WASHINGTON TRUST BANCORP INC
Form 4
September 22, 2008

# FORM 4

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

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

OMB APPROVAL

| | |
|---|---|
| OMB Number: | 3235-0287 |
| Expires: | January 31, 2005 |
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(Print or Type Responses)

1. Name and Address of Reporting Person *
TREANOR JOHN F

(Last) (First) (Middle)

179 PRESERVATION WAY

(Street)

SOUTH KINGSTOWN, RI 02879

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
WASHINGTON TRUST BANCORP INC [WASH]

3. Date of Earliest Transaction (Month/Day/Year)
09/22/2008

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
President/Chief Oper. Officer

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

| 1.Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | | | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Indirect Beneficial Ownership (Instr. 4) |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Code | V | Amount | (A) or (D) | Price | | | |
| Common Stock | 09/22/2008 | | M | | 6,975 | A | $ 17.5 | 17,268 | D | |
| Common Stock | 09/22/2008 | | F | | 4,130 | D | $ 27.65 | 13,138 | D | |
| Common Stock | | | | | | | | 3,000 | I | Wife's Revocable Trust |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

**Persons who respond to the collection of information contained in this form are not required to respond unless the form**

SEC 1474 (9-02)

**displays a currently valid OMB control number.**

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned**
**(*e.g.*, puts, calls, warrants, options, convertible securities)**

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | | 6. Date Exercisable and Expiration Date (Month/Day/Year) | | 7. Title and Amount of Underlying Securities (Instr. 3 and 4) | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Code | V | (A) | (D) | Date Exercisable | Expiration Date | Title | Amount or Number of Shares |
| Phantom Stock | $ 0 | | | | | | | (1) | (1) | Common Stock | 610.244 |
| Stock Options (Right to buy) | $ 15.25 | | | | | | | 05/15/2000 | 05/15/2010 | Common Stock | 13,968 |
| Stock Options (Right to buy) | $ 16.375 | | | | | | | 04/01/1999 | 04/01/2009 | Common Stock | 12,122 |
| Stock Options (Right to buy) | $ 17.8 | | | | | | | 04/23/2001 | 04/23/2011 | Common Stock | 16,000 |
| Stock Options (Right to buy) | $ 20 | | | | | | | 05/12/2004 | 05/12/2013 | Common Stock | 16,565 |
| Stock Options (Right to buy) | $ 20.03 | | | | | | | 04/22/2002 | 04/22/2012 | Common Stock | 11,605 |
| Stock Options (Right to buy) | $ 17.5 | 09/22/2008 | | M | | | 6,975 | 05/17/1999 | 05/17/2009 | Common Stock | 6,975 |

# Reporting Owners

| Reporting Owner Name / Address | Relationships |
|---|---|

| | Director | 10% Owner | Officer | Other |
|---|---|---|---|---|
| TREANOR JOHN F<br>179 PRESERVATION WAY<br>SOUTH KINGSTOWN, RI 02879 | X | | President/Chief Oper. Officer | |

# Signatures

| | |
|---|---|
| David V. Devault EVP, Secretary, Treasurer, CFO-POA | 09/22/2008 |
| **Signature of Reporting Person | Date |

# Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The phantom stock units were accrued under The Washington Trust Company's deferred compensation plan and are to be settled in cash and/or common stock upon the reporting person's elections at the time of payment. The conversion of the derivative security is 1 for 1.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. "> 2,670,982 Wuhan Generating Bank Loans Agricultural Bank of China 5/27/2013 7.872% 3,641,487 Wuhan Generating Bank Loans Agricultural Bank of China 7/16/2013 7.872% 2,691,534 - Wuhan Generating Bank Loans Agricultural Bank of China 8/18/2013 7.872% 3,166,511 Wuhan Generating Bank Loans Shenzhen Development Bank 6/2/2012 7.57% - 4,713,498 Wuhan Generating Bank Loans Shenzhen Development Bank 3/12/2012 6.10% - 3,142,331 Wuhan Generating Bank Loans Shenzhen Development Bank 6/5/2013 7.38% 4,749,766 - Wuhan Generating Bank Loans Wuhan Dong Xi Hu District Wu Yi Petty Loan Co., Ltd. N/A N/A 2,374,883 - Total $96,980,731 $80,412,274

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**Wuhan General Group (China), Inc.**

**As of December 31, 2012 and 2011**

**Notes to Financial Statements**

**(Stated in US Dollars)**

| | | | | | | |
|---|---|---|---|---|---|---|
| Notes Payable | | | | | | |
| Wuhan Blower | Notes Payable | Hankou Bank | 4/15/2013 | - | 1,583,255 | - |
| Wuhan Blower | Notes Payable | Hankou Bank | 4/19/2013 | - | 2,216,558 | - |
| Wuhan Blower | Notes Payable | Hankou Bank | 6/6/2013 | - | 4,749,766 | - |
| Wuhan Blower | Notes Payable | Hankou Bank | 6/10/2013 | - | 3,324,837 | - |
| Wuhan Blower | Notes Payable | Hankou Bank | 1/11/2012 | - | - | 2,670,982 |
| Wuhan Blower | Notes Payable | Hankou Bank | 2/5/2012 | - | - | 4,713,498 |
| Wuhan Blower | Notes Payable | Hankou Bank | 4/7/2012 | - | - | 4,713,498 |
| Wuhan Blower | Notes Payable | Hankou Bank | 6/8/2012 | - | - | 11,312,395 |
| Wuhan Blower | Notes Payable | Shenzhen Development Bank | 5/6/2013 | - | 158,326 | - |
| Wuhan Blower | Notes Payable | Shenzhen Development Bank | 8/2/2013 | - | 3,166,511 | - |
| Wuhan Blower | Notes Payable | Shenzhen Development Bank | 1/1/2012 | - | - | 442,211 |
| Wuhan Blower | Notes Payable | Shenzhen Development Bank | 2/2/2012 | - | - | 452,316 |
| Wuhan Blower | Notes Payable | Shenzhen Development Bank | 3/19/2012 | - | - | 693,970 |
| Wuhan Blower | Notes Payable | Shenzhen Development Bank | 3/12/2012 | - | - | 180,383 |
| Wuhan Blower | Notes Payable | Shenzhen Development Bank | 6/10/2012 | - | - | 384,815 |
| Wuhan Blower | Notes Payable | Shenzhen Development Bank | 6/12/2012 | - | - | 535,451 |
| Wuhan Blower | Notes Payable | Shenzhen Development Bank | 2/18/2012 | - | - | 227,176 |
| Wuhan Blower | Notes Payable | Shenzhen Development Bank | 8/6/2012 | - | - | - |
| Wuhan Generating | Notes Payable | Hankou Bank | 6/13/2013 | - | 759,963 | |
| Wuhan Generating | Notes Payable | Hankou Bank | 1/23/2013 | - | 316,651 | |
| Wuhan Generating | Notes Payable | Hankou Bank | 6/19/2012 | - | - | 7,227,364 |
| Wuhan Generating | Notes Payable | Hankou Bank | 12/21/2012 | - | | - |
| Wuhan Generating | Notes Payable | Industrial Bank Co., Ltd. | 10/13/2012 | - | | - |
| Wuhan Generating | Notes Payable | Industrial Bank Co., Ltd. | 10/18/2012 | - | | - |
| Wuhan Generating | Notes Payable | Shenzhen Development Bank | 12/5/2012 | - | | - |
| Wuhan Generating | Notes Payable | Agricultural Bank of China | 12/21/2012 | - | 5,541,393 | - |
| Total | | | | | $21,817,260 | $33,554,059 |
| Total Short Term Bank Loans and Notes | | | | | $118,799,991 | $113,966,333 |

Banking facilities extended by the Hankou Bank were secured by the Company’s and Wuhan Sungreen’s mortgage of real property and Hubei Di Long Industrial Group’s mortgage of real property in 2011 and 2012.

The loan from Wuhan Jiang Han District Fu Bang Petty Loan Co., Ltd was guaranteed by Wuhan Generating's equity pledge, and guaranteed by Wuhan Generating, Wuhan Sungreen and Jie Xu.

Wuhan Blower's loan from Agricultural Bank of China is secured by the Company's real property and the Company's equity interest in Wuhan Generating. To add further credit enhancements, Hubei Zhongzhou Investment Company and Hubei Huaguang International Trade Co., Ltd. have guaranteed this loan, too.

Wuhan Generating's loan from Agricultural Bank of China is secured by Hubei Libang Investment and Guaranty Co., Ltd, and Hubei Huaguang International Trade Co., Ltd.

Wuhan Generating's loans from Shenzhen Development Bank and Industrial Bank Co., Ltd are guaranteed by Jie Xu, Hongsheng Xu, and Wuhan Blower.

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**Wuhan General Group (China), Inc.**

**As of December 31, 2012 and 2011**

**Notes to Financial Statements**

**(Stated in US Dollars)**

Banking facilities extended by the Agricultural Bank of China were secured by the Company's mortgage of real property.

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.

As of December 31, 2012, there were no bank loans associated with the discontinued operations.

## 13. WARRANTY LIABILITY

Warranty liability is accrued and carried on the balance sheet as a component of 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 years ended December 31, 2012 and 2011:

| | December 31, 2012 | December 31, 2011 |
|---|---|---|
| Balance at beginning of period | $ 1,012,771 | $ 1,937,227 |
| Adjustment | | |
| Accruals for current & pre-existing warranties issued during period | 1,629,917 | 38,947 |
| *Less*: Settlements made during period | (215,918 ) | - |

| | | |
|---|---|---|
| Less: Reversals and warranty expirations | (661,115 ) | (963,404 ) |
| Balance at end of period | $ 1,765,655 | $ 1,012,771 |

There was no outstanding warranty liability for discontinued operations.

