

WUHAN GENERAL GROUP (CHINA), INC  
Form 10QSB/A  
November 14, 2007

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-QSB/A**

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

For the quarterly period ended June 30, 2007

OR

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

For the transition period from to

Commission file number 033-25350-FW

**WUHAN GENERAL GROUP (CHINA), INC.**

(Exact Name of Small Business Issuer as Specified in Its Charter)

Nevada  
(State of other jurisdiction of  
incorporation or organization)

84-1092589  
(I.R.S. Employer  
Identification No.)

Canglongdao Science Park of Wuhan East Lake Hi-Tech Development Zone.

Wuhan, Hubei 430200, People's Republic of China

(Address of Principal Executive Offices)

86-138-7113-6999

(Issuer's Telephone Number, Including Area Code)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

State the number of shares outstanding of each of the issuer's classes of common equity as of the latest practicable date: 19,712,446 shares of Common Stock, \$.0001 par value per share, outstanding as of November 13, 2007.

Transitional Small Business Disclosure Format:

Yes  No

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**EXPLANATORY NOTE**

This form 10-QSB/A (this “Amendment”) amends the Form 10-QSB of Wuhan General Group (China), Inc. (the “Company”) for the quarter ended June 30, 2007, as originally filed with the Securities and Exchange Commission (“SEC”) on August 20, 2007 (the “Original Filing”). This Amendment amends and restates the Financial Statements and related Notes to the Financial Statements to correct errors in the Financial Statements of the Original Filing. The most significant corrections were made to the Balance Sheet in the Original Filing, which incorrectly stated that cash was \$4,924,029, other receivable was \$2,631,238 and construction in progress was \$12,573,861 as of June 30, 2007. This Amendment amends the Balance Sheet to reflect that cash was \$924,029, other receivable was \$8,484,157 and construction in progress was \$7,709,314 as of June 30, 2007.

For the convenience of the reader, this Amendment sets forth only Part I, Item 1 - Financial Statements. No other information in the Original Filing is amended hereby. Part I, Item 1 has not been updated to reflect other events occurring after the Original Filing or to modify or update those disclosures affected by subsequent events. In addition, pursuant to SEC rules, Part II, Item 6 of the Original Filing has been amended to contain currently-dated certificates from the Company’s Chief Executive Officer and Chief Financial Officer, as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002. The certifications of the Company’s Chief Executive Officer and Chief Financial Officer are attached to this Form 10-QSB/A as exhibits 31.1, 31.2, 32.1 and 32.2.

**PART I**  
**FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**Wuhan General Group (China), Inc.**  
**Consolidated Balance Sheets**  
**At June 30, 2007, and December 31, 2006**  
**(Stated in US Dollars)**

ASSETS	Note	June 30, 2007 (unaudited)	December 31, 2006 (audited)
Cash	2(e)	924,029	248,243
Restricted Cash	3	9,602,864	382,530
Notes Receivable	4	870,841	1,535,868
Accounts Receivable	2(f),5	23,152,308	12,488,083
Other Receivable		8,484,157	8,810,699
Inventory	2(g),6	8,953,322	4,544,662
Advances to Suppliers		8,050,574	2,746,325
Advances to Employees	7	621,116	255,836
Prepaid Taxes		31,809	3,889
Real Property Available for Sale		989,168	-
Total Current Assets		61,680,188	31,016,135
Property, Plant & Equipment, <i>net</i>	2(h),8	17,143,925	17,252,577
Land Use Rights, <i>net</i>	2(j), 10	1,774,924	1,749,740
Construction in Progress	9	7,709,314	35,304
Intangible Assets, <i>net</i>	2(i),11	355,290	364,565
Total Assets		<b>88,663,641</b>	<b>\$ 50,418,321</b>
<b>LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>			
<b>Liabilities</b>			
Bank Loans & Notes	12	23,231,663	13,545,059
Accounts Payable		11,242,839	8,531,852
Accrued Liabilities	13	878,066	354,169
Contract Payable	14	-	1,137,623
Taxes Payable		1,262,035	1,723,544
Other Payable		2,043,101	4,594,639
Dividend Payable		299,625	-
Customer Deposits		4,592,421	1,587,306
Total Current Liabilities		43,549,750	31,474,192
Total Liabilities		43,549,750	31,474,192



