WUHAN GENERAL GROUP (CHINA), INC
Form 10-Q/A
March 07, 2011

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

FORM 10-Q/A

(Amendment No. 1)

(Mark One)

x Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended March 31, 2010

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 001-34125

WUHAN GENERAL GROUP (CHINA), INC.
(Exact Name of Registrant as Specified in Its Charter)

Nevada (State or 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, People’s Republic of China (Address of Principal Executive Offices)	430200 (Zip Code)

86-27-5970-0069
(Registrant’s Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 (the “Exchange Act”) 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 ý 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 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 ý
(Do not check if a smaller reporting company)	

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

As of May 12, 2010, the registrant had a total of 25,351,950 shares of common stock outstanding.

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EXPLANATORY NOTE

This Amendment No. 1 (this “Amended Report”) to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 (the “Original Report”) of Wuhan General Group (China), Inc. (the “Company”) is being filed with the Securities and Exchange Commission (the “SEC”) to provide the Company’s amended and restated financial statements for the quarter ended March 31, 2010 (the “Restated Financial Statements”).

On March 7, 2011, the Company’s Chief Financial Officer, after consultation with the Company’s Audit Committee, concluded that the Company’s previously filed financial statements included in the Original Report could no longer be relied upon because of an error in such financial statements. The Company restated the long term loans outstanding due to Standard Chartered Bank at March 31, 2010 as short term, rather than long term as a result of the Company’s noncompliance with certain loan covenants disclosed in Note 12 Bank Loans and Notes to the Company’s Restated Financial Statements. The impact of the restatement is limited to the Company’s classification of liabilities on the Company’s Consolidated Balance Sheets and Note 12 Bank Loans and Notes. As a result of the restatement, the short term balance increased from $22,556,695 to $44,458,071 while the corresponding long term loans decreased from $21,901,376 to $0. The Company’s current liabilities increased from $47,852,516 to $69,753,892. The Company’s long term liabilities decreased from $21,901,376 to $0. The Company’s total liabilities remain unchanged.

No changes have been made to the Original Report other than the amendment and restatement of Items 1, 2, 4T and 6. This Amended Report does not include any items that were not affected by the amendment and restatement. Unless expressly stated, this Amended Report does not reflect events occurring after the filing of the Original Report, nor does it modify or update in any way the disclosures contained in the Original Report, which speak as of the date of the original filing. Accordingly, this Amended Report should be read in conjunction with the Original Report.

Unless the context requires otherwise, references to “we,” “us,” “our,” “Wuhan General” and the “Company” refer specifically Wuhan General Group (China), Inc. and its subsidiaries.

PART I

FINANCIAL INFORMATION

Item 1. Financial Statements.

Wuhan General Group (China), Inc.

Consolidated Balance Sheets
At March 31, 2010 and December 31, 2009
(Stated in US Dollars)

	Note	Restated March 31, 2010	Original March 31, 2010	Restated (Audited) December 31, 2009	Original (Audited) December 31, 2009
ASSETS					
Current Assets					
Cash	2(e)	4,295,166	4,295,166	407,394	407,394
Restricted Cash	3	7,559,758	7,559,758	7,759,971	7,759,971
Notes Receivable	4	239,561	239,561	28,520	28,520
Accounts Receivable	2(f),5	47,048,295	47,048,295	53,962,201	53,962,201
Other Receivable		2,035,843	2,035,843	4,684,372	4,684,372
Inventory	2(g),6	15,674,588	15,674,588	15,630,470	15,630,470
Advances to Suppliers		29,404,592	29,404,592	24,616,120	24,616,120
Advances to Employees	7	683,246	683,246	342,829	342,829
Prepaid Expenses		845,353	845,353	928,629	928,629
Prepaid Taxes		518,660	518,660	546,050	546,050
Deferred Tax Asset		774,095	774,095	749,031	749,031
Total Current Assets		109,079,157	109,079,157	109,655,587	109,655,587
Non-Current Assets					
Real Property Available for Sale		1,103,290	1,103,290	1,103,113	1,103,113
Property, Plant & Equipment, net	2(h),8	32,540,650	32,540,650	32,908,334	32,908,334
Land Use Rights, net	2(j),9	11,906,492	11,906,492	12,073,139	12,073,139
Construction in Progress	10	18,238,041	18,238,041	17,864,257	17,864,257
Intangible Assets, net	2(i),11	276,283	276,283	212,798	212,798
Other Assets		1,042,291	1,042,291	—	—
Total Assets		174,186,204	174,186,204	173,817,228	173,817,228
LIABILITIES & STOCKHOLDERS' EQUITY					
Liabilities					
Current Liabilities					
Bank Loans & Notes	12, 21	44,458,071	22,556,695	46,758,253	36,738,934
Accounts Payable		9,296,992	9,296,992	8,049,057	8,049,057
Taxes Payable		3,251,345	3,251,345	3,169,948	3,169,948
Other Payable		1,836,809	1,836,809	4,228,042	4,228,042
Dividend Payable		904,429	904,429	727,129	727,129
Accrued Liabilities	13	3,304,918	3,304,918	3,524,388	3,524,388
Customer Deposits		6,701,328	6,701,328	4,696,719	4,696,719
Total Current Liabilities	21	69,753,892	47,852,516	71,153,536	61,134,217

Long Term Liabilities					
Bank Loans and Notes	12, 21	—	21,901,376	—	10,019,319
Total Liabilities		69,753,892	69,753,892	71,153,536	71,153,536

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

Wuhan General Group (China), Inc.

Consolidated Balance Sheets
At March 31, 2010 and December 31, 2009
(Stated in US Dollars)

Stockholders' Equity	Note	Restated March 31, 2010	Original March 31, 2010	Restated (Audited) December 31, 2009	Original (Audited) December 31, 2009
Preferred Stock - $0.0001 Par Value, 50,000,000 Shares Authorized; 6,241,453 Shares of Series A Convertible Preferred Stock Issued & Outstanding at March 31, 2010 and December 31, 2009		624	624	624	624
Additional Paid-in Capital - Preferred Stock		8,170,415	8,170,415	8,170,415	8,170,415
Additional Paid-in Capital - Warrants		3,484,011	3,484,011	3,484,011	3,484,011
Additional Paid-in Capital - Beneficial Conversion Feature		6,371,547	6,371,547	6,371,547	6,371,547
Preferred Stock - $0.0001 Par Value 50,000,000 Shares Authorized; 6,354,078 Shares of Series B Convertible Preferred Stock Issued & Outstanding at March 31, 2010 and December 31, 2009		635	635	635	635
Additional Paid in Capital - Preferred Stock		12,637,158	12,637,158	12,637,158	12,637,158
Additional Paid in Capital - Warrants		2,274,181	2,274,181	2,274,181	2,274,181
Additional Paid in Capital - Beneficial Conversion Feature		4,023,692	4,023,692	4,023,692	4,023,692
Common Stock - $0.0001 Par Value 100,000,000 Shares Authorized; 25,351,950 Shares Issued & Outstanding at March 31, 2010 and December 31, 2009	14	2,536	2,536	2,536	2,536
Additional Paid-in Capital		29,793,996	29,793,996	29,793,996	29,793,996
Statutory Reserve	2(u),15	5,454,773	5,454,773	4,563,592	4,563,592
Retained Earnings		24,328,623	24,328,623	23,477,239	23,477,239
Accumulated Other Comprehensive Income	2(v)	7,890,121	7,890,121	7,864,066	7,864,066
Total Stockholders' Equity		104,432,312	104,432,312	102,663,692	102,663,692
Total Liabilities & Stockholders' Equity		174,186,204	174,186,204	173,817,228	173,817,228

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

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Wuhan General Group (China), Inc.

Statements of Income
For the three months ended March 31, 2010 and 2009
(Stated in US Dollars)

	Note		Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Sales	2	(l)	$ 17,951,294	$ 18,076,052
Cost of Sales	2	(m)	13,012,498	14,285,283
Gross Profit			4,938,796	3,790,769
Operating Expenses				
Selling Expenses	2	(n)	411,365	413,162
General & Administrative Expenses	2	(o)	1,109,555	1,380,608
Warranty Expense	2	(w),13	180,829	153,973
Total Operating Expense			1,701,749	1,947,743
Operating Income			3,237,047	1,843,026
Other Income (Expenses)				
Other Income			82	18,946
Interest Income			18,554	184,331
Other Expenses			(1,250)	(4,279)
Interest Expense			(1,027,783)	(633,475)
Total Other Income & Expense			(1,010,397)	(434,477)
Earnings before Tax			2,226,650	1,408,549
Income Tax	2	(t),16	(306,785)	(293,477)
Net Income			$ 1,919,865	$ 1,115,072
Preferred Dividends Declared			(177,300)	(178,802)
Income Available to Common Stockholders			$ 1,742,565	$ 936,270
Earnings Per Share	2	(x),17		
Basic			$ 0.07	$ 0.04
Diluted			0.05	0.03
Weighted Average Shares Outstanding				
Basic			25,351,950	24,759,746
Diluted			37,947,481	39,662,817

	Three Months Ended	Three Months Ended
Comprehensive Income		

	March 31, 2010	March 31, 2009
Net Income	$ 1,919,865	$ 1,115,072
Other Comprehensive Income		
Foreign Currency Translation Adjustment	26,055	929,786
Total Comprehensive Income	$ 1,945,920	$ 2,044,858

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

Wuhan General Group (China), Inc.

Consolidated Statements of Stockholders' Equity

For the periods ended March 31, 2010 and December 31, 2009

(Stated in US Dollars)

Series A, J, C Warrants Additional Paid in Capital	Beneficial Conversion Feature Additional Paid in Capital	Series B Convertible Preferred Stock Shares Out-standing	Series B Convertible Preferred Stock Amount	Series B Preferred Stock Additional Paid in Capital	Series B, JJ Warrants Additional Paid in Capital	Beneficial Conversion Feature Additional Paid in Capital	Common Stock Shares Out-standing	Common Stock Amount	Additional Paid in Capital	Statuto Reserv
$3,484,011	$6,371,547	6,354,078	$635	$12,637,158	$2,274,181	$4,023,692	25,351,950	$2,536	$29,793,996	$4,563,5
										891,18
$3,484,011	$6,371,547	6,354,078	$635	$12,637,158	$2,274,181	$4,023,692	25,351,950	$2,536	$29,793,996	$5,454,7

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

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Wuhan General Group (China), Inc.
Consolidated Statements of Stockholders' Equity
For the periods ended March 31, 2010 and December 31, 2009
(Stated in US Dollars)

Series A, J, C Warrants Additional Paid in Capital	Beneficial Conversion Feature Additional Paid in Capital	Series B Convertible Preferred Stock Shares Out-standing	Series B Convertible Preferred Stock Amount	Series B Preferred Stock Additional Paid in Capital	Series B, JJ Warrants Additional Paid in Capital	Beneficial Conversion Feature Additional Paid in Capital	Common Stock Shares Out-standing	Common Stock Amount	Additional Paid in Capital	Statuto Reserv
$3,687,794	$6,371,547	6,354,078	$635	$12,637,158	$2,274,181	$4,023,692	24,752,802	$2,475	$28,436,835	$3,271,5
							529,787	53	1,153,386	
							69,361	8	(8)	
(203,783)									203,783	
										1,292,0
$3,484,011	$6,371,547	6,354,078	$635	$12,637,158	$2,274,181	$4,023,692	25,351,950	$2,536	$29,793,996	$4,563,5

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

Wuhan General Group (China), Inc.

Statements of Cash Flows
For the three months ended March 31, 2010 and 2009
(Stated in US Dollars)

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Cash Flow from Operating Activities		
Cash Received from Customers	$29,307,298	$16,368,583
Cash Paid to Suppliers & Employees	(20,402,155)	(16,011,377)
Interest Received	18,554	184,331
Interest Paid	(2,070,074)	(633,475)
Income Tax Paid	(306,785)	—
Miscellaneous Receipts	82	18,944
Cash Sourced/(Used) in Operating Activities	6,546,920	(72,994)
Cash Flows from Investing Activities		
Cash Repayment/(Investment) in Restricted Time Deposits	200,213	6,545,166
Payments for Purchases of Plant & Equipment	(582,944)	(450,252)
Cash Used/(Sourced) in Investing Activities	(382,731)	6,094,914
Cash Flows from Financing Activities		
Proceeds from Bank Borrowings	35,457,003	—
Repayment of Bank Loans	(37,757,185)	(2,101,653)
Repayment of Notes	—	(6,500,220)
Dividends Paid	—	(193,804)
Cash Sourced/(Used) in Financing Activities	(2,300,182)	(8,795,677)
Net Increase/(Decrease) in Cash & Cash Equivalents for the Period	3,864,007	(2,773,757)
Effect of Currency Translation	23,765	911,935
Cash & Cash Equivalents at Beginning of Period	407,394	2,817,503
Cash & Cash Equivalents at End of Period	$4,295,166	$955,681

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 ended March 31, 2010 and 2009
(Stated in US Dollars)

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Net Income	$1,919,865	$1,115,072
Adjustments to Reconcile Net Income to		
Net Cash Provided by Cash Activities:		
Reclassification of assets related to Huangli Project from Construction in Progress to Inventory	—	1,745,494
Prepaid Interest in Other Non Current Assets	(1,042,290)	—
Amortization	105,277	22,001
Depreciation	576,844	567,112
Decrease/(Increase) in Notes Receivable	(211,041)	(80,344)
Decrease/(Increase) in Accounts Receivable	6,913,906	2,559,924
Decrease/(Increase) in Other Receivable	2,648,529	(4,644,721)
Decrease/(Increase) in Inventory	(44,118)	(12,512,566)
Decrease/(Increase) in Advances to Suppliers	(4,788,473)	6,932,893
Decrease/(Increase) in Advances to Employees	(340,417)	(36,460)
Decrease/(Increase) in Prepaid Expenses	83,275	(33,039)
Decrease/(Increase) in Prepaid Taxes	27,390	198,332
Decrease/(Increase) in Deferred Tax Asset	(25,064)	(58,224)
Increase/(Decrease) in Accounts Payable	1,247,935	(1,463,419)
Increase/(Decrease) in Taxes Payable	81,397	(184,436)
Increase/(Decrease) in Other Payable	(2,332,731)	5,152,343
Increase/(Decrease) in Related Party Payable	(58,503)	—
Increase/(Decrease) in Accrued Liabilities	(219,470)	189,372
Increase/(Decrease) in Customer Deposits	2,004,609	457,672
Total of all adjustments	4,627,055	(1,188,066)
Net Cash Provided by Operating Activities	$6,546,920	$(72,994)

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

Wuhan General Group (China), Inc.