**14. CAPITALIZATION**

The Company's outstanding securities at December 31, 2012 are shown in the following table:

| Type of Security | Issue Quantity | Issuance Date | Expiration Date |
|---|---|---|---|
| Common Stock | 32,505,000 | N/A | N/A |
| Series A Preferred | 6,241,453 | 02/07/2007 | N/A |
| Series B Preferred | 6,354,078 | 09/05/2009 | N/A |
| Options Issued to Directors | 40,000 | 11/30/2007 | 11/30/2017 |
| Options Issued to Directors | 40,000 | 01/02/2008 | 01/02/2018 |
| Options Issued to Directors | 160,000 | 03/10/2010 | 03/10/2020 |
| Total Shares on Fully Diluted Basis | 45,340,531 | | |

*Series A Convertible Preferred Stock*

The Series A Convertible Preferred Stock, par value $0.0001 per share(the "Series A Preferred Stock") is convertible into shares of the Company's common stock on a one-for-one basis. Holders of Series APreferred 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 Series A 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 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 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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**Wuhan General Group (China), Inc.**

**As of December 31, 2012 and 2011**

**Notes to Financial Statements**

**(Stated in US Dollars)**

*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 Preferred Stock. 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. In 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 Bridge House 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.

**Wuhan General Group (China), Inc.**

**As of December 31, 2012 and 2011**

**Notes to Financial Statements**

**(Stated in US Dollars)**

*Warrant Recapitalization*

On December 13, 2010, the Company entered into a series of agreements designed to reduce the overhang of the Company's Series A, B, C, AA, BB and JJ warrants and to simplify the Company's capital structure.

With respect to the Series A and Series B warrants, each Series A and Series B warrant holder was given the option to (i) sell all or part of such holder's warrant to Fame Good International Limited, the Company's controlling stockholder ("Fame Good"), for $0.50 per share of warrant stock pursuant to a Warrant Purchase Agreement entered into by and among the Company, Fame Good and certain warrant holders (the "Warrant Purchase Agreement") and/or (ii) exchange all or part of such holder's warrant for the issuance by the Company of 0.5 shares of the Company's common stock, par value $0.0001 per share, per share of warrant stock pursuant to a Warrant Exchange Agreement entered into by and among the Company and certain warrant holders (the "Series A and B Warrant Exchange Agreement"). The director and controlling stockholder of Fame Good is Mr. Jie Xu, who currently serves as the Chairman of the Company.

The Series A and Series B warrant holders sold warrants to purchase an aggregate of 3,913,905 shares of common stock to Fame Good under the Warrant Purchase Agreement and exchanged warrants to purchase an aggregate of 9,865,222 shares of common stock with the Company under the Series A and B Warrant Exchange Agreement. The warrant purchase closed on December 13, 2010, and the warrant exchange with the Series A and Series B warrant holders, other than Fame Good, closed on the same date. In total, the Company issued 4,932,609 shares of common stock in connection with the recapitalization of the Series A and Series B warrants. This amount includes 1,956,952 shares of common stock issued to Fame Good upon the exchange of the warrants that it purchased from certain Series A and B warrant holders. The Company closed on the warrant exchange with Fame Good on January 21, 2011.

With respect to its Series C, AA, BB and JJ warrants, the Company entered into a Warrant Exchange Agreement with Fame Good and all of the Series C, AA, BB and JJ warrant holders (the "Series C, AA, BB and JJ Warrant Exchange Agreement") pursuant to which the Company exchanged all of the outstanding Series C, AA, BB and JJ warrants for the issuance by the Company of (i) 1.372921615 shares of the Company's common stock per share of Series C warrant stock; (ii) 0.8203 shares of the Company's common stock per share of Series AA and Series BB warrant stock; and (iii)

0.8288 shares of the Company's common stock per share of Series JJ warrant stock. The Company closed on the warrant exchange with the Series C, AA, BB and JJ warrant holders on January 21, 2011. The Company issued 2,220,456 shares of common stock to the Series C, AA, BB and JJ warrant holders at this closing.

Upon completion of the warrant recapitalization on January 21, 2011, the Company had 32,505,000 shares of common stock outstanding. After the completion of the transactions, the Company had one Series A warrant outstanding representing the right to purchase 128,755 shares of the Company's common stock. The Company no longer has any Series B, C, AA, BB or JJ warrants outstanding.

**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 the Company's registered Paid-in capital. The Company had future unfunded commitments, as provided below. As the results of operations for the year ended December 31, 2012 and 2011 were loss, no appropriation was made to statutory reserve.

| | December 31, 2012 | December 31, 2011 |
|---|---|---|
| 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 | (4,563,592 ) | (4,563,592 ) |
| Unfunded Commitment | $ 21,724,036 | $ 21,724,036 |

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**Wuhan General Group (China), Inc.**

**As of December 31, 2012 and 2011**

**Notes to Financial Statements**

**(Stated in US Dollars)**

## 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.

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 years ended December 31, 2010 and 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 expects the tax rates to remain the same in 2011.

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:

| | December 31, 2012 | December 31, 2011 |
|---|---|---|
| Income (loss) before taxes: | | |
| US Federal | $ (154,931) | $ (10,473,430) |
| US State | - | - |
| BVI | (1,307) | (6,081) |
| PRC | (9,507,420) | 9,151,937 |
| Total income from continuing operations | (9,663,658) | (1,327,574) |

| | | |
|---|---|---|
| Income (Loss) from discontinued operation, net of taxes | (713,766) | (637,376) |
| Total income before taxes | $ (10,377,424) | $ (1,964,950) |
| | | |
| Provision for taxes: | | |
| Current: | | |
| U.S. Federal | $ - | $ - |
| U.S. State | - | - |
| BVI | - | - |
| PRC | 232,707 | 1,606,043 |
| Provision for taxes from continuing operations | 232,707 | 1,606,043 |
| | | |
| Provision for taxes from discontinued operations | - | - |
| | | |
| Currency effect | - | - |
| | $ 232,707 | $ 1,606,043 |
| | | |
| Deferred: | | |
| U.S. Federal | $ - | $ - |
| U.S. State | - | - |
| BVI | - | - |
| PRC | (20,422) | - |
| Deferred taxes from continuing operations | (20,422) | - |
| Total provision for taxes from continuing operations | 212,285 | 1,606,043 |
| | | |
| Deferred taxes from discontinued operations | - | 288,942 |
| Currency effect | - | - |
| Total provision for taxes from discontinued operations | - | 288,942 |
| | | |
| Total provision for taxes | $ 212,285 | $ 1,894,985 |
| Effective tax rate | N/A | N/A |

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**Wuhan General Group (China), Inc.**

**As of December 31, 2012 and 2011**

**Notes to Financial Statements**

**(Stated in US Dollars)**

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 December 31, 2012 and 2011 are as follows:

| | December 31, 2012 | December 31, 2011 |
|---|---|---|
| Deferred tax assets | | |
| Beginning balance – continuing operations | $ 1,238,831 | $ 1,192,532 |
| Current year additions resulting bad debt expense & warranty accrual expense – continuing operations | 1,075,186 | - |
| Reversals – continuing operations | (589,762) | - |
| Valuation allowance – continuing operations | - | - |
| Foreign currency effect – continuing operations | 9,532 | 46,299 |
| Ending balance – continuing operations | 1,733,787 | 1,238,831 |
| | | |
| Beginning balance – discontinued operations | - | 282,898 |
| Current year additions resulting bad debt expense & warranty accrual expense – discontinued operations | - | - |
| Reversals – discontinued operations | - | - |
| Valuation allowance – discontinued operations | - | (288,942) |
| Foreign currency effect – discontinued operations | - | 6,044 |
| Ending balance – discontinued operations | - | - |
| | | |
| Beginning balance – continuing operations | $ 1,238,831 | $ 1,192,532 |
| Beginning balance – discontinued operations | - | 282,898 |
| Beginning balance | 1,238,831 | 1,475,430 |
| | | |
| Ending balance – continuing operations | 1,733,787 | 1,238,831 |
| Ending balance – discontinued operations | - | - |
| Ending balance | 1,733,787 | 1,238,831 |
| | | |
| Total deferred tax assets | 1,733,787 | 1,238,831 |
| Deferred tax liabilities | | |
| Total deferred tax liabilities | - | - |
| Net deferred tax assets | $ 1,733,787 | $ 1,238,831 |
| Reported as: | | |
| Current deferred tax assets | 1,733,787 | 1,238,831 |

| | | |
|---|---|---|
| Non-current deferred tax assets | - | - |
| Non-current deferred tax liabilities | - | - |
| Net deferred taxes | $ 1,733,787 | $ 1,238,831 |

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**Wuhan General Group (China), Inc.**

**As of December 31, 2012 and 2011**

**Notes to Financial Statements**

**(Stated in US Dollars)**

**17. EARNINGS PER SHARE**

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

| | 12 months ended December 31, 2012 | 12 months ended December 31, 2011 |
|---|---|---|
| Basic Earnings Per Share Numeratorc | | |
| Net Loss | $ (10,589,709 ) | $ (3,859,935 ) |
| Loss from Continuing Operations | (9,875,943 ) | (2,933,617 ) |
| Loss from Discontinued Operations | (713,766 ) | (926,318 ) |
| Less: | | |
| Preferred Dividends | 729,130 | 727,128 |
| Series A Constructive Preferred Dividend | - | - |
| Series B Constructive Preferred Dividend | - | - |
| Loss Available to Common Stockholders | (11,318,839 ) | (4,587,063 ) |
| Loss from Continuing Operations Available to Common Stockholders | (10,605,073 ) | (3,660,745 ) |
| Loss from Discontinued Operations Available to Common Stockholders | (713,766 ) | (926,318 ) |
| | | |
| Diluted Earnings Per Share Numerator | | |
| Loss Available to Common Stockholders | $ (11,318,839 ) | $ (4,587,063 ) |
| Loss from Continuing Operations Available to Common Stockholders | (10,605,073 ) | (3,660,745 ) |
| Loss from Discontinued Operations Available to Common Stockholders | (713,766 ) | (926,318 ) |
| Add: | | |
| Constructive Preferred Dividends | - | - |
| Preferred Dividends | 729,130 | 727,128 |
| Loss Available to Common Stockholders on Converted Basis | $ (10,589,709 ) | $ (3,859,935 ) |
| Loss from Continuing Operations Available to Common Stockholders on Converted Basis | (9,875,943 ) | (2,933,617 ) |
| Loss from Discontinued Operations Available to Common Stockholders on Converted Basis | (713,766 ) | (926,318 ) |
| | | |
| Original Shares: | | |
| Additions from Actual Events | | |

| | | |
|---|---|---|
| - Issuance of Common Stock | 32,505,000 | 28,327,607 |
| - 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 | - | 3,937,050 |
| - Issuance of Penalty Shares | - | - |
| Basic Weighted Average Shares Outstanding | 32,505,000 | 32,264,657 |
| | | |
| Dilutive Shares: | | |
| Additions from Potential Events | | |
| - Conversion of Series A Preferred Stock* | - | - |
| - Conversion of Series B Preferred Stock | - | - |
| - Exercise of Investor Warrants & Placement Agent Warrants | - | - |
| - Exercise of Employee & Director Stock Options | - | - |
| Diluted Weighted Average Shares Outstanding: | 32,505,000 | 32,264,657 |
| | | |
| Earnings Per Share | | |
| Basic-Net Income (Loss) | $(0.35) | $(0.14) |
| -Income (Loss) from Continuing Operations | (0.33) | (0.11) |
| -Income (Loss) from Discontinued Operations, net of taxes | (0.02) | (0.03) |
| Diluted-Net Income (Loss) | $(0.33) | $(0.14) |
| -Income (Loss) from Continuing Operations | (0.30) | (0.11) |
| -Income (Loss) from Discontinued Operations, net of taxes | (0.02) | (0.03) |
| | | |
| Weighted Average Shares Outstanding | | |
| - Basic | 32,505,000 | 32,264,657 |
| - Diluted | 32,505,000 | 32,264,657 |

