



WONHE MULTIMEDIA COMMERCE LIMITED ACN 607 288 755
1B/205-207 JOHNSTON STREET FITZROY VIC 3065
PHONE: 03 9191 0135

22 August 2017

ASX Announcement
Parent Entity Financial Report

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

Justyn Stedwell
Company Secretary
Wonhe Multimedia Commerce Limited

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 June 30, 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
(State of Other Jurisdiction of
incorporation or organization)

26-0775642
(I.R.S.) Employer I.D. No.)

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

Issuer's Telephone Number: 852-2815-0191

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

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

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

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

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☒

Emerging growth company ☐

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:

August 21, 2017
Common Voting Stock: 73,510,130

**WONHE HIGH-TECH INTERNATIONAL, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE FISCAL QUARTER ENDED JUNE 30, 2017**

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

	June 30, 2017	December 31, 2016
ASSETS		
	(Unaudited)	
Current assets:		
Cash	\$ 48,323,591	\$ 42,085,769
Accounts receivable	6,177,758	7,798,031
Inventory	2,081	1,785
Interest receivable	718,490	100,176
Prepaid expenses	13,804	14,998
Loan receivable	5,477,210	5,345,650
Total current assets	60,712,934	55,346,409
Fixed assets	858,444	831,534
Less: accumulated depreciation	(465,019)	(401,535)
Fixed assets, net	393,425	429,999
Other assets:		
Intangible assets, net	6,086	9,180
Loan receivable-non-current	14,459,833	14,112,517
Other assets	28,555	31,378
Deferred tax assets	100,697	126,535
Total other assets	14,595,171	14,279,610
TOTAL ASSETS	\$ 75,701,530	\$ 70,056,018

See accompanying notes to the consolidated financial statements.

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

	June 30, 2017	December 31, 2016
LIABILITIES AND STOCKHOLDERS' EQUITY	(Unaudited)	
Current liabilities:		
Accounts payable	\$ 2,958	\$ 1,382,335
Payroll payable	57,579	54,708
Taxes payable	533,082	374,736
Loan from stockholder	395,786	434,324
Accrued expenses and other payables	292,298	414,141
Total current liabilities	1,281,703	2,660,244
Commitments and Contingencies		
Stockholders' equity:		
Preferred stock: \$0.001 par value; 10,000,000 shares authorized; 100,000 and none shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively	100	-
Common stock: \$0.001 par value; 90,000,000 shares authorized; 73,510,130 shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively	73,510	73,510
Additional paid-in capital	40,791,566	38,791,666
Stock subscription receivable	(2,000,000)	-
Retained earnings	12,238,035	8,578,102
Statutory reserve fund	2,119,892	2,119,892
Other comprehensive (loss)	(4,110,019)	(4,145,398)
Stockholders' equity before noncontrolling interests	49,113,084	45,417,772
Noncontrolling interests	25,306,743	21,978,002
Total stockholders' equity	74,419,827	67,395,774
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 75,701,530	\$ 70,056,018

See accompanying notes to the consolidated financial statements.

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME (LOSS)
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016
(IN U.S. \$) (UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Sales	\$ 16,225,687	\$ 11,215,593	\$ 31,844,927	\$ 21,635,734
Cost of sales	(10,608,723)	(7,500,281)	(21,219,232)	(14,366,343)
Gross profit	5,616,964	3,715,312	10,625,695	7,269,391
Operating expenses:				
Research and development expenses	653,033	106,409	1,292,573	153,518
Selling and marketing	167,715	146,988	328,476	301,712
General and administrative	272,255	306,086	513,047	673,398
Total operating expenses	1,093,003	559,483	2,134,096	1,128,628
Income from operations	4,523,961	3,155,829	8,491,599	6,140,763
Non-operating income (loss):				
Interest income	386,506	83,474	747,695	172,828
Other non-operating income (expenses)	612	(1,447)	854	(4,181)
Total non-operating income	387,118	82,027	748,549	168,647

See accompanying notes to the consolidated financial statements.

