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

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

For the quarterly period ended June 30, 2007

OR

o 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	84-1092589
(State of other jurisdiction of incorporation or organization)	(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 x No o

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

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 o No x

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, *net*	*2(h)*,8	17,143,925		17,252,577
Land Use Rights, *net*	*2(j), 10*	1,774,924		1,749,740
Construction in Progress	*9*	7,709,314		35,304
Intangible Assets, *net*	*2(i),11*	355,290		364,565
Total Assets		**88,663,641**	**$**	**50,418,321**
LIABILITIES & STOCKHOLDERS' EQUITY				
Liabilities				
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)

Stockholders' Equity	Note	June 30, 2007 (unaudited)		December 31, 2006 (audited)
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
Total Stockholders' Equity		45,113,891		18,944,129
Total Liabilities & Stockholders' Equity		**88,663,641**	$	**50,418,321**

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
Revenue					
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
Operating Expenses					
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
Other Income (Expenses)					
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	-	-	-	-
Net Income		**4,185,564**	**922,044**	**6,036,109**	**1,342,035**
Preferred Dividends Declared		299,625	-	473,625	-
Income Available to Common Shareholders		$ 3,885,939	$ 922,044	$ 5,562,484	$ 1,342,035
Earnings Per Share					
Basic		$ 0.20	$ 0.05	$ 0.28	$ 0.07
Diluted		$ 0.11	$ 0.05	$ 0.18	$ 0.07
Weighted Average Shares Outstanding					
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

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	Amount	Preferred Stock Additional Paid in Capital	Warrants Additional Paid in Capital	Common Stock Shares Outstanding	Amount	Common Stock Additional Paid in Capital	Statutory Reserve	Retained Earnings	Accumul Othe Comprehe Incom
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	770,1
Balance, January 1, 2007					19,712,446	1,971	12,349,602	622,151	5,200,285	770,1
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										566,9
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	1,337,0

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

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	6/30/2007	2006	2005	2004	Total
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	**$ 6,603,063**	**$ 3,689,653**	**$ 2,577,818**	**$ 325,084**	**$ 13,195,619**

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)

Cash Flow from Operating Activities	**3 months ended 6/30/2007**	**3 months ended 6/30/2006**	**6 months ended 6/30/2007**	**6 months ended 6/30/2006**
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
Cash Flows from Investing Activities				
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)
Cash Flows from Financing Activities				
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)
Net Increase/(Decrease) in Cash & Cash Equivalents for the Period	(4,826,751)	(2,624)	108,833	193,752
Effect of Currency Translation	365,343	(7)	566,953	925
Cash & Cash Equivalents at Beginning of Period	5,385,436	364,159	248,243	166,851
	$ 924,029	**$ 361,528**	**$ 924,029**	**$ 361,528**

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
Adjustments to Reconcile Net Income to Net Cash Provided by Cash Activities:				
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
Net Cash Provided by Operating Activities	**$ 5,784,337**	**$ 324,652**	**$ (10,370,848)**	**$ 1,353,454**

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	30 years
Machinery and Equipment	10 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	10 years
Trademark	20 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.

(l) Revenue Recognition

Revenue from the sale of blower products and generating equipment is recognized at the time of the transfer of risks and rewards of ownership, which generally occurs when the goods are delivered to customers and the title passes.

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

(m) Cost of Sales

The Company's cost of sales is comprised of raw materials, factory worker salaries and related benefits, machinery supplies, maintenance supplies, depreciation, utilities, inbound freight, purchasing and receiving costs, inspection and warehousing costs.

(n) Selling Expenses

Selling expenses are comprised of outbound freight, salary for the sales force, client entertainment, commissions, depreciation, advertising, and travel and lodging expenses.

(o) General & Administrative Expenses

General and administrative costs include outside consulting services, research & development, executive compensation, quality control, and general overhead such as the finance department, administrative staff, and depreciation and amortization expense.

(p) Advertising

The Company expenses all advertising costs as incurred.

(q) Research and Development

The Company expenses all research and development costs as incurred.

