JOHNSTON ST FITZROY VIC 3065 PH 613 9191 0135

16 May 2017

ASX Announcement
Parent Entity Quarterly Financial Report

Please see attached Quarterly 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

WONHE HIGH-TECH INTERNATIONAL, INC.

FORM 10-Q
(Quarterly Report)

Filed 05/15/17 for the Period Ending 03/31/17

Telephone	852-2815-0191
CIK	0001434388
Symbol	WHHT
SIC Code	3577 - Computer Peripheral Equipment, Not Elsewhere Classified
Industry	IT Services & Consulting
Sector	Technology
Fiscal Year	12/31

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

FORM 10-Q

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

For the quarterly period ended March 31, 2017

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

For the transition period from _____ to _____

Commission File No. 0-54744

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

Nevada	26-0775642
(State of Other Jurisdiction of incorporation or organization)	(I.R.S.) Employer I.D. No.)

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

Issuer's Telephone Number: 852-2815-0191

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

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

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

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

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☒
Emerging growth c ompany ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

May 15, 2017
Common Voting Stock: 73,510,130

WONHE HIGH-TECH INTERNATIONAL, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE FISCAL QUARTER ENDED MARCH 31, 2017

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

ASSETS	March 31, 2017 (Unaudited)	December 31, 2016
Current assets:		
Cash	$ 45,308,902	$ 42,085,769
Accounts receivable	6,317,837	7,798,031
Inventory	1,964	1,785
Interest receivable	403,823	100,176
Prepaid expenses	9,182	14,998
Total current assets	52,041,708	50,000,759
Fixed assets	844,346	831,534
Less: accumulated depreciation	(430,901)	(401,535)
Fixed assets, net	413,445	429,999
Other assets:		
Intangible assets, net	7,618	9,180
Loan receivable	23,531,539	23,349,800
Other assets	27,910	31,378
Deferred tax assets	113,900	126,535
Total other assets	23,680,967	23,516,893
TOTAL ASSETS	$ 76,136,120	$ 73,947,651

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	March 31, 2017 (Unaudited)	December 31, 2016
Current liabilities:		
Accounts payable	$ 27	$ 1,382,335
Payroll payable	56,134	54,708
Taxes payable	360,914	374,736
Loan from stockholder	728,549	434,324
Dividend payable	319,177	-
Accrued expenses and other payables	282,403	414,141
Total current liabilities	1,747,204	2,660,244
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 shares issued and outstanding at March 31, 2017 and December 31, 2016, respectively	73,510	73,510
Additional paid-in capital	38,791,666	38,791,666
Retained earnings	14,179,492	12,469,735
Statutory reserve fund	2,119,892	2,119,892
Other comprehensive (loss) income	(4,007,691)	(4,145,398)
Stockholders' equity before noncontrolling interests	51,156,869	49,309,405
Noncontrolling interests	23,232,047	21,978,002
Total stockholders' equity	74,388,916	71,287,407
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 76,136,120	$ 73,947,651

See accompanying notes to the consolidated financial statements.

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016
(IN U.S. $) (UNAUDITED)

	Three Months Ended March 31,	
	2017	2016
Sales	**$ 15,619,240**	$ 10,420,141
Cost of sales	**(10,610,508)**	(6,866,062)
Gross profit	**5,008,732**	3,554,079
Operating expenses:		
Research and development expenses	**639,540**	47,109
Selling and marketing expenses	**160,761**	154,724
General and administrative expenses	**240,792**	367,312
Total operating expenses	**1,041,093**	569,145
Income from operations	**3,967,639**	2,984,934
Other income (expense):		
Interest income	**361,189**	89,354
Other non-operating income (expenses)	**241**	(2,734)
Total non-operating income	**361,430**	86,620
Income before provision for income taxes	**4,329,069**	3,071,554
Provision for income taxes	**1,099,367**	397,305

See accompanying notes to the consolidated financial statements.

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016
(IN U.S. $) (UNAUDITED)

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Net income	**3,229,702**	2,674,249
Noncontrolling interests	**(1,519,945)**	(1,260,549)
Net income attributable to common stockholders	**$ 1,709,757**	$ 1,413,700
Earnings per common share, basic and diluted	**$ 0.02**	$ 0.02
Weighted average shares outstanding, basic and diluted	**73,510,130**	58,510,130
Comprehensive income:		
Net income	**$ 3,229,702**	$ 2,674,249
Foreign currency translation adjustment	**190,984**	437,197
Comprehensive income	**3,420,686**	3,111,446
Comprehensive income attributable to noncontrolling interests	**1,573,222**	1,391,419
Comprehensive income attributable to common stockholders	**$ 1,847,464**	$ 1,720,027

See accompanying notes to the consolidated financial statements.