Notes to Financial Statements
As of March 31, 2010 and December 31, 2009
(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"), Wuhan Generating Equipment Co., Ltd. ("Wuhan Generating"), and Wuhan Sungreen Environment Protection Equipment Co., Ltd. ("Wuhan Sungreen"), formerly known as Wuhan Xingelin Machinery Equipment Manufacturing Co., Ltd. Wuhan Blower is a China-based manufacturer of industrial blowers that principally are components of steam driven electrical power generation plants. Wuhan Generating is a China-based manufacturer of industrial steam and water turbines, also principally for use in electrical power generation plants. Wuhan Sungreen is a China-based manufacturer of blower silencers, connectors, and other general spare parts for blowers and electrical equipment.

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. 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.

On December 25, 2008, Wuhan Blower, entered into an Asset Purchase Agreement with Wuhan Gongchuang Real Estate Co., Ltd. (the "Seller", also known as "Hubei Gongchuang Real Estate Co., Ltd") pursuant to which Wuhan Blower acquired certain assets owned by Seller, including certain buildings, equipment, land use rights, and construction in progress. An 8-K filed with the US Securities and Exchange Commission on February 5, 2009 further details the transaction. Title of the assets purchased under the above agreement has been recorded under Wuhan Sungreen. Wuhan Blower currently owns 100% beneficial interest in Wuhan Sungreen. Wuhan Sungreen is incorporated under the laws of the PRC. The purchased assets have been accounted for on Wuhan Sungreen's books as contributed capital.

The assets that were purchased from the Seller were re-appraised by an independent appraisal firm Zhuhai GongPingSiYuan Appraising Co Ltd ("Zhuhai"). The re-appraisal found that the purchase price of the assets was not materially unfair. Zhuhai concluded that when the entire construction of the workshop and buildings is completed, the purchase price should be considered fair. See also Note 8 – Property, Plant and Equipment.

Wuhan General Group (China), Inc.

Notes to Financial Statements
As of March 31, 2010 and December 31, 2009
(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, Wuhan Generating and Wuhan Sungreen. 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 periods. These estimates and assumptions 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 United States of America and in the PRC.

(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. Pursuant to the Company's accounting policies, the allowance for doubtful accounts is determined by applying a rate of five percent on outstanding trade receivables. In addition, the Company uses a specific review process to determine if any additional allowances for doubtful accounts are required. Bad debts are charged against the allowance when outstanding trade receivables have been determined to be uncollectible. See also Note 5 – Accounts Receivable.

(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.

Wuhan General Group (China), Inc.

Notes to Financial Statements
As of March 31, 2010 and December 31, 2009
(Stated in US Dollars)

(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 Licenses	10 years
Trademark	20 years

Annually, the Company reviews the intangible assets for impairment, in accordance with ASU 350 Impairment of Long-Lived Assets. The company considers whether the estimated future benefits of the technical licenses and trademarks will be fully realized over the course of their estimated useful lives. If the technical licenses become obsolete, or trademarks are unsuccessfully defended against infringement by third-parties, the Company will consider future cash flows and relevant factors to quantify the level of impairment and record impairment adjustments accordingly. The Company has not yet recognized any impairment upon the intangible assets.

(j) Land Use Rights

The Company carries land use rights at cost less accumulated amortization. Land use rights are amortized straight-line over the useful life of 50 years for the Wuhan Blower and Wuhan Generating campus, and of 30 years for the Wuhan Sungreen campus.

(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. The Company's long-lived assets are grouped by their presentation on the financial statements according to the balance sheet and further segregated by their operating and asset type. Long-lived assets subject to impairment include buildings, equipment, vehicles, trademarks, software licenses, land use rights and real property available for sale. The Company considers annually whether these assets are impaired. The Company makes its determinations based on various factors that impact those assets. For example, the Company considers real property impaired if property prices decrease drastically and it is unlikely that the prices will recover within the foreseeable future. Although property values in the PRC have experienced a decline during the last year, prices are increasing again. Therefore, the Company believes its real property has at least retained the value of its original cost to the Company. Equipment used for production, which undergo regular maintenance, are assessed annually. The Company has maintained a profitable business amidst the economic downturn and equipment has continued to be used for production, indicating that such equipment still retains its value to the Company. Based on its review, the Company believes that, as of March 31, 2010 and December 31, 2009, there were no significant impairments of its long-lived assets.

Wuhan General Group (China), Inc.

Notes to Financial Statements
As of March 31, 2010 and December 31, 2009
(Stated in US Dollars)

The Company believes that cash flows generated by its ongoing business, which incorporates significant use of the long-lived assets of the Company, provide sufficient profit so that it is unnecessary to record any impairment charges. The Company believes that current annual provision of depreciation and amortization provides sufficient expense related to the use of the long-lived assets carried on the Company's books.

(l) Revenue Recognition

Revenue from the sale of blower products, generating equipment and other general 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. The Company believes that the installation is not essential to the functionality of the equipment. This is because the equipment is tested at the Company's facilities before it is shipped and consequently, the equipment is completed and functional at the point that it is delivered to the customer. Additionally, since the Company's products generally are a smaller component of a large project, after delivery, the Company has no control over how the customer will use the delivered products and sometimes other companies are used to install the equipment purchased from us. Finally, our customers do not have a contractual right to return products to the Company, and we historically have experienced virtually no returns. Product sales revenue represents the invoiced value of goods, net of the value-added tax (VAT). All of the Company's products that are sold in the PRC are subject to a Chinese value-added tax at a rate of 17% of the gross sales price. This VAT may be offset by VAT paid by the Company on raw materials and other materials included in the cost of producing the finished product.

Revenue from "Turn-Key" construction projects is recognized using the percentage-of-completion method of accounting and therefore takes into account the costs, estimated earnings and revenue to date on contracts not yet completed. Revenue recognized is that percentage of the total contract price that cost expended to date bears to anticipated final total cost, based on current estimates of costs to complete. Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs, and depreciation costs. Selling, general, and administrative costs are charged to expense as incurred. At the time a loss on a contract becomes known, the entire amount of the estimated ultimate loss is recognized in the consolidated financial statements. Claims for additional contract costs are recognized upon a signed change order from the customer or in accordance with paragraphs 62 and 65 of AICPA Statement of Position 81-1, "Accounting for Performance of Construction - Type and Certain Production - Type Contracts."

Revenue from the rendering of maintenance services is recognized when such services are provided.

Provision is made for foreseeable losses as soon as they are anticipated by management.

(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 expenses 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.

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(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) Shipping and Handling

Shipping and handling costs represent costs associated with shipping products to customers and handling finished goods. Shipping and handling costs billed to customers are recognized as revenue and shipping and handling costs incurred by the Company are included in cost of sales.

(s) Foreign Currency Translation

The Company maintains its financial statements in the functional currency, which 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 exchange 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	3/31/2010	12/31/2009	3/31/2009
Period end RMB : US$ exchange rate	6.83610	6.83720	6.84560
Average period RMB : US$ exchange rate	6.83603	6.84088	6.84659

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.

(t) Income Taxes

The Company uses the accrual method of accounting to determine income taxes for the year. The Company has implemented Statement of Financial Accounting Standards (SFAS) No. 109, Accounting for Income Taxes. Income tax liabilities computed according to the United States and People's Republic of China (PRC) tax laws are provided for the tax effects of transactions reported in the financial statements and consists of taxes currently due plus deferred taxes related primarily to differences between the basis of fixed assets and intangible assets for financial and tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will be either taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes also are recognized for operating losses that are available to offset future income taxes. A valuation allowance is created to evaluate deferred tax assets if it is more likely than not that these items will either expire before the Company is able to realize that tax benefit, or that future realization is uncertain.

Effective January 1, 2009, PRC government implemented a new 25% tax rate across the board for all enterprises regardless of whether domestic or foreign enterprise without any tax holiday which is defined as "two-year exemption followed by three-year half exemption" hitherto enjoyed by tax payers. As a result of the new tax law of a standard 25% tax rate, tax holidays terminated as of December 31, 2008. However, PRC government has established a set of transition rules to allow enterprises already started tax holidays before January 1, 2009, to continue enjoying the tax holidays until being fully utilized. For the year ended December 31, 2009, Wuhan Blower and Wuhan Generating were subject to a 12.5% tax rate and Wuhan Sungreen was subject to a 25% tax rate.

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The Company is subject to United States Tax according to Internal Revenue Code Sections 951 and 957. Corporate income tax is imposed on progressive rates in the range of: -

	Taxable Income		
		But Not	Of Amount
Rate	Over	Over	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	—	—

(u) 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. The Company cannot pay dividends from statutory reserves or paid in capital registered in the PRC.

(v) 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.

(w) 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. See also Note 13 – Warranty Liability.

(x) 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. See also Note 17 – Earnings Per Share.

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(y) Financial Instruments

The Company's financial instruments are cash and cash equivalents, accounts receivable, other receivable, advances to suppliers, advances to employees, bank loans and notes, accounts payable, other payable, dividend payable, accrued liabilities, and long-term liabilities. The recorded values of cash and cash equivalents, accounts receivable, other receivable, advances to suppliers, advances to employees, bank loans and notes, accounts payable, other payable, dividend payable and accrued liabilities approximate their fair values based on their short-term nature. The carrying value of long-term liabilities in the Company's books approximates their fair values. The company does not believe that it needs to revalue the carrying value of long term liabilities as a result of changes in interest rates.

(z) Retirement Plan

The employees of the Company participate in the defined contribution retirement plans managed by the local government authorities whereby the Company is required to contribute to the schemes at fixed rates of the employees' salary. The Company's contributions to this plan are charged to profit or loss when incurred. The Company has no obligations for the payment of retirement and other post-retirement benefits of staff other than the contributions described above.

(aa) Recent Accounting Pronouncements

In May 2009, the FASB issued SFAS No. 165, Subsequent Events ("SFAS 165"). SFAS 165 establishes general standards of accounting for and disclosing of events that occur after the balance sheet date but before the financial statements are issued or are available to be issued. SFAS 165 does not significantly change the types of subsequent events that an entity reports, but it requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. SFAS 165 is effective for interim or annual reporting requirements ending after June 15, 2009. The adoption of this standard did not have a material impact on our financial position, results of operations or cash flows of the Company.

In June 2009, the FASB issued Accounting Standards Update ("ASU") 2009-01, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles — a replacement of FASB Statement No. 162 ("ASU 2009-01"). ASU 2009-01 established the Accounting Standards Codification (the "Codification") as the source of authoritative GAAP recognized by the FASB to be applied to nongovernmental entities. The Codification supersedes all prior non-SEC accounting and reporting standards. Following ASU 2009-01, the FASB will not issue new accounting standards in the form of FASB Statements, FASB Staff Positions, or Emerging Issues Task Force abstracts. ASU 2009-01 also modifies the existing hierarchy of GAAP to include only two levels — authoritative and non-authoritative. ASU 2009-01 is effective for financial statements issued for interim and annual periods ending after September 15, 2009, and early adoption was not permitted. The adoption of this standard did not have an impact on the financial position, results of operations or cash flows of the Company.

In August 2009, the FASB issued ASU 2009-05, Fair Value Measurements and Disclosures (Topic 820) - Measuring Liabilities at Fair Value ("ASU 2009-05"). ASU 2009-05 addresses concerns in situations where there may be a lack of observable market information to measure the fair value of a liability, and provides clarification in circumstances where a quoted market price in an active market for an identical liability is not available. In these cases, reporting entities should measure fair value using a valuation technique that uses the quoted price of the identical liability when that liability is traded as an asset, quoted prices for similar liabilities, or another valuation technique, such as an income or market approach. ASU 2009-05 also clarifies that when estimating the fair value of a liability, a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of the liability. ASU 2009-05 is effective for the first reporting period subsequent to August 2009 and the adoption of this update is not expected to have a material impact on the financial position, results of operations, or cash flows of the Company.

In June 2009, the FASB issued SFAS No. 166, Accounting for Transfers of Financial Assets, an amendment of FASB Statement No. 140 (“SFAS 166”). SFAS 166 amends the application and disclosure requirements of SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities — a Replacement of FASB Statement 125 (“SFAS 140”), removes the concept of a “qualifying special purpose entity” from SFAS 140 and removes the exception from applying FASB Interpretation (“FIN”) No. 46(R), Consolidation of Variable Interest Entities — an Interpretation of ARB No. 51 (“FIN 46(R)”) to qualifying special purpose entities. SFAS 166 is effective for the first annual reporting period that begins after November 15, 2009, and early adoption is not permitted. The adoption of this standard is not anticipated to have a material impact on the financial position, results of operations or cash flows of the Company.

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In October 2009, the FASB issued ASU 2009-13, Revenue Recognition (Topic 605) — Multiple-Deliverable Revenue Arrangements, a consensus of the FASB Emerging Issues Task Force ("ASU 2009-13"). ASU 2009-13 addresses the accounting for multiple-deliverable arrangements where products or services are accounted for separately rather than as a combined unit, and addresses how to separate 71 deliverables and how to measure and allocate arrangement consideration to one or more units of accounting. Existing GAAP requires an entity to use vendor-specific objective evidence ("VSOE") or third-party evidence of a selling price to separate deliverables in a multiple-deliverable selling arrangement. As a result of ASU 2009-13, multiple-deliverable arrangements will be separated in more circumstances than under current guidance. ASU 2009-13 establishes a selling price hierarchy for determining the selling price of a deliverable. The selling price will be based on VSOE if it is available, on third-party evidence if VSOE is not available, or on an estimated selling price if neither VSOE nor third-party evidence is available. ASU 2009-13 also requires that an entity determine its best estimate of selling price in a manner that is consistent with that used to determine the selling price of the deliverable on a stand-alone basis, and increases the disclosure requirements related to an entity's multiple-deliverable revenue arrangements. ASU 2009-13 must be prospectively applied to all revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, and early adoption is permitted. Entities may elect, but are not required, to adopt the amendments retrospectively for all periods presented. The Company expects to adopt the provisions of ASU 2009-13 on January 1, 2011 and does not believe that the adoption of this standard will have a material impact on the financial position, results of operations, or cash flows of the Company.