(r) Foreign Currency Translation

The Company maintains its financial statements in the functional currency. The functional currency of the Company is the Renminbi (RMB). Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at rates of exchange prevailing at the balance sheet dates. Transactions denominated in currencies other than the functional currency are translated into the functional currency at the exchanges rates prevailing at the dates of the transaction. Exchange gains or losses arising from foreign currency transactions are included in the determination of net income for the respective periods.

For financial reporting purposes, the financial statements of the Company, which are prepared using the functional currency, have been translated into United States dollars. Assets and liabilities are translated at the exchange rates at the balance sheet dates and revenue and expenses are translated at the average exchange rates and stockholders' equity is translated at historical exchange rates. Translation adjustments are not included in determining net income but are included in foreign exchange adjustment to other comprehensive income, a component of stockholders' equity.

Exchange Rates	**June 30, 2007**	**December 31, 2006**	**June 30, 2006**
Period end RMB : US$ exchange rate	7.62480	7.8175	8.00650
Average 6 & 12 month RMB : US$ exchange rate	7.72999	7.98189	8.03924

RMB is not freely convertible into foreign currency and all foreign exchange transactions must take place through authorized institutions. No representation is made that the RMB amounts could have been, or could be, converted into US$ at the rates used in translation.

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

(s) Income Taxes

The Company accounts for income tax using an asset and liability approach and allows for recognition of deferred tax benefits in future years. Under the asset and liability approach, deferred taxes are provided for the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. A valuation allowance is provided for deferred tax assets if it is more likely than not these items will either expire before the Company is able to realize their benefits, or that future realization is uncertain.

All of the Company's operations are in the PRC, and in accordance with the relevant tax laws and regulations of PRC, the corporation income tax rate is 33%. However, the Company was approved as a highly advanced technology foreign investment enterprise in November 2005, and in accordance with the relevant regulations regarding the favorable tax treatment for high technology companies, the Company is entitled to a two year tax exemption. Following the expiration of this tax exemption, the Company will be required to pay a 7.5% tax rate for the next three years. Beginning November 2010, the Company will be allowed a 15% tax rate as long as the Company is located and registered in the high and advanced technology development zone.

The Company's foreign subsidiaries are subject to U.S. income tax liability; however the tax liability is deferred until foreign source income is repatriated to the Company.

The Company is subject to United States income tax according to Internal Revenue Code Sections 951 and 957. Corporate income tax is imposed on graduated rates based on the ranges shown in the following table: -

Taxable Income

Rate	*Over*	*But not over*	*Of Amount Over*
15%	0	50,000	0
25%	50,000	75,000	50,000
34%	75,000	100,000	75,000
39%	100,000	335,000	100,000
34%	335,000	10,000,000	335,000
35%	10,000,000	15,000,000	10,000,000
38%	15,000,000	18,333,333	15,000,000
35%	18,333,333	-	0

(t) Statutory Reserve

In accordance with PRC laws, statutory reserve refers to the appropriation from net income, to the account "statutory reserve" to be used for future company development, recovery of losses, and increase of capital, as approved, to expand production or operations. PRC laws prescribe that an enterprise operating at a profit, must appropriate, on an annual basis, an amount equal to 10% of its profit. Such an appropriation is necessary until the reserve reaches a maximum that is equal to 50% of the enterprise's PRC registered capital.

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

(u) Other Comprehensive Income

Comprehensive income is defined to include all changes in equity except those resulting from investments by owners and distributions to owners. Among other disclosures, all items that are required to be recognized under current accounting standards as components of comprehensive income are required to be reported in a financial statement that is presented with the same prominence as other financial statements. The Company's current component of other comprehensive income is the foreign currency translation adjustment.

(v) Warranty Policy

The estimation of warranty obligations is determined in the same period that revenue from the sale of the related products is recognized. The warranty obligation is based on historical experience and reflects management's best estimate of expected costs at the time products are sold. Warranty accruals are adjusted for known or anticipated warranty claims as new information becomes available. Future events and circumstances could materially change our estimates and require adjustments to the warranty obligation. New product launches require a greater use of judgment in developing estimates until historical experience becomes available.

(w) Earnings Per Share

Basic earnings per share is computed on the basis of the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share is computed on the basis of the weighted average number of shares of common stock plus the effect of dilutive potential common shares outstanding during the period using the treasury stock method for warrants and the as-if method for convertible securities. Dilutive potential common shares include outstanding warrants, and convertible preferred stock.

(x) Recent Accounting Pronouncements

In February 2006, the FASB issued SFAS 155, "Accounting for Certain Hybrid Financial Instruments" to amend FASB Statements No. 133, "Accounting for Derivative Instruments and Hedging Activities," and No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities". This statement permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation and eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. This statement is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006.

In July 2006, the FASB issued FIN 48, Accounting for Uncertainty in Income Taxes—an Interpretation of FASB Statement No. 109, which clarifies the accounting for uncertainty in tax positions. This Interpretation requires that the Company recognize in its consolidated financial statements the impact of a tax position if that position is more likely than not to be sustained upon an audit, based on the technical merits of the position. The provisions of FIN 48 are effective for the Company on January 1, 2007, with the cumulative effect of the change in accounting principle, if any, recorded as an adjustment to opening retained earnings.

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

In September 2006, the FASB issued SFAS 157, “Fair Value Measurements”, which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurements, where fair value is the relevant measurement attribute. The standard does not require any new fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years.

In September 2006, the SEC issued SAB No. 108, which provides guidance on the process of quantifying financial statement misstatements. In SAB No. 108, the SEC staff establishes an approach that requires quantification of financial statement errors, under both the iron-curtain and the roll-over methods, based on the effects of the error on each of the Company’s financial statements and the related financial statement disclosures. SAB No.108 is generally effective for annual financial statements in the first fiscal year ending after November 15, 2006. The transition provisions of SAB No. 108 permits existing public companies to record the cumulative effect in the first year ending after November 15, 2006 by recording correcting adjustments to the carrying values of assets and liabilities as of the beginning of that year with the offsetting adjustment recorded to the opening balance of retained earnings.

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities—Including an Amendment of SFAS 115” (SFAS No. 159), which allows for the option to measure financial instruments and certain other items at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. The objective of SFAS 159 is to provide opportunities to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply hedge accounting provisions. SFAS 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact of SFAS No. 159 on our consolidated financial statements.

The Company does not anticipate that the adoption of the above standards will have a material impact on these consolidated financial statements.

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

3. RESTRICTED CASH

Restricted Cash represents cash placed with banks to secure banking facilities which are comprised of loans and notes payables in addition to other collateral.

An escrow account held in the United States is also included as a part of restricted cash. The funds in the escrow account were designated for the payment of fees or expenses in connection with investor or public relations or securities law compliance, including related legal fees.

4. NOTES RECEIVABLE

	June 30, 2007	December 31, 2006
Notes Receivable	$ 908,547	$ 1,572,644
Less: Allowance for Bad Debts	37,706	36,776
	$ 870,841	$ 1,535,868

The Company entered into a financing agreement with Hubei Dilong Industrial Group Co., Ltd. ("Hubei") on December 31, 2004. Under such agreement, the Company provided to Hubei an unsecured loan of $2,413,564 (RMB 20,000,000) for a two-year term from January 1, 2005 to December 31, 2006 at 0.5115% per month. After servicing the debt for two years, the Company determined that Hubei was in default because no further debt service had been made by Hubei, and as such the Company accrued provision for bad debts on the outstanding balance of the Note of $1,485,615 (RMB 11,500,000). Additionally, Hubei surrendered real property to the Company to partially settle its outstanding debt. The property was valued at approximately $989,167 (RMB 7,542,202); accordingly the outstanding principal was $526,471 (RMB 3,957,798). The Company also accrued interest receivable of $138,530 (RMB 1,041,414) to Hubei's outstanding balance. The Company also had $159,982 (RMB 1,202,677) of tender deposits carried in the Other Receivables line item on the balance sheet with Hubei. The Company had reclassified that balance from Other Receivables into Hubei outstanding Notes Receivable's balance. As of June 30, 2007, the total outstanding balance for Notes Receivable from Hubei was $721,227 (RMB 5,499,212). The entire outstanding balance of Notes Receivable had been re-formalized by a new repayment contract entered into by the Company and Hubei on May 24, 2007

The remaining balance of $187,320 (RMB 1,428,281) carried in the Notes Receivable account are composed of bank drafts drawn by the Company's customers against the customer's margin deposits with their banks. These bank drafts are liquid instruments that can be either (a) endorsed to the Company vendors, or (b) discounted to the Company's own bank. The Company chooses to carry these instruments as notes receivable instead of cash primarily because of the associated time element of these notes, as they normally are due at a later point in time. Therefore, these bank drafts represent slightly different risk and reward characteristics.

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

5. ACCOUNTS RECEIVABLE

	June 30, 2007	December 31, 2006
Total Accounts Receivable-Trade	$ 23,745,957	$ 12,807,824
Less: Allowance for Bad Debt	593,649	319,741
	$ 23,152,308	$ 12,488,083
Allowance for Bad Debts		
Beginning Balance	319,741	13,528
Allowance Provided	273,908	306,213
Charged Against Allowance	-	-
Ending Balance	593,649	319,741

6. INVENTORY

	June 30, 2007	December 31, 2006
Raw Materials	$ 2,186,849	$ 1,116,066
Work in Progress	3,761,429	2,058,889
Finished Goods	3,005,044	1,369,707
	$ 8,953,322	$ 4,544,662

7. ADVANCES TO EMPLOYEES

Advances to Employees of $621,116 and $255,836 as of June 30, 2007 and December 31, 2006, respectively, consisted of advances to salespeople for salary, travel, and expenses over extended periods as they work to procure new sales contracts or install and perform on existing contracts. These advances are deducted from future sales commissions earned by these salespeople. In the event that a salesperson leaves the Company prior to earning sales commission sufficient to offset advances received by such salesperson, the Company immediately expenses any outstanding balance to the income statement. None of the employees who have received these advances is an executive officer or director of the Company.

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

8. PROPERTY, PLANT AND EQUIPMENT

Property, plant, and equipment, which is stated at cost less depreciation, was composed of the following as of June 30:

	June 30, 2007	December 31, 2006
Category of Asset		
Buildings	$ 9,951,179	$ 9,597,812
Machinery & Equipment	8,566,831	8,353,453
Furniture & Fixtures	265,640	259,092
Auto	737,416	652,156
	19,521,066	18,862,513
Less: Accumulated Depreciation	2,377,141	1,609,936
	$ 17,143,925	$ 17,252,577

The Company's real property consisted of approximately 440,000 square feet (44,233.40 square meters) of building floor space.

9. CONSTRUCTION IN PROGRESS

The Company is in the process of developing a new 1,170,000 square feet turbine manufacturing facility within its factory campus.

Construction in progress represents the direct costs of design, acquisition, construction of buildings, building improvements, and land improvement. These costs are capitalized in the Construction -in-Progress account until substantially all activities necessary to prepare the assets for their intended use are completed. At such point, the Construction-in-Progress account is closed and the capitalized costs are transferred to their appropriate asset classifications. No depreciation is provided until it is completed and ready for the intended use.

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

10. LAND USE RIGHTS

Category of Asset	June 30, 2007	December 31, 2006
Land Use Rights	$ 1,903,683	$ 1,856,757
Less: Accumulated Amortization	128,759	107,017
	$ 1,774,924	$ 1,749,740

The Company acquired through Wuhan Hi-Tech Blower Manufacturing Co. Ltd. (WBM) the Land Use Rights for three parcels of land totaling 1,170,000 square feet for a term of 50 years from March 1, 2004 to March 1, 2054 for $1,856,757 (RMB 14,515,200). The land has been used for the Company's facilities, including the blower manufacturing facilities, turbine manufacturing facility, warehouses, testing facilities, dormitories, and administrative buildings.

11. INTANGIBLE ASSETS

The following categories of assets are stated at cost less amortization.

Category of Asset	June 30, 2007	December 31, 2006
Trademarks	$ 131,151	$ 127,918
Mitsubishi License	287,662	280,571
CAD License	4,000	3,901
Microsoft License	12,525	12,217
	435,338	424,607
Less: Accumulated Amortization	80,048	60,042
	$ 355,290	$ 364,565

The weighted average amortization period for the Company's intangible assets in total is 13.01 years.

The weighted average amortization period for the Trademark is 20 years.

The weighted average amortization period for the Mitsubishi, CAD, and Microsoft technical licenses is 10 years.

Wuhan General Group (China) Inc.
Notes to Financial Statements
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12. BANK LOANS AND NOTES

The following table provides the name of the lender, due date, interest rate, and amounts outstanding at June 30, 2007, and December 31, 2006, for the Company's bank loans and notes payable.

	Name of Bank or Note Holder	Due Date	Interest Rate Per Annum	6/30/2007	12/31/2006
A.	Bank of Communication	4/11/2007	6.62%	$ -	$ 4,732,971
B.	Bank of Communication	4/11/2007	6.62%	-	1,343,140
C.	CITIC Industrial Bank	10/12/2007	6.73%	2,542,820	2,430,445
D.	Shanghai Pudong Development Bank	10/18/2007	6.03%	7,265,764	2,046,690
E.	Agricultural Bank of China	10/31/2007	6.73%	1,311,510	1,279,181
F.	Agricultural Bank of China	10/31/2007	6.73%	1,311,510	1,279,181
G.	Hua Xia Bank Wuhan East Lake Sub-Branch	8/9/2007	5.85%	1,311,510	-
H.	CITIC Industrial Bank : Motor vehicles loan	2/28/2008	6.70%	15,374	49,697
I.	Wuhan East Lake Development Zone Zheng Qiao Cun: Note Payable	On Demand	6.00%	393,453	383,754
J.	Gong Chong: Note Payable	On Demand	0.00%	4,314,867	-
K.	Citic Industrial Bank Wuhan Zhu Ye Shan	2/16/2008	6.14%	2,623,020	-
L.	76 Various Other Notes	Various Dates	Various Rates	2,141,835	-
				$ 23,231,663	**$ 13,545,059**

Banking facilities extended by the Bank of Communication, CITIC Industrial Bank, Shanghai Pudong Development Bank and Agricultural Bank of China were secured by the Company's mortgage of real property and margin deposits as disclosed in Restricted Cash on the Balance Sheet.

Motor vehicle loans extended by CITIC Industrial Bank were secured by the motor vehicles.

Note payable extended by Wuhan East Lake Development Zone Zheng Qiao Cun is unsecured and is payable on demand.

Certain notes payable, as indicated above, do not have a stated rate of interest. These notes are payable on demand to the Company’s creditors. The creditors have given extended credit terms secured by pledge of the Company’s restricted cash.

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

13. WARRANTY LIABILITY

Warranty liability is accrued and carried on the balance sheet under Accrued Liabilities. The Company makes its warranty accrual based on individual assessment of each contract because terms and conditions vary. The Company's typical sales contracts provide for a warranty period of 12-18 months following product installation.

The following table summarizes the activity related to the Company's product warranty liability for the six months ended June 30, 2007 and 2006.

		Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
Balance at beginning of period	$	249,234	-
Add: Accruals for current & pre-existing warranties issued during period		453,466	-
Less: Settlements made during period		24,163	-
Balance at end of period	$	678,537	-

14. CONTRACT PAYABLE

Contract Payable represents accounts payable to contractors and suppliers in connection with the construction of the Company's new turbine manufacturing facilities.

15. CAPITALIZATION

The Company originally had common stock capitalization of $ 12,349,602 as of December 31, 2006.

On February 7, 2007, the Company entered into a share exchange agreement with Fame Good International Limited ("Fame") and Universe Faith Group Limited ("UFG"), which is the sole stockholder of Wuhan Blower Co. Ltd. Pursuant to the share exchange agreement, the Company issued 17,912,446 shares of common stock to Fame in exchange for all of the issued and outstanding capital stock of UFG.

As a result of the share exchange transaction, the Company retroactively restated its capitalization to reflect the effect of the share exchange.

On February 7, 2007, the Company entered into a Series A Convertible Preferred Stock Purchase Agreement with nine institutional investors pursuant to which the Company issued to the investors an aggregate of 10,287,554 shares of Series A Convertible Preferred Stock at $2.33 per share for gross proceeds of $23,970,000. The Preferred Stock is convertible into shares of the Company's common stock on a one-for-one basis. Holders of the Preferred Stock are entitled to a dividend equal to 5% per annum of the amount invested, subject to adjustment. These dividends are payable quarterly. As of June 30, 2007, none of the Preferred Stock had been converted into common stock.

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Wuhan General Group (China) Inc.
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(Stated in US Dollars)

The net proceeds of $20,040,353 from the sale of Preferred Stock were accounted for as follows: -

i. Preferred Stock at $0.0001 par value 10,287,554 shares issued and outstanding	$ 1,029
ii. Additional Paid-in Capital attributable to Preferred Stock	13,466,990
iii. Additional Paid-in Capital attributable to Series A Warrants, Series J Warrants, and Series B Warrants	6,572,334
	$ 20,040,353

As an inducement to purchase the Preferred Stock, the Company, pursuant to the Stock Purchase Agreement, agreed to issue the following warrants:

· Series A Warrants to each of the preferred stock investors to purchase shares of common stock equal to 60% of the number of shares of preferred stock purchased (i.e., 6,172,531 shares) at an exercise price of $2.57 per share expiring five years from the closing date.

· Series J Warrants to each of the preferred stock investors who invested at least $2,000,000 to purchase shares of common stock equal to 100% of the number of shares of preferred stock purchased (i.e., 9,358,370 shares) at an exercise price of $2.33 per share for a term of 21 months from the closing date.

· Series B Warrants to each recipient of Series J Warrants to purchase shares of common stock equal to 60% of common stock purchased pursuant to Series J Warrants (i.e. 5,615,021 shares) at an exercise price of $2.57 per share for a term of five years from the closing date.

The total of the above Series A, J, and B Warrants amount to 21,145,922 shares of common stock underlying warrants.

In consideration of services provided by 1st BridgeHouse Securities, LLC in connection with the private placement of preferred stock and warrants, the Company issued to 1st BridgeHouse the following placement agent warrants for a term of ten years from the date of issuance:

Series of Warrant	Number of Shares	Exercise Price
Series C	1,028,755	$ 2.57
Series AA	617,253	2.83
Series BB	561,502	2.83
Series JJ	935,837	2.57
	3,143,347	

The aggregate number of shares of common stock issuable to the preferred stock purchasers and placement agent pursuant to all series of warrants is 24,289,269. As of June 30, 2007, none of these warrants had been exercised.

In conjunction with the possible preferred stock conversions and warrant exercises, the Company has reserved a number of shares of common stock equal to 150% of the number of shares of common stock necessary to effect the conversion of all of the preferred stock and exercise of all the warrants outstanding.

The value of the net proceeds raised in the private placement transaction on February 7, 2007 was ratably allocated to the preferred stock and warrants according to the following methodology. The Company priced the series A, J, and C warrants using a valuation model provided by the placement agent which took into consideration time value, volatility, market liquidity, and an assumed risk-free rate. The Company then multiplied the per share valuation of the warrants by their total respective underlying shares to arrive at a total valuation for the warrants. The Company multiplied the total number of preferred stock in the offering by the per share sales price of $2.33 to arrive at total valuation for the preferred stock. The Company then calculated total valuation of both securities by adding together their individual valuations. Upon determining the total valuation of both securities, the Company interpolated each individual securities pro-rata contribution of value to the entire securities offering as a whole. Using the interpolated pro-ration, the Company applied such percentages to the actual net proceeds raised in the offering to determine the entries to be recorded in the Company’s general ledger.

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

The preferred stock is convertible into an aggregate of 10,287,554 shares of common stock.

The following table provides the total number of shares of fully diluted common stock.

	Number of Shares
Common Stock Outstanding	19,712,446
Common Stock Issuable upon -	
- Conversion of Preferred Stock	10,287,554
- Exercise of Warrants	24,289,269
Total Amount of Fully Diluted Common Stock	54,289,269

In the event of a voluntary or involuntary liquidation, holders of preferred stock are entitled to a liquidation preference of $2.33 per share. This amount is in excess of the stock's par value of $0.0001. The convertible preferred stock is cumulative, non-participating, and non-redeemable, and as such, there is no related sinking fund. The preferred stock contains a mandatory conversion to common stock within two years of the effective date of the registration statement related to such preferred stock if the Company's common stock at expiration is above the closing price of $5.00.

16. COMMITMENTS OF STATUTORY RESERVE

In compliance with PRC laws, the Company is required to appropriate 10% of its net income to its statutory reserve up to a maximum of 50% of an enterprise's registered paid in capital. The Company had future unfunded commitments, as provided below:

	June 30, 2007	**December 31, 2006**
Common Stock Capital	$ 12,351,573	$ 12,351,573
50% maximum thereof	$ 6,175,786	$ 6,175,786
Less: Amounts Appropriated to Statutory Reserve	622,151	622,151
Unfunded Commitment	$ 5,553,635	$ 5,553,635

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

17. OTHER INCOME

	6 Months ended June 30, 2007	6 Months ended June 30, 2006
Tax Refund	$ -	$ -
Sundry Income	-	23,723
	$ -	$ 23,723

18. INCOME TAXES

All of the Company's operations are in the PRC, and in accordance with the relevant tax laws and regulations of PRC, the corporation income tax rate is 33%; however, the Company was approved as a highly advanced technology foreign investment enterprise in November 2005, and in accordance with the relevant regulations regarding the favorable tax treatment for high technology companies, the Company is entitled to a two year tax exemption. Following the expiration of this tax exemption, the Company will be required to pay 7.5% tax rate for the next three years. Beginning November 2010, the Company will be allowed a 15% tax rate as long as the Company is located and registered in the high and advanced technology development zone. Before expiration of the aforementioned two year tax exemption, the company also applied for a six year tax free holiday under newly enacted PRC tax laws. Management believes it will be imminently granted such a holiday by the relevant Chinese government authorities; therefore, for the years ended December 31, 2006, 2005, and 2004 the Company made no provision for income taxes. On February 7, 2007, income from the Company's foreign subsidiaries became subject to U.S. income tax law; however, this tax is deferred until foreign source income is repatriated to the Company which has not yet occurred.

19. FINANCING - ISSUANCE OF SERIES A CONVERTIBLE PREFERRED STOCK

On February 7, 2007, the Company entered into a Series A Convertible Preferred Stock Purchase Agreement (the "Stock Purchase Agreement") with nine institutional investors pursuant to which the Company issued to the investors an aggregate of 10,287,554 shares of Series A Convertible Preferred Stock (the "Preferred Stock") at $2.33 per share for gross proceeds of $23,970,000. The Preferred Stock is convertible into shares of the Company's common stock on a 1-for-1 basis. Holders of preferred stock are entitled to a dividend equal to 5% per annum of the amount invested, subject to adjustment. These dividends are payable quarterly.

Pursuant to the Stock Purchase Agreement, the Company issued to the investors, on a pro rata basis, warrants to purchase an aggregate of 6,172,531 shares of common stock at an exercise price of $2.57 per share (subject to adjustment), expiring five years from the date of issuance. Certain of the investors (those investing at least $2 million) received additional warrants to purchase an aggregate of 9,358,370 shares at a price of $2.33 per share for a term of 21 months, as well as warrants to purchase an aggregate of 5,615,021 shares at a price of $2.57 per share, for a term of five years.

A portion of the net proceeds from the sale of preferred stock and warrants was used to pay for part of the construction costs of the turbine manufacturing facility in Wuhan, China and the purchase of equipment to be used in that facility. The remaining net proceeds were used for working capital.

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

20. EARNINGS PER SHARE

Components of basic and diluted earnings per share were as follows:

	3 months ended June 30, 2007	6 months ended June 30, 2007	3 months ended June 30, 2006	6 months ended June 30, 2006
Net Income (A)	4,185,564	922,044	6,036,109	1,342,035
Preferred Dividends (B)	299,625	-	473,625	-
Income Available to Common Stockholders (C)	$ 3,885,939	$ 922,044	$ 5,562,484	$ 1,342,035
Basic Weighted Average Shares Outstanding (D)	19,712,446	19,712,446	19,712,446	19,712,446
Dilutive Shares:				
- Addition to Common Stock from Conversion of Preferred Stock	10,287,554	8,184,573	-	-
- Addition to Common Stock from Exercise of Warrants	8,048,658	6,403,352	-	-
Diluted Weighted Average Shares Outstanding: (E)	38,048,658	34,300,371	19,712,446	19,712,446
Earnings Per Share				
- Basic (C)/(D)	$ 0.20	$ 0.28	$ 0.05	$ 0.07
- Diluted (A)/(E)	$ 0.11	$ 0.18	$ 0.05	$ 0.07
Weighted Average Shares Outstanding				
- Basic	19,712,446	19,712,446	19,712,446	19,712,446
- Diluted	38,048,658	34,300,371	19,712,446	19,712,446

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

21. OPERATING SEGMENTS

The Company individually tracks the performance of its two operating subsidiaries: Wuhan Blower and Wuhan Generating Equipment. Wuhan Blower is primarily engaged in the design, manufacture, installation and service of blowers. Wuhan Generating Equipment is primarily engaged in the design, manufacture, and installation and service of power generating equipment. Below is a presentation of the Company's Statement of Income and Balance Sheet for its operating subsidiaries at June 30, 2007, and for the six months then ended. The Company has also provided reconciling adjustments with the Company and its intermediate holding company, UFG.

	Wuhan Blower	Wuhan Generating Equipment	Company, UFG, Adjustments	Total
Sales	13,566,772	16,252,928	-	29,819,700
Cost of Sales	8,022,284	12,449,664	-	20,471,948
Gross Profit	5,544,488	3,803,264	-	9,347,752
Operating Expense	2,001,349	547,171	388,697	2,937,217
Other Income (Expense)	(387,488)	(1,064)	14,125	(374,426)
Earnings before Tax	3,155,652	3,255,029	(374,572)	6,036,109
Tax	-	-	-	-
Net Income	**$ 3,155,652**	**$ 3,255,029**	**$ (374,572)**	**$ 6,036,109**

	Wuhan Blower	Wuhan Generating Equipment	Company, UFG, Adjustments	Total
Current Assets	63,114,989	8,766,124	(10,200,923)	61,680,189
Non Current Assets	13,244,688	6,143,969	7,594,797	26,983,454
Total Assets	76,359,677	14,910,093	(2,606,127)	88,663,643
Current Liabilities	53,636,463	5,125,828	(15,212,541)	43,549,750
Total Liabilities	53,636,463	5,125,828	(15,212,541)	43,549,750
Net Assets	22,723,214	9,784,265	12,606,414	45,113,894
Liabilities & Net Assets	76,359,677	14,910,093	(2,606,127)	88,663,643

Board of Directors and Stockholders
Wuhan General Group (China), Inc.

Report of Registered Independent Public Accounting Firm

We have reviewed the accompanying interim consolidated Balance Sheets of Wuhan General Group (China), Inc. ("the Company") as of June 30, 2007 and 2006, and the related statements of income, stockholders' equity, and cash flows for the three-month and six-month periods then ended. These interim consolidated financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial statements for them to be in conformity with U.S. generally accepted accounting principles.

/s/ Samuel H. Wong & Co., LLP
Samuel H. Wong & Co., LLP
Certified Public Accountants

South San Francisco, California
July 27, 2007

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PART II

OTHER INFORMATION

Item 6. Exhibits.

Exhibit Number	Description of Exhibit
31.1*	Certification of Principal Executive Officer pursuant to Rule 13a-14(a).
31.2*	Certification of Principal Financial Officer pursuant to Rule 13a-14(a).
32.1*	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350.
32.2*	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350.

* Filed herewith

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: November 14, 2007

WUHAN GENERAL GROUP (CHINA), INC.

By: /s/ Xu Jie

Name: Xu Jie
Title: President and Chief Executive Officer
(principal executive officer and duly authorized officer)

By: /s/ Kuang Yuandong

Name: Kuang Yuandong
Title: Chief Financial Officer and Treasurer
(principal financial officer)

Exhibit Index

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32.2*	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350.

* Filed herewith