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2017 (UNAUDITED, IN U.S. $)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Statutory Reserve Fund	Noncontrolling Interests	Other Comprehensive Income (loss)	Total
Balance, December 31, 2016	$ 73,510	$ 38,791,666	$ 12,469,735	$ 2,119,892	$ 21,978,002	$ (4,145,398)	$ 71,287,407
Net income	-	-	1,709,757	-	1,519,945	-	3,229,702
Dividend declared	-	-	-	-	(319,177)	-	(319,177)
Other comprehensive income	-	-	-	-	53,277	137,707	190,984
Balance, March 31, 2017	**$ 73,510**	**$ 38,791,666**	**$ 14,179,492**	**$ 2,119,892**	**$ 23,232,047**	**$ (4,007,691)**	**$ 74,388,916**

See accompanying notes to the consolidated financial statements .

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016 (UNAUDITED, IN U.S. $)

	Three Months Ended March 31,	
	2017	2016
Cash flows from operating activities:		
Net income	**$ 3,229,702**	$ 2,674,249
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**27,882**	100,912
Loss on disposal of fixed assets	**-**	2,734
Change in operating assets and liabilities:		
Decrease (increase) in accounts receivable	**1,545,338**	(814,609)
(Increase) in inventory	**(179)**	-
Decrease in other assets	**3,468**	-
Decrease in prepaid expenses	**5,771**	-
Decrease in prepaid income taxes	**-**	395,160
Decrease in deferred tax assets	**13,623**	-
(Increase) in interest receivable	**(302,959)**	-
Increase (decrease) in payroll payable	**1,000**	(868)
(Decrease) increase in taxes payable	**(36,826)**	8,545
(Decrease) in accounts payable	**(1,393,517)**	-
Increase (decrease) in accrued expenses and other payable	**369,483**	(9,588)
Net cash provided by operating activities	**3,462,786**	2,356,535
Cash flows from investing activities:		
Purchase of property, plant and equipment	**(6,342)**	(40,682)
Purchase of intangible assets	**-**	(7,613)
Investment in project	**-**	(3,795,468)
Net cash (used in) investing activities	**(6,342)**	(3,843,763)
Effect of exchange rate changes on cash	**(233,311)**	360,994
Net change in cash	**3,223,133**	(1,126,234)
Cash, beginning	**42,085,769**	52,074,752
Cash, ending	**$ 45,308,902**	$ 50,948,518

See accompanying notes to the consolidated financial statements.

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016 (UNAUDITED, IN U.S. $)

	Three Months Ended March 31,	
	2017	2016
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	**$ 1,053,707**	$ -
Cash paid for interest	**$ -**	$ -
Noncash financing activities:		
Dividend declared, not paid	**$ 319,177**	$ -
Payment of accrued expenses by stockholder	**$ 369,483**	$ 25,000

See accompanying notes to the consolidated financial statements .

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”).