In December 2009, the FASB issued ASU 2009-17, Consolidations (Topic 810) — Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities. ASU 2009-17 replaces the quantitative-based risk and rewards calculation for determining which reporting entity, if any, has a controlling financial interest in a variable interest entity with an approach focused on identifying which reporting entity has the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance and (1) the obligation to absorb losses of the entity or (2) the right to receive benefits from the entity. An approach that is expected to be primarily qualitative will be more effective for identifying which reporting entity has a controlling financial interest in a variable interest entity. ASU 2009-17 also requires additional disclosures about a reporting entity's involvement in variable interest entities. The provisions of ASU 2009-17 are to be applied beginning in the first fiscal period beginning after November 15, 2009. The Company adopted ASU 2009-17 on January 1, 2010 and does not anticipate that the adoption of this standard will have a material effect on the financial position, results of operations, or cash flows of the Company.

In January 2010, the FASB issued ASU 2010-02, Consolidation (Topic 810) — Accounting and Reporting for Decreases in Ownership of a Subsidiary — A Scope Clarification. ASU 2010-02 clarifies that the scope of previous guidance in the accounting and disclosure requirements related to decreases in ownership of a subsidiary apply to (i) a subsidiary or a group of assets that is a business or nonprofit entity; (ii) a subsidiary that is a business or nonprofit entity that is transferred to an equity method investee or joint venture; and (iii) an exchange of a group of assets that constitutes a business or nonprofit activity for a noncontrolling interest in an entity. ASU 2010-02 also expands the disclosure requirements about deconsolidation of a subsidiary or derecognition of a group of assets to include (i) the valuation techniques used to measure the fair value of any retained investment; (ii) the nature of any continuing involvement with the subsidiary or entity acquiring a group of assets; and (iii) whether the transaction that resulted in the deconsolidation or derecognition was with a related party or whether the former subsidiary or entity acquiring the assets will become a related party after the transaction. The provisions of ASU 2010-02 will be effective for the first reporting period beginning after December 13, 2009. The Company adopted the provisions of

ASU 2010-02 on January 1, 2010 and does not anticipate that the adoption of this standard will have a material impact on the financial position, results of operations, or cash flows of the Company.

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In January 2010 the FASB issued ASU 2010-06, Fair Value Measurements and Disclosures (Topic 820) —Improving Disclosures About Fair Value Measurements. ASU 2010-06 clarifies the requirements for certain disclosures around fair value measurements and also requires registrants to provide certain additional disclosures about those measurements. The new disclosure requirements include (i) the significant amounts of transfers into and out of Level 1 and Level 2 fair value measurements during the period, along with the reason for those transfers, and (ii) separate presentation of information about purchases, sales, issuances and settlements of fair value measurements with significant unobservable inputs. ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009. The Company adopted the provisions of ASU 2010-06 on January 1, 2010 and does not anticipate that the adoption of this standard will have a material impact on the financial position, results of operations, or cash flows of the Company.

(bb) Subsequent Event

The Company evaluates subsequent events that have occurred after the consolidated balance sheet date but before the consolidated financial statements are issued. There are two types of subsequent events: (1) recognized, or those that provide additional evidence with respect to conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements, and (2) nonrecognized, or those that provide evidence with respect to conditions that did not exist at the date of the balance sheet but arose subsequent to that date. The Company has evaluated subsequent events, and based on this evaluation, the Company did not identify any recognized or nonrecognized subsequent events that would have required adjustments to the consolidated financial statements.

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.

4. NOTES RECEIVABLE

	March 31, 2010	December 31, 2009
Notes Receivable	$ 239,561	$ 28,520
Less: Allowance for Bad Debts	—	—
	$ 239,561	$ 28,520

Notes Receivable are typically in the form of bank drafts from customers. Bank drafts are liquid instruments that can be either (a) endorsed to the Company’s 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 are normally due at a later point in time; therefore, these bank drafts represent different risk and reward characteristics.

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5. ACCOUNTS RECEIVABLE

		March 31, 2010		December 31, 2009
Total Accounts Receivable-Trade	$	49,990,634	$	56,802,317
Less: Allowance for Bad Debt		(2,942,339)		(2,840,116)
	$	47,048,295	$	53,962,201
Allowance for Bad Debts				
Beginning Balance	$	(2,840,116)	$	(3,132,693)
Allowance Provided		(179,565)		(1,573,535)
Less: Bad Debt Written Off		77,342		1,866,112
Ending Balance	$	(2,942,339)	$	(2,840,116)

6. INVENTORY

		March 31, 2010		December 31, 2009
Raw Materials	$	6,037,829	$	4,938,537
Work in Progress		7,009,490		8,319,353
Finished Goods		2,539,341		2,372,580
Low Value Consumables		87,928		—
	$	15,674,588	$	15,630,470

7. ADVANCES TO EMPLOYEES

Advances to Employees of $142,946 and $342,829 as of March 31, 2010 and December 31, 2009, 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 commissions sufficient to offset advances paid to the salesperson, the Company immediately expenses any outstanding balance to the income statement. None of the employees who have received these advances is a director or executive officer of the Company.

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8. PROPERTY, PLANT AND EQUIPMENT

Property, plant, and equipment, which are stated at cost less depreciation, were composed of the following: -

At March 31, 2010

Category of Asset	Wuhan Blower	Wuhan Generating	Wuhan Sungreen	Total
Buildings	$ 13,305,495	$ 8,694,304	$ —	$ 21,999,799
Machinery & Equipment	1,908,523	12,378,207	2,021,171	16,307,901
Furniture & Fixtures	370,335	17,626	6,803	394,764
Auto	678,399	323,503	7,314	1,009,216
Other	74,945	—	—	74,945
	16,337,697	21,413,640	2,035,288	39,786,625
Less: Accumulated Depreciation				
Buildings	(2,344,621)	(206,582)	—	(2,551,203)
Machinery & Equipment	(856,765)	(2,643,039)	(267,510)	(3,767,314)
Furniture & Fixtures	(289,660)	(6,714)	(2,132)	(298,506)
Auto	(507,017)	(96,161)	(926)	(604,104)
Other	(24,848)	—	—	(24,848)
	(4,022,911)	(2,952,496)	(270,568)	(7,245,975)
Property, Plant, & Equipment, Net	$ 12,314,787	$ 18,461,144	$ 1,764,720	$ 32,540,650

At December 31, 2009

Category of Asset	Wuhan Blower	Wuhan Generating	Wuhan Sungreen	Total
Buildings	$ 13,192,892	$ 8,692,905	$ —	$ 21,885,797
Machinery & Equipment	1,908,216	12,343,760	2,020,846	16,272,822
Furniture & Fixtures	367,993	16,666	6,607	391,266
Auto	678,290	267,044	7,313	952,647
Other	74,933	—	—	74,933
	16,222,324	21,320,375	2,034,766	39,577,465
Less: Accumulated Depreciation				
Buildings	(2,237,889)	(165,239)	—	(2,403,128)
Machinery & Equipment	(811,808)	(2,352,315)	(219,212)	(3,383,335)
Furniture & Fixtures	(278,719)	(6,047)	(1,811)	(286,578)
Auto	(487,616)	(86,651)	(579)	(574,913)
Other	(21,245)	—	—	(21,245)
	(3,837,277)	(2,610,252)	(221,602)	(6,669,131)
Property, Plant, & Equipment, Net	$ 12,385,047	$ 18,710,123	$ 1,813,164	$ 32,908,334

The shared campus of Wuhan Blower and Wuhan Generating consists of approximately 440,000 square feet (44,233 square meters) of building floor space. The Company's new turbine manufacturing workshop will provide approximately 215,482 square feet (20,019 square meters) of floor space. A new office building will house the business operations of Wuhan Generating and will provide an additional 134,656 square feet (12,510 square meters) of floor space.

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The newly acquired campus of Wuhan Sungreen will house the following buildings when fully built out and complete:

	Square Feet	Square Meters
Workshop 1	136,131	12,647.00
Workshop 2	90,363	8,395.00
Workshop 3	95,777	8,898.00
Dormitories	67,662	6,286.08
Commercial Shops	5,285	491.00
Warehouse	102,155	9,490.60
Office Buildings	152,994	14,213.64
	650,367	60,421.32

The local government has already approved the architectural plans for all of the buildings. Currently Workshop 1, Warehouse, Dormitories, and Commercial Shops have yet to be built. Workshop 2 and Workshop 3 are fully built. The Office Building is currently under construction but has yet to be completed.

In order to complete the building of the Workshop 1 the Company will need to pay approximately an additional $5.1 million beyond the amount committed in the asset purchase agreement.

9. LAND USE RIGHTS

At March 31, 2010

Category of Asset	Wuhan Blower	Wuhan Generating	Wuhan Sungreen	Total
Land Use Rights	$ 2,123,316	$ —	$ 10,501,499	$ 12,624,815
Less: Accumulated Amortization	(292,903)	—	(425,420)	(718,323)
Land Use Rights, Net	$ 1,830,413	$ —	$ 10,076,079	$ 11,906,492

At December 31, 2009

Category of Asset	Wuhan Blower	Wuhan Generating	Wuhan Sungreen	Total
Land Use Rights	$ 2,199,372	$ —	$ 10,499,810	$ 12,699,182
Less: Accumulated Amortization	(276,049)	—	(349,994)	(626,043)
Land Use Rights, Net	$ 1,923,323	$ —	$ 10,149,816	$ 12,073,139

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 for its Wuhan Blower and Wuhan Generating subsidiaries.

The parcel of land purchased in the asset acquisition and now carried on the books of Wuhan Sungreen total 792,547 square feet (73,630.05 square meters). The land will be used for Wuhan Sungreen's office building, workshops, and dormitories. The land use right will be amortized over 30 years.

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10. CONSTRUCTION IN PROGRESS

Construction in progress represents the direct costs of design, acquisition, building construction, 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 classification. No depreciation is provided until it is completed and ready for the intended use.

The assets reported under the construction in progress account relate to various projects at the Company's operating subsidiaries. All of the construction projects at Wuhan Blower have been substantially completed. The assets have been put into use. Accordingly, the assets have been moved to the property, plant and equipment account. Construction projects at Wuhan Generating include a new workshop, office building and the installation of equipment in the workshop. The workshop was completed in the beginning of 2009. All equipment will be fully installed and operational by the end of the second quarter of 2010. The structure of the office building has been substantially completed; however, the necessary construction of the interior to bring the building into use has been temporarily stopped. The Company is evaluating its current resources and will provide an expected completion date when it believes sufficient resources will be available to complete the construction. The construction projects at Wuhan Sungreen include a new workshop and office building. The Company expects construction on both the workshop and office building to be complete by the end of 2010.

Construction in progress increased by approximately $18.2 million from December 31, 2007 to December 31, 2008. Approximately $11.0 million of this increase was attributable to the acquisition of construction in progress accounts related to the purchase of Wuhan Sungreen in 2008. Approximately $7.2 million was attributable to investments in the turbine facility of Wuhan Generating. Also, during this same period, certain assets that were completed and put into use were moved from the construction in progress account to the property, plant and equipment account. From December 31, 2008 to December 31, 2009, Construction in Progress decreased by approximately $10.2 million which reflects those assets being moved from construction in progress account to the property, plant and equipment account.

The following table details the assets that are accounted for in the Construction-in-Progress account at March 31, 2010 and December 31, 2009:

Subsidiary	Description	At March 31, 2010	At December 31, 2009
Wuhan Blower	Badminton courts	24,137	24,133
Wuhan Blower	Workshop Equipment	372,171	—
Wuhan Generating	Capitalized Interest	67,572	67,561
Wuhan Generating	Equipment Requiring Installation	2,528,700	2,528,256
Wuhan Generating	Generating Office Building	3,428,451	3,427,899
Wuhan Generating	Miscellaneous	—	4,429
Wuhan Sungreen	Landscaping	146,303	146,280

Wuhan Sungreen	Workshop		4,850,368		4,849,588
Wuhan Sungreen	Office Building		5,796,363		5,792,300
Wuhan Sungreen	Utility Systems Setup		1,023,976		1,023,811
		$	18,238,041	$	17,864,257

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11. INTANGIBLE ASSETS

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

	March 31, 2010	December 31, 2009
Category of Asset		
Trademarks	$ 146,283	$ 106,038
Mitsubishi License	336,870	302,888
Tianyu CAD License	4,462	3,958
Sunway CAD License	16,822	16,820
Microsoft License	13,970	12,222
	$ 518,407	$ 441,926
Less: Accumulated Amortization		
Trademarks	$ (65,686)	$ (62,160)
Mitsubishi License	(161,532)	(152,862)
Tianyu CAD License	(2,417)	(2,287)
Sunway CAD License	(4,137)	(3,915)
Microsoft License	(8,352)	(7,904)
	$ (242,124)	$ (229,128)
Intangible Assets, Net	$ 276,283	$ 212,798

The weighted average amortization period for the Company's intangible assets at March 31, 2010 and December 31, 2009 were 12.82 years and 12.82 years, respectively.

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.

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12. BANK LOANS AND NOTES

The following table provides the name of the creditor, due date, interest rate, and amounts outstanding at March 31, 2010 and December 31, 2009, for the Company's bank loans and notes payable.