** Potentially anti-dilutive*

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**Wuhan General Group (China), Inc.**

**As of December 31, 2012 and 2011**

**Notes to Financial Statements**

**(Stated in US Dollars)**

## 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 years ended December 31, 2012 and 2011, and financial position at December 31, 2012 and 2011. The Company has also provided reconciling adjustments with the Company and its intermediate holding company, UFG.

| Results of Operations | Continuing Operations | | | | Discontinued Operations |
|---|---|---|---|---|---|
| For year ended December 31, 2012 | Wuhan Blower | Wuhan Generating | Company, UFG, Adjustments | Total | Wuhan Sungreen |
| Sales | $45,059,999 | 35,316,749 | - | 80,376,748 | 152,946 |
| Cost of Sales | 35,480,907 | 30,354,291 | - | 65,835,198 | 127,379 |
| Gross Profit | 9,579,092 | 4,962,458 | - | 14,541,550 | 25,567 |
| Operating Expenses | 10,730,334 | 5,855,114 | 181,262 | 16,766,710 | 759,261 |
| Other Income (Expenses) | (3,377,664 ) | (4,085,858 ) | 25,024 | (7,438,498 ) | 19,928 |
| Earnings before Taxes | (4,528,906 ) | (4,978,514 ) | (156,238 ) | (9,663,658 ) | (713,766 ) |
| Taxes | 63,711 | 148,574 | - | 212,285 | - |
| Net Income | $(4,592,617 ) | (5,127,088 ) | (156,238 ) | (9,975,943 ) | (713,766 ) |

| Financial Position | Continuing Operations | | | Discontinued Operations |
|---|---|---|---|---|
| At December 31, 2012 | Wuhan | Wuhan | Company, UFG, | Wuhan |

| | Blower | Generating | Adjustments | Total | Sungreen |
|---|---|---|---|---|---|
| Current Assets | $129,836,606 | 79,226,047 | (12,392,741) | 196,669,912 | 7,904,742 |
| Non Current Assets | 52,472,135 | 47,341,415 | (35,193,366) | 64,620,184 | 24,561,260 |
| Total Assets | 182,308,741 | 126,567,462 | (47,586,107) | 261,290,096 | 32,466,002 |
| | | | | | |
| Current Liabilities | 97,668,765 | 78,358,254 | (5,047,899) | 170,979,120 | 8,270,165 |
| Total Long Term Liabilities | - | - | - | - | - |
| Total Liabilities | 97,668,765 | 78,358,254 | (5,047,899) | 170,979,120 | 8,270,165 |
| | | | | | |
| Net Assets | 84,639,976 | 48,209,208 | (42,538,208) | 90,310,976 | 24,195,837 |
| | | | | | |
| Total Liabilities & Net Assets | $182,308,741 | 126,567,462 | (47,586,107) | 261,290,096 | 32,466,002 |

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**Wuhan General Group (China), Inc.**

**As of December 31, 2012 and 2011**

**Notes to Financial Statements**

**(Stated in US Dollars)**

| Results of Operations | Continuing Operations | | | | Discontinued Operations |
|---|---|---|---|---|---|
| For year ended December 31, 2011 | Wuhan Blower | Wuhan Generating | Company, UFG, Adjustments | Total | Wuhan Sungreen |
| Sales | $67,113,353 | $60,389,370 | $- | $127,502,723 | $ 705,894 |
| Cost of Sales | 51,578,237 | 46,098,194 | - | 97,676,431 | 516,033 |
| Gross Profit | 15,535,116 | 14,291,176 | - | 29,826,292 | 189,861 |
| Operating Expenses | 8,968,536 | 4,201,209 | 7,201,634 | 20,371,379 | 679,218 |
| Other Income (Expenses) | (3,230,328 ) | (4,096,899 ) | (3,455,260 ) | (10,782,487 ) | (148,019 ) |
| Earnings before Taxes | 3,336,252 | 5,993,068 | (10,656,894) | (1,327,574 ) | (637,376 ) |
| Taxes | 505,984 | 1,100,059 | - | 1,606,043 | 288,942 |
| Net Income | $2,830,268 | $4,893,009 | $(10,656,894) | $(2,933,617 ) | $ (926,318 ) |

| Financial Position | Continuing Operations | | | | Discontinued Operations |
|---|---|---|---|---|---|
| At December 31, 2011 | Wuhan Blower | Wuhan Generating | Company, UFG, Adjustments | Total | Wuhan Sungreen |
| Current Assets | $127,051,429 | $79,795,002 | $(13,471,000) | $193,375,431 | $2,223,395 |
| Non Current Assets | 50,213,959 | 37,003,930 | (34,917,387) | 52,300,502 | 24,672,213 |
| Total Assets | 177,265,388 | 116,798,932 | (48,388,387) | 245,675,933 | 26,895,608 |
| Current Liabilities | 88,711,466 | 57,817,910 | 1,016,845 | 147,546,220 | 1,087,096 |
| Total Long Term Liabilities | - | 6,048,989 | - | 6,048,989 | - |
| Total Liabilities | 88,711,466 | 63,866,899 | 1,016,845 | 153,595,209 | 1,087,096 |
| Net Assets | 88,553,922 | 52,932,034 | (49,405,232) | 92,080,724 | 25,808,512 |
| Total Liabilities & Net Assets | $177,265,388 | $116,798,932 | $(48,388,387) | $245,675,933 | $26,895,608 |

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. The 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 the operating segments and thus any allocation of these costs would be discretionary and may misrepresent the performance of the Company’s operating segments. Intercompany eliminations have not been applied to each individual operating segment for the purposes of reporting the results of operations and the financial position of each operating segment. The adjustments represent the eliminations necessary to consolidate the financial statements. See Note 2(*b)*- Consolidation.

**Wuhan General Group (China), Inc.**

**As of December 31, 2012 and 2011**

**Notes to Financial Statements**

**(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 years ended December 31, 2012 and 2011, the Company recorded$ 0 and $4,555of stock compensation expense, respectively. All stock option compensation expenses were recorded as a component of general and administrative expenses given the nature of the work contribution of the grantees.

The range of the exercise prices of the outstanding stock options at December 31, 2012 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.

The Company used the Black-Scholes Model to value the options granted. The following table shows the weighted average fair value of the grants as of December 31, 2012 and 2011,and the assumptions that were employed in the model:

| | December 31, 2012 | | December 31, 2011 | |
|---|---|---|---|---|
| Weighted-average fair value of grants: | $ 0.25 | | $ 0.27 | |
| Risk-free interest rate: | 3.47 | % | 3.47 | % |
| Expected volatility: | 2.21 | % | 2.21 | % |
| Expected life in months: | 111.00 | | 111.00 | |

**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 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.

**21. DISCONTINUED OPERATIONS**

In order to improve its cash flows from operations and working capital, the Company decided to redeploy its capital to meet requirements of its business plan. On December 29, 2010, the Company classified its subsidiary Wuhan Sungreen as a discontinued operation. Accordingly, Wuhan Sungreen's operations have been classified as discontinued operations in the consolidated statements of income and cash flows and the assets and associated liabilities have been classified as held for sale in the consolidated balance sheets. The Company review edits Wuhan Sungreen assets and plans to sell these assets for approximately $20 million before 2012.Proceeds from the sales of Wuhan Sungreen assets will be used for working capital for Wuhan Blower and Wuhan Generating and potentially purchasing of equipment.

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**Wuhan General Group (China), Inc.**

**As of December 31, 2012 and 2011**

**Notes to Financial Statements**

**(Stated in US Dollars)**

In accordance with SFAS No. 144 (ASC 360-10), “Accounting for the Impairment or Disposal of Long-lived Assets” (“SFAS 144”), the results of Wuhan Sungreen operations have been excluded from continuing operations and reported as discontinued operations for the current and prior periods. Furthermore, the assets of Wuhan Sungreen have been reclassified as held for sale in the Balance Sheet for prior periods. On December 29, 2010, the Company assessed its long-lived assets in Wuhan Sungreen based on the best estimation per the revenue guidance and current profit gross margin and determined that no write-down is necessary because undiscounted cash flow is substantially more than the carrying values of the assets.