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME (LOSS) (CONTINUED)
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016
(IN U.S. \$) (UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Income before provision for income taxes	4,911,079	3,237,856	9,240,148	6,309,410
Provision for income taxes	1,249,623	417,690	2,348,990	814,995
Net income	3,661,456	2,820,166	6,891,158	5,494,415
Noncontrolling interests	(1,711,280)	(1,328,692)	(3,231,225)	(2,589,242)
Net income attributable to common stockholders	\$ 1,950,176	\$ 1,491,474	\$ 3,659,933	\$ 2,905,173
Earnings per common share, basic and diluted	\$ 0.03	\$ 0.02	\$ 0.05	\$ 0.05
Weighted average shares outstanding, basic and diluted	73,510,130	70,378,262	73,510,130	64,444,196
Comprehensive income (loss):				
Net income	\$ 3,661,456	\$ 2,820,166	\$ 6,891,158	\$ 5,494,415
Foreign currency translation adjustment	261,088	(2,043,425)	452,072	(1,606,228)
Comprehensive income (loss)	3,922,544	776,741	7,343,230	3,888,187
Comprehensive income (loss) attributable to noncontrolling interests	2,074,694	714,801	3,647,918	2,106,219
Net comprehensive income (loss) attributable to common stockholders	\$ 1,847,850	\$ 61,941	\$ 3,695,312	\$ 1,781,968

See accompanying notes to the consolidated financial statements.

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2017 (UNAUDITED, IN U.S. \$)

	Preferred Stock	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	\$ 8,578,102	\$ 2,119,892	\$ 21,978,002	\$ (4,145,398)	\$ 67,395,774
Sale of preferred stock	100	-	1,999,900	-	-	-	-	2,000,000
Stock subscription receivable	-	-	(2,000,000)	-	-	-	-	(2,000,000)
Net income	-	-	-	3,659,933	-	3,231,225	-	6,891,158
Dividend declared	-	-	-	-	-	(319,177)	-	(319,177)
Other comprehensive income	-	-	-	-	-	416,693	35,379	452,072
Balance, June 30, 2017	\$ 100	\$ 73,510	\$38,791,566	\$12,238,035	\$ 2,119,892	\$ 25,306,743	\$ (4,110,019)	\$ 74,419,827

See accompanying notes to the consolidated financial statements.

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND 2016 (UNAUDITED, IN U.S. \$)

	Six Months Ended June 30,	
	2017	2016
Cash flows from operating activities:		
Net income	\$ 6,891,158	\$ 5,494,415
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	56,115	157,810
Loss on disposal of fixed assets	-	4,170
Change in operating assets and liabilities:		
Decrease (increase) in accounts receivable	1,778,157	(1,065,430)
(Increase) in inventory	(296)	(76,878)
Decrease in other assets	2,823	-
Decrease (increase) in prepaid expenses	598	(5,314)
Decrease in prepaid income taxes	-	828,319
Decrease in deferred tax assets	28,542	-
(Increase) in interest receivable	(607,120)	-
Increase in payroll payable	1,504	19,153
(Decrease) increase in taxes payable	147,009	75,258
(Decrease) in accounts payable	(1,396,282)	-
Increase in accrued expenses and other payable	255,974	6,459
Net cash provided by operating activities	7,158,182	5,437,962
Cash flows from investing activities:		
Purchase of property, plant and equipment	(6,354)	(57,320)
Purchase of intangible assets	-	(7,618)
Investment in project	-	(11,136,879)
Net cash (used in) investing activities	(6,354)	(11,201,817)
Cash flows from financing activities:		
Repayment of shareholder loan	(364,286)	
Proceeds from sales of common stock	-	1,204,320
Dividend paid	(319,177)	-
Net cash provided by financial activities	(683,463)	1,204,320
Effect of exchange rate changes on cash	(230,543)	(1,233,196)
Net change in cash	6,237,822	(5,792,731)
Cash, beginning	42,085,769	52,074,752
Cash, ending	\$ 48,323,591	\$ 46,282,021

See accompanying notes to the consolidated financial statements.

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND 2016 (UNAUDITED, IN U.S. \$)

**Six Months Ended
June 30,**

2017 2016

Supplemental disclosure of cash flow information:

Cash paid for income taxes	\$	4,067,069	\$	1,053,707
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Cash paid for interest	\$	-	\$	-
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Noncash financing activities:

Subscription receivable from sale of preferred stock	\$	2,000,000	\$	-
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Payment of accrued expenses by stockholder	\$	380,040	\$	369,483
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See accompanying notes to the consolidated financial statements.

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016
(UNAUDITED, IN U.S. \$)

1. ORGANIZATION AND BUSINESS

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

As a result of the acquisition in June 2012, the Company’s consolidated subsidiaries included World Win, the Company’s wholly-owned subsidiary, which is incorporated under the laws of the British Virgin Island (“BVI”), Kuayu International Holdings Group Limited (Hong Kong), or “Kuayu,” a wholly-owned subsidiary of World Win which is incorporated under the laws of Hong Kong, and Shengshihe Management Consulting (Shenzhen) Co., Ltd., or “Shengshihe Consulting,” a wholly-owned subsidiary of Kuayu which is incorporated under the laws of the People’s Republic of China (“PRC”).