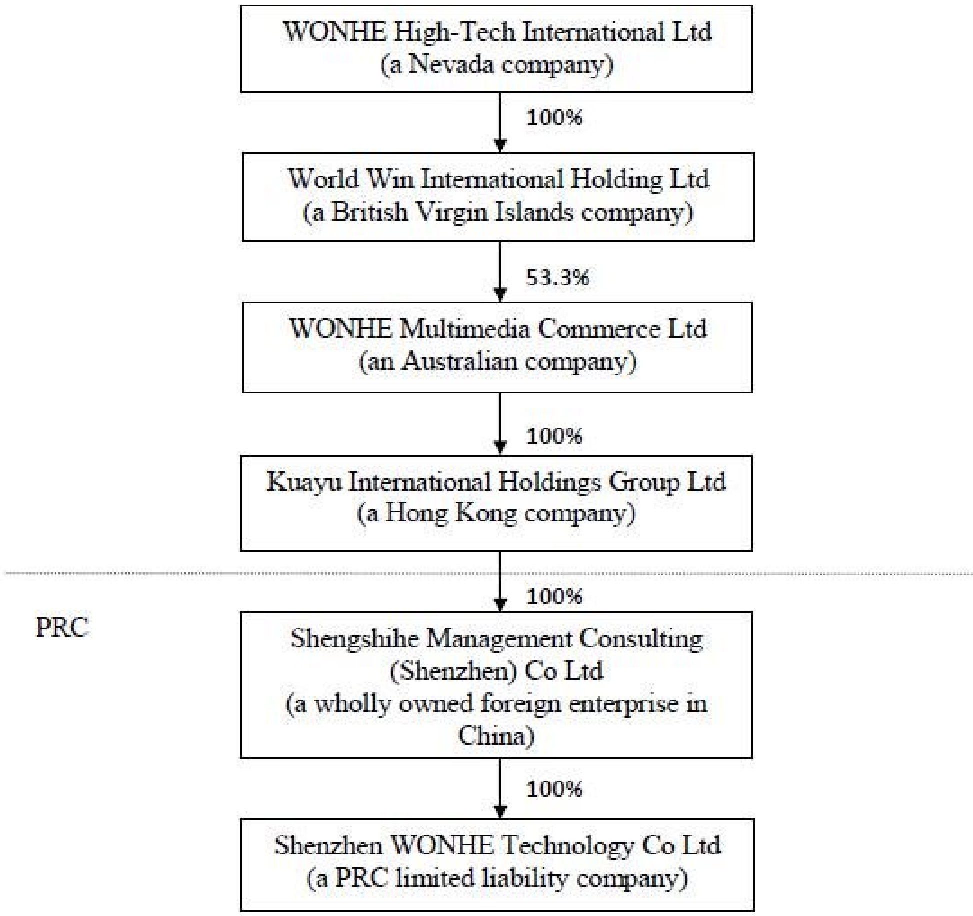
The Company also consolidated the financial position and results of operations of Shenzhen Wonhe Technology Co., Ltd., or “Shenzhen Wonhe,” a company incorporated under the laws of the PRC. Until September 15, 2015 Shenzhen Wonhe was effectively and substantially controlled by Shengshihe Consulting through a series of captive agreements, and was considered a variable interest entity (“VIE”) of Shengshihe Consulting, 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. 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 are 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 owns Shenzhen Wonhe, the Company’s operating company. The effect of the sale of Kuayu, therefore, reduced the interest of the Company in its operating company by 40%.

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

1. ORGANIZATION AND BUSINESS (continued)

The Company's current organization structure is as follows:



Shenzhen Wonhe is a Chinese entity established on November 16, 2010 with registered capital of $7,495,000. Since its formation, Shenzhen Wonhe has been involved 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). Since 2015, the Company has also marketed Wi-Fi-Routers. Currently Shenzhen Wonhe offers three such routers: YLT-100S and YLT-300J for use by individuals, and YLT-300S for use primarily in shopping malls. Shenzhen Wonhe is located in the Shenzhen, Guangdong Province in the PRC.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting. The consolidated financial statements as of and for the three months ended March 31, 2017 and 2016 include Wonhe High-Tech, World Win, Wonhe Multimedia, Kuayu, Shengshihe Consulting and Shenzhen Wonhe. All significant intercompany accounts and transactions have been eliminated in consolidation.

The unaudited interim consolidated financial statements of the Company as of March 31, 2017 and for the three months ended March 31, 2017 and 2016 have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules and regulations of the SEC which apply to interim financial statements. Accordingly, they do not include all of the information and footnotes normally required by accounting principles generally accepted in the United States of America for annual financial statements. In the opinion of management, such information contains all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for the periods presented. The interim consolidated financial information should be read in conjunction with the consolidated financial statements and the notes thereto, included in the Company's Form 10-K filed with the SEC. The results of operations for the three months ended March 31, 2017 are not necessarily indicative of the results to be expected for future quarters or for the year ending December 31, 2017.