The following table summarizes the amounts included in income/(loss) from discontinued operations for all periods presented. These revenues and expenses were historically reported under Wuhan Sungreen operating segment, and are now reported in discontinued operations:

| Discontinued Operations<br>For the year ended | 12/31/2012<br>Wuhan<br>Sungreen | 12/31/2011<br>Wuhan<br>Sungreen |
|---|---|---|
| Sales | $ 152,946 | $ 705,894 |
| Cost of Sales | 127,379 | 516,033 |
| Gross Profit | 25,567 | 189,861 |
| Operating Expenses | 759,261 | 679,218 |
| Other Income (Expenses) | 19,928 | (148,019 ) |
| Earnings before Taxes | (713,766 ) | (637,376 ) |
| Deferred tax expense/(benefit) | - | 288,942 |
| Net Income (Loss) | $ (713,766 ) | $ (926,318 ) |

The following table summarizes the amounts included in financial position from discontinued operations for all periods presented. These amounts included in financial position were historically reported under Wuhan Sungreen operating segment, and are now reported in discontinued operations:

| Financial Position At | December 31, 2012 Wuhan Sungreen | December 31, 2011 Wuhan Sungreen |
|---|---|---|
| Current Assets | $ 729,294 | $ 2,223,395 |
| Non Current Assets | 24,561,260 | 24,672,213 |
| Total Assets | 25,290,554 | 26,895,608 |
| | | |
| Current Liabilities | 8,270,165 | 1,401,330 |
| Total Long Term Liabilities | - | - |
| Total Liabilities | 8,270,165 | 1,401,330 |
| | | |
| Net Assets | 17,020,389 | 25,494,278 |
| | | |
| Total Liabilities & Net Assets | $ 25,290,554 | $ 26,895,608 |

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**Wuhan General Group (China), Inc.**

**As of December 31, 2012 and 2011**

**Notes to Financial Statements**

**(Stated in US Dollars)**

The tax effects of temporary differences caused the deferred assets/(liabilities) associated with assets held for sale at December 31, 2012 and 2011 are as follows:

| | 12/31/2012 | 12/31/2011 |
|---|---|---|
| Non-current deferred tax assets | $- | $- |
| Loss carryover items net of valuation allowance | - | - |
| Total deferred tax assets | - | - |
| Non-current deferred tax liabilities | - | - |
| Total deferred tax liabilities | - | - |
| Net deferred tax assets | $- | $- |

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.**

None.

**Item 9A. 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 has 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 December 31,2012. 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 December 31, 2012, 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 is described below.

**Internal Control over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that:

(i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”), and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting cannot provide absolute assurance of preventing and detecting misstatements on a timely basis. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures.

Management of the Company, including the Company’s Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the Company’s internal control over financial reporting as of December 31, 2012. In making this evaluation, management used the criteria set forth in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). Based on this evaluation, we concluded that we had material weaknesses in our internal control over financial reporting as of December 31, 2012. The following is a description of each deficiency or weakness with respect to our internal control over financial reporting identified in connection with the management evaluation and the remediation initiatives that we have implemented or intend to implement in the near future.

1) The internal audit department of the Company lacks sufficient resources to effectively perform its roles in connection with its accounting oversight and risk assessment functions.

*Remediation Initiative*

We plan to increase the resources available to our internal audit department in order to improve the performance and accuracy of our internal audits. Specifically, we plan to hire more staff for the internal audit department to make sure that the department has enough resources to effectively perform its role within the Company. The department will take direction from, and report directly to, the Chairman of the Audit Committee.

2) Wuhan Generating does not have a written Code of Conduct or any other corporate policy guidelines that are or have been made available to its employees.

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*Remediation Initiative*

Wuhan Generating will establish a written Code of Conduct and other key corporate policy guidelines. These written policies will be maintained in our human resources department and made available to employees through the use of employee handbooks.

3) The human resources organizational chart for Wuhan Blower has not been updated to reflect changes to personnel and duties. An updated organizational chart is needed to ensure that employees perform assigned tasks efficiently.

*Remediation Initiative*

Our human resource department will update the organizational chart in order to ensure the duties of each position are clearly stated.

4) The current accounting staff lacks sufficient depth, skill and experience with U.S. GAAP reporting.

*Remediation Initiative*

We are seeking additional accountants experienced in several key areas of accounting, including persons with experience in U.S. GAAP and SEC financial reporting requirements. We will continue to provide training to our accounting staff regarding U.S. GAAP reconciliation and disclosures in financial reports.

5) The financial reporting and treasury functions of the Company are currently being performed by the same department and need to be segregated in order to ensure that each function receives the proper level of attention and supervision required.

*Remediation Initiative*

The Company is in the process of hiring additional, senior management level staff to assist in the oversight of the Company's accounting and financial reporting functions. We expect that the Company's accounting and financial reporting responsibilities will be separated from its treasury functions as soon as the appropriate management team member has been hired.

6) The policies and procedures regarding the proper handling of scrap materials are not well documented and are not uniformly implemented or enforced. Also, the policies and procedures regarding the warehouse for work in progress and the corresponding books and records for the work in progress are not uniformly documented which may cause material misstatements of the inventory of Wuhan Blower and Wuhan Generating.

*Remediation Initiative*

Wuhan Blower and Wuhan Generating will establish written policies that carefully describe the Company's policies and procedures with respect to the handling of scrap materials. Each company's financial department will be responsible for updating these policies and monitoring compliance therewith. Further, we intend to enhance our system of record keeping for work in progress and establish an additional warehouse recording system.

7) The financial departments of Wuhan Blower and Wuhan Generating have not closed the respective books and records of those companies in a manner such that they may be relied upon as complete and accurate records. Also, the Company cashier has not properly kept signed records of cash counting and bank reconciliations. Furthermore, the monthly reviews of the Company's financial statements have not been properly signed and documented by the appropriate supervising manager.

*Remediation Initiative*

We plan to establish a more formal procedure with respect to the closing of books to ensure the completeness and timeliness of records. We will also expand and enhance the role of our financial managers' supervision to monitor compliance with these controls and procedures.

8) Wuhan Blower and Wuhan Generating do not systematically maintain records of their new and existing customers. This prevents the Company from properly managing its client relations and accounts.

*Remediation Initiative*

We plan to create a comprehensive customer evaluation form and a document retention policy to ensure that customer information is maintained and updated in a secure database. The evaluation form will allow the Company to collect information on its customers, including information on the customer's business background and credit worthiness.

9) Wuhan Blower does not maintain records of its business with its customers. This prevents the Company from effectively managing its customer accounts.

*Remediation Initiative*

We are implementing an account statement record system that will maintain documented records of customer orders, deliveries and account balances. This will allow the Company to better manage its customer accounts going forward including accounts receivable.

10) The responsibilities for the preparation of vouchers and entry review of fixed asset accounting entries are not segregated. Also, the verification records of additional assets may not be provided for counter checking for invoices and acquisition requests.

*Remediation Initiative*

We plan to segregate the responsibilities of voucher preparation and entry review to maintain better controls in these two areas. We also intend to strengthen our information technology systems to better assist in the maintenance of these controls. The internal audit department will be primarily responsible for carrying out these reviews and ensuring the accuracy and correctness of the entries.

Because material weaknesses exist, management concluded that the Company's internal control over financial reporting as of December 31, 2012 was not effective.

This Annual Report on Form 10-K does not include an attestation report of the Company’s independent registered public accounting firm regarding internal control over financial reporting. Management’s report was not subject to attestation by the Company’s registered public accounting firm pursuant to the rules of the SEC that permit the Company to provide only management’s report in this Annual Report on Form 10-K.

**Changes in Internal Control over Financial Reporting**

During the quarter ended December 31, 2012, the Company had no significant changes to its internal control over financial reporting that have materially affected, or that are reasonably likely to materially affect, its internal control over financial reporting.

**Item 9B. Other Information.**

None.

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**PART III**

**Item 10. Directors, Executive Officers and Corporate Governance.**

**Executive Officers and Directors**

The following table sets forth our executive officers and directors, their ages as of April 11, 2013 and the positions held by them:

| Name | Age | Position |
|---|---|---|
| Qi Ruilong | 50 | Chief Executive Officer, President, Secretary and Director |
| Carol Pan | 29 | Principal Accounting Officer and Treasurer |
| Ge Zengke | 58 | General Manager |
| Huang Zhaoqi | 50 | Vice General Manager (Turbine) and Director |
| Chen Juntao | 34 | Vice President and Vice General Manager (Blower) |
| Xu Jie | 51 | Chairman of the Board |
| Shi Yu | 42 | Director |
| Zheng Qingsong | 39 | Director |
| Yaojun (Larry) Liu | 36 | Director |

*Qi Ruilong,* age 50, Chief Executive Officer, President, Secretary and Director of the Company.  Mr. Qi has served as Chief Executive Officer, President, Secretary and director since April 2010.  Mr. Qi has more than 14 years of experience serving as Chief Executive Officer and a senior manager at several multi-million dollar manufacturing organizations in China.  From May 2005 to April 2010, Mr. Qi served as the Chairman and Chief Executive Officer of Zhong Xin Guo Lian Investment LLC, an investment and asset management company based in Beijing, China. From December 2000 to September 2004, Mr. Qi served as Chief Executive Officer of Wuhan Li Nuo Solar Energy LLC, which mainly produces solar thermal conversion materials and solar photovoltaic generation materials. From December 1997 to December 2000, Mr. Qi was employed as the Chief Executive Officer and Vice President of Wuhan Cable (Group) LLC, which was the predecessor company of China Aerospace Times Electronics Co., Ltd. Mr. Qi also served as Vice President of Tian Jing New Giant International Trade LLC from April 1996 to August 1997 and as Manager of China Mechanical Equipment LLC from July 1986 to March 1996. Mr. Qi received a Bachelor's Degree of Science in mechanical engineering from Tsinghua University in 1986.  As Chief Executive Officer of the Company, Mr. Qi provides the Board with an intimate understanding of the Company's operations and industry.

*Carol Pan*, age 29, Principal Accounting Officer and Treasurer of the Company.  Ms. Pan has served as Principal Accounting Officer and Treasurer of the Company since January 2012.  Ms. Pan brings to the Company financial and accounting experience. She has served as the assistant to the CFO in the Company since August 2010. Prior to joining the Company, Ms. Pan was the Finance Deputy Supervisor and Partial GL accountant for Viewsonic, LTD from March 2008 through August 2010. From July 2005 through January 2008, Ms. Pan was the financial division cost accountant for TCC (yingde) Cement Company Limited. Ms. Pan is fluent in English and Mandarin and received bachelor degrees in Law, Accounting and Business Administration from the Wuhan University of Technology in 2005.