The Company also consolidated the financial position and results of operations of Shenzhen Wonhe Technology Co., Ltd., or “Shenzhen Wonhe,” a company incorporated under the laws of the PRC. 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.

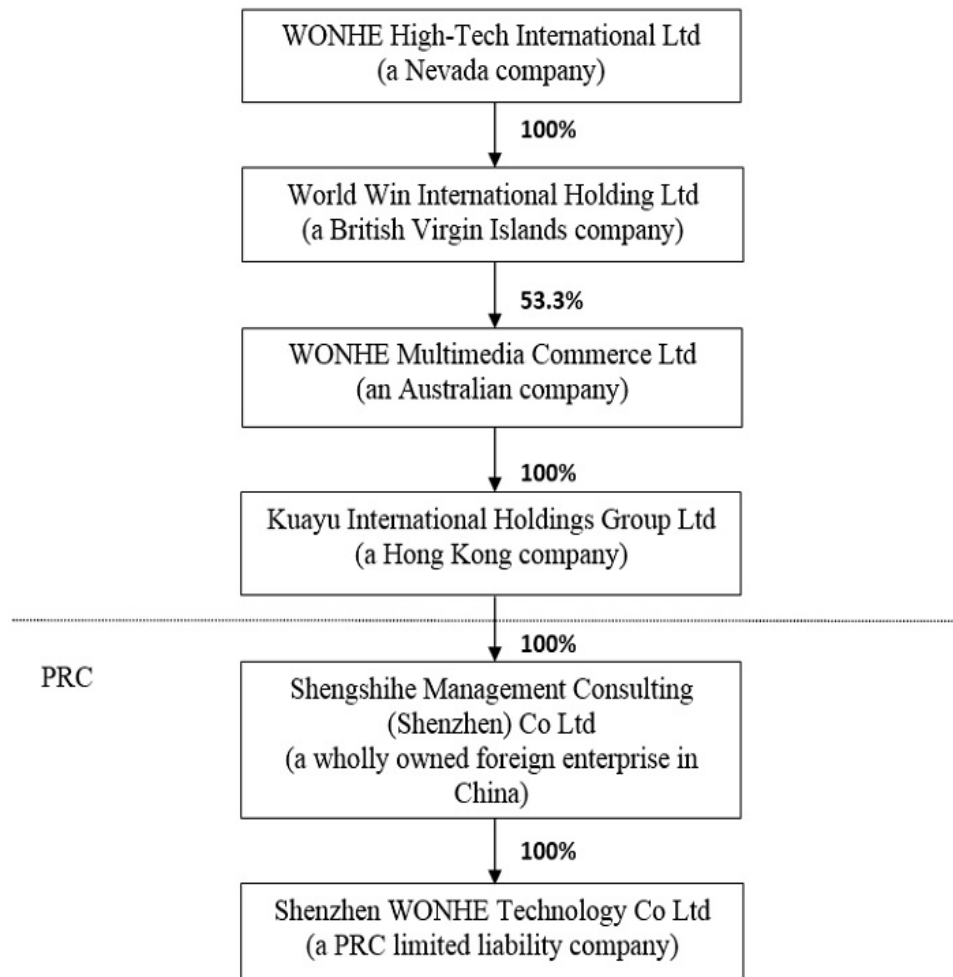
In July 2015, World Win, the Company’s wholly-owned subsidiary, organized Wonhe Multimedia Commerce Ltd. (“Australian Wonhe”) under Australian law. 60% of the capital stock of Australian Wonhe was issued to World Win, 25% was issued to Wonhe International (Hong Kong), which is wholly owned and controlled 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%.

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016
(UNAUDITED, IN U.S. \$)

1. ORGANIZATION AND BUSINESS (continued)

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

The Company's current organization structure is as follows:



WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016
(UNAUDITED, IN U.S. \$)

1. ORGANIZATION AND BUSINESS (continued)

Shenzhen Wonhe is a Chinese entity established on November 16, 2010 with registered capital of \$7,495,000. 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 an Advertising Machine, an Andrews Smartphone, a Family Micro-Terminal Server, a Small Computer, an ARM Personal Table Computer, a Triple Play Integrated Application Platform, and an ARM version of our Smart Media Box. Since 2015, the Company has also marketed Wi-Fi-Routers. Currently Shenzhen Wonhe offers four such routers: YLT-100S, YLT-300J and AV-500 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 and six months ended June 30, 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 June 30, 2017 and for the three and six months ended June 30, 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 and six months ended June 30, 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 "\$").