**Wuhan General Group (China), Inc.**  
**Consolidated Balance Sheets**  
**At June 30, 2007, and December 31, 2006**  
**(Stated in US Dollars)**

	Note	June 30, 2007 (unaudited)	December 31, 2006 (audited)
<u>Stockholders' Equity</u>			
Preferred Stock - \$0.0001 Par Value 50,000,000 Shares Authorized; 10,287,554 Shares of Series A Convertible Preferred Stock Issued & Outstanding at June 30, 2007	15	1,029	-
Additional Paid in Capital - Preferred Stock		13,466,990	-
Additional Paid in Capital - Warrants	15	6,572,334	-
Common Stock - \$0.0001 Par Value 100,000,000 Shares Authorized; 19,712,446 Shares Issued & Outstanding at June 30, 2007, December 31, 2006.	15	1,971	1,971
Additional Paid in Capital		12,349,602	12,349,602
Statutory Reserve	2(t),16	622,151	622,151
Retained Earnings		10,936,769	5,200,285
Accumulated Other Comprehensive Income	2(u)	1,163,045	770,120
<b>Total Stockholders' Equity</b>		<b>45,113,891</b>	<b>18,944,129</b>
<b>Total Liabilities &amp; Stockholders' Equity</b>		<b>88,663,641</b>	<b>\$ 50,418,321</b>

**See Accompanying Notes to the Financial Statements and Accountant's Report.**

**Wuhan General Group (China), Inc.**  
**Statements of Income**  
**For the three and six months ended June 30, 2007 and 2006**  
**(Stated in US Dollars)**

	Note	3 months Ended 6/30/2007	3 months ended 6/30/2006	6 months ended 6/30/2007	6 months ended 6/30/2006
<b>Revenue</b>					
Sales		\$ 17,542,361	\$ 4,144,626	\$ 29,819,700	\$ 6,451,900
Cost of Sales		12,133,967	2,467,163	20,471,948	3,722,882
Gross Profit		5,408,394	1,677,463	9,347,752	2,729,018
<b>Operating Expenses</b>					
Selling Expenses		432,488	243,744	694,610	400,397
General & Administrative Expenses		357,542	383,418	1,819,146	741,767
Warranty Expense	2(v),13	239,301	-	423,461	-
Total Operating Expense		1,029,331	627,161	2,937,217	1,142,164
Operating Income		4,379,063	1,050,302	6,410,535	1,586,854
<b>Other Income (Expenses)</b>					
Other Income	17	-	23,409	-	23,723
Interest Income		1,376	-	14,125	-
Other Expenses		(78)	(105)	(1,043)	(514)
Interest Expense		(194,797)	(151,562)	(387,508)	(268,028)
Total Other Income (Loss) & Expense		(193,499)	(128,258)	(374,426)	(244,819)
Earnings before Tax		4,185,564	922,044	6,036,109	1,342,035
Income Tax	2(s), 18	-	-	-	-
<b>Net Income</b>		<b>4,185,564</b>	<b>922,044</b>	<b>6,036,109</b>	<b>1,342,035</b>
Preferred Dividends Declared		299,625	-	473,625	-
Income Available to Common Shareholders		\$ 3,885,939	\$ 922,044	\$ 5,562,484	\$ 1,342,035
<b>Earnings Per Share</b>					
Basic		\$ 0.20	\$ 0.05	\$ 0.28	\$ 0.07
Diluted		\$ 0.11	\$ 0.05	\$ 0.18	\$ 0.07
<b>Weighted Average Shares Outstanding</b>					
Basic		19,712,446	19,712,446	19,712,446	19,712,446
Diluted		38,048,658	19,712,446	34,300,371	19,712,446

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**See Accompanying Notes to the Financial Statements and Accountant's Report.**



**Wuhan General Group (China), Inc.**  
**Statements of Stockholders' Equity**  
**For the six months ended June 30, 2007 and 2006**  
**(Stated in US Dollars)**