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

Use of Estimates

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

Foreign Currency Translation

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

(UNAUDITED, IN U.S. $)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currency Translation (continued)

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:

	March 31, 2017	December 31, 2016
	(Unaudited)	
Balance sheet items, except for stockholders' equity, as of period's end	**0.1451**	0.1440

	Three Months Ended March 31,	
	2017	2016
	(Unaudited)	(Unaudited)
Amounts included in the statements of income and comprehensive income, changes in stockholders' equity and cash flows for the periods presented	0.1452	0.1529

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

	March 31, 2017	December 31, 2016
	(Unaudited)	
Balance sheet items, except for stockholders' equity, as of period's end	**0.7645**	0.7202

(UNAUDITED, IN U.S. $)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currency Translation (continued)

	Three Months Ended March 31,	
	2017	2016
	(Unaudited)	(Unaudited)
Amounts included in the statements of income and comprehensive income, changes in stockholders' equity and cash flows for the periods presented	**0.7576**	0.7219

For the three months ended March 31, 2017 and 2016, foreign currency translation adjustments of $190,984 and $437,197, respectively, have been reported as other comprehensive income (loss). Other comprehensive income (loss) of the Company consists solely of foreign currency translation adjustments. Pursuant to FASB ASC 740-30-25-17, *"Exceptions to Comprehensive Recognition of Deferred Income Taxes,"* the Company does not recognize deferred U.S. taxes related to the undistributed earnings of its foreign subsidiaries and, accordingly, recognizes no income tax expense or benefit from foreign currency translation adjustments.

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

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

Revenue and Cost Recognition

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and Cost Recognition (continued)

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

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

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

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

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

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 March 31, 2017 and December 31, 2016, 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 $108,869 and $112,950 for the three months ended March 31, 2017 and 2016, 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 $639,540 and $47,109 for the three months ended March 31, 2017 and 2016, 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 March 31, 2017 and December 31, 2016, the Company considered all accounts receivable collectable and an allowance for doubtful accounts was not necessary. For the three months ended March 31, 2017 and 2016, the Company did not write off any accounts receivable as bad debts.

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

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 March 31, 2017, $2,119,892 has been transferred from retained earnings to the statutory reserve fund.

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 March 31, 2017 and December 31, 2016, the Company did not have any liabilities for unrecognized tax benefits.

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

United States

The Company is subject to United States tax at graduated rates from 15% to 35%. No provision for income taxes in the United States has been made as the Company had no U.S. taxable income for the three months ended March 31, 2017 and 2016.

BVI

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

Australia

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes (continued)

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.

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.

Net Income Per Share

The Company computes net income 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 per share are presented for basic and diluted per share calculations for the period reflected in the accompanying consolidated statements of operations and other comprehensive income. There were no dilutive shares outstanding during the three months period ended March 31, 2017 and 2016.

3. RECENTLY ISSUED ACCOUNTING STANDARDS

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

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

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

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

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

3. RECENTLY ISSUED ACCOUNTING STANDARDS (continued)

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

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

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

(UNAUDITED, IN U.S. $)

3. RECENTLY ISSUED ACCOUNTING STANDARDS (continued)

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.

4. FIXED ASSETS

Fixed assets at March 31, 2017 and December 31, 2016 are summarized as follows:

	March 31, 2017 (Unaudited)	December 31, 2016
Office equipment	**$ 220,824**	$ 212,828
Motor vehicles	**623,522**	618,706
	844,346	831,534
Less: accumulated depreciation	**(430,901)**	(401,535)
Fixed assets, net	**$ 413,445**	$ 429,999

Depreciation expense charged to operations for the three months ended March 31, 2017 and 2016 was $26,249 and $91,579, respectively.

(UNAUDITED, IN U.S. $)

5. INTANGIBLE ASSETS

Intangible assets at March 31, 2017 and December 31, 2016 are summarized as follows:

	March 31, 2016 (Unaudited)	December 31, 2015
Software	**$ 50,035**	$ 49,649
Less: accumulated amortization	**(42,417)**	(40,469)
Intangible assets, net	**$ 7,618**	$ 9,180

Amortization expense charged to operations for the years ended March 31, 2017 and 2016 was $1,633 and $9,333 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. In January 2017, the Company signed an early termination agreement to cease the agreement without penalty and entered into another lease agreement with an unrelated party at a monthly rent of $7,220 for one year, expiring in February 2018. Rent expense for the three months ended March 31, 2017 and 2016 was $38,176 and $34,038, respectively.

On May 5 2016, the Company entered into an agreement to lease a laboratory office from an unrelated party with the fee to be determined based on usage. The lease has a two-year term, which expires on May 5, 2018. The lease fee of the laboratory for the three months ended March 31, 2017 was $134,892.