*Ge Zengke*, age 58, has served as General Manager of Wuhan General since February 2007. He has served as an executive at Wuhan Generating since January 2006. Mr. Ge also served as a director of Wuhan General from April 2007 to April 2010. From 2002 until 2006, Mr. Ge served as General Manager of Wuhan Changli Power Station Equipment Co. Ltd. Throughout his career, Mr. Ge has served as General Manager with several other companies, including Wuhan Qihong Enterprises Development Co., Ltd (a foreign venture) and Wuhan Xiangshuo Science and Technology Co., Ltd. Mr. Ge has served as a Manufacturing Planner, Dispatcher and Director of Wuhan Steam Turbine Generator Plant. He also has served as head of a Generator Plant with Changjiang Energy Group and as Director of Generator Works with the China Chang Jiang Energy Corporation, which later became Wuhan Turbine Works. Mr. Ge served as a director of the Company from April 2007 to April 23, 2010.

*Huang Zhaoqi*, age 50, has served as a director since April 2009. Mr. Huang also became Vice General Manager (Turbine) in April 2009. Prior to this, Mr. Huang held various executive positions, including Assistant President, Director of Administration and Vice General Manager, at Wuhan Blower Co. Ltd. from October 2006 until April 2009. From 2004 until 2006, Mr. Huang served as the Manager of the Enterprise Administration Department of Kingway Brewery Holdings Limited, a Chinese brewery company listed on the Hong Kong Stock Exchange. Mr. Huang has over 20 years of engineering and managerial experience. Mr. Huang holds an MBA from Macau University of Science and Technology. Mr. Huang's management and board level experience provides our Board with valuable insight on risk management and our industry.

*Chen Juntao*, age 34, has served as Vice President and Vice General Manager (Blower) since March 2008. From 2007 to 2008, Mr. Chen served as the Assistant Chairman of the Board of Hubei Bingjing Group and the Administration Director of Wuzhou Construction Material Co., Ltd. From 2005 to 2007, Mr. Chen served as the Assistant President of Guangdong Lianguan Industry Holding, where he was responsible for the administrative affairs of the company and assisting the President with various marketing, management and financial functions. From 2003 to 2005, Mr. Chen served as the Executive Assistant to the President and the Vice General Manager of Xiangfan Baimeng Investment Co., Ltd. Mr. Chen was responsible for work relating to the early development of Huazong Guangcai Great Market, one of the largest real estate businesses in Central China, and for overseeing external affairs with Chinese government authorities during his tenure. Prior to these positions, Mr. Chen worked with various Chinese law firms and government offices as a lawyer. Mr. Chen received his law degree from China University of Political Science and Law in 1998 and completed graduate studies in civil law and management of administrative affairs in 2003.

*Xu Jie*, age 51, Chairman of the Board. Mr. Xu has served as Chairman of the Board since February 2007. From February 2007 to April 2010, Mr. Xu also served as President, Chief Executive Officer and Secretary of the Company. He has over 20 years of production experience, and worked in the Wuhan Blower Works sales department from 1979 until 1998. Mr. Xu is also the controlling stockholder and Director of Fame Good International Limited, which is our controlling stockholder. As the founder of the Company, Mr. Xu provides the Board with considerable institutional knowledge and an important long-term perspective on the Company and the industry as a whole.

*Shi Yu*, age 42, has served as a director since March 2009. He has over 20 years of banking and financial management experience. Since October 2008, Mr. Shi has served as the General Manager of Wuhan Zhong Sheng Credit Union, which is a private company in the business of providing small loans to small companies and individuals. From May 2006 to October 2008, Mr. Shi served Hubei Zongkun Zhaofu Investment Guaranty Co., Ltd. as its legal representative, President and General Manager and he was responsible for the daily operations and management of the company. Hubei Zongkun is in the business of providing financial and investment advice as well as small loans and loan guarantees to small businesses and individuals. From March 2003 to May 2006, Mr. Shi served as the President of the Hannan branch of the Bank of China, which is a state-owned commercial bank. Mr. Shi holds an MBA from North Jiaotong University. Mr. Shi's extensive experience in the banking industry provides the Board with a greater understanding of the banking industry and valuable financial reporting and risk management expertise.

*Zheng Qingsong*, age 39, has served as a director since March 2008. Mr. Zheng has practiced law in China since 1998, and he is currently Vice Director and a partner at Hubei Junlin Law Firm. Mr. Zheng received his law degrees from Wuhan Jianhan University and Zhongnan University of Economics and Law. In 2006, Mr. Zheng was selected as a member of the Chinese People's Political Consultative Committee of Wuhan Hongshan District. Mr. Zheng's extensive legal experience provides valuable insight to the Board.

*Yaojun (Larry) Liu*, age 36, has served as a director since May 2012. He was a senior project manager at Haitong Securities Company, one of the biggest investment banking companies in China, from May 2000 to September 2002. Mr. Liu joined Jingtian & Gongcheng Law Firm as a corporate attorney in December 2003. In May 2006, he joined

Global Law Office as a partner, where he concentrated in mergers and acquisitions, capital markets, finance, and general corporate law. Mr. Liu has worked on overseas listings for over 50 Chinese companies, including a number of listings in the United States. He has been a Qualified Practice Lawyer in China since 1998, and he became a China Certified Public Accountant (CICPA) in 2003. He earned his Master of Economic Law from Renmin University of China in July 2007 and his L.L.M. in Commercial Law from University of Sheffield (UK) in September 2003. He is currently an independent director and serves on the audit committees of Shengtai Pharmaceutical Inc. and Yuhe International, Inc. Mr. Liu's qualifications to serve on our board of directors include his financial and legal experience.

**Corporate Governance**

*Board Leadership Structure.* Our Board does not have a policy regarding the separation of the roles of Chief Executive Officer and Chairman of the Board, as the Board believes it is in the best interest of the Company to make that determination based on the position and direction of the Company and the membership of the Board. In April 2010, Mr. Xu resigned as our Chief Executive Officer, but retains the position of Chairman of the Board. Upon Mr. Xu's resignation, our Board appointed Mr. Qi as Chief Executive Officer. Although the positions of Chairman and Chief Executive Officer are currently held by two individuals, in the future we may allow one individual to hold these two positions if the Board believes that it is in the best interests of the Company and its stockholders.

*Risk Management.* The Company's management is responsible for day-to-day risk management of the company. Management reports to the Board of Directors on the material risks the Company faces when management determines that the Company's risk profile materially changes. The Board of Directors uses management's reports to evaluate the Company's exposure to risks in light of the Company's business plan and growth strategies. The Board of Directors primarily focuses on risks in the areas of operations, liquidity and regulatory changes and compliance, which the Board of Directors believes are the areas most likely to have a potential impact on the Company in a material way.

*Consideration and Determination of Executive and Director Compensation.* The Compensation Committee has the primary authority to determine our compensation philosophy and to establish compensation for our executive officers. In establishing executive officer compensation, the Compensation Committee uses its subjective evaluation of the executives' performance and responsibilities, our overall performance and the Chief Executive Officer's recommendations. The Compensation Committee has not used any compensation consultant in setting executive salaries, or in determining other components of executive compensation, nor does it seek formally to benchmark the compensation of our executive officers against compensation paid by other companies to their executives.

Management plays a significant role in the compensation-setting process. The most significant aspects of management's role are:

· evaluating employee performance;

· preparing information for Compensation Committee meetings;

· establishing business performance targets and objectives;

· providing background information regarding the Company's strategic objectives; and

· recommending salary levels and equity awards.

*Risk Management related to Compensation Policies and Practices.* We do not believe that our compensation policies and practices encourage excessive and unnecessary risk-taking, and that the level of risk that they do encourage is not reasonably likely to have a material adverse effect on the Company. The design of our compensation policies and practices encourages our employees to remain focused on both our short- and long-term goals.

*Code of Ethics*. Our Code of Business Conduct and Ethics (the "Code of Ethics") applies to all of our directors, executive officers and employees. The Code of Ethics is available on our website at *www.wuhangeneral.com* under the heading "Investor Relations." We intend to disclose any amendments to our Code of Ethics, and any waiver from a provision of the Code of Ethics granted to our Chief Executive Officer, Chief Financial Officer or Controller, on our website within four business days following such amendment or waiver.

*Executive Sessions of Independent Directors*. The Board of Directors is responsible for scheduling regular executive sessions of our independent directors. At executive sessions, our independent directors meet without management or any non-independent directors present. The independent directors are responsible for establishing the agenda at executive sessions. The Board believes that executive sessions foster open and frank communication among the independent directors, which will ultimately add to the effectiveness of the Board, as a whole.

*Committee Authority to Retain Independent Advisors*. Each of the Audit Committee and the Compensation Committee has the authority to retain independent advisors and consultants, with all fees and expenses to be paid by Wuhan General.

*Accounting Complaint Policy*. The Audit Committee has established procedures for the treatment of complaints regarding accounting, internal accounting controls or auditing matters, including procedures for confidential and anonymous submission by our employees of concerns regarding questionable accounting, internal accounting controls or auditing matters.

*No Executive Loans*. We do not extend loans to executive officers or directors, and we have no such loans outstanding.

*Policy for Director Attendance at Annual Meetings.* It is the policy of Wuhan General and our Board of Directors that all directors attend the Annual Meeting of Stockholders and be available for questions from stockholders, except in the case of unavoidable conflicts.

*Process for Security Holders to Send Communications to the Board.* We encourage security holder communication with the Board of Directors. Any security holder who wishes to communicate with the Board or with any particular director, including any independent director, may send a letter to the Secretary of Wuhan General at our principal executive offices. Any communication should indicate that you are a Wuhan General security holder and clearly specify whether it is intended to be made to the entire Board or to one or more particular director(s).

*Policy for Consideration of Director Candidates Recommended by Security Holders.* We welcome recommendations for director candidates from security holders. In order to make a recommendation, a security holder should submit the following information to the Board of Directors:

- a resume for the candidate detailing the candidate’s work experience and academic credentials;

- written confirmation from the candidate that he or she (1) would like to be considered as a candidate and would serve if nominated and elected, (2) consents to the disclosure of his or her name, (3) has read our Code of Ethics and that during the prior three years has not engaged in any conduct that, had he or she been a director, would have violated the Code of Ethics or required a waiver, (4) is, or is not, “independent” as that term is defined by Nasdaq and SEC rules, and (5) has no plans to change or influence the control of Wuhan General;

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- the name of the recommending stockholder as it appears in our books, the number of shares of Common Stock that is owned by the stockholder and written confirmation that the stockholder consents to the disclosure of his or her name (if the recommending person is not a stockholder of record, he or she should provide proof of share ownership);

- personal and professional references, including contact information; and

- any other information relating to the candidate required to be disclosed in a proxy statement for election of directors under Regulation 14A of the Securities Exchange Act of 1934, as amended.