	Preferred Stock Shares Outstanding	Preferred Stock Additional Paid in Capital Amount	Warrants Additional Paid in Capital	Common Stock Shares Outstanding	Common Stock Additional Paid in Capital Amount	Statutory Reserve	Retained Earnings	Accumulated Other Comprehensive Income	
Balance, January 1, 2006				19,712,446	1,971	6,033,911	-	2,620,167	282,7
Increases to Additional Paid-In Capital from Contribution of Capital Equipment					6,315,691				
Net Income							3,202,269		
Appropriations of Retained Earnings						622,151	(622,151)		
Foreign Currency Translation Adjustment									487,3
Balance, December 31, 2006				19,712,446	1,971	12,349,602	622,151	5,200,285	770,3
Balance, January 1, 2007				19,712,446	1,971	12,349,602	622,151	5,200,285	770,3
Issuance of Common Stock for Cash									
Issuance of Preferred Stock for Cash	10,287,554	1,029							
Increase in Additional Paid in Capital from Issuance of Preferred Stock		13,466,990							
Increase in Additional Paid in Capital			6,572,334						

from Issuance of Warrants											
Net Income											6,036,109
Preferred Dividends Declared											(473,654)
Foreign Currency Translation Adjustment											566,900
Balance, June 30, 2007	10,287,554	1,029	13,466,990	6,572,334	19,712,446	1,971	12,349,602	622,151	10,762,740	1,337,000	

**See Accompanying Notes to the Financial Statements and Accountant's Report.**

	<b>6/30/2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>Total</b>
Comprehensive Income					
Net Income	6,036,109	3,202,269	2,371,760	248,406	11,858,545
Other Comprehensive Income					-
Foreign Currency Translation Adjustment	566,954	487,384	206,058	76,678	1,337,074
Total Comprehensive Income	<b>\$ 6,603,063</b>	<b>\$ 3,689,653</b>	<b>\$ 2,577,818</b>	<b>\$ 325,084</b>	<b>\$ 13,195,619</b>

**See Accompanying Notes to the Financial Statements and Accountant's Report.**

**Wuhan General Group (China), Inc.**  
**Statements of Cash Flows**  
**For the three months and six months ended June 30, 2007 and 2006**  
**(Stated in US Dollars)**

	<b>3 months ended 6/30/2007</b>	<b>3 months ended 6/30/2006</b>	<b>6 months ended 6/30/2007</b>	<b>6 months ended 6/30/2006</b>
<b>Cash Flow from Operating Activities</b>				
Cash Received from Customers	\$ 20,490,453	\$ 4,601,280	\$ 22,488,062	\$ 3,002,909
Cash Paid to Suppliers & Employees	(14,512,695)	(4,148,475)	(32,485,527)	(1,405,150)
Interest Received	1,376	-	14,125	-
Interest Paid	(194,797)	(151,562)	(387,508)	(268,028)
Income Tax Paid	-	-	-	-
Miscellaneous Receipts	-	23,409	-	23,723
Cash Sourced/(Used) in Operating Activities	5,784,337	324,652	(10,370,848)	1,353,454
<b>Cash Flows from Investing Activities</b>				
Cash Invested in Restricted Time Deposits	(8,296,028)	683,679	(9,220,334)	644,931
Repayment of/(Investment in) Notes	(19,122)	(258,819)	664,097	(283,646)
Payments for Purchases of Plant & Equipment	(1,550,804)	(37,768)	(989,168)	(761,310)
Payments for Construction of Plant & Equipment	(4,817,924)	(31,632)	(1,796,176)	(56,459)
Payments for Purchases of Land Use Rights	(28,552)	-	(7,674,010)	-
Payments for Purchases of Intangible Assets	(6,529)	-	(46,926)	(1,862)
Cash Used/(Sourced) in Investing Activities	(14,718,959)	355,460	(10,731)	(458,346)
<b>Cash Flows from Financing Activities</b>				
Proceeds from Issuance of Preferred Stock	-	-	20,040,353	-
Proceeds from Bank Borrowings	(2,098,701)	(620,669)	3,191,202	(620,669)
Proceeds from Issuance of Notes	6,380,601	(62,067)	6,495,402	(80,687)
Dividends Paid	(174,029)	-	(174,029)	-
Cash Sourced/(Used) in Financing Activities	4,107,871	(682,736)	29,552,928	(701,356)
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents for the Period</b>	(4,826,751)	(2,624)	108,833	193,752
<b>Effect of Currency Translation</b>	365,343	(7)	566,953	925
<b>Cash &amp; Cash Equivalents at Beginning of Period</b>	5,385,436	364,159	248,243	166,851
	<b>\$ 924,029</b>	<b>\$ 361,528</b>	<b>\$ 924,029</b>	<b>\$ 361,528</b>

**Cash & Cash Equivalents at End of Period**

**Non-Cash Investing Activity:**

Value of residential property procured in foreclosure proceedings taken against Hubei Dilong Industrial Group Co., Ltd.