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 $1,886) 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 $2,177) 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.

6. COMMITMENTS (continued)

Employment Agreements (continued)

At March 31, 2017, the future commitments under these agreements was approximately $ 134,100.

Other than the salary and social benefits required by the government, which are defined in the employment agreements, we currently do not provide benefits to the officers. 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 that an employee be paid severance pay based on the number of years worked with the employer at the rate of one month's wage for each full year worked. Any period of more than six months but less than one year shall be counted as one year. The severance pay payable to an employee for any period of less than six months shall be one-half of his monthly wages. The monthly salary mentioned above is defined as the average salary of 12 months before revocation or termination of the employment contract.

Strategic Cooperation Agreement

In April 2015, 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.

In April 2015, Shenzhen Wonhe entered into a strategi cooperation agreement with Shenzhen Yunlutong Technology Co., Ltd ("YLT"), which is owned by one of the Company's directors, who owns 4.87% of the Company's common stock. The agreement expires in 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 $8,800,500 in sales with YLT for the three months period ended March 31, 2017.

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 of 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 $728,549 and $434,324 at March 31, 2017 and December 31, 2016, 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 Company's Chief Executive Officer and Qing Tong, the Chairman of the Board, are brothers.

8 . SALE OF COMMON STOCK

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).

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 March 1, 2017, 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 $0.005882 per share, for a total dividend of AUD $894,000 (approximately USD $683,463). The dividend payment will be made to the shareholders of Wonhe Multimedia Commerce Ltd. on May 31, 2017.

(UNAUDITED, IN U.S. $)

10. INCOME TAXES

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

The provision for (benefit from) income taxes consists of the following for the three months ended March 31, 2017 and 2016:

	Three Months Ended March 31,	
	2017	2016
	(Unaudited)	(Unaudited)
Current	**$ 1,085,744**	$ 397,305
Deferred	**13,623**	-
Total	**$ 1,099,367**	$ 397,305

The following is a reconciliation of the statutory rate with the effective income tax rate for the three months ended March 31, 2017 and 2016.

	Three Months Ended March 31,	
	2017	2016
	(Unaudited)	(Unaudited)
Tax at PRC statutory rate	**25.0%**	25.0%
VIE tax holiday	**-**	(12.5)
Other	**0.4**	0.4
Effective tax rate	**25.4%**	12.9%

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

	Three Months Ended March 31,	
	2017	2016
	(Unaudited)	(Unaudited)
Aggregate dollar effect of tax holiday	**$ -**	$ 1,448,924
Per share effect, basic and diluted	**-**	0.03

10. INCOME TAXES (continued)

During the quarter ended March 31, 2017, the Company filed its U.S. federal income tax returns, including 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, 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, 2015, 2014 and 2013 remain open to examination by the IRS.

All of the Company's operations are conducted in the PRC. At March 31, 2017, the Company's unremitted foreign earnings of its PRC subsidiaries totaled approximately $25.9 million and the Company held approximately $30.2 million of cash and cash equivalents in the PRC. These unremitted earnings are planned to be reinvested indefinitely into the operations of the Company in the PRC. While repatriation of cash held in the PRC may be restricted by local PRC laws, most of the Company's foreign cash balances could be repatriated to the United States but, under current U.S. income tax laws, would be subject to U.S. federal income taxes less applicable foreign tax credits. Determination of the amount of unrecognized deferred U.S. income tax liability on the unremitted earnings is not practicable because of the complexities associated with this hypothetical calculation, and as the Company does not plan to repatriate any cash in the PRC to the United States during the foreseeable future, no deferred tax liability has been accrued.

11. CONTINGENCIES

As disclosed in Note 10, the Company was delinquent in filing certain tax returns with the U.S. Internal Revenue Service and the 2015, 2014 and 2013 tax years are open and subject to examination by the tax authorities. 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.

(UNAUDITED, IN U.S. $)

12. CONCENTRATION OF CREDIT RISK

Cash and cash equivalents

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

Major customers

One customer accounted for approximately 34% of total sales for the three months ended March 31, 2017 and approximately 37% of total sales for the year ended December 31, 2016. Two customers accounted for approximately 57% of accounts receivable as of March 31, 2017. Six customers accounted for approximately 97% of accounts receivable as of December 31, 2016, the largest being 34%.