- This information should be sent to the Board of Directors, c/o Secretary at our principal executive offices, who will forward it to the Board of Directors. The Board of Directors does not necessarily respond to security holder recommendations.

There have been no material changes to the procedures by which stockholders may recommend nominees to the Company's Board of Directors.

*Board Committees.* Our Board of Directors currently has two standing committees: the Audit Committee and the Compensation Committee. The principal functions and the names of the directors currently serving as members of each of those committees are set forth below. The Board of Directors has determined that each director serving on the Audit and Compensation Committees is an independent director.

Audit Committee. The Audit Committee assists the Board in fulfilling its oversight responsibilities with respect to our financial matters. The Audit Committee operates under a written charter, a copy of which is available on our website at *www.wuhangeneral.com* under the heading "Investor Relations." Under the charter, the committee's principal responsibilities include reviewing our financial statements, reports and releases; reviewing with the independent auditor all critical accounting policies and alternative treatments of financial information under generally accepted accounting principles; and appointing, compensating, and retaining and overseeing the work of the independent auditor.

The current members of the Audit Committee are Shi Yu (Chairman) and Yaojun (Larry) Liu.

Compensation Committee. The Compensation Committee has the primary authority to determine our compensation philosophy and to establish compensation for our executive officers. The Compensation Committee operates under a written charter, a copy of which is available on our website at *www.wuhangeneral.com* under the heading "Investor Relations." Under the charter, the committee's principal responsibilities include making recommendations to the Board on the Company's compensation policies, determining the compensation of senior management, making recommendations to the Board on the compensation of independent directors and approving performance-based compensation.

Shi Yu is the sole member of the Compensation Committee.

**Director Nominations**

We do not have a formally constituted nominating committee or charter.  Instead, our Board of Directors adopted a Director Nomination Policy, which provides for the nomination of persons to serve on our Board upon the approval of a majority of our independent directors.  The qualifications of recommended candidates also will be reviewed and approved by the full Board.  Our Board, through the adoption of the Director Nomination Policy, has indicated its preference for this approach.  Under the Director Nomination Policy, the independent directors consider the following factors when qualifying candidates:  current composition of the Board and the characteristics of each candidate under consideration, including that candidate's competencies, experience, reputation, integrity, independence, potential for conflicts of interest and other appropriate qualities.  When considering a director standing for re-election, in addition to the factors described above, the independent directors consider that individual's past contribution and future commitment to the Company.  The independent directors evaluate all candidates, regardless of the source from which the candidate was first identified, based upon the totality of the merits of each candidate and not based upon minimum qualifications or attributes.

The Board has not adopted a formal policy with regard to the consideration of diversity in identifying director nominees. In determining whether to recommend a director nominee, the independent directors consider and discuss diversity, among other factors, with a view toward the needs of the Board as a whole. The independent directors generally conceptualize diversity expansively to include, without limitation, concepts such as race, gender, national origin, differences of viewpoint, professional experience, education, skill and other qualities or attributes that contribute to Board heterogeneity, when identifying and recommending director nominees. The independent directors believe that the inclusion of diversity as one of many factors considered in selecting director nominees is consistent with the Board's goal of creating a Board of Directors that best serves the needs of the Company and the interest of its stockholders.

For information regarding director nominations by security holders, see “Part III, Item 10. Directors, Executive Officers and Corporate Governance—Corporate Governance—Policy for Consideration of Director Candidates Recommended by Security Holders.”

**Item 11. Executive Compensation.**

**Executive Compensation**

The following summary compensation table sets forth all compensation awarded to, earned by, or paid to the named executive officers paid by us during the years ended December 31, 2012 and 2011 in all capacities for the accounts of our executives, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO).

**Summary Compensation Table**

| Name and Principal Position | Year | Salary ($)(1) | All Other Compensation ($) (1) | Total ($)(1) |
|---|---|---|---|---|
| Qi Ruilong(2) | 2012 | $ 120,000 | $ - | $ 120,000 |
| Chief Executive Officer, President and Secretary | 2011 | $ 120,000 | $ - | $ 120,000 |
| Philip Lo(3) | 2012 | $ | $ | $ |
| Chief Financial Officer and Treasurer | 2011 | $ 116,000 | $ 11,658 | $ 127,658 |
| Carol Pan(4)<br>Principal Accounting Officer and Treasurer | 2012 | 60,000 | - | 60,000 |

(1) The amounts shown in this table were paid in RMB and were translated into U.S. dollars at the rate of $0.158326 per RMB for 2012, which is the average 12 month exchange rate that the Company used in its audited financial statements for such year. The amounts shown in this table were paid in RMB and were translated into U.S. dollars at the rate of $0.154476 per RMB for 2011, which is the average 12 month exchange rate that the Company used in its audited financial statements for such year.

(2) Qi Ruilong became Chief Executive Officer, President and Secretary in April 2010. Pursuant to his employment agreement, Mr. Qi receives an annual base salary of $120,000.

(3)

Philip Lo became Chief Financial Officer and Treasurer in January 2010. He resigned from his positions on January 18, 2012.

(4) Carol Pan became Principal Accounting Officer and Treasurer in January 2012. Pursuant to her employment agreement, Ms. Pan receives an annual base salary of $60,000.

Other than our Chief Executive Officer and Chief Financial Officer, our executive officers receive an annual salary and a monthly bonus. The annual salaries range from approximately $18,000 to $20,000. The monthly bonuses vary depending on the performance of the Company.

In accordance with PRC law, we contribute specified amounts to government-managed benefit plans for our employees. Benefits include pension, medical insurance, disability and unemployment. The amounts of our contributions are specified by the PRC government based on each employee's compensation and length of service, up to a maximum required contribution. The PRC government is responsible for the payment of benefits to employees.

**Bonuses and Deferred Compensation**

We do not have any bonus, deferred compensation or retirement plans.

**Stock Option Plan**

On November 30, 2007, our Board of Directors adopted the Wuhan General Group (China), Inc. 2007 Stock Option Plan, which we refer to as the "2007 Plan." The 2007 Plan, which became effective on November 30, 2007, is intended to assist us in recruiting and retaining individuals with ability and initiative by enabling such persons to participate in our future success by aligning their interests with those of the Company and its stockholders. The 2007 Plan provides that the maximum number of shares of the Company's Common Stock that may be issued under the 2007 Plan is 3,000,000 shares. The 2007 Plan will expire on November 30, 2017. The above description is qualified in its entirety by reference to the Wuhan General Group (China), Inc. 2007 Stock Option Plan, a copy of which was filed as Exhibit 10.1 to our Form 8-K filed on December 6, 2007.

No stock options or other equity compensation awards were awarded to executive officers during the fiscal years ended December 31, 2011 and 2012.

**Director Compensation**

On November 30, 2007, our Board of Directors approved a new compensation package for outside directors who are independent in accordance with the Nasdaq and SEC rules governing director independence. The compensation package, which was deemed effective January 1, 2007, provides for the following:

- Each eligible director will receive an annual $20,000 cash retainer.
- Each eligible director residing in Wuhan, China will receive a $1,000 fee for each board or committee meeting attended. Each eligible director who resides outside of Wuhan, China, will receive a $1,000 fee for each board or committee meeting attended by telephone and $5,000 for each board or committee meeting attended in person.
- Each eligible director will receive the option to purchase 20,000 shares of our common stock per year. The stock options will vest in four equal quarterly installments over one year.
- The Chairman of our Audit Committee will receive an additional annual fee of $5,000.
- All directors will be reimbursed for out-of-pocket expenses associated with their service to the Company.

We do not currently provide our non-independent directors with any additional compensation, including grants of stock options, for their services on the Board of Directors, except for reasonable out-of-pocket expenses incurred in connection with their attendance at meetings of the Board of Directors.

The following table sets forth information concerning the compensation of our non-management directors for the year ended December 31, 2012.

**2012 Director Compensation**

| Name | Fees Earned or Paid in Cash ($) | Option Awards ($) (1) | Total ($) |
|---|---|---|---|
| Brian Lin * | $ 20,000 | $ 0 | $ 20,000 |
| Shi Yu | $ 15,000 | $ 0 | $ 15,000 |
| Zheng Qingsong | $ 15,000 | $ 0 | $ 15,000 |

*Resigned as of January 31, 2013.

**Employment Agreements with Executive Officers**

In accordance with Chinese law, our Chinese operating subsidiaries maintain basic employment agreements with all our employees, including our executive officers. Under these agreements, our executive officers are not entitled to severance payments upon the termination of their employment agreements or a change of control of the Company. They are subject to customary non-competition and confidentiality covenants.

In addition, we have a separate employment agreement with Qi Ruilong, our Chief Executive Officer, President and Secretary; and Carol Pan, our Principal Accounting Officer and Treasurer. Mr. Qi receives a monthly salary of $10,000 and will be reimbursed for all reasonable out-of-pocket expenses incurred in connection with his services. Mr. Qi also is eligible for benefits customarily available to employees in comparable positions with the Company. In addition, at the discretion of the Board's Compensation Committee, Mr. Qi may receive an option to purchase stock in the Company. Ms. Pan receives a monthly salary of $5,000 and will be reimbursed for all reasonable out-of-pocket expenses incurred in connection with his services. Ms. Pan also is eligible for benefits customarily available to employees in comparable positions with the Company. In addition, at the discretion of the Board's Compensation Committee, Ms. Pan may receive an option to purchase stock in the Company.

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**Compensation Committee Interlocks and Insider Participation**

The Compensation Committee consists of Messrs. Lin and Shi. None of the members of the Compensation Committee is a current or former officer or employee of Wuhan General or any of our subsidiaries. There are no compensation committee interlocks or insider participation in compensation decisions that are required to be disclosed in this Amendment.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.**

**Equity Compensation Plan Information**

We maintain one stock-based employee compensation plan — the 2007 Plan, pursuant to which we may grant options to purchase shares of Common Stock to eligible persons. The maximum aggregate number of shares of Common Stock that may be issued under the 2007 Plan and to which awards may relate is 3,000,000 shares.