989,168

-

989,168

-

**See Accompanying Notes to the Financial Statements and Accountant's Report.**

**Wuhan General Group (China), Inc.**  
**Reconciliation of Net Income to Cash Flow Sourced/(Used) in Operating Activities**  
**For the three months and six months ended June 30, 2007 and 2006**  
**(Stated in US Dollars)**

	3 months ended 6/30/2007	3 months ended 6/30/2006	6 months Ended 6/30/2007	6 months ended 6/30/2006
Net Income	\$ 4,185,564	\$ 922,044	\$ 6,036,109	\$ 1,342,035
<i>Adjustments to Reconcile Net Income to Net Cash Provided by Cash Activities:</i>				
Amortization	21,613	35,517	41,748	35,517
Depreciation	394,934	191,052	767,205	369,011
Provision for Bad Debt on Note Receivable	566	-	930	-
Decrease/(Increase) in Accounts Receivable	(250,402)	4,691,537	(10,664,225)	3,723,648
Decrease/(Increase) in Other Receivable	1,002,528	3,423,528	326,542	(36,723)
Decrease/(Increase) in Inventory	(2,703,919)	708,944	(4,408,660)	207,180
Decrease/(Increase) in Advances to Suppliers	(2,045,976)	4,975,745	(5,304,249)	1,488,818
Decrease/(Increase) in Advances to Employees	12,622,347	-	(365,280)	-
Decrease/(Increase) in Prepaid Local & VAT Taxes	(14,666)	-	(27,920)	-
Increase/(Decrease) in Accounts Payable	(6,102,502)	(4,326,193)	2,710,987	436,251
Increase/(Decrease) in Taxes Payable	(154,275)	438,677	(461,509)	352,122
Increase/(Decrease) in Other Payable	(3,702,382)	(3,077,790)	(2,551,538)	571,508
Increase/(Decrease) in Accrued Liabilities	335,507	-	523,897	-
Increase/(Decrease) in Customer Deposits	2,195,400	(7,658,409)	3,005,115	(7,135,913)
Total of all adjustments	1,598,773	(597,392)	(16,406,957)	11,416
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 5,784,337</b>	<b>\$ 324,652</b>	<b>\$ (10,370,848)</b>	<b>\$ 1,353,454</b>

See Accompanying Notes to the Financial Statements and Accountant's Report.

**Wuhan General Group (China) Inc.**  
**Notes to Financial Statements**  
**(Stated in US Dollars)**

**1. ORGANIZATION AND PRINCIPAL ACTIVITIES**

Wuhan General Group (China), Inc. (the “Company”) is a holding company whose primary business operations are conducted through its operating subsidiaries Wuhan Blower Co., Ltd. (“Wuhan Blower”) and Wuhan Generating Equipment Co., Ltd. (“Wuhan Generating Equipment”). Wuhan Blower is a China-based manufacturer of industrial blowers that principally are components of steam driven electrical power generation plants. Wuhan Generating Equipment is a China-based manufacturer of industrial steam and water turbines, also principally for use in electrical power generation plants.

The Company was formed under the laws of the State of Colorado on July 19, 1988 as Riverside Capital, Inc. On March 18, 1992, the Company changed its name to United National Film Corporation. In June 2001, the Company suspended all business activities and became a “shell company.”

In 2006, the Company effectively dissolved or abandoned all subsidiaries, which may or may not have been active in periods prior to June 2001. On October 20, 2006, the Company changed its state of incorporation from Colorado to Nevada by means of a merger with and into a Nevada corporation formed on September 12, 2006 solely for the purpose of effecting the reincorporation.