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:

13. CONTRIBUTIONS TO MULTI-EMPLOYER WELFARE PROGRAMS

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

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

Total contributions to employee welfare programs for the three months ended March 31, 2017 and 2016 were as follow:

	Three Months Ended March 31,	
	2017	2016
Total contributions	**$ 162,018**	$ 11,723

14. LOAN RECEIVABLE

On January 12, 2016 the Company'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$25.53 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.

(UNAUDITED, IN U.S. $)

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

ASSETS	Year Ended December 31, 2016	2015
Cash-restricted	**$ 14,428,459**	$ 14,332,241
Other receivable from subsidiaries	**11,116,320**	9,912,000
Investment in subsidiaries	**24,198,950**	21,093,753
TOTAL ASSETS	**$ 49,743,729**	$ 45,337,994

LIABILITIES AND STOCKHOLDERS' EQUITY	December 31, 2016	December 31, 2015
Current liabilities:		
Loan from stockholder	$ 434,324	$ 366,040
Accrued liabilities	-	5,000
Total current liabilities	454,324	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

(UNAUDITED, IN U.S. $)

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

Condensed Statements of Income

	Year Ended December 31,	
	2016	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)

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

Condensed Statements of Cash Flows (continued)

	Year Ended December 31,	
	2016	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 any dividends outside of China due to PRC’s foreign exchange control regulations that restrict the Company’s ability to convert RMB into US Dollars.

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

Restricted Net Assets (continued)

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 April 21, 2017 the Company filed with the Nevada Secretary of State a Certificate of Designation designating a series of 100,000 shares of Series A Convertible Preferred Stock. The rights and limitations of a holder of shares of Series A Convertible Preferred Stock (the "Preferred Shares") are as follows:

a. The holder may convert each Preferred Share into 200 shares of the Company's common stock, but must convert all Preferred Shares at one time (including all Preferred Shares held by affiliates of the holder).

b. The holder of Preferred Shares will have voting rights on an "as-converted" basis.

c. The holder of Preferred Shares will receive dividends, if any are declared, on an "as converted" basis.

d. If the Company is liquidated, the holder of Preferred Shares will receive a preferred liquidation distribution of $0.001 per Preferred Share, then will participate in the liquidation on an "as converted" basis.

e. When there are sufficient shares of common stock authorized to permit conversion of all outstanding Preferred Shares, the Company may redeem the Preferred Shares for a payment of $0.001 per Preferred Share by giving 30 days prior notice of redemption, during which period the holder of Preferred Shares may convert the Preferred Shares into common stock.

On April 24, 2017 the Company sold a total of 100,000 shares of Series A Preferred Stock to Beijing Yi Yu Culture Media Co., Ltd., an unaffiliated entity. The purchase price for the shares was US$20.00 per share, or a total of US$2,000,000.

On March 1, 2017, 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 $0.005882 per share, for a total dividend of AUD $894,000 (approximately USD $683,463). On April 28, 2017, the company recorded the dividend. The dividend payment will be made to the shareholders of Wonhe Multimedia Commerce Ltd. on May 31, 2017. (See Note 9).

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

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

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

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

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

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

Shenzhen Wonhe is a Chinese entity established on November 16, 2010, with registered capital of $7,495,000. It is engaged in the research and development, outsourced-manufacturing and sale of hi-tech products based on x86 (instruction set architecture based on the Intel 8086 CPU) and ARM (32-bit reduced instruction set architecture). Since December 2011, Shenzhen Wonhe has marketed a series of home media centers: it introduced its current product, HMC720, in the fourth quarter of 2014. Moreover, since 2015, Shenzhen Wonhe has been engaged in developing and marketing Wi-Fi Routers for both home and commercial use. Current products still under research and development include a Smart Media Box (SMB), Home Smart Server (HSS), Mini PC (MPC), All in One PC (AIO-PC), Business PAD (B-PAD), and Portable PAD (P-PAD).

Results of Operations

The following table sets forth in U.S. dollars, key components of our results of operations during the three months ended March 31, 2017 and 2016.

	Three Months Ended March 31,	
	2017	2016
Sales	**$ 15,619,240**	$ 10,420,141
Gross profit	**5,008,732**	3,554,079
Operating income	**3,967,639**	2,984,934
Net income attributable to common stockholders	**$ 1,709,757**	$ 1,413,700

Sales.