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016
(UNAUDITED, IN U.S. \$)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

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

Foreign Currency Translation

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

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

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

	June 30, 2017	December 31, 2016
	(Unaudited)	
Balance sheet items, except for stockholders' equity, as of period's end	0.1475	0.1440

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016
(UNAUDITED, IN U.S. \$)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currency Translation (continued)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Amounts included in the statements of income and comprehensive income, changes in stockholders' equity and cash flows for the periods presented	0.1457	0.1531	0.1454	0.1530

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

	June 30, 2017	December 31, 2016
	(Unaudited)	
Balance sheet items, except for stockholders' equity, as of period's end	0.7686	0.7202

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Amounts included in the statements of income and comprehensive income, changes in stockholders' equity and cash flows for the periods presented	0.7506	0.7456	0.7541	0.7337

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016
(UNAUDITED, IN U.S. \$)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currency Translation (continued)

For the three and six months ended June 30, 2017 and 2016, foreign currency translation adjustments of \$261,088 and \$(2,043,425) respectively, \$452,072 and \$(1,606,228), 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 following SEC Staff Accounting Bulletin ("SAB") 104 (codified in FASB ASC Topic 605). Sales revenue is recognized when the products are delivered and when customer acceptance occurs, the price is fixed or determinable, no other significant obligations of the Company exist, and collectability is reasonably assured. Finished goods are delivered from outsourced manufacturers to the Company. Revenue is recognized when the title to the products has been passed to the customer, which is the date the products are picked up by the customer at the Company's location or delivered to the designated locations by Company employees and accepted by the customer and the previously discussed requirements are met. The customer's acceptance occurs upon inspection at the time of pickup or delivery by signing an acceptance form.

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

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016
(UNAUDITED, IN U.S. \$)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and Cost Recognition (continued)

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

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

- Shenzhen Wonhe is the primary obligor in each sale, as it is responsible for fulfillment of customer orders, including the acceptability of the products purchased by the customer.
- Shenzhen Wonhe has general inventory risk, as it takes title to a product before that product is ordered by or delivered to a customer.
- Shenzhen Wonhe establishes its own pricing for its products.
- Shenzhen Wonhe has discretion in supplier selection.
- Shenzhen Wonhe designed the Home Media Center Model 720 (the “HMC720”) and the four 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 criteria 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.

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016
(UNAUDITED, IN U.S. \$)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value of Financial Instruments

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

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

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

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

ASC 820 requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. As of June 30, 2017, and December 31, 2016, loan receivable was reported at fair value on a recurring basis. Carrying values of non-derivative financial instruments, including cash, accounts receivable 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 \$109,301 and \$114,803, respectively, \$218,169 and \$229,461, respectively, for the three and six months ended June 30, 2017 and 2016.

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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 \$653,033 and \$106,409, respectively, \$1,292,573 and \$153,518, respectively, for the three and six months ended June 30, 2017 and 2016.

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 June 30, 2017, and December 31, 2016, the Company considered all accounts receivable collectable and an allowance for doubtful accounts was not necessary. For the three and six months ended June 30, 2017 and 2016, the Company did not write off any accounts receivable as bad debts.

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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. Prior to January 1, 2017 Shenzhen Wonhe had fully funded its statutory reserve, and so during the six months ended June 30, 2017, \$0 has been transferred from retained earnings to the statutory reserve fund.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

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

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes (continued)

Australia

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

Hong Kong

Kuayu International is incorporated in Hong Kong. Pursuant to the income tax laws of Hong Kong, the Company is not subject to tax on 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 and six months period ended June 30, 2017 and 2016.

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3. RECENTLY ISSUED ACCOUNTING STANDARDS

In November 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-18, “Statement of Cash Flows: Restricted Cash”. The amendments address diversity in practice that exists in the classification and presentation of changes in restricted cash on the statement of cash flows. The amendment is effective for public companies for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company does not anticipate that this adoption will have a significant impact on its financial position, results of operations, or cash flows.

In August 2016, the FASB issued ASU No. 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 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 FASB issued 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. The standard was effective for the Company beginning after December 15, 2016. This accounting standard did not have a material impact on the Company’s financial statements.