On February 7, 2007, the Company entered into a share exchange agreement with Fame Good International Limited (“Fame”) and Universe Faith Group Limited (“UFG”). Prior to the share exchange, Fame was the sole stockholder of UFG, which is the parent company of Wuhan Blower and Wuhan Generating Equipment. Pursuant to the share exchange, UFG became a wholly owned subsidiary of the Company and Fame became the Company’s controlling stockholder. On March 13, 2007, the Company changed its name from United National Film Corporation to Wuhan General Group (China), Inc.

The share exchange transaction has been accounted for as a recapitalization of UFG where the Company (the legal acquirer) is considered the accounting acquiree and UFG (the legal acquiree) is considered the accounting acquirer. As a result of this transaction, the Company is deemed to be a continuation of the business of UFG.

Accordingly, the financial data included in the accompanying consolidated financial statements for all periods prior to February 7, 2007 is that of the accounting acquirer (UFG). The historical stockholders’ equity of the accounting acquirer prior to the share exchange has been retroactively restated as if the share exchange transaction occurred as of the beginning of the first period presented. See also Note 15 - Capitalization.

**Wuhan General Group (China) Inc.**  
**Notes to Financial Statements**  
**(Stated in US Dollars)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*(a) Method of Accounting*

The Company maintains its general ledger and journals with the accrual method of accounting for financial reporting purposes. The financial statements and notes are representations of management. Accounting policies adopted by the Company conform to generally accepted accounting principles in the United States of America and have been consistently applied in the presentation of financial statements, which are compiled on the accrual basis of accounting.

*(b) Consolidation*

The interim consolidated financial statements include the accounts of the Company and its subsidiaries, UFG, Wuhan Blower, and Wuhan Generating Equipment. Inter-company transactions, such as sales, cost of sales, due to/due from balances, investment in subsidiaries, and subsidiaries' capitalization have been eliminated.

*(c) Economic and Political Risks*

The Company's operations are conducted in the People's Republic of China (the "PRC"). Accordingly, the Company's business, financial condition and results of operations may be influenced by the political, economic and legal environment in the PRC, and by the general state of the PRC economy.

*(d) Use of Estimates*

In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements, as well as the reported amounts of revenues and expenses during the reporting years. These assumptions and estimates include, but are not limited to, the valuation of accounts receivable, inventories, deferred income taxes and the estimation of useful lives of property, plant and equipment. Actual results could differ from these estimates.

*(e) Cash and Cash Equivalents*

The Company considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. The company maintains bank accounts in the People's Republic of China, and an escrow account in the United States of America.

*(f) Accounts Receivable-Trade*

Trade receivables are recognized and carried at the original invoice amount less allowance for any uncollectible amounts. An allowance for doubtful accounts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.



**Wuhan General Group (China) Inc.**  
**Notes to Financial Statements**  
**(Stated in US Dollars)**

*(g) Inventory*

Inventory, consisting of raw materials, work in progress, and finished products, is stated at the lower of cost or market value. Finished products are comprised of direct materials, direct labor and an appropriate proportion of overhead.

*(h) Property, Plant, and Equipment*

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is provided over their estimated useful lives, using the straight-line method with 5% salvage value. Estimated useful lives of the property, plant and equipment are as follows:

Buildings	3	0
	years	
Machinery and Equipment	1	0
	years	
Furniture and Fixtures	5	
	years	
Motor Vehicles	5	
	years	

*(i) Intangible Assets*

Intangible assets are stated at cost less accumulated amortization. Amortization is provided over the respective useful lives, using the straight-line method. Estimated useful lives of intangibles are as follows:

Technical License	1	0
	years	
Trademark	2	0
	years	

*(j) Land Use Rights*

The Company carries land use rights at cost less accumulated amortization. Land use rights are amortized straight-line over its useful life of 50 years.

*(k) Accounting for Impairment of Long-Lived Assets*

The Company adopted Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. The Company periodically evaluates the carrying value of long-lived assets to be held and used in accordance with SFAS 144. SFAS 144 requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. In that event, a loss is recognized based on the amount by which the carrying amount exceeds the fair market value of the long-lived assets. Loss on long-lived assets to be disposed of is determined in a similar manner, except that fair market values are reduced for the cost of disposal.

Based on its review, the Company believes that, as of June 30, 2007, and 2006, there were no significant impairments of its long-lived assets.