Since October 2014, we have been marketing our second generation home media center, the HMC720. In the three months ended March 31, 2017, our sales of HMC 720 totalled $6,820,735compared to sales of HMC 720 of $6,059,272 in the three months ended March 31, 2016.

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$203). 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$73) As with our home media center, we do not manufacture the routers: all manufacturing of the Wifi Routers is outsourced. Sales of our routers totaled $8,803,025 and $4,360,869 in the first quarter of 2017 and of 2016, respectively.

Gross Profit. Although our sales increased, quarter-to-quarter, by 49.9%, our gross profit increased by only 40.9%, from $3,554,079 in the three months ended March 31, 2016 to $5,008,732 in the three months ended March 31, 2017. 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 first quarter of 2017 increased by 83% to $1,041,093 from $569,145 for the first quarter of 2016, due to a significant increase in research and development expense. 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 three months ended March 31, 2017 and 2016, our research and development expenses were $639,540 and $47,109, respectively. The significant increase in the first quarter of 2017 was primarily attributable to our development of the computer set-top-box (PC-STB) that we expect to introduce later 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 $160,761 and $154,724, respectively, in selling and marketing expenses during the three months ended March 31, 2017 and 2016. During those same periods, we incurred advertising expenses of $108,869 and $112,950, 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 $240,792 and $367,312, respectively, in general and administrative expenses during the three months ended March 31, 2017 and 2016. G&A expenses were greater in 2016 primarily as a result of depreciation expense related to the now-terminated joint venture with Guangdong Kesheng. On March 31, 2016, we had net depreciable assets valued at $1,701,764 on our balance sheet, compared to $413,445 at March 31, 2017.

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

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

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

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

After deducting these operating expenses, for the three months ended March 31, 2017 and 2016 we realized income from operations of $3,967,639 and $2,984,934, respectively.

Other Income (Expense). The only material non-operating income or expense that we realized during the three months ended March 31, 2017 and 2016 was interest income of $361,189 and $89,354, respectively. Our interest income during 2017 was primarily comprised of interest accrued on the loan receivable from Guangdong Kesheng, supplemented by interest on our bank deposits. We have no interest-bearing debt obligations.

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 ($2,337,142) 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, a tax provision, after the 50% deduction, of only $397,305 was recorded for the three months ended March 31, 2016, which was offset against the prepaid income tax. For the three months ended March 31, 2017, however, we were taxed at the full 25% rate applicable to corporations in the PRC, and had no offsetting prepaid, as that asset was exhausted during 2016.

Net Income. We reported net income of $3,229,702 and $2,674,249, respectively, for the three month ended March 31, 2017 and 2016. However, we have only a 53.3% beneficial interest in Shenzhen Wonhe, our operating entity. For that reason, we reduced our net income for the three months ended March 31, 2017 and 2016 by an allocation to the "non-controlling interests" of $1,519,945 and $1,260,549, respectively, before recognizing net income attributable to the common stockholders of $1,709,757 and $1,413,700 for the three months ended March 31, 2017 and 2016 respectively.

Foreign Currency Translation Adjustment. Our reporting currency is the U.S. dollar. Our local currency, Renminbi (RMB), is our functional currency. Results of operations and cash flows are translated at average exchange rates during the period, and assets and liabilities are translated at the unified exchange rate as quoted by the People's Bank of China at the end of the period. Translation adjustments resulting from this process are included in accumulated other comprehensive income (loss) in the statement of stockholders' equity. Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the results of operations as incurred. For the three months ended March 31, 2017 and 2016, foreign currency translation adjustments of $190,984 and $437,197, respectively, have been reported as other comprehensive income in the consolidated statements of operations and other comprehensive income.

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 March 31, 2017, our only debt consisted of $728,549 that we have borrowed from a stockholder, primarily in order to obtain U.S. Dollars to pay the expenses of our parent corporation. At March 31, 2017, our working capital totaled $50,613,681, an increase of $3,273,166 since December 31, 2016. The increase was approximately equal to our net income for the quarter, as our investment in long-term assets was negligible during the three months ended March 31, 2017.

Our cash and cash equivalents of $45,308,902 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 $6,317,837 in accounts receivable. This represented approximately 40% of our sales for the recent quarter, and represented a decrease of $1,480,194 from our accounts receivable balance at the end of 2016. No account receivable at March 31, 2017 was more than 90 days old.