The following table provides information about option awards under the Plan as of December 31, 2012.

| Plan Category | Number of securities to be issued upon exercise of outstanding options | Weighted-average exercise price of outstanding options | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in first column) |
|---|---|---|---|
| Equity compensation plans previously approved by security holders | 240,000 | $ 3.82 | 2,760,000 |
| Equity compensation plans not approved by security holders | — | — | — |
| Total | 240,000 | $ 3.82 | 2,760,000 |

**Security Ownership of Certain Beneficial Owners and Management**

The following table sets forth information regarding the beneficial ownership of our Common Stock as of April 11, 2013 by (i) each person known by us to be the beneficial owner of more than 5% of our Common Stock, (ii) our directors, (iii) our named executive officers and (iv) our directors and executive officers as a group.

Beneficial ownership has been determined in accordance with the rules and regulations of the SEC and includes voting or investment power with respect to the shares. Unless otherwise indicated, the persons named in the table below have sole voting and investment power with respect to the number of shares indicated as beneficially owned by them.

| Name of Beneficial Owner | Common Stock Beneficially Owned(1) | Percentage of Common Stock Owned (1) | |
|---|---|---|---|
| 5% Stockholders (other than directors and named executive officers): | | | |
| Adam Benowitz and Vision Capital Advisors, LLC (2)(3) | 3,317,447 | 9.9 | % |
| NewQuest Capital Management (Cayman) Limited (2)(4) | 3,363,822 | 9.9 | % |
| | | | |
| Directors and Principal Executive Officers: | | | |
| Qi Ruilong | 0 | * | |
| Carol Pan | 0 | * | |
| Huang Zhaoqi | 0 | * | |
| Yaojun (Larry) Liu (5) | | * | |
| Xu Jie (6) | 19,844,398 | 58.4 | % |
| Shi Yu (7) | 40,000 | * | |
| Zheng Qingsong (8) | 40,000 | * | |
| Directors and Executive Officers as a group (7 persons) (9) | 20,004,398 | 58.5 | % |

*Less than 1%.

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(1) Applicable percentage ownership is based on 33,926,545 shares of Common Stock outstanding as of April 11, 2013. Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Shares of Common Stock that are currently issuable upon conversion or exercisable within 60 days of April 11, 2013, are deemed to be beneficially owned by the person holding such convertible securities for the purpose of computing the percentage of ownership of such person, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person.

(2) These holders received shares of our Series A Convertible Preferred Stock in a private placement transaction on February 7, 2007. In addition, we issued Series B Convertible Preferred Stock to certain of these holders in connection with the exercise of Series J Warrants, which expired on November 7, 2008. Until the preferred stock is converted, these holders have only limited voting rights with respect to the preferred stock. Because the preferred stock is presently convertible into or exercisable for shares of Common Stock, the holders are deemed to beneficially own such shares of Common Stock.

(3) Based on a Schedule 13G/A filed by Adam Benowitz, Vision Capital Advisors, LLC and its affiliates (collectively, “Vision”) with the SEC on February 14, 2012. Vision owns 1,971,117 shares of Series A Convertible Preferred Stock and 3,004,292 shares of Series B Convertible Preferred Stock, which collectively are convertible into 4,975,409 shares of our Common Stock. The preferred stock is not convertible, however, to the extent that the number of shares of Common Stock to be issued pursuant to such conversion would exceed, when aggregated with all other shares of Common Stock owned by Vision at such time, the number of shares of Common Stock which would result in Vision beneficially owning in excess of 9.9% of the then issued and outstanding shares of our Common Stock. Vision may waive this ownership cap on 61 days’ prior notice to us. As a result of this ownership cap, Vision beneficially owns 3,317,447 shares of our Common Stock. If Vision waived this ownership cap, it would beneficially own 7,288,291 shares of our Common Stock or approximately 19.4% of our outstanding Common Stock. Vision is deemed to beneficially own these securities, although record ownership of the securities is in the name of Vision Capital Advantage Fund, L.P. and Vision Opportunity Master Fund, Ltd. The address of Vision is 20 West 55th Street, 5th Floor, New York, New York 10019.

(4) Based on a Schedule 13G filed by NewQuest Capital Management (Cayman) Limited and its affiliates (“NewQuest”) with the SEC on April 25, 2011. NewQuest owns 1,272,779 shares of Series A Convertible Preferred Stock and 429,185 shares of Series B Convertible Preferred Stock, which collectively are convertible into 1,701,964 shares of our Common Stock. The preferred stock is not convertible, however, to the extent that the number of shares of Common Stock to be issued pursuant to such conversion would exceed, when aggregated with all other shares of Common Stock owned by NewQuest at such time, the number of shares of Common Stock which would result in NewQuest beneficially owning in excess of 9.9% of the then issued and outstanding shares of our Common Stock. NewQuest may waive this ownership cap on 61 days’ prior notice to us. As a result of this ownership cap, NewQuest beneficially owns 3,363,820 shares of our Common Stock. If NewQuest waived this ownership cap, it would beneficially own 3,592,798 shares of our Common Stock or approximately 10.5% of our outstanding Common Stock. NewQuest is deemed to beneficially own these securities, although record ownership of the securities is in the name of NewQuest Asia Investments Limited. The address of NewQuest is Walker House, 87 Mary Street, George Town, Grand Cayman, Cayman Islands KY1-9005.

(5) Includes options to purchase 80,000 shares of Common Stock that are currently exercisable or are exercisable within 60 days of April 11, 2013.

(6) Includes 19,844,398 shares of Common Stock held by Fame Good International Limited (“Fame Good”). Xu Jie, our Chairman of the Board, is also the Director and controlling stockholder of Fame Good and as a result is deemed to be the beneficial owner of the securities held by Fame Good. Mr. Xu does not directly own any shares of our

Common Stock. Mr. Xu’s business address is Canglongdao Science Park of Wuhan, East Lake Hi-Tech Development Zone, Wuhan, Hubei 430200, People’s Republic of China.

(7) Includes options to purchase 40,000 shares of Common Stock that are currently exercisable or are exercisable within 60 days of April 11, 2013.

(8) Includes options to purchase 40,000 shares of Common Stock that are currently exercisable or are exercisable within 60 days of April 11, 2013.

(9) Includes options to purchase 160,000 shares of Common Stock that are currently exercisable or are exercisable within 60 days of April 11, 2013.

**Item 13. Certain Relationships and Related Transactions, and Director Independence.**

The amounts shown below that were originally denominated in RMB have been translated into U.S. dollars at the rate of $0.1538 per RMB.

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**Related Transactions**

On December 13, 2010, the Company entered into a series of agreements designed to reduce the overhang of the Company's Series A, B, C, AA, BB and JJ warrants and to simplify the Company's capital structure.

With respect to the Series A and Series B warrants, each Series A and Series B warrant holder was given the option to (i) sell all or part of such holder's warrant to Fame Good International Limited ("Fame Good") for $0.50 per share of warrant stock pursuant to the Warrant Purchase Agreement and/or (ii) exchange all or part of such holder's warrant for the issuance by the Company of 0.5 shares of the Company's Common Stock, par value $0.0001 per share, per share of warrant stock pursuant to the Series A and B Warrant Exchange Agreement. Fame Good is the Company's controlling stockholder; our Chairman of the Board, Xu Jie is the controlling stockholder and Director of Fame Good.

The Series A and Series B warrant holders sold warrants to purchase an aggregate of 3,913,905 shares of Common Stock to Fame Good under the Warrant Purchase Agreement and exchanged warrants to purchase an aggregate of 9,865,222 shares of Common Stock with the Company under the Series A and B Warrant Exchange Agreement. The warrant purchase closed on December 13, 2010, and the warrant exchange with the Series A and Series B warrant holders, other than Fame Good, closed on the same date. The warrant exchange with Fame Good closed on January 21, 2011. In total, Wuhan General issued 4,932,609 shares of Common Stock in connection with the recapitalization of the Series A and Series B warrants. This amount included 1,956,952 shares of Common Stock issued to Fame Good upon the exchange of the warrants that it purchased from certain Series A and B warrant holders. Fame Good was a party to the Warrant Purchase Agreement and the Series A and B Warrant Exchange Agreement.

With respect to its Series C, AA, BB and JJ warrants, the Company entered into the Series C, AA, BB and JJ Warrant Exchange Agreement pursuant to which the Company exchanged all of the outstanding Series C, AA, BB and JJ warrants for the issuance by the Company of (i) 1.372921615 shares of the Company's Common Stock per share of Series C warrant stock; (ii) 0.8203 shares of the Company's Common Stock per share of Series AA and Series BB warrant stock; and (iii) 0.8288 shares of the Company's Common Stock per share of Series JJ warrant stock. Upon the closing of this transaction on January 21, 2011, the Company issued an additional 2,220,456 shares of Common Stock to the Series C, AA, BB and JJ warrant holders. Fame Good was a party to the Series C, AA, BB and JJ Warrant Exchange Agreement.

As of December 31, 2012, the Company no longer has any Series A, B, C, AA, BB or JJ warrants outstanding.

Under the Warrant Purchase Agreement and the Series A and B Warrant Exchange Agreement, each warrant holder agreed to enter into (i) a Waiver (the "Waiver Agreement") to that certain Lock-Up Agreement, dated February 7, 2007, between the Company and Fame Good (the "Lock-Up Agreement") and that certain Series A Convertible Preferred

Stock Purchase Agreement, dated February 7, 2007, among the Company and the purchasers listed thereunder (the "Stock Purchase Agreement") and (ii) a Stockholders Agreement with the Company, Fame Good and Mr. Xu (the "Stockholders Agreement"). Under the Waiver Agreement, the parties agreed to waive those rights under the Stock Purchase Agreement and the Lock-Up Agreement that prevent the disposition of shares of the Company's Common Stock by Fame Good, subject to the satisfaction of certain conditions, including the condition that the bid price of the Company's Common Stock must equal or exceed $4.00 per share. Under the Stockholders Agreement, Fame Good agreed (i) to grant to the stockholders party thereto tag-along rights if Fame Good transfers an aggregate of 10% or more of its shares of the Company's Common Stock, based on the number of shares held by Fame Good as of February 1, 2010, to a purchaser or affiliated group of purchasers and (ii) to not transfer or otherwise dispose of 50% or more of its shares to a proposed purchaser. The Waiver Agreement and Stockholders Agreement were entered into on December 13, 2010, and the Lock-Up Agreement and the Stockholders Agreement terminated on February 5, 2011.