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3. RECENTLY ISSUED ACCOUNTING STANDARDS (continued)

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

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

In February 2016, the FASB issued ASU 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 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 and believe that the guidance will have on the Consolidated Financial Statements.

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4. FIXED ASSETS

Fixed assets at June 30, 2017 and December 31, 2016 are summarized as follows:

	June 30, 2017	December 31, 2016
	(Unaudited)	
Office equipment	\$ 224,511	\$ 212,828
Motor vehicles	633,933	618,706
	858,444	831,534
Less: accumulated depreciation	(465,019)	(401,535)
Fixed assets, net	\$ 393,425	\$ 429,999

Depreciation expense charged to operations for the three and six months ended June 30, 2017 and 2016 was \$26,595 and \$55,171, respectively, \$52,843 and \$146,750, respectively

5. INTANGIBLE ASSETS

Intangible assets at June 30, 2017 and December 31, 2016 are summarized as follows:

	June 30, 2017	December 31, 2016
	(Unaudited)	
Software	\$ 50,871	\$ 49,649
Less: accumulated amortization	(44,785)	(40,469)
Intangible assets, net	\$ 6,086	\$ 9,180

Amortization expense charged to operations for the three and six months ended June 30, 2017 and 2016 was \$1,640 and \$1,727, respectively, \$3,273 and \$11,060, 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 \$7,234 for one year, expiring in February 2018. Rent expenses for the three and six months ended June 30, 2017 and 2016 was \$ 21,746 and \$34,081, respectively, \$59,955 and \$68,119, respectively.

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6. COMMITMENTS (continued)

On May 5, 2016, the Company entered into an agreement to lease a laboratory office from an unrelated party with the fee to be determined based on usage. The lease has a two-year term, which expires on May 5, 2018. The lease fee of the laboratory for the three and six months ended June 30, 2017 was \$135,160 and \$270,855, respectively.

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 \$1,918) 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 \$2,213) and expires on October 31, 2019. Mr. Tong is eligible for a bonus which is determined by, and at the discretion of, the Board of Directors of the Company, based on a review of Mr. Tong's performance.

At June 30, 2017, the future commitments under these agreements was approximately \$115,669.

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 ("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 \$17,513,873 in sales with YLT for the six months period ended June 30, 2017.

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6. COMMITMENTS (continued)

Strategic Cooperation Agreement (continued)

In addition, Shenzhen Wonhe obtained the exclusive right to acquire YLT if its gross annual revenues reach RMB150,000,000 (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 \$395,786 and \$434,324 at June 30, 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 the purchasers were residents of the People's Republic of China.

9. SALE OF PREFERRED STOCK

On April 21, 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. The balance is included in the stock subscription receivable in the accompanying financial statements.

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10. 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 Company directed that Wonhe Multimedia pay the Company's portion of that dividend to a director and shareholder of the Company in partial repayment of the related party loans described in Note 7 above.

11. INCOME TAXES

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

The provision for (benefit from) income taxes consists of the following for the three and six months ended June 30, 2017 and 2016:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current	\$ 1,234,731	\$ 417,690	\$ 2,320,448	\$ 814,995
Deferred	14,892	-	28,542	-
	\$ 1,249,623	\$ 417,690	\$ 2,348,990	\$ 814,995

The following is a reconciliation of the statutory rate with the effective income tax rate for the three and six months ended June 30, 2017 and 2016.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Tax at PRC statutory rate	25.0%	25.0%	25.0%	25.0%
VIE tax holiday	-	(12.5)	-	(12.5)
Other	0.4	0.4	0.4	0.4
Effective tax rate	25.4%	12.9%	25.4%	12.9%

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11. INCOME TAXES (continued)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Aggregate dollar effect of tax holiday	\$ -	\$ 444,411	\$ -	\$ 1,448,924
Per share effect, basic and diluted	\$ -	\$ 0.01	\$ -	\$ 0.03

During the quarter ended June 30, 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 the Company's operations are conducted in the PRC. At June 30, 2017, the Company's unremitted foreign earnings of its PRC subsidiaries totaled approximately \$32.9 million and the Company held approximately \$33.8 million of cash and cash equivalents in the PRC. These unremitted earnings are planned to be reinvested indefinitely into the operations of the Company in the PRC. While repatriation of cash held in the PRC may be restricted by local PRC laws, most of the Company's foreign cash balances could be repatriated to the United States but, under current U.S. income tax laws, would be subject to U.S. federal income taxes less applicable foreign tax credits. Determination of the amount of unrecognized deferred U.S. income tax liability on the unremitted earnings is not practicable because of the complexities associated with this hypothetical calculation, and as the Company does not plan to repatriate any cash in the PRC to the United States during the foreseeable future, no deferred tax liability has been accrued.