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

	Three months ended March 31, 2017	Three months ended March 31, 2016
Net cash provided by operating activities	**$ 3,462,786**	$ 2,356,535
Net cash (used in) investing activities	**$ (6,342)**	$ (3,843,763)
Net cash provided by financing activities	**-**	-

Operating activities

Our operations provided $3,462,786 in cash during the three months ended March 31, 2017, which was only slightly greater than our net income before non-controlling interest of $3,229,702 in this period. Relative parity between net income and cash provided was achieved because the $1,545,338 decrease in our accounts receivable was offset by a decrease in accounts payable of $1,393,517.

Cash from operations for three months ended March 31, 2016 was $2,356,535. Cash provided in this period was somewhat less than net income due primarily to a $814,609 increase in accounts receivable.

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 three months ended March 31, 2017 we used only $6,342 to improve or acquire property, plant and equipment.

In 2015, however, we initiated a wireless network pilot project, and folded the project into a joint venture with Guangdong Kesheng Enterprise Co., Ltd. in January 2016. During the three months ended March 31, 2016, therefore, we contributed $3,795,468 in cash resources pursuant to our investment agreement for the Wireless Network Coverage Project in Beijing Area with Guangdong Kesheng. 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, we do not expect to use significant amounts of cash in investing activities in the near future.

Financing activities

We engaged in no financing activities in either the three months ended March 31, 2017 or the three months ended March 31, 2016.

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 three months ended March 31, 2017, there were no estimates made which were (a) subject to a high degree of uncertainty and (b) material to our results.

Impact of Accounting Pronouncements

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

Off-Balance Sheet Arrangements

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Evaluation of Disclosure Controls and Procedures . Our Chief Executive Officer and Chief Financial Officer carried out an evaluation of the effectiveness of the Company's disclosure controls and procedures (as defined in Rule13a-15(e) promulgated by the Securities and Exchange Commission) as of March 31, 2017. 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 March 31, 2017.

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

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

Changes in Internal Control over Financial Reporting

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

PART II - OTHER INFORMATION

Item 1. *Legal Proceedings*

None.

Item 1A *Risk Factors*

There have been no material changes from the risk factors included in the Annual Report on Form 10-K for the year ended December 31, 2016.

Item 2 *Unregistered Sale of Securities and Use of Proceeds*

(a) Unregistered sales of equity securities

The Company did not effect any sales of unregistered securities during the first quarter of fiscal 2017.

(c) Purchases of equity securities

The Company did not repurchase any of its equity securities that were registered under Section 12 of the Securities Exchange Act during the first quarter of fiscal 2017.

Item 3. *Defaults Upon Senior Securities .*

None.

Item 4. *Mine Safety Disclosures.*

Not Applicable.

Item 5. *Other Information.*

None.

Item 6. *Exhibits*

31.1	Rule 13a-14(a) Certification - CEO
31.2	Rule 13a-14(a) Certification - CFO
32	Rule 13a-14(b) Certification
101.INS	XBRL Instance
101.SCH	XBRL Schema XBRL Schema
101.CAL	XBRL Calculation
101.DEF	XBRL Definition
101.LAB	XBRL Label
101.PRE	XBRL Presentation

SIGNATURES

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

WONHE HIGH-TECH INTERNATIONAL, INC.

Date: May 15, 2017

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

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

Exhibit 31.1

Rule 13a-14(a) Certification

I, Nanfang Tong, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Wonhe High-Tech International, Inc.;

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

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

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

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

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

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

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

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

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

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

May 15, 2017

/s/ Nanfang Tong

Nanfang Tong,
Chief Executive Officer

* * * * *

Exhibit 31.2

Rule 13a-14(a) Certification

I, Jungwu Li, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Wonhe High-Tech International, Inc.;

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

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

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

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

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

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

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

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

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

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

May 15, 2017

/s/ Jungwu Li

Jungwu Li,
Chief Financial Officer

* * * * *

Exhibit 32

Rule 13a-14(b) Certification

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

1. The Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2017 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 15, 2017

/s/ Nanfang Tong
Nanfang Tong,
Chief Executive Officer

May 15, 2017

/s/ Jungwu Li
Jungwu Li,
Chief Financial Officer

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

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