The foregoing descriptions of the Warrant Purchase Agreement, Series A and B Warrant Exchange Agreement, Series C, AA, BB and JJ Warrant Exchange Agreement, Waiver Agreement and Stockholders Agreement do not purport to be complete and are qualified in their entirety by reference to the full text of such agreements, which are included as Exhibits 10.1, 10.2, 10.3, 10.4 and 10.5, respectively, to the Current Report on Form 8-K filed with the SEC on December 17, 2010. The Lock-Up Agreement and Stock Purchase Agreement were included as Exhibits 10.6 and 10.1, respectively, to the Current Report on Form 8-K filed with the SEC on February 13, 2007.

In connection with our February 2007 private placement, we entered into the Lock-Up Agreement with Fame Good. Under the terms of the lock-up agreement, Fame Good agreed not to sell any shares of our Common Stock, unless permitted by the February 2007 private placement investors. The Lock-Up Agreement expired in February 2011.

On April 28, 2010, Wuhan Generating entered into a loan agreement with Industrial Bank Co., Ltd. ("IBC"). Pursuant to this loan agreement, Wuhan Generating borrowed RMB 60 million (approximately $9.2 million). Wuhan Generating repaid this loan on April 27, 2011. The interest rate on this loan was 6.37%. During the term of the loan, the Company paid an aggregate of RMB 60 million (approximately $9.2 million) in principal and RMB 3.8 million (approximately $0.6 million) in interest. The obligations under the loan agreement were guaranteed by Wuhan Blower and Mr. Xu and his son, personally.

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On August 28, 2010, Wuhan Blower entered into a loan agreement with Wuhan Zhong Jing Petty Loan Co., Ltd. ("WZJ"). Pursuant to this loan agreement, Wuhan Blower borrowed RMB 7.5 million (approximately $1.2 million). The interest rate on this loan is 20.40%. The obligations under the loan agreement were guaranteed by Mr. Xu, personally. This loan was paid off in May 2011.

On November 10, 2010, Wuhan Blower entered into a loan agreement with Wuhan Jiang Han District Bang Petty Loan Co., Ltd. ("WJH"). Pursuant to this loan agreement, Wuhan Blower borrowed RMB 10 million (approximately $1.5 million). The interest rate on this loan is 18.00%. The obligations under the loan agreement were guaranteed by Wuhan Generating, Wuhan Sungreen and Mr. Xu, personally. This loan was paid off in July 2011.

In October 2008, Mr. Xu entered into a loan agreement with Huaxia Bank Co., Ltd. ("Huaxia"). Pursuant to this loan agreement, Mr. Xu borrowed RMB 50,000,000 (approximately $7.7 million). The interest rate on this loan is 6.75%. The loan agreement requires Mr. Xu to make an installment payment of RMB 10 million (approximately $1.5 million) on June 30, 2011 and each of the following four months. During the term of the loan, Mr. Xu has paid no principal and RMB 8.4 million (approximately $1.3 million) in interest. As of April 28, 2011, Mr. Xu owed Huaxia RMB 50,000,000 (approximately $7.7 million) under this loan. The obligations under the loan agreement are guaranteed by Wuhan Blower.

The Company's Chairman, Mr. Xu Jie, has procured a loan in the amount of USD $7.04 million (RMB 50,000,000) from Huaxia Bank. The Company's subsidiary, Wuhan Blower has guaranteed the loan. The loan was due in May of 2011. Mr. Xu Jie was responsible to repay the principal and related interest for the loan. However, Wuhan Blower settled the principal on behalf of Mr. Xu Jie in 2011, which resulted in a related party receivable of $7,041,613 from Mr. Jie Xu as of December 31, 2011. Mr. Jie Xu fully settled this amount in March of 2012.

**Director Independence**

The Board of Directors presently consists of six members. The Board has determined that the following directors are independent in accordance with the Nasdaq and SEC rules governing director independence: Shi Yu, Yaojun (Larry) Liu and Zheng Qingsong.

**Item 14. Principal Accountant Fees and Services.**

The Audit Committee selected Samuel H. Wong & Co., LLP ("SHW") to serve as our independent registered public accounting firm for the fiscal year ended December 31, 2010. We first engaged SHW in March 2007, and it has served as our principal accounting firm since that time. The fees paid or payable for services rendered by SHW for fiscal 2012 and 2011 were as follows:

*Audit Fees*. The aggregate fees billed by SHW for professional services rendered for the audit of our annual financial statements included in our Annual Report on Form 10-K and the reviews of the financial statements included in our quarterly reports on Form 10-Q totaled $180,000 for the fiscal year ended December 31, 2011 and $155,000 for the fiscal year ended December 31, 2012.

*Audit-Related Fees*. There were no fees billed by SHW related to assurance and similar services for the fiscal years ended December 31, 2011 and 2012.

*Tax Fees*. There were no fees billed by SHW for professional services rendered for tax compliance, tax advice or tax planning for the fiscal years ended December 31, 2011 and 2012.

*All Other Fees*. There were no other fees for services provided by SHW for the fiscal years ended December 31, 2011 and 2012.

The Audit Committee Charter provides that the Audit Committee has sole authority and responsibility to approve in advance the retention of independent auditors for the performance of all audit and lawfully permitted non-audit services and the fees paid for such services. Pre-approval of non-audit services is not required if it falls within an exception established by the SEC. The policy authorizes the committee to delegate to one or more of its members pre-approval authority with respect to permitted services.

**Part IV**

**Item 15. Exhibits and Financial Statement Schedules.**

The following documents are filed as part of this report:

**1. Financial Statements**

INDEX TO FINANCIAL STATEMENTS



**2. Financial Statement Schedules**

None.

**3. Exhibits**

| **Exhibit No.** | **Description** |
|---|---|
| 3.1 | |

| | |
|---|---|
| | Articles of Incorporation (incorporated herein by reference to Exhibit 3i.1 to our Form 8-K filed on November 1, 2006) |
| 3.2 | Amendment to Articles of Incorporation (incorporated herein by reference to Exhibit 3.1 to our Form 8-K filed on March 9, 2007) |
| 3.3 | Amendment to Articles of Incorporation (incorporated herein by reference to Exhibit 3.1 to our Form 8-K filed on September 11, 2008) |
| 3.4 | Amended and Restated Bylaws (as amended through March 8, 2007) (incorporated herein by reference to Exhibit 3.2 to our Form 8-K filed on March 9, 2007) |
| 4.1 | Certificate of Designation of the Relative Rights and Preferences of the Series A Convertible Preferred Stock of the Company, dated February 7, 2007, including the Certificate of Correction filed on February 12, 2007 (incorporated herein by reference to Exhibit 4.1 to our Form 8-K filed on February 13, 2007) |
| 4.2 | Certificate of Designation of the Relative Rights and Preferences of the Series B Convertible Preferred Stock of the Company, dated September 4, 2008 (incorporated herein by reference to Exhibit 4.1 to our Form 8-K filed on September 11, 2008) |
| 4.3 | Form of Series A Warrant (incorporated herein by reference to Exhibit 4.2 to our Form 8-K filed on February 13, 2007) |
| 10.1† | Employment Agreement between the Company and Carol Pan (incorporated herein by reference to Exhibit 10.1 to our Form 8-K filed on Feb 2, 2012) |
| 14.1 | Code of Business Conduct and Ethics (incorporated herein by reference to Exhibit 14 to our Form 8-K filed on March 14, 2008) |
| 21.1 | Subsidiaries of the Registrant (incorporated herein by reference to Exhibit 21.1 to our Form 10-K filed on April 6, 2012) |
| 31.1 | Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certification of Chief Executive Officer and Chief Financial Officer, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS* | XBRL Instance Document(1) |
| 101.SCH* | XBRL Taxonomy Extension Schema Document(1) |
| 101.CAL* | XBRL Taxonomy Extension Calculation Linkbase Document(1) |
| 101.DEF* | XBRL Taxonomy Extension Definitions Linkbase Document(1) |
| 101.LAB* | XBRL Taxonomy Extension Label Linkbase Document(1) |
| 101.PRE* | XBRL Taxonomy Extension Presentation Linkbase Document(1) |

† Management contract, compensatory plan or arrangement.

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* Furnished herewith. XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

In accordance with SEC Release 33-8238, Exhibit 32.1 is being furnished and not filed.

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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) 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.

| | | |
|---|---|---|
| | | WUHAN GENERAL GROUP (CHINA), INC. |
| Date: April 15, 2013 | By: | /s/ Qi Ruilong |
| | Name: | Qi Ruilong |
| | Title: | President and Chief Executive Officer<br>(Principal Executive Officer) |
| | By: | /s/ Carol Pan |
| | Name: | Carol Pan |
| | Title: | Chief Financial Officer<br>(Principal Financial and Accounting Officer) |

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the date indicated.

| Signatures | Title | Date |
|---|---|---|
| /s/ Qi Ruilong<br>Qi Ruilong | President, Chief Executive Officer and Director<br>(Principal Executive Officer) | April 15, 2013 |
| /s/ Carol Pan<br>Carol Pan | Chief Financial Officer<br>(Principal Financial and Accounting Officer) | April 15, 2013 |
| /s/ Xu Jie<br>Xu Jie | Chairman of the Board of Directors | April 15, 2013 |
| /s/ Huang Zhaoqi<br>Huang Zhaoqi | Director | April 15, 2013 |
| /s/ Yaojun (Larry) Liu<br>Yaojun (Larry) Liu | Director | April 15, 2013 |
| /s/ Shi Yu<br>Shi Yu | Director | April 15, 2013 |
| /s/ Zheng Qingsong<br>Zheng Qingsong | Director | April 15, 2013 |

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