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12. 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.

13. CONCENTRATION OF CREDIT RISK

Cash and cash equivalents

Substantially all 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

Three customers accounted for approximately 49% of total sales for the three months ended June 30, 2017 and two customers accounted for approximately 49% of total sales for the three months ended June 30, 2016. Three customers accounted for approximately 51% of total sales for the six months ended June 30, 2017 and one customer accounted for approximately 37% of total sales for the six months ended June 30, 2016. Five customers accounted for approximately 77% of accounts receivable as of June 30, 2017, the largest being approximately 36%. Four customers accounted for approximately 87% of accounts receivable as of June 30, 2016, the largest being approximately 49%.

14. CONTRIBUTIONS TO MULTI-EMPLOYER WELFARE PROGRAMS

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

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

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

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14. CONTRIBUTIONS TO MULTI-EMPLOYER WELFARE PROGRAMS (continued)

Total contributions to employee welfare programs for the three and six months ended June 30, 2017 and 2016 were as follow:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Total contributions	\$ 15,110	\$ 8,992	\$ 29,813	\$ 20,715

15. 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 \$56.5 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 (\$266) 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\$25.93 million) will be repaid to Shenzhen Wonhe in three equal annual installments, and Shenzhen Wonhe will get the first repayment on December 31, 2017; the unpaid portion of that obligation will accrue interest at 4.75% per annum. The related receivable is recorded at its present value after applying a discount rate of 20% to reflect the market risk of depending on Guangdong Kesheng's continuing operations and the related risk that Guangdong Kesheng will fail to make the require payment when due. As of the six months ended June 30, 2017, the discounted balance was approximately \$2 million.

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016
(UNAUDITED, IN U.S. \$)

16. 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

	Year Ended December 31,	
	2016	2015
ASSETS		
Cash-restricted	\$ 14,428,459	\$ 14,332,241
Other receivable from subsidiaries	11,116,320	9,912,000
Investment in subsidiaries	24,198,950	21,093,753
TOTAL ASSETS	\$ 49,743,729	\$ 45,337,994
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Loan from stockholder	\$ 434,324	\$ 366,040
Accrued liabilities	-	5,000
Total current liabilities	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

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016
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16. 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 (loss)	\$ 5,283,835	\$ (2,116,783)
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Share of earnings from investment in subsidiaries	(5,283,835)	(5,521,942)
Stock compensation	-	7,534,080
(Decrease) increase in accrued liabilities	-	(32,509)
Net cash (used by) operating activities	-	(137,154)
Cash flows from financing activities:		
Proceeds from sale of common stock	-	15,196,298
Proceeds from stockholders	-	137,154
Net cash (used by) financing activities	-	15,333,452
Effect of exchange rate changes on cash:	96,218	(864,057)

WONHE HIGH-TECH INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016
(UNAUDITED, IN U.S. \$)

16. 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.

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.

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. Australian Wonhe raised capital by selling 16,951,802 shares for \$0.20 AUD each 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 and, indirectly, in Shenzhen 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 Cloud Intelligent WiFi Router, an Advertising Machine, an Andrews Smartphone, a Family Micro-Terminal Server, a Small Computer, an ARM Personal Table Computer, a Triple Play Integrated Application Platform, an ARM version of our Smart Media Box, and a vehicle-mounted wireless router.

Results of Operations

The following table sets forth, in U.S. dollars, key components of our results of operations during the three and six months ended June 30, 2017 and 2016.

	Three Months Ended June 30,	
	2017	2016
Sales	\$ 16,225,687	\$ 11,215,593
Gross profit	5,616,964	3,715,312
Operating income	4,523,961	3,155,829
Net income (loss) attributable to common stockholders	\$ 1,950,176	\$ 1,491,474

	Six Months Ended June 30,	
	2017	2016
Sales	\$ 31,844,927	\$ 21,635,734
Gross profit	10,625,695	7,269,391
Operating income	8,491,599	6,140,763
Net income (loss) attributable to common stockholders	\$ 3,659,933	\$ 2,905,173

Sales.

Since October 2014, we have been marketing our second generation home media center, the HMC720. In March 2015, we expanded our product offerings to include a line of “Wifi Routers.” In the past two years we have introduced four routers:

	Introduced	Price (RMB)	Price (US\$)	Market
YLT - 100S	March 2015	369	\$ 54	home - economy
YLT - 300S	June 2015	1,400	\$ 207	commercial networks
YLT - 300J	October 2016	500	\$ 74	larger residential
AV - 500	June 2017	328	\$ 48	household

As with our home media center, we do not manufacture the routers: all manufacturing of the Wifi Routers is outsourced.

