WUHAN GENERAL GROUP (CHINA), INC
Form 8-K
March 14, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON DC 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of report (Date of earliest event reported): March 14, 2008

WUHAN GENERAL GROUP (CHINA), INC.

(Exact Name of Registrant as Specified in Charter)

Nevada	33-25350-FW	84-1092589
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

Canglongdao Science Park of Wuhan East Lake Hi-Tech Development Zone
Wuhan, Hubei 430200
People’s Republic of China
(Address of Principal Executive Offices, including Zip Code)

Registrant’s telephone number, including area code: (86) 27 5970 0069

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

¨ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

¨ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On March 14, 2008, the Board of Directors (the “Board”) of Wuhan General Group (China), Inc. (the “Company”), pursuant to the recommendation of its independent directors under the Company’s Director Nomination Policy, appointed Zheng Qingsong to the Board, effective immediately. The Board determined that Mr. Zheng is independent, as defined by the listing standards of the NASDAQ Capital Market (“NASDAQ”). Mr. Zheng will receive the Company’s standard outside director compensation package, which is described in Exhibit 10.4 to the Company’s Form 8-K filed on December 6, 2007.

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.

Upon Mr. Zheng’s appointment to the Board, the Company has a majority of independent directors, as defined by NASDAQ listing standards. The Company believes that it now complies with all NASDAQ corporate governance listing requirements. Although the Company has filed a listing application with NASDAQ, there can be no assurances that the Company will be able to obtain a NASDAQ listing.

Item 8.01. Other Events.

On February 25, 2008, the Board adopted the Company’s Code of Business Conduct and Ethics, which is attached hereto as Exhibit 14.

Item 9.01. Financial Statements and Exhibits.

Exhibit 14 Code of Business Conduct and Ethics of Wuhan General Group (China), Inc.

SIGNATURES

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

Wuhan General Group (China), Inc.

Date: March 14, 2008

By:	/s/ Xu Jie
Name:	Xu Jie
Title:	President and Chief Executive Officer

EXHIBIT INDEX
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		Filed	
Exhibit No.	**Description**	**Herewith**	**By Reference**
14	Code of Business Conduct and Ethics of Wuhan General Group (China), Inc.	**X**	

/td>	41	91	1,276
Port expenses	1,192		
Other		13	75
Total	$1,059	$1,123	$3,553
Operating expenses:			
Crew costs and related costs	$311	$737	$3,408
Insurance expense	39	103	423
Spares, repairs, maintenance and other expenses	723	2