Subsidiary	Type	Name of Creditor	Due Date	Interest Rate Per Annum	Restated At March 31, 2010	Original At March 31, 2010	Restated At December 31, 2009	D
Wuhan Blower	Bank Loans	China Citic Bank	4/19/2010	5.31%	—	—	3,656,467	
Wuhan Blower	Bank Loans	Bank of China Ltd.	3/2/2010	5.40%	—	—	804,423	
Wuhan Blower	Bank Loans	Guangdong Development Bank	6/15/2010	6.37%	1,609,105	1,609,105	1,608,846	
Wuhan Blower	Bank Loans	Agricultural Bank of China	8/6/2010	5.84%	731,411	731,411	7,312,935	
Wuhan Blower	Bank Loans	Hankou Bank	7/5/2010	4.43%	541,244	541,244	833,675	
Wuhan Blower	Bank Loans	Agricultural Bank of China	8/13/2010	5.84%	2,925,645	2,925,645	—	
Wuhan Blower	Bank Loans	Agricultural Bank of China	8/28/2010	5.84%	3,657,056	3,657,056	—	
Wuhan Blower	Bank Loans	Wuhan Kangfuman Consulting & Co.	7/5/2010	4.43%	292,564	292,564	—	
Wuhan Blower	Bank Loans	Standard Chartered Bank***	On Demand	9.40%	18,665,613	—	7,094,145	
Subtotal					28,422,638	9,757,025	21,310,491	
Wuhan Blower	Long Term Loan–Current Portion	Standard Chartered Bank***	3/11/2011	9.40%	—	933,281	—	

Wuhan Blower	Long Term Loan	Standard Chartered Bank***	12/17/2012	9.40%	—	17,732,332	—
Wuhan Blower	Notes Payable	Standard Chartered Bank	4/21/2010		—	—	1,828,234
Wuhan Blower	Notes Payable	Standard Chartered Bank	3/3/2010		—	—	417,047
Wuhan Blower	Notes Payable	Standard Chartered Bank	3/18/2010		—	—	1,462,587
Wuhan Blower	Notes Payable	Standard Chartered Bank	2/11/2010		—	—	731,294
Wuhan Blower	Notes Payable	Bank of Communications	1/24/2010		—	—	892,178
Wuhan Blower	Notes Payable	Standard Chartered Bank	4/2/2010		669,946	669,946	—
Wuhan Blower	Notes Payable	Standard Chartered Bank	5/13/2010		2,559,939	2,559,939	—
Wuhan Blower	Notes Payable	Wuhan Xinxinshi Trade Co., Ltd	4/14/2010		1,462,823	1,462,823	—
Subtotal					4,692,708	4,692,708	5,331,340

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Wuhan Generating	Bank Loans	Hankou Bank	10/13/2010	5.31%	1,462,822	1,462,822	1,462,587
Wuhan Generating	Bank Loans	Bank of Communications	12/23/2010	5.67%	—	—	1,462,587
Wuhan Generating	Bank Loans	Bank of Communications*	12/23/2010	5.67%	—	—	1,462,587
Wuhan Generating	Bank Loans	Standard Chartered Bank****	On Demand	9.40%	4,388,467	—	2,925,174
Subtotal					5,851,289	1,462,822	7,312,935
Wuhan Generating	Long Term Loan – Current Portion	Standard Chartered Bank****	3/11/2011	9.40%	—	219,423	—
Wuhan Generating	Long Term Loan	Standard Chartered Bank****	12/17/2012	9.40%	—	4,169,044	—
Wuhan Generating	Notes Payable	Bank of Communications	1/6/2010		—	—	1,462,587
Wuhan Generating	Notes Payable	Bank of Communications	1/12/2010		—	—	1,462,587
Wuhan Generating	Notes Payable	Bank of Communications	1/17/2010		—	—	1,462,587
Wuhan Generating	Notes Payable	Bank of Communications	1/22/2010		—	—	1,462,587
Wuhan Generating	Notes Payable	Hankou Bank	4/13/2010		917,921	917,921	1,462,587
Wuhan Generating	Notes Payable	Hankou Bank	4/21/2010		—	—	530,188
Wuhan Generating	Notes Payable	Hankou Bank	4/26/2010		—	—	917,773

Wuhan Generating	Notes Payable	Bank of Communications	4/8/2010	—	—	3,948,985	
Wuhan Generating	Notes Payable	Bank of Communications	4/8/2010	3,949,621	3,949,621	—	
Wuhan Generating	Notes Payable	Hankou Bank	4/22/2010	530,273	530,273	—	
subtotal				5,397,815	5,397,815	12,709,881	1
Wuhan Sungreen	Notes Payable	Various vendors and individuals**	On Demand	93,621	93,621	93,606	
Total				44,458,071	44,458,071	46,758,253	4

*The Company has corrected an error in the classification of debts between long term and short term. The amount related to the loan from Bank of Communications was improperly included in the total for long term loans on the consolidated balance sheet at December 31, 2009; however the amount was properly disclosed as current in the notes to the financial statements for the same period. The amount was subsequently refinanced by a loan from Standard Chartered Bank on January 29, 2010. In light of the amount and circumstances of the error, in accordance with SFAS 154 and SAB 99, the Company has determined that the error was immaterial and the Company’s earnings were unaffected by the correction. At December 31, 2008 the loan was properly classified as long term.

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**The disclosure of the amount of various notes on demand attributable to Wuhan Sungreen at December 31, 2009 has been revised from $13,066 to $93,066. The revision is a correction of a typing error. The total liability amount disclosed on the consolidated balance sheet under the line item Bank Loans and Notes was properly disclosed; however, the details found in Note 12 contained an error. In accordance with SFAS 154, and SAB 99, the Company believes the error was immaterial to the financial statements and there is no impact to earnings for the year ended December 31, 2009 resulting from the correction of the error.

***The $18,665,613 bank loan secured from Standard Chartered has been reclassified from long term to short term. See Note 21 Restatement of Long Term Bank Loans to Short Term for a detailed discussion.

****The $4,388,467 bank loan secured from Standard Chartered has been reclassified from long term to short term. See Note 21 Restatement of Long Term Bank Loans to Short Term for a detailed discussion.

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.

In November 2009, Standard Chartered Bank granted the Company credit facilities in the amount of $50,189,435. The Company may borrow at a fixed rate set by the bank. The credit facilities are secured by the Company's mortgage of real property, property, plant and equipment, land use rights, assignment of accounts receivable, and trademarks.

Credit Facilities from Standard Chartered Bank at March 31, 2010:

	Used	Unused	Total Facility
Tranche A	$ 23,054,080	$ 7,899,241	$ 30,953,321
Tranche B	—	13,384,825	13,384,825
Notes Payable	3,229,885	2,621,404	5,851,289
Total	$ 26,283,965	$ 23,905,470	$ 50,189,435

The Company's loan agreement with Standard Chartered Bank contains covenants, which include, among others: limitation on the incurrence of additional indebtedness; limitation on guarantees, liens, investments, sale of assets, mergers, change of control and capital expenditures; and maintenance of specified financial ratios. The Company filed a copy of this loan agreement with the U.S. Securities and Exchange Commission on November 17, 2009.

The Company was in compliance with all loan covenants as of March 31, 2010, except that the Company did not comply with: (1) the days accounts receivable ratio covenant, and (2) the interest coverage ratio covenant in its loan agreement with Standard Chartered. The days accounts receivable ratio is calculated by dividing the Company's revenue for the four quarters ended March 31, 2010 by 360 and then dividing that number into accounts receivable. At March 31, 2010, the Company's days account receivable ratio was 182, which was above the maximum of 180 provided in the Standard Chartered loan agreement. The interest coverage ratio is computed by dividing the Company's earnings before interest, tax, amortization, and depreciation for the four quarters ended March 31, 2010 by the interest for the same period. At March 31, 2010, the interest coverage ratio was 4.77, which was below the minimum of 5.0. The Company has requested a waiver from Standard Chartered for this noncompliance. The

Company had violated similar covenants at December 31, 2009, and had requested a waiver for its non compliance. On May 19, 2010, the Company received a waiver from Standard Chartered. Based on the Company's conversations with Standard Chartered and the waiver received for covenant non compliance at December 31, 2009, the Company does not believe that Standard Chartered will take any adverse action against the Company for noncompliance with these financial covenants. In any event, the Company reclassified the loans and notes owed to Standard Chartered from long term to short term. See Note 21 Restatement of Long Term Bank Loans to Short Term.

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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 12-24 months following product installation.

The following table summarizes the activity related to the Company's product warranty liability for the three months ended March 31, 2010 and the year ended December 31, 2009:

	March 31, 2010	December 31, 2009
Balance at beginning of period	$ 1,469,358	$ 1,154,613
Adjustment		
Accruals for current & pre-existing warranties issued during period	181,064	371,764
Less: Settlements made during period	—	(57,019)
Less: Reversals and warranty expirations	—	—
Balance at end of period	$ 1,650,422	$ 1,469,358

14. CAPITALIZATION

The Company's outstanding securities at March 31, 2010 are shown in the following table:

Type of Security	Number	Issuance Date	Expiration Date
Common Stock	25,351,950	N/A	N/A
Series A Preferred	6,241,453	2/7/2007	N/A
Series B Preferred	6,354,078	9/5/2009	N/A
Series A Warrants	6,172,531	2/7/2007	2/6/2012
Series B Warrants	3,821,446	2/7/2007	2/6/2012
Series C Warrants	635,710	2/7/2007	2/6/2017
Series AA Warrants	617,253	2/7/2007	2/6/2017
Series BB Warrants	382,145	2/7/2007	2/6/2017
Series JJ Warrants	636,908	2/7/2007	2/6/2017
Series J Warrants	—	2/7/2007	11/7/2008
Options Issued to Directors	40,000	11/30/2007	11/30/2017
Options Issued to Directors	40,000	1/2/2008	1/2/2018
Options Issued to Directors	160,000	3/10/2010	3/10/2020
	50,453,474		

Total Shares on Fully Diluted Basis

Series A Convertible Preferred Stock

The Series A Preferred Stock is convertible into shares of the Company's common stock on a one-for-one basis. Holders of Series A Preferred Stock are entitled to a dividend equal to 5% per annum of the amount invested, subject to adjustment. These dividends are payable quarterly. 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 Series A convertible preferred stock is cumulative, non-participating, and non-redeemable, and as such, there is no related sinking fund. On or after February 5, 2010, the Series A Convertible Preferred Stock will be mandatorily converted into common stock if the Company's common stock achieves certain price and volume requirements.

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Series B Convertible Preferred Stock

On September 5, 2008, the Company entered into an Agreement to Amend Series J Warrants of the Company with holders of warrants exercisable for a majority of the shares of warrant stock issuable under the Company's Series A, B and J warrants. This agreement amended the Series J Warrants so that such warrants are exercisable for shares of the Company's Series B Convertible Preferred Stock, par value $0.0001 per share (the "Series B Preferred Stock"). Prior to this agreement, such warrants were exercisable for shares of the Company's common stock.

In connection with this agreement, the Company designated 9,358,370 shares of preferred stock as "Series B Convertible Preferred Stock, par value $0.0001 per share" with those rights and preferences as set forth in the Certificate of Designation of the Relative Rights and Preferences of the Series B Preferred Stock of the Company. The Series B Preferred Stock ranks senior to the Company's common stock and junior to the Company's Series A Convertible Preferred Stock, par value $0.0001 per share. The shares of Series B Preferred Stock are convertible on a one-for-one basis into shares of the Company's common stock. Except with respect to specified transactions that may affect the rights, preferences, privileges or voting power of the Series B Preferred Stock and except as otherwise required by Nevada law, the Series B Preferred Stock has no voting rights. The Series B Preferred Stock is non-redeemable and is not entitled to dividends. When accounting for the Series B Preferred Stock, the Company determined that they qualified as equity because the aforementioned characteristics made them akin to common stock.

Investors holding the amended Series J Warrants exercised their right to purchase Series B Preferred Stock at $2.33 per share. For the year ended December 31, 2008, certain investors exercised their amended Series J Warrants for a total of 6,369,078 shares of Series B Preferred Stock. The Company received gross proceeds of $14,839,952 for the issuance of those shares in connection with the exercise of the Series J Warrants. The total amount of commission paid to the placement agent, 1st Bridgehouse Securities, was 10% of the gross proceeds, or $1,483,995. The Company also paid a total of $274,480 for other financing related expenses. The net proceeds from the transactions, after accounting for placement agent commissions and other related financing expenses, was $13,081,477.

Simultaneously with the exercise of a portion of the Series J Warrants, a corresponding portion of the Series B and Series JJ Warrants became exercisable. Accordingly, the Company accounted for the net proceeds of this issuance by allocating to Par Value, Additional Paid in Capital attributable to Series B Preferred Stock, and Additional Paid in Capital attributable to Series B and JJ Warrants. The Company determined that the Series B Preferred Stock had a beneficial conversion feature (BCF). Accordingly, the Company accounted for this BCF as a constructive preferred dividend, which is a charge that reduces retained earnings and increases additional paid in capital attributable to the Series B Preferred Stock. The Company also transferred a prorated portion of proceeds previously recorded under Warrants A, J, B, and C to the Additional Paid in Capital of Series B Preferred Stock to reflect the exercise of the amended Series J Warrants.

In accordance to EITF 00-27 and EITF 98-5, the Company accounted for the modification of the Series J warrants as capital transaction because the modification of the warrants was concurrent with the Company's investors contributing more working capital to the Company through the exercise of the Series J warrants. In consideration of SFAS 123(R), the Company does not believe there is additional incremental value that should be charged to earnings because the fair value assigned to the Series B Convertible Preferred Stock was less than the fair value of the Company's common stock based on the market's closing price on September 5, 2008 and the valuation provided by investment bankers on September 3, 2008. The Series J warrant holders did not receive any additional value as a result of the amendment.

Warrants

Our outstanding Series A warrants are exercisable for an aggregate of 6,172,531 shares of common stock as of March 31, 2010. The Series A Warrants have an exercise price of $2.57 per share and expire on February 7, 2012.

Our outstanding Series B Warrants are exercisable for an aggregate of 3,821,446 shares of common stock as of March 31, 2010. The Series B Warrants have an exercise price of $2.57 and expire on February 7, 2012.

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The Series C, AA, BB and JJ Warrants relate to the Series A Convertible Preferred Stock, Series A Warrants, Series B Warrants and Series J Warrants, respectively. The exercise prices of the Series C, AA, BB and JJ Warrants are $2.57, $2.83, $2.83 and $2.57, respectively. The Series C, AA, BB and JJ Warrants expire on February 7, 2017. As of March 31, 2010, our outstanding Series C, AA, BB and JJ Warrants were exercisable for 635,710, 617,253, 382,145 and 636,908 shares of common stock, respectively.

The Series J Warrants expired on November 7, 2008.

Prior to February 7, 2009, the terms of the Company's outstanding Series A Convertible Preferred Stock and warrants provided for a downward adjustment in the conversion and exercise price in the event that the Company issues shares of common stock or securities convertible into common stock for consideration less than the conversion or exercise price of these previously issued securities. This anti-dilution provision expired on February 7, 2009, which was two years after the date of issuance of such securities.

Exercise of Series C Warrants

During the year ended December 31, 2009, holders of Series C Warrants exercised the right to purchase 187,294 shares of common stock. The transaction was a cashless exercise. Accordingly, the Company issued to the holder 69,361 shares of common stock and cancelled warrants with the rights to purchase 117,933 of common stock.

15. 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.

	March 31, 2010	December 31, 2009
Unadjusted Registered Capital in PRC	$ 52,575,256	$ 52,575,256
50% maximum thereof	26,287,628	26,287,628
Less: Amounts Appropriated to Statutory Reserve	(5,454,773)	(4,563,593)
Unfunded Commitment	$ 20,832,855	$ 21,724,035

16. INCOME TAXES

On February 7, 2007, income from the Company's foreign subsidiaries became subject to U.S. income tax liability; however, this tax is deferred until foreign source income is repatriated to the Company from earnings and profits after foreign income taxes, which has not yet occurred.

The Company has engaged a U.S. CPA firm to prepare its U.S. income tax returns in order to maintain a high level of compliance with U.S. tax laws.

All of the Company’s operations are in the PRC, and in accordance with the relevant tax laws and regulations of PRC, the corporate income tax rate is 25%. As a business incentive, the Company was approved as a foreign investment enterprise in March 2007, and in accordance with the relevant regulations regarding the favorable tax treatment for a foreign investment enterprise, the Company was entitled to a two-year tax exemption followed by a three-year half exemption. For the years ended December 31, 2008 and 2007, the Company was still within the two year tax exemption period, and accordingly, made no provision for income taxes. For the year ended December 31, 2009, Wuhan Blower and Wuhan Generating were subject to a 12.5% tax rate and Wuhan Sungreen was subject to a 25% tax rate.

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Effective January 1, 2008, the PRC income tax rules were changed. The PRC government implemented a new 25% tax rate for all enterprises whether domestic or foreign enterprise, and abolished the tax holiday. However, the PRC government has established grandfathering transition rules that permit enterprises that had received an income tax exemption prior to January 1, 2008 to continue to enjoy the exemption until the original expiration date.

Income before taxes and the provision for taxes consists of the following:

	March 31, 2010	December 31, 2009
Income (loss) before taxes:		
US	$ (134,199)	$ (2,475,455)
BVI	(242)	(27,927)
PRC	2,361,091	12,412,787
Total income before taxes	$ 2,226,650	$ 9,909,405
Provision for taxes:		
Current:		
U.S. Federal	—	—
State	—	—
China	331,849	2,195,828
Currency effect	—	403
	$ 331,849	$ 2,196,231
Deferred:		
U.S. Federal	—	—
China	(25,064)	(749,031)
	—	(749,031)
Total provision for taxes	$ 306,785	$ 1,447,200
Effective tax rate	13.78 %	14.60 %

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts for income tax purposes. Significant components of our deferred tax assets and liabilities at March 31, 2010 and December 31, 2009 are as follows:

	March 31, 2010	December 31, 2009
Deferred tax assets		
	$ 774,095	$ 749,031

Bad debt expense & accrual expense	774,095	749,031
Valuation allowance	—	—
Total deferred tax assets	774,095	749,031
Deferred tax liabilities		
Total deferred tax liabilities	—	—
Net deferred tax assets	774,095	749,031
Reported as:		
Current deferred tax assets	774,095	749,031
Non-current deferred tax assets	—	—
Non-current deferred tax liabilities	—	—
Net deferred taxes	$ 774,095	$ 749,031

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The differences between the U.S. federal statutory income tax rates and the Company's effective tax rate for the three months ended March 31, 2010 and the year ended December 31, 2009 are shown in the following table:

	2010	2009
U.S. federal statutory income tax rate	34.00 %	34.00 %
Lower rates in PRC, net	-9.00 %	-9.00 %
Accruals in foreign jurisdictions	1.28 %	2.10 %
Tax holiday	-12.50 %	-12.50 %
Effective tax rate	13.78 %	14.60 %

17. EARNINGS PER SHARE

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

	Three months ended March 31, 2010	Three months ended March 31, 2009
Basic Earnings Per Share Numerator		
Net Income	$ 1,919,865	$ 1,115,072
Less:		
Preferred Dividends	177,300	178,802
Series A Constructive Preferred Dividend	—	—
Series B Constructive Preferred Dividend	—	—
Income Available to Common Stockholders	$ 1,742,565	$ 936,270
Diluted Earnings Per Share Numerator		
Income Available to Common Stockholders	1,742,565	$ 936,270

Add:		
Preferred Dividends	177,300	—
Income Available to Common Stockholders on Converted Basis	1,919,865	$ 936,270
Original Shares:		
Additions from Actual Events		
- Issuance of Common Stock	25,351,950	24,752,802
- Conversion of Series A Preferred Stock into Common Stock	—	—
- Conversion of Series B Preferred Stock into Common Stock	—	—
- Issuance of Common Stock resulting from the Exercise of Warrants	—	6,944
- Issuance of Penalty Shares	—	—
Basic Weighted Average Shares Outstanding	25,351,950	24,759,746
Dilutive Shares:		
Additions from Potential Events		
- Conversion of Series A Preferred Stock	6,241,453	6,241,453
- Conversion of Series B Preferred Stock	6,354,078	6,354,078
- Exercise of Investor Warrants & Placement Agent Warrants	—	2,307,540
- Exercise of Employee & Director Stock Options	—	—
Diluted Weighted Average Shares	37,947,481	39,662,817

Outstanding:		
Earnings Per Share		
- Basic	$ 0.07	$ 0.04
- Diluted	0.05	0.03
Weighted Average Shares Outstanding		
- Basic	25,351,950	24,759,746
- Diluted	37,947,481	39,662,817

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18. OPERATING SEGMENTS

The Company individually tracks the performance of its three operating subsidiaries: Wuhan Blower, Wuhan Generating, and Wuhan Sungreen. Wuhan Blower is primarily engaged in the design, manufacture, installation, and service of blowers. Wuhan Generating is primarily engaged in the design, manufacture, installation, and service of power generating equipment. Wuhan Sungreen is in the business of design, production, and sale of blower silencers, connectors, and other general spare parts for blowers and electrical equipment. Below is a presentation of the Company's results of operations for the three months ended March 31, 2010 and 2009 and financial position at March 31, 2010 and December 31, 2009. The Company has also provided reconciling adjustments with the Company and its intermediate holding company, UFG.

Results of Operations For the three months ended March 31, 2010	Wuhan Blower	Wuhan Generating	Wuhan Sungreen	Company, UFG, Adjustments	Total
Sales	$ 12,055,287	$ 5,697,189	$ 198,818	$ —	$ 17,951,294
Cost of Sales	8,599,926	4,271,942	140,630	—	13,012,498
Gross Profit	3,455,361	1,425,247	58,188	—	4,938,796
Operating Expenses	1,038,381	365,694	163,233	134,441	1,701,749
Other Income (Expenses)	(886,435)	(122,988)	(974)	—	(1,010,397)
Earnings before Tax	1,530,545	936,565	(106,019)	(134,441)	2,226,650
Tax	(148,509)	(158,276)	—	—	306,785
Net Income	$ 1,382,036	$ 778,289	$ (106,019)	$ (134,441)	$ 1,919,865

Results of Operations For the three months ended March 31, 2009	Wuhan Blower	Wuhan Generating	Wuhan Sungreen	Company, UFG, Adjustments	Total
Sales	$ 10,264,837	$ 7,741,779	$ 69,436	$ —	$ 18,076,052
Cost of Sales	7,834,834	6,404,572	45,877	—	14,285,283
Gross Profit	2,430,003	1,337,207	23,559	—	3,790,769
Operating Expenses	1,211,477	296,142	82,421	357,703	1,947,743
Other Income (Expenses)	(330,916)	(103,977)	12	404	(434,477)
Earnings before Tax	887,610	937,088	(58,850)	(357,299)	1,408,549
Tax	(146,615)	(146,862)	—	—	(293,477)
Net Income	$ 740,995	$ 790,226	$ (58,850)	$ (357,299)	$ 1,115,072

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Financial Position At March 31, 2010	Wuhan Blower	Wuhan Generating	Wuhan Sungreen	Company, UFG, Adjustments	Total
Current Assets	94,206,043	71,752,043	1,651,933	(58,530,862)	109,079,157
Non Current Assets	49,480,596	24,485,867	23,657,809	(32,517,225)	65,107,047
Total Assets	143,686,639	96,237,910	25,309,742	(83,570,921)	174,186,204
Current Liabilities	46,504,205	53,977,365	1,310,059	(53,939,114)	47,852,515
Non Current Liabilities	17,732,333	4,169,044	—	—	21,901,377
Total Liabilities	64,236,538	58,146,409	1,310,059	(53,939,114)	69,753,892
Net Assets	79,450,101	38,091,501	23,999,683	(37,108,973)	104,432,312
Total Liabilities & Net Assets	143,686,639	96,237,910	25,309,742	(91,048,087)	174,186,204

Financial Position At December 31, 2009	Wuhan Blower	Wuhan Generating	Wuhan Sungreen	Company, UFG, Adjustments	Total
Current Assets	$ 76,072,289	$ 58,026,006	$ 1,606,646	$ (26,049,354)	$ 109,655,587
Non Current Assets	48,160,407	24,738,269	23,774,958	(32,511,993)	64,161,641
Total Assets	124,232,696	82,764,275	25,381,604	(58,561,347)	173,817,228
Current Liabilities	39,083,033	42,531,885	1,279,778	(21,760,479)	61,134,217
Non Current Liabilities	7,094,145	2,925,174	—	—	10,019,319
Total Liabilities	46,177,178	45,457,059	1,279,778	(21,760,479)	71,153,536
Net Assets	78,055,518	37,307,216	24,101,826	(36,800,868)	102,663,692
Total Liabilities & Net Assets	$ 124,232,696	$ 82,764,275	$ 25,381,604	$ (58,561,347)	$ 173,817,228

The amounts carried in the column for the Company, UFG and adjustments reflect the corporate expenses of the Company and its wholly owned subsidiary, Universe Faith Group Limited, which has no operations and only serves to hold the Company’s operating subsidiaries. Our corporate expenses include the costs for professional fees related to corporate matters and compliance efforts. The majority of the costs are directly a result of the Company being a U.S. public company. The Company believes that these costs are not costs which are directly attributable to the operations of our operating segments and thus any allocation of these costs would be discretionary and may misrepresent the performance of our operating segments. We discuss the reasons for the fluctuation in these costs in our selling and general and administrative expenses in the Management’s Discussion and Analysis of Financial Condition and Results of Operations. The adjustments represent the eliminations necessary to consolidate the financial statements. See Note 2(b) - Consolidation.

Wuhan General Group (China), Inc.
Notes to Financial Statements
As of March 31, 2010 and December 31, 2009
(Stated in US Dollars)

19. STOCK COMPENSATION EXPENSE

On November 30, 2007, the Company's Board of Directors adopted the Wuhan General Group (China), Inc. 2007 Stock Option Plan (the "Plan"). The Plan provides that the maximum number of shares of the Company's common stock that may be issued under the Plan is 3,000,000 shares. The Company's employees, directors, and service providers are eligible to participate in the Plan.

For the three months ended March 31, 2010 and year ended December 31, 2009, the Company recorded $0 of stock compensation expense. For the three months ended March 31, 2010, 160,000 stock option grants were issued to the four independent directors for service during 2009 and 2010. The 160,000 stock options vest in four equal installments beginning on June 10, 2010 and every three months thereafter.

The range of the exercise prices of the outstanding stock options are shown in the following table:

Price Range	Number of Shares
$0 - $9.99	240,000 shares
$10.00 - $19.99	0 shares
$20.00 - $29.99	0 shares

The Company has not accrued or realized tax benefit related to the expense of stock options in the United States because it does not currently have a plan to repatriate its earnings.

20. CONCENTRATION OF CREDIT RISK AND OTHER RISKS

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist primarily of cash and cash equivalents, accounts receivable, other receivable, and advances to suppliers. The Company maintains cash and cash equivalents with several financial institutions. It invests with high credit quality financial institutions and, by policy, limits the amount of credit exposure to any one financial institution. Receivables are from customers and suppliers and concentrated in the People's Republic of China. The Company performs ongoing credit evaluations of its customers and suppliers. The Company generally does not require collateral, but in most cases can place liens against the property, plant, or equipment constructed or terminate the contract if a material default occurs. The Company maintains an allowance for doubtful accounts which has been within management's expectations.

The Company is subject to the concentration of supply risk because it contracted with a single vendor, Hubei Gongchuang Real Estate Co., Ltd. to perform all of the construction of its two campuses detailed in Note 8 - Property, Plant and Equipment.

21. RESTATEMENT OF LONG TERM BANK LOANS TO SHORT TERM

In accordance with “Accounting Changes and Error Corrections”, SFAS 154 (ASC 250), and to improve comparability between periods of the financial positions of the Company, the Company has restated the long term loans outstanding due to Standard Chartered Bank at March 31, 2010 as short term, rather than long term as a result of the Company’s noncompliance with certain loan covenants disclosed in Note 12 - Bank Loans and Notes. This restatement, which should be considered a correction of error, is considered material to the financial statements. However, the impact of the restatement is limited to the Company’s classification of liabilities on the Company’s Consolidated Balance Sheets and Note 12 – Bank Loans and Notes. As a result of the restatement, the short term balance has increased from $22,556,695 to $44,458,071, while the corresponding long term loans have decreased from $21,901,376 to $0. The Company’s current liabilities have increased from $47,852,516 to $69,753,892. The Company’s long term liabilities have decreased from $21,901,376 to $0. The Company’s total liabilities remain unchanged. The increase in the amount of current liabilities may require the Company to seek methods to refinance the debt or use more working capital to repay the debt when it becomes due. While the Company is restating the presentation of the Consolidated Balance Sheets in order to improve comparability, the Company has previously disclosed the violation of the loan covenants. The Company believes that the restatement will provide greater prominence to the Company’s obligations that are due within one operating period, and the related need for capital to satisfy those obligations when they become due.

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 March 31, 2010 and December 31, 2009, and the related statements of income, stockholders’ equity, and cash flows for the three-month periods ended March 31, 2010 and 2009. 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.

As discussed in Note 21 Restatement of Long Term Bank Loans to Short Term to the financial statements, an error resulting in an overstatement of long term bank loans and an understatement of short terms bank loans at March 31, 2010 was discovered by the Company’s management during 2010. Accordingly, the March 31, 2010 consolidated balance sheet and related Note 12 Bank Loans and Notes have been restated.

/s/ Samuel H. Wong & Co., LLP

San Mateo, California
May 13, 2010

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

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Cautionary Statement Regarding Forward-Looking Statements

The information contained in this Amended Report includes some statements that are not purely historical fact and that are "forward-looking statements" as defined by the Private Securities Litigation Reform Act of 1995. Such forward-looking statements include, but are not limited to, statements regarding our management's expectations, hopes, beliefs, intentions or strategies regarding the future, including our financial condition, results of operations, available liquidity, ability to refinance outstanding debt, ability to collect on our accounts receivable, completion of our turbine manufacturing facility on our main Wuhan campus and workshop and related facilities of Wuhan Sungreen Environment Protection Equipment Co., Ltd., the development of our industrial parts and machinery equipment business and growth of our businesses. The words "anticipates," "believes," "could," "estimates," "expects," "inten "may," "projects," "should," and similar expressions, or the negatives of such terms, identify forward-looking statements.

The forward-looking statements contained in this Amended Report are based on our current expectations and beliefs concerning future developments. There can be no assurance that future developments actually affecting us will be those anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results to be materially different from those expressed or implied by these forward-looking statements, including the following:

- vulnerability of our business to general economic downturn;
- our ability to obtain financing on favorable terms;
- our ability to comply with the covenants and other terms of our loan agreements with Standard Chartered Bank (China) Limited, Guangzhou Branch;
- establishing our business segment relating to industrial parts and machinery equipment;
- operating in the PRC generally and the potential for changes in the laws of the PRC that affect our operations, including tax law;
- our ability to remediate material weaknesses in our internal control over financial reporting;
- our ability to meet or timely meet contractual performance standards and schedules;
- our dependence on the steel and iron markets;
- exposure to product liability and defect claims;
- our ability to obtain all necessary government certifications and/or licenses to conduct our business;
- the cost of complying with current and future governmental regulations and the impact of any changes in the regulations on our operations; and
- the other factors described in the Original Report and in this Amended Report.

These risks and uncertainties, along with others, are also described in the Risk Factors section in Part II, Item 1A of the Original Report and in our other SEC filings. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

Overview

Wuhan General Group (China), Inc. (the "Company") is a holding company whose primary business operations are conducted through our wholly owned subsidiary, Universe Faith Group, Ltd. ("UFG"), which has no operations of its own and only serves to hold our Chinese operating subsidiaries, Wuhan Blower Co., Ltd. ("Wuhan Blower"), Wuhan Generating Equipment Co., Ltd. ("Wuhan Generating") and Wuhan Sungreen Environment Protection Equipment Co., Ltd. ("Wuhan Sungreen"), which we formerly referred to as Wuhan Xingelin Machinery Equipment Manufacturing Co., Ltd., or Wuhan Xingelin. Wuhan Blower is a manufacturer of industrial blowers that are principally components of steam-driven electrical power generation plants. Wuhan Generating manufactures industrial steam and water turbines, which also are principally used in electrical power generation plants. Wuhan Sungreen manufactures silencers, connectors and other general parts for industrial blowers and electrical equipment, and it produces general machinery equipment. Wuhan Blower, Wuhan Generating and Wuhan Sungreen conduct all of their operations in the People's Republic of China, which we refer to in this report as the PRC or China. Prior to our acquisition of UFG in February 2007, we were a publicly held shell company with no operations other than efforts to identify suitable parties for a merger transaction. Our corporate structure is as follows:

The information and data contained in this Management's Discussion and Analysis of Financial Condition and Results of Operations reflect the operating results for the three month periods ended March 31, 2010 and 2009 and the financial condition at March 31, 2010.

Three Months Ended March 31, 2010 Compared to Three Months Ended March 31, 2009

Sales. Sales decreased $0.1 million, or 0.7%, to $18.0 million for the three months ended March 31, 2010 from $18.1 million for the same period in 2009. This decrease was mainly attributable to the Company's focused efforts on collection of accounts receivable in order to improve our cash position instead of committing our working capital to additional projects, and to maintaining sales with higher gross margin.

Cost of Sales. Our cost of sales decreased $1.3 million, or 8.9%, to $13.0 million for the three months ended March 31, 2010 from $14.3 million during the same period in 2009. As a percentage of sales, the cost of sales was 72.5% during the three months ended March 31, 2010 compared to 79.0% in the same period of 2009. This decrease was primarily attributable to more efficient production and to the use of different product mixes, which resulted in a reduction in production costs.

Gross Profit. Our gross profit increased $1.1 million, or 30.3%, to $4.9 million for the three months ended March 31, 2010 from $3.8 million for the same period in 2009. Gross profit as a percentage of sales was 27.5% for the three months ended March 31, 2010 compared to 21.0% during the same period in 2009.

Selling Expenses. Our selling expenses for the three months ended March 31, 2010 were consistent with that for the same period in 2009. As a percentage of sales, selling expenses were 2.3% for the three months ended March 31, 2010 and March 31, 2009.

General and Administrative Expenses. Our general and administrative expenses decreased approximately $271,000, or 19.6%, to $1.1 million for the three months ended March 31, 2010 from $1.4 million for the same period in 2009. As a percentage of sales, general and administrative expenses were 6.2% for the three months ended March 31, 2010 compared to 7.6% for the same period in 2009. This decrease as a percentage of sales was primarily attributable to more aggressive measures implemented to control costs.

Warranty Expense. Our warranty expense increased to approximately $181,000 for the three months ended March 31, 2010 from approximately $154,000 for the same period in 2009. As a percentage of sales, warranty expense was 1.0% for the three months ended March 31, 2010 compared to 0.9% for the same period in 2009.

Operating Income. Our operating income increased $1.4 million, or 75.6%, to $3.2 million for the three months ended March 31, 2010 from $1.8 million for the same period in 2009. As a percentage of sales, operating income was 18.0% for the three months ended March 31, 2010 compared to 10.2% for the same period in 2009. This increase as a percentage of sales was primarily attributable to increase in production efficiency and tighter control over expenses.

Interest Income. Our interest income decreased to approximately $19,000 for the three months ended March 31, 2010 from approximately $184,000 for the same period in 2009. This decrease was due to a decrease in bank deposits.

Interest Expense. Our interest expense increased approximately $394,000, or 62.2%, to approximately $1.0 million for the three months ended March 31, 2010 from approximately $633,000 for the same period in 2009. This increase was due to the significant increase in bridge loans, related interest expenses and a one-time financing consultancy fee in connection with the rearrangement of the Company's loan facilities among the banks.

Income Tax. Our income tax liability for the three months ended March 31, 2010 was $0.3 million, which is consistent with the prior year period. Two of the Company's subsidiaries, Wuhan Blower and Wuhan Generating, were subject to 12.5% PRC income tax during the three months ended March 31, 2010 and March 31, 2009. Wuhan Sungreen was in a loss position and consequently did not incur any tax liability. Wuhan General did not incur any U.S. income tax liability during the three months ended March 31, 2010 and March 31, 2009.

Net Income. Net income increased $0.8 million, or 72.2%, to $1.9 million during the three months ended March 31, 2010 from $1.1 million during the same period in 2009, as a result of the factors described above.

Liquidity and Capital Resources

Our primary capital needs have been to fund the working capital requirements necessitated by the expansion of our manufacturing facilities and the development of our new industrial parts and machinery equipment business. We finance our business operations primarily through cash generated by our operations, bank loans and various financing transactions. As of March 31, 2010, we had cash and cash equivalents of $11.9 million, including restricted cash of $7.6 million.

As discussed above, for the three months ended March 31, 2010, our sales decreased 0.7% compared to the same period in 2009. The slight decrease in total revenue was mainly because we focused our efforts on collection of accounts receivable in order to improve our cash position and reduce the age of our receivables by closely monitoring our customers' ability to pay and delaying production or delivery to customers with older receivables. Although we are still experiencing some payment delays, our focus on the collection of accounts receivable resulted in a decrease in the days accounts receivable ratio to 182 days at March 31, 2010, compared to 209 days at December 31, 2009. Nonetheless, the days accounts receivable ratio is still 56 days longer than it was at March 31, 2009. Our income from operations was sufficient to meet our working capital needs for the first quarter of 2010 primarily due to the improvement in the collection of accounts receivable.

On November 11, 2009, we closed a new loan facility with Standard Chartered Bank (China) Limited, Guangzhou Branch; this loan facility provides up to RMB 303,100,000 (approximately $44.4 million) in senior secured debt financing. As described in more detail below, the proceeds received to date have been used to repay our existing bank loans and notes and fund our ongoing construction projects. In addition, the loan proceeds should allow us to use our operating income to fund our working capital needs.

The majority of our customers pay us in installments at various stages of project completion. The percentage of the purchase price due at the various stages varies somewhat between contracts. In our standard sales contract, our customers are required to pay us 60% of the purchase price of a piece of equipment at the time of delivery. Alternatively, some sales contracts provide for 15% due upon signing and 45% due upon delivery. Our customers are generally required to pay us an additional 30% of the purchase price when the equipment has been installed and has performed properly for 72 hours. However, since our equipment is generally a component of a larger project, there are times that customers do not allow us to install the equipment immediately upon delivery. Our standard sales contract generally requires payment of the remaining 10% no later than 18 months following the installation. Due to the global economic crisis, some customers have not strictly adhered to the contractual payment terms. This increased our accounts receivable, which is discussed in detail below. Although the payment terms in our standard sales contract result in a long payment cycle, we believe our payment terms are typical in our industry in China. Nonetheless, we are seeking more aggressive payment schedules on new sales contracts in order to improve our liquidity position.

Accounts receivable are recognized and carried at the original invoice amount less allowance for any uncollectible amounts. Pursuant to the Company's accounting policies, the allowance for doubtful accounts is determined by applying a rate of five percent on outstanding accounts receivable. In addition, the Company uses a specific review process to determine if any additional allowances for doubtful accounts are required. Bad debts are charged against the allowance when outstanding accounts receivable have been determined to be uncollectible. We provide for bad debts principally based upon the aging of accounts receivable, in addition to collectability of specific customer accounts, our history of bad debts and the general condition of the industry.

Accounts receivable decreased from approximately $54.0 million to $47.0 million from December 31, 2009 to March 31, 2010. This decrease resulted primarily from closely monitoring our customers' ability to pay and delaying production or delivery to customers with older receivables.

The allowance for bad debt provided in accordance with the Company's accounting policy was approximately $180,000 at March 31, 2010. The Company applied a rate of 5% on outstanding accounts receivable, which results in an allowance of $2.9 million. The Company made an assessment of its outstanding receivables and provided a specific write off during the first quarter of 2010 of approximately $77,000 to reflect actual unrecoverable amounts.

We will continue to employ additional resources in collecting on outstanding accounts receivable and have aligned more closely sales commissions with the collection on sales. The Company generally experiences a longer collection period with respect to its turbine customers compared to its blower customers due to the longer installation period needed for the turbines. Historically, our collections in the first quarter are weaker because most of our customers are closed for an extended period of time to celebrate the Chinese lunar new year.

At March 31, 2010, we had approximately $2.0 million in other receivables, which is a decrease of approximately $2.6 million compared to the balance at December 31, 2009.

We also had advances to suppliers of approximately $29.4 million at March 31, 2010, which increased by $4.8 million compared to the balance at December 31, 2009. The increase was mainly due to significant advance payments made in the first quarter of 2010 to suppliers for equipment. We typically need to place a deposit in advance with our suppliers on a portion of the purchase price, and for some suppliers, we must maintain a deposit for future orders.

We had inventory turnover of 1.1 times and 1.2 times for the three months ended March 31, 2010 and March 31, 2009, respectively. We calculate inventory turnover as sales divided by average inventory. Inventory increased approximately $1.1 million in raw materials, decreased approximately $1.3 million in work in progress, increased approximately $167,000 in finished goods and increased approximately $88,000 in low value consumables for the three months ended March 31, 2010. The raw materials increase resulted from the Company’s effort to increase stock levels in order to meet growing demand in the coming quarters.

Net cash provided by operating activities for the three months ended March 31, 2010 was approximately $6.5 million, as compared to approximately $73,000 used in the same period in 2009. This change was primarily due to an increase in the collection of accounts receivable and an increase in customer deposits, partially offset by an increase in advances to suppliers.

Net cash used by investing activities for the three months ended March 31, 2010 was approximately $383,000, as compared to approximately $6.1 million provided in the same period in 2009. This change was mainly a result of a decrease in restricted cash, offset by the increase in plant and equipment.

Net cash used in financing activities for the three months ended March 31, 2010 was approximately $2.3 million, as compared to approximately $8.8 million used in the same period in 2009. This change was primarily due to a decrease in the repayment of notes.

We intend to expend a significant amount of capital to complete our facilities and the installation of equipment and to make deposits for performance bonds for new projects that we have obtained. In light of the completion of the credit facility with Standard Chartered, which is discussed below, the Company believes that its currently available working capital, combined with cash from operations and bank financing, should be adequate to sustain operations at current levels through at least the next 12 months. For our long-term strategic growth, the Company will continue to rely upon debt and capital markets for any necessary long-term funding not provided by operating cash flows. Funding decisions will be guided by our capital structure planning objectives. The primary objectives of the Company’s capital structure planning are to maximize financial flexibility and preserve liquidity while reducing interest expense.

Bank Loans and Notes Generally

As of March 31, 2010, we had banking facilities in the form of bank loans and loan facilities from other non-bank entities totaling approximately $44.5 million (based on an exchange rate of 6.8361 RMB per 1 U.S. dollar). The Company had no availability under its bank facilities and loan facilities as of March 31, 2010. However, if the Company satisfies certain requirements under its Loan Agreement with Standard Chartered, the Company will be able to draw additional funds under that facility. Information regarding these loans and notes is set forth below in U.S. dollars.

Subsidiary	Type	Name of Creditor	Due Date	Interest Rate Per Annum	Restated At March 31, 2010	Original At March 31, 2010	Restated At December 31, 2009
Wuhan Blower	Bank Loans	China Citic Bank	4/19/2010	5.31%	—	—	3,656,467
Wuhan Blower	Bank Loans	Bank of China Ltd.	3/2/2010	5.40%	—	—	804,423
Wuhan Blower	Bank Loans	Guangdong Development Bank	6/15/2010	6.37%	1,609,105	1,609,105	1,608,846
Wuhan Blower	Bank Loans	Agricultural Bank of China	8/6/2010	5.84%	731,411	731,411	7,312,935
Wuhan Blower	Bank Loans	Hankou Bank	7/5/2010	4.43%	541,244	541,244	833,675
Wuhan Blower	Bank Loans	Agricultural Bank of China	8/13/2010	5.84%	2,925,645	2,925,645	—
Wuhan Blower	Bank Loans	Agricultural Bank of China	8/28/2010	5.84%	3,657,056	3,657,056	—
Wuhan Blower	Bank Loans	Wuhan Kangfuman Consulting & Co.	7/5/2010	4.43%	292,564	292,564	—
Wuhan Blower	Bank Loans	Standard Chartered Bank***	On Demand	9.40%	18,665,613	—	7,094,145
Subtotal					28,422,638	9,757,025	21,310,491
Wuhan Blower	Long Term Loan–Current Portion	Standard Chartered Bank***	3/11/2011	9.40%	—	933,281	—

Wuhan Blower	Long Term Loan	Standard Chartered Bank***	12/17/2012	9.40%	—	17,732,332	—
Wuhan Blower	Notes Payable	Standard Chartered Bank	4/21/2010		—	—	1,828,234
Wuhan Blower	Notes Payable	Standard Chartered Bank	3/3/2010		—	—	417,047
Wuhan Blower	Notes Payable	Standard Chartered Bank	3/18/2010		—	—	1,462,587
Wuhan Blower	Notes Payable	Standard Chartered Bank	2/11/2010		—	—	731,294
Wuhan Blower	Notes Payable	Bank of Communications	1/24/2010		—	—	892,178
Wuhan Blower	Notes Payable	Standard Chartered Bank	4/2/2010		669,946	669,946	—
Wuhan Blower	Notes Payable	Standard Chartered Bank	5/13/2010		2,559,939	2,559,939	—
Wuhan Blower	Notes Payable	Wuhan Xinxinshi Trade Co., Ltd	4/14/2010		1,462,823	1,462,823	—
Subtotal					4,692,708	4,692,708	5,331,340

Wuhan Generating	Bank Loans	Hankou Bank	10/13/2010	5.31%	1,462,822	1,462,822	1,462,587
Wuhan Generating	Bank Loans	Bank of Communications	12/23/2010	5.67%	—	—	1,462,587
Wuhan Generating	Bank Loans	Bank of Communications*	12/23/2010	5.67%	—	—	1,462,587
Wuhan Generating	Bank Loans	Standard Chartered Bank****	On Demand	9.40%	4,388,467	—	2,925,174
Subtotal					5,851,289	1,462,822	7,312,935
Wuhan Generating	Long Term Loan – Current Portion	Standard Chartered Bank****	3/11/2011	9.40%	—	219,423	—
Wuhan Generating	Long Term Loan	Standard Chartered Bank****	12/17/2012	9.40%	—	4,169,044	—
Wuhan Generating	Notes Payable	Bank of Communications	1/6/2010		—	—	1,462,587
Wuhan Generating	Notes Payable	Bank of Communications	1/12/2010		—	—	1,462,587
Wuhan Generating	Notes Payable	Bank of Communications	1/17/2010		—	—	1,462,587
Wuhan Generating	Notes Payable	Bank of Communications	1/22/2010		—	—	1,462,587
Wuhan Generating	Notes Payable	Hankou Bank	4/13/2010		917,921	917,921	1,462,587
Wuhan Generating	Notes Payable	Hankou Bank	4/21/2010		—	—	530,188
Wuhan Generating	Notes Payable	Hankou Bank	4/26/2010		—	—	917,773
Wuhan Generating	Notes Payable	Bank of Communications	4/8/2010		—	—	3,948,985
Wuhan	Notes	Bank of	4/8/2010		3,949,621	3,949,621	—

Generating	Payable	Communications					
Wuhan Generating	Notes Payable	Hankou Bank	4/22/2010	530,273	530,273	—	
subtotal				5,397,815	5,397,815	12,709,881	1
Wuhan Sungreen	Notes Payable	Various vendors and individuals**	On Demand	93,621	93,621	93,606	
Total				44,458,071	44,458,071	46,758,253	4

*The Company has corrected an error in the classification of debts between long term and short term, which appeared in the financial statements included in the Original Report. The amount related to the loan from Bank of Communications was improperly included in the total for long term loans on the consolidated balance sheet at December 31, 2009 that appeared in the Original Report; however the amount was properly disclosed as current in the notes to the financial statements appearing in the Original Report. The amount was subsequently refinanced by a loan from Standard Chartered Bank on January 29, 2010.

**The disclosure of the amount of various notes on demand attributable to Wuhan Sungreen at December 31, 2009 has been revised from $13,066 to $93,066. The revision is a correction of a typing error. The total liability amount disclosed on the consolidated balance sheet under the line item Bank Loans and Notes was properly disclosed; however, the details found in Note 12 to the financial statements included in the Original Report contained an error.

***The $18,665,613 bank loan secured from Standard Chartered has been reclassified from long term to short term. See Note 21 Restatement of Long Term Bank Loans to Short Term in the Restated Financial Statements for a detailed discussion.

****The $4,388,467 bank loan secured from Standard Chartered has been reclassified from long term to short term. See Note 21 Restatement of Long Term Bank Loans to Short Term in the Restated Financial Statements for a detailed discussion.

We plan to either repay this debt as it matures or refinance this debt with other debt. As described in more detail below, our Chinese operating subsidiaries recently obtained a loan facility of up to RMB 303,100,000 (approximately $44.4 million). The two installments that we have received under this loan facility were used to repay existing bank debt and purchase equipment for Wuhan Generating. Moreover, this loan facility has allowed the Company to use the funds generated from operations for working capital.

Loan Facility with Standard Chartered

On November 11, 2009, Wuhan Blower, Wuhan Generating and Wuhan Sungreen (collectively, the “Borrowers”) entered into a Loan Agreement with Standard Chartered Bank (China) Limited, Guangzhou Branch (“Standard Chartered”). The Loan Agreement provides for a loan facility totaling RMB 303,100,000 (approximately $44.4 million) in senior secured debt financing consisting of a term loan facility for up to RMB 211,600,000 (approximately $31.0 million) (the “Tranche A Loan”) and a term loan facility for up to RMB 91,500,000 (approximately $13.4 million) (the “Tranche B Loan,” together with the Tranche A Loan, the “Loans”). The two installments that we have received under the Tranche A Loan were used primarily to repay the existing bank debts of Wuhan Blower and Wuhan Generating and to purchase equipment for Wuhan Generating. The Tranche B Loan will be used primarily to facilitate the capital expenditure investments of Wuhan Sungreen.

As of March 31, 2010, the Company had received approximately $23.1 million under the Tranche A Loan and approximately $3.2 million under a bridge loan from Standard Chartered. As of March 31, 2010, the Company had under the Tranche A Loan and Tranche B Loan unused amounts of approximately $7.9 million and $13.4 million, respectively. The Company also had approximately $2.6 million unused under the bridge loan with Standard Chartered. These unused amounts are not available to the Company until the Company meets certain conditions. The Company is working with Standard Chartered to satisfy these conditions.

The obligations under the Loan Agreement are guaranteed by the Company, Universe Faith Group Limited and Mr. Xu Jie, our Chairman of the Board and controlling stockholder. Each of the guarantors also is a party to the Loan Agreement.

Both the Tranche A Loan and the Tranche B Loan will mature on the third anniversary of the date of the first drawdown under the Tranche A Loan, subject to an extension of one year and a half at Standard Chartered's sole discretion. Commencing fifteen months after the first drawdown under the Tranche A Loan, the Borrowers will be required to pay eight successive quarterly installments on the Tranche A Loan. With respect to the Tranche B Loan, the Borrowers will be required to make eight installment payments commencing fifteen months after the first drawdown under the Tranche A Loan.

The Tranche A Loan bears interest at a fixed rate of 9.40%. The interest rate of the Tranche B Loan will be either a fixed rate or floating rate plus margin, to be determined at the time of the first drawdown. The Borrowers also must pay Standard Chartered, who also serves as the facility agent, an annual commitment fee of 3%, which is to be paid monthly while the Loans are available.

Subject to certain conditions, the Borrowers may voluntarily prepay the Loans with a prepayment fee. The Borrowers are subject to a mandatory prepayment of the Loans if the Borrowers obtain any new debt financing, dispose of certain assets, distribute dividends or change control, among other circumstances.

The Tranche B Loan is subject to additional conditions, including the completion of syndication of at least RMB 80,000,000 (approximately $11.7 million) under the Tranche A Loan and the Borrowers maintaining a ratio of total debt to consolidated EBITDA of less than 2.9 and total annual revenues of at least RMB 600,000,000 (approximately $87.9 million).

As a condition to the Loans, the Borrowers granted to Standard Chartered a security interest in substantially all of their assets, including, among other things, mortgages over land use rights and ownership of buildings, factories and equipment, pledge of shares, existing and future account receivables that exceed certain amounts and registered trademarks. In addition, each of the Borrowers agreed to provide financial and other information within certain time frames, including audited financial statements within 90 calendar days after the end of each fiscal year and unaudited financial statements within 15 calendar days after the end of each fiscal quarter. Each of the Borrowers and guarantors also agreed, among other things, that there will be no material changes in the senior officers or board of directors without the prior written consent of Standard Chartered and all related party transactions will be at arm's-length.

The failure to satisfy the covenants under the Loan Agreement or the occurrence of other specified events that constitute an event of default could result in the acceleration of the repayment obligations of the Borrowers. The events of default include, among others: the failure to make payments under the Loan Agreement; insolvency or bankruptcy proceedings involving any of the Borrowers; cross defaults to other indebtedness by the Borrowers; material litigation or a change in control of the Borrowers; and subject to certain limitations, the failure to perform or observe covenants or other obligations under the Loan Agreement or related documents by the Borrowers or guarantors.

The Borrowers are subject to a penalty interest rate of 1% on all amounts due and unpaid if the Borrowers fail to pay any sum payable when due. In addition, the Borrowers are subject to a penalty interest rate of the People's Bank of China rate, plus a mark up of 50% to 100%, on all amounts used for purposes that do not comply with the stated purposes under the Loan Agreement.

The Loan Agreement is governed by the laws of the PRC. All financial covenants under the Loan Agreement are based on generally accepted accounting principles in the PRC. All amounts in the Loan Agreement are denominated in RMB, which is the currency used in the PRC. The dollar translations used in this summary of the Loan Agreement are based on the exchange rate of RMB 6.83 for each 1.00 U.S. dollar. The foregoing summary of the Loan Agreement is qualified in its entirety by reference to the Loan Agreement, which is Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on November 16, 2009.

In connection with the Loan Agreement, Wuhan Blower entered into a Consulting Service Agreement with Standard Chartered Corporate Advisory Co. (Beijing), Ltd. (the "Advisor") for certain advisory and management services. Under this agreement, the Borrowers agreed to pay to the Advisor a management fee of 1% of the net gross revenues of the Borrowers in connection with the Tranche B Loan. This management fee remains valid and payable until one year after the maturity date of the Loans. In addition, the Borrowers have agreed to pay to the Advisor an advisory fee of 8% of the Loans. This description of the Consulting Service Agreement is qualified in its entirety by reference to the Consulting Service Agreement, which is Exhibit 10.20 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009, which was filed with the SEC on March 31, 2010.

Covenants under the Loan Agreement with Standard Chartered

The Loan Agreement contains covenants, which include, among others: limitation on the incurrence of additional indebtedness; limitation on guarantees, liens, investments, sale of assets, mergers, change of control and capital expenditures; and maintenance of specified financial ratios. So long as any amount is outstanding under the Loans, (1) the Borrowers must maintain a Loan to Value Ratio of 75% through June 2010 and 65% thereafter and (2) Wuhan Blower must maintain (i) a ratio of total debt to EBITDA of less than certain amounts that range from 3.0 to 3.5 during 2009 and 2010 and 2.5 in 2011 and (ii) total revenues must exceed certain amounts that range between RMB 600,000,000 (approximately $87.9 million) to RMB 750,000,000 (approximately $109.9 million) from 2009 through 2011.

The Company was in compliance with all loan covenants as of March 31, 2010, except that the Company did not comply with: (1) the days accounts receivable ratio covenant, and (2) the interest coverage ratio covenant in its Loan Agreement with Standard Chartered. The days accounts receivable ratio is calculated by dividing the Company's revenue for the four quarters ended March 31, 2010 by 360 and then dividing that number into accounts receivable. At March 31, 2010, the Company's days account receivable ratio was 182, which was above the maximum of 180 provided in the Loan Agreement. The interest coverage ratio is computed by dividing the Company's earnings before interest, tax, amortization and depreciation for the four quarters ended March 31, 2010 by the interest for the same period. At March 31, 2010, the interest coverage ratio was 4.77, which was below the minimum of 5.0. The Company has requested a waiver from Standard Chartered for this noncompliance. The Company had violated similar covenants at December 31, 2009 and had requested a waiver for its noncompliance. On May 19, 2010, the Company received a waiver from Standard Chartered for the noncompliance at December 31, 2009. Based on the Company's conversations with Standard Chartered and the waiver received for covenant noncompliance at December 31, 2009, the Company does not believe that Standard Chartered will take any adverse action against the Company for noncompliance with these financial covenants at March 31, 2010. In any event, the Company reclassified the loans and notes owed to Standard Chartered from long term to short term. See Note 21 Restatement of Long Term Bank Loans to Short Term to the Restated Financial Statements.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires our management to make assumptions, estimates and judgments that affect the amounts reported in the financial statements, including the notes thereto, and related disclosures of commitments and contingencies, if any. We consider our critical accounting policies to be those that require the more significant judgments and estimates in the preparation of financial statements, including the following:

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.

Consolidation

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

Economic and Political Risks

The Company’s operations are conducted in 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.

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 periods. These estimates and assumptions 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.

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 U.S. and in the PRC.

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. Pursuant to the Company's accounting policies, the allowance for doubtful accounts is determined by applying a rate of five percent on outstanding trade receivables. In addition, the Company uses a specific review process to determine if any additional allowances for doubtful accounts are required. Bad debts are charged against the allowance when outstanding trade receivables have been determined to be uncollectible.

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.

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

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 Licenses	10 years
Trademark	20 years

Annually, the Company reviews the intangible assets for impairment, in accordance with ASU 350 Impairment of Long-Lived Assets. The Company considers whether the estimated future benefits of the technical licenses and trademarks will be fully realized over the course of their estimated useful lives. If the technical licenses become obsolete, or trademarks are unsuccessfully defended against infringement by third-parties, the Company will consider future cash flows and relevant factors to quantify the level of impairment and record impairment adjustments accordingly. The Company has not yet recognized any impairment upon the intangible assets.

Land Use Rights

The Company carries land use rights at cost less accumulated amortization. Land use rights are amortized straight-line over the useful life of 50 years for the Wuhan Blower and Wuhan Generating campus, and of 30 years for the Wuhan Sungreen campus.

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. The Company’s long-lived assets are grouped by their presentation on the financial statements according to the balance sheet and further segregated by their operating and asset type. Long-lived assets subject to impairment include buildings, equipment, vehicles, trademarks, software licenses, land use rights and real property available for sale. The Company considers annually whether these assets are impaired. The Company makes its determinations based on various factors that impact those assets. For example, the Company considers real property impaired if property prices decrease drastically and it is unlikely that the prices will recover within the foreseeable future. Although property values in the PRC have experienced a decline during the last year, prices are increasing again. Therefore, the Company believes its real property has at least retained the value of its original cost to the Company. Equipment used for production, which undergo regular maintenance, are assessed annually. The Company has maintained a profitable business amidst the economic downturn and equipment has continued to be used for production, indicating that such equipment still retains its value to the Company. Based on its review, the Company believes that, as of March 31, 2010 and December 31, 2009, there were no significant impairments of its long-lived assets.

The Company believes that cash flows generated by its ongoing business, which incorporates significant use of the long-lived assets of the Company, provide sufficient profit so that it is unnecessary to record any impairment charges. The Company believes that current annual provision of depreciation and amortization provides sufficient expense related to the use of the long-lived assets carried on the Company's books.

Revenue Recognition

Revenue from the sale of blower products, generating equipment and other general 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. The Company believes that the installation is not essential to the functionality of the equipment. This is because the equipment is tested at the Company's facilities before it is shipped and consequently, the equipment is completed and functional at the point that it is delivered to the customer. Additionally, since the Company's products generally are a smaller component of a large project, after delivery, the Company has no control over how the customer will use the delivered products and sometimes other companies are used to install the equipment purchased from us. Finally, our customers do not have a contractual right to return products to the Company, and we historically have experienced virtually no returns.

Product sales revenue represents the invoiced value of goods, net of the value-added tax (VAT). All of the Company's products that are sold in the PRC are subject to a Chinese value-added tax at a rate of 17% of the gross sales price. This VAT may be offset by VAT paid by the Company on raw materials and other materials included in the cost of producing the finished product.

Revenue from "Turn-Key" construction projects is recognized using the percentage-of-completion method of accounting and therefore takes into account the costs, estimated earnings and revenue to date on contracts not yet completed. Revenue recognized is that percentage of the total contract price that cost expended to date bears to anticipated final total cost, based on current estimates of costs to complete. Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs, and depreciation costs. Selling, general, and administrative costs are charged to expense as incurred. At the time a loss on a contract becomes known, the entire amount of the estimated ultimate loss is recognized in the consolidated financial statements. Claims for additional contract costs are recognized upon a signed change order from the customer or in accordance with paragraphs 62 and 65 of AICPA Statement of Position 81-1, "Accounting for Performance of Construction – Type and Certain Production – Type Contracts."

Revenue from the rendering of maintenance services is recognized when such services are provided.

Provision is made for foreseeable losses as soon as they are anticipated by management.

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.

Selling Expenses

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

General & Administrative Expenses

General and administrative expenses 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.

Advertising

The Company expenses all advertising costs as incurred.

Research and Development

The Company expenses all research and development costs as incurred.

Shipping and Handling

Shipping and handling costs represent costs associated with shipping products to customers and handling finished goods. Shipping and handling costs billed to customers are recognized as revenue and shipping and handling costs incurred by the Company are included in cost of sales.

Foreign Currency Translation

The Company maintains its financial statements in the functional currency, which 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 exchange 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	3/31/2010	12/31/2009	3/31/2009
Period end RMB: U.S.$ exchange rate	6.83610	6.83720	6.84560
Average period RMB: U.S.$ exchange rate	6.83603	6.84088	6.84659

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 U.S. dollars at the rates used in translation.

Income Taxes

The Company uses the accrual method of accounting to determine income taxes for the year. The Company has implemented Statement of Financial Accounting Standards (SFAS) No. 109, Accounting for Income Taxes. Income tax liabilities computed according to the United States and People's Republic of China (PRC) tax laws are provided for the tax effects of transactions reported in the financial statements and consists of taxes currently due plus deferred taxes related primarily to differences between the basis of fixed assets and intangible assets for financial and tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will be either taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes also are recognized for operating losses that are available to offset future income taxes. A valuation allowance is created to evaluate deferred tax assets if it is more likely than not that these items will either expire before the Company is able to realize that tax benefit, or that future realization is uncertain.

Effective January 1, 2009, PRC government implemented a new 25% tax rate across the board for all enterprises regardless of whether domestic or foreign enterprise without any tax holiday which is defined as "two-year exemption followed by three-year half exemption" hitherto enjoyed by tax payers. As a result of the new tax law of a standard 25% tax rate, tax holidays terminated as of December 31, 2008. However, PRC government has established a set of transition rules to allow enterprises already started tax holidays before January 1, 2009, to continue enjoying the tax holidays until being fully utilized. For the year ended December 31, 2009, Wuhan Blower and Wuhan Generating were subject to a 12.5% tax rate and Wuhan Sungreen was subject to a 25% tax rate.

The Company is subject to United States Tax according to Internal Revenue Code Sections 951 and 957. Corporate income tax is imposed on progressive rates in the range of:

		Taxable Income		
				Of Amount
Rate		Over	But Not Over	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	—	—

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. The Company cannot pay dividends from statutory reserves or paid in capital registered in the PRC.

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.

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.

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.

Financial Instruments

The Company's financial instruments are cash and cash equivalents, accounts receivable, other receivable, advances to suppliers, advances to employees, bank loans and notes, accounts payable, other payable, dividend payable, accrued liabilities, and long-term liabilities. The recorded values of cash and cash equivalents, accounts receivable, other receivable, advances to suppliers, advances to employees, bank loans and notes, accounts payable, other payable, dividend payable and accrued liabilities approximate their fair values based on their short-term nature. The carrying value of long-term liabilities in the Company's books approximates their fair values. The company does not believe that it needs to revalue the carrying value of long term liabilities as a result of changes in interest rates.

Retirement Plan

The employees of the Company participate in the defined contribution retirement plans managed by the local government authorities whereby the Company is required to contribute to the schemes at fixed rates of the employees' salary. The Company's contributions to this plan are charged to profit or loss when incurred. The Company has no obligations for the payment of retirement and other post-retirement benefits of staff other than the contributions described above.

Recent Accounting Pronouncements

In May 2009, the FASB issued SFAS No. 165, Subsequent Events ("SFAS 165"). SFAS 165 establishes general standards of accounting for and disclosing of events that occur after the balance sheet date but before the financial statements are issued or are available to be issued. SFAS 165 does not significantly change the types of subsequent events that an entity reports, but it requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. SFAS 165 is effective for interim or annual reporting requirements ending after June 15, 2009. The adoption of this standard did not have a material impact on our financial position, results of operations or cash flows of the Company.

In June 2009, the FASB issued Accounting Standards Update ("ASU") 2009-01, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles — a replacement of FASB Statement No. 162 ("ASU 2009-01"). ASU 2009-01 established the Accounting Standards Codification (the "Codification") as the source of authoritative GAAP recognized by the FASB to be applied to nongovernmental entities. The Codification supersedes all prior non-SEC accounting and reporting standards. Following ASU 2009-01, the FASB will not issue new accounting standards in the form of FASB Statements, FASB Staff Positions, or Emerging Issues Task Force abstracts. ASU 2009-01 also modifies the existing hierarchy of GAAP to include only two levels — authoritative and non-authoritative. ASU 2009-01 is effective for financial statements issued for interim and annual periods ending after September 15, 2009, and early adoption was not permitted. The adoption of this standard did not have an impact on the financial position, results of operations or cash flows of the Company.

In August 2009, the FASB issued ASU 2009-05, Fair Value Measurements and Disclosures (Topic 820) - Measuring Liabilities at Fair Value (“ASU 2009-05”). ASU 2009-05 addresses concerns in situations where there may be a lack of observable market information to measure the fair value of a liability, and provides clarification in circumstances where a quoted market price in an active market for an identical liability is not available. In these cases, reporting entities should measure fair value using a valuation technique that uses the quoted price of the identical liability when that liability is traded as an asset, quoted prices for similar liabilities, or another valuation technique, such as an income or market approach. ASU 2009-05 also clarifies that when estimating the fair value of a liability, a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of the liability. ASU 2009-05 is effective for the first reporting period subsequent to August 2009 and the adoption of this update is not expected to have a material impact on the financial position, results of operations, or cash flows of the Company.

In June 2009, the FASB issued SFAS No. 166, Accounting for Transfers of Financial Assets, an amendment of FASB Statement No. 140 (“SFAS 166”). SFAS 166 amends the application and disclosure requirements of SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities — a Replacement of FASB Statement 125 (“SFAS 140”), removes the concept of a “qualifying special purpose entity” from SFAS 140 and removes the exception from applying FASB Interpretation (“FIN”) No. 46(R), Consolidation of Variable Interest Entities — an Interpretation of ARB No. 51 (“FIN 46(R)”) to qualifying special purpose entities. SFAS 166 is effective for the first annual reporting period that begins after November 15, 2009, and early adoption is not permitted. The adoption of this standard is not anticipated to have a material impact on the financial position, results of operations or cash flows of the Company.

In October 2009, the FASB issued ASU 2009-13, Revenue Recognition (Topic 605) — Multiple-Deliverable Revenue Arrangements, a consensus of the FASB Emerging Issues Task Force (“ASU 2009-13”). ASU 2009-13 addresses the accounting for multiple-deliverable arrangements where products or services are accounted for separately rather than as a combined unit, and addresses how to separate 71 deliverables and how to measure and allocate arrangement consideration to one or more units of accounting. Existing GAAP requires an entity to use vendor-specific objective evidence (“VSOE”) or third-party evidence of a selling price to separate deliverables in a multiple-deliverable selling arrangement. As a result of ASU 2009-13, multiple-deliverable arrangements will be separated in more circumstances than under current guidance. ASU 2009-13 establishes a selling price hierarchy for determining the selling price of a deliverable. The selling price will be based on VSOE if it is available, on third-party evidence if VSOE is not available, or on an estimated selling price if neither VSOE nor third-party evidence is available. ASU 2009-13 also requires that an entity determine its best estimate of selling price in a manner that is consistent with that used to determine the selling price of the deliverable on a stand-alone basis, and increases the disclosure requirements related to an entity’s multiple-deliverable revenue arrangements. ASU 2009-13 must be prospectively applied to all revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, and early adoption is permitted. Entities may elect, but are not required, to adopt the amendments retrospectively for all periods presented. The Company expects to adopt the provisions of ASU 2009-13 on January 1, 2011 and does not believe that the adoption of this standard will have a material impact on the financial position, results of operations, or cash flows of the Company.

In December 2009, the FASB issued ASU 2009-17, Consolidations (Topic 810) — Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities. ASU 2009-17 replaces the quantitative-based risk and rewards calculation for determining which reporting entity, if any, has a controlling financial interest in a variable interest entity with an approach focused on identifying which reporting entity has the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance and (1) the obligation to absorb losses of the entity or (2) the right to receive benefits from the entity. An approach that is expected to be primarily qualitative will be more effective for identifying which reporting entity has a controlling financial interest in a variable interest entity. ASU 2009-17 also requires additional disclosures about a reporting entity's involvement in variable interest entities. The provisions of ASU 2009-17 are to be applied beginning in the first fiscal period beginning after November 15, 2009. The Company adopted ASU 2009-17 on January 1, 2010 and does not anticipate that the adoption of this standard will have a material effect on the financial position, results of operations, or cash flows of the Company.

In January 2010, the FASB issued ASU 2010-02, Consolidation (Topic 810) — Accounting and Reporting for Decreases in Ownership of a Subsidiary — A Scope Clarification. ASU 2010-02 clarifies that the scope of previous guidance in the accounting and disclosure requirements related to decreases in ownership of a subsidiary apply to (i) a subsidiary or a group of assets that is a business or nonprofit entity; (ii) a subsidiary that is a business or nonprofit entity that is transferred to an equity method investee or joint venture; and (iii) an exchange of a group of assets that constitutes a business or nonprofit activity for a noncontrolling interest in an entity. ASU 2010-02 also expands the disclosure requirements about deconsolidation of a subsidiary or derecognition of a group of assets to include (i) the valuation techniques used to measure the fair value of any retained investment; (ii) the nature of any continuing involvement with the subsidiary or entity acquiring a group of assets; and (iii) whether the transaction that resulted in the deconsolidation or derecognition was with a related party or whether the former subsidiary or entity acquiring the assets will become a related party after the transaction. The provisions of ASU 2010-02 will be effective for the first reporting period beginning after December 13, 2009. The Company adopted the provisions of ASU 2010-02 on January 1, 2010 and does not anticipate that the adoption of this standard will have a material impact on the financial position, results of operations, or cash flows of the Company.

In January 2010 the FASB issued ASU 2010-06, Fair Value Measurements and Disclosures (Topic 820) —Improving Disclosures About Fair Value Measurements. ASU 2010-06 clarifies the requirements for certain disclosures around fair value measurements and also requires registrants to provide certain additional disclosures about those measurements. The new disclosure requirements include (i) the significant amounts of transfers into and out of Level 1 and Level 2 fair value measurements during the period, along with the reason for those transfers, and (ii) separate presentation of information about purchases, sales, issuances and settlements of fair value measurements with significant unobservable inputs. ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009. The Company adopted the provisions of ASU 2010-06 on January 1, 2010 and does not anticipate that the adoption of this standard will have a material impact on the financial position, results of operations, or cash flows of the Company.

Subsequent Event

The Company evaluates subsequent events that have occurred after the consolidated balance sheet date but before the consolidated financial statements are issued. There are two types of subsequent events: (1) recognized, or those that provide additional evidence with respect to conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements, and (2) nonrecognized, or those that provide evidence with respect to conditions that did not exist at the date of the balance sheet but arose subsequent to that date. The Company has evaluated subsequent events, and based on this evaluation, the Company did not identify any recognized or nonrecognized subsequent events that would have required adjustments to the consolidated financial statements.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Item 4T. Controls and Procedures.

Disclosure Controls and Procedures

As required by Rule 15d-15 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), our management carried out an evaluation, with the participation and under the supervision of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2010. Disclosure controls and procedures refer to controls and other procedures designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating and implementing possible controls and procedures. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

Based upon this evaluation as of March 31, 2010, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures contained significant deficiencies and material weaknesses. Therefore, our management concluded that our disclosure controls and procedures were not effective. We believe that the deficiencies and weaknesses in our disclosure controls and procedures result from weaknesses in our internal control over financial reporting, which are described under Item 9A – “Controls and Procedures - Internal Control Over Financial Reporting” in the Company’s Amendment No. 2 to Annual Report on Form 10-K filed with the SEC on March 7, 2011.

Changes in Internal Control over Financial Reporting

During the quarter ended March 31, 2010, there was no change in our internal control over financial reporting that has materially affected, or that is reasonably likely to materially affect, our internal control over financial reporting.

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 Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 7, 2011

WUHAN GENERAL GROUP (CHINA), INC.

By: /s/ Qi Ruilong

Name: Qi Ruilong
Title: President and Chief Executive Officer
(principal executive officer and duly authorized officer)

By: /s/ Philip Lo

Name: Philip Lo
Title: Chief Financial Officer and Treasurer
(principal financial and accounting officer)

Exhibit Index

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