Sales of our home media center continue to grow. However, the principal source of revenue growth in the past year has been our Wifi Routers:

	3 months ended 6/30/17		6 months ended 6/30/17	
	Sales	% of Sales	Sales	% of Sales
HMC	\$ 7,491,091	46.2%	\$ 14,309,853	44.9%
Routers	\$ 8,711,438	53.7%	\$ 17,511,916	55.0%

	3 months ended 6/30/16		6 months ended 6/30/16	
	Sales	% of Sales	Sales	% of Sales
HMC	\$ 6,241,620	55.7%	\$ 12,300,892	56.9%
Routers	\$ 4,973,972	44.3%	\$ 9,334,841	43.1%

Gross Profit. When we first entered the market for Wifi Routers, our margins on those products were low, and the growth in our sales of Wifi Routers reduced our overall gross margin. In 2017, however, as our overall sales increased by 44.7% and 47.2%, respectively, from the three and six months ended June 30, 2016 to the three and six months ended June 30, 2017, the increase in our gross profit was approximately proportional: 51.2% and 46.2%, respectively, from the three and six months ended June 30, 2016, respectively, to the three and six months ended June 30, 2017. This occurred because the margins on sales of our routers, particularly the lower price models for residential use, are now closer to the margins on sales of our home media center:

Home Media Center		Routers	
Model	Margin	Model	Margin
HMC 720	49%	YLT - 100S	42%
		YLT - 300S	14%
		YLT - 300J	57%

As a result, our gross profit margin from time to time will be determined by the portion of each type of products sold.

Income from Operations. Our operating expenses for the three and six months ended June 30, 2017 increased by 95% and 89%, respectively, to \$1,093,003 and \$2,134,096, respectively, from \$559,483 and \$1,128,628, respectively for the three and six months ended June 30, 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 and six months ended June 30, 2017 and 2016, our research and development expenses increased by 516% and 744%, respectively. The increase occurred as we devoted a portion of our cash resources to the expansion of our product lines.
- **Selling and Marketing Expenses.** Selling and marketing expenses are primarily comprised of salaries and advertising expenses. We incurred \$167,715 and \$146,988, respectively, \$328,476 and \$301,712, respectively, in selling and marketing expenses during the three and six months ended June 30, 2017 and 2016. The primary component of selling and marketing expenses was our advertising costs, which were \$109,301 and \$114,803, respectively, \$218,169 and \$229,461, respectively, for the three and six months ended June 30, 2017 and 2016.
- **General and Administrative Expenses.** Our general and administrative (“G&A”) expenses are generally comprised of rent, administrative employees’ salaries, professional fees and other expenses incurred for G&A functions. We incurred \$272,255 and \$306,086, respectively, \$513,047 and \$673,398, respectively, in general and administrative expenses during the three and six months ended June 30, 2017 and 2016. The primary reasons for such a material decrease were (a) a decrease in professional fees incurred during the six months ended June 30, 2017 and (b) a decrease in depreciation expense as a result of the termination of our joint venture with Guangdong Kesheng near the end of 2016.

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.

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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 and six months ended June 30, 2017 and 2016 we realized income from operations of \$4,523,961 and \$3,155,829, respectively, \$8,491,599 and \$6,140,763, respectively.

Other Income (Expense). The only material non-operating income or expense that we realized during the three and six months ended June 30, 2017 and 2016 was interest income of \$386,506 and \$83,474, respectively, and \$747,695 and \$172,828, 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 (\$2,375,799) 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 \$417,690 and \$814,995 was recorded for the three and six months ended June 30, 2016, which was offset against the prepaid income tax. For the three and six months ended June 30, 2017, however, we were taxed at the full 25% rate applicable to corporations in the PRC which was \$1,249,623 and \$2,348,990, respectively, and had no offsetting prepaid, as that asset was exhausted during 2016.

Net Income. We reported net income of \$3,661,456 and \$2,820,166, respectively, and \$6,891,158 and \$5,494,415, respectively, for the three and six months ended June 30, 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 and six months ended June 30, 2017 and 2016 by an allocation to the "non-controlling interests" of \$1,711,280 and \$1,328,692, respectively, and \$3,231,225 and \$2,589,242, respectively, before recognizing net income attributable to the common stockholders of \$1,950,176 and \$1,491,474, respectively, and \$3,659,933 and \$2,905,173, respectively, for the three and six months ended June 30, 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 and six months ended June 30, 2017 and 2016, foreign currency translation adjustments of \$261,088 and \$(2,043,425), respectively, and \$452,072 and \$(1,606,228), 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 June 30, 2017, our only debt consisted of \$395,786 that we have borrowed from a stockholder, primarily in order to obtain U.S. Dollars to pay the expenses of our parent corporation. At June 30, 2017, our working capital totaled \$59,431,231, an increase of \$6,745,066 since December 31, 2016. The increase was approximately equal to our net income for the six months ended June 30, 2017, as our investment in long-term assets was negligible during that period.

Our cash and cash equivalents of \$48,323,591 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 \$6,177,758 in accounts receivable. This represented approximately 38% of our sales for the quarter ended June 30, 2017, and represented a decrease of \$1,620,273 from our accounts receivable balance at the end of 2016. No account receivable at June 30, 2017 was more than 90 days old. For all of these reasons, we consider our accounts receivable to be fully collectible.

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

	Six Months Ended June 30,	
	2017	2016
Net cash provided (used) by operating activities	\$ 7,158,182	\$ 5,437,967
Net cash used by investing activities	(6,354)	(11,201,817)
Net cash provided (used) by financing activities	(683,463)	1,204,320
Effects of exchange rate changes on cash	(230,543)	(1,233,196)
Net change in cash	6,237,822	(5,792,731)
Cash - beginning	42,085,769	52,074,752
Cash - end	\$ 48,323,591	\$ 46,282,021

Operating activities

Our operations provided \$7,158,182 in cash during the six months ended June 30, 2017, which was slightly more than our net income before non-controlling interest of \$6,891,158 in this period. During most periods to date, the cash provided by our operations has been approximately equal to our net income, in part because we own relatively little in depreciable assets. During the six months ended June 30, 2017, net income approximated cash provided primarily because the \$1,778,157 decrease in our accounts receivable offset a \$1,396,282 decrease in accounts payable as well as a substantial portion of the \$607,120 increase in interest receivable, most of which represents accrual of interest on our loan receivable from Guangdong Kesheng..

Our operations provided \$5,437,967 in cash during the six months ended June 30, 2016, only \$56,453 less than net income. The relative parity between our net income and net cash provided in the six months ended June 30, 2016 occurred because the \$1,065,430 increase in our accounts receivable was offset by a \$828,319 decrease in prepaid income taxes and the fact that net income was reduced by non-cash depreciation of \$157,810

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 six months ended June 30, 2017 we used only \$6,354 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 six months ended June 30, 2016, therefore, we contributed \$11,136,879 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.

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Financing activities

During the six months ended June 30, 2017, our 53.3% -owned Australian subsidiary paid dividends totaling \$683,463 to its shareholders. We directed our 53.3% portion of the dividends (i.e. \$364,286) to the shareholder/director who has loaned us U.S. dollars to pay our U.S. expenses, in partial satisfaction of that loan.

In April 2017 we sold 100,000 shares of Series A Preferred Shares to an investor for \$2,000,000. The 100,000 Series A shares carry substantially the same rights as the 20 million common shares into which they are convertible. The transaction is not reflected in the Statements of Cash Flows, as the purchase price had not been paid at June 30, 2017. For that reason, the obligation is recorded an offset to stockholders' equity labeled "stock subscription receivable".

During the six months ended June 30, 2016, we issued 15,000,000 common shares and raised proceeds of \$1,204,320.

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 has set aside \$2,119,892 from its accumulated profits to fund the statutory general reserve. 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 and six months ended June 30, 2017, there were no estimates made which were (a) subject to a high degree of uncertainty and (b) material to our results, other than our estimate of the fair value of our loan receivable from Guangdong Kesheng, which is described in Note 14 to our Financial Statements.

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 June 30, 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 June 30, 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

On April 24, 2017 the Registrant 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. The shares were sold to an investor that is an accredited investor and was purchasing for its own account. 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 the purchaser is a resident of the People's Republic of China.

Except as noted above, the Company did not effect any sales of unregistered securities during the second 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 second 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

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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: August 21, 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.

August 21, 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.

August 21, 2017

/s/ Jungwu Li
Jungwu Li, Chief Financial Officer

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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 June 30, 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.

August 21, 2017

/s/ Nanfang Tong

Nanfang Tong, Chief Executive Officer

August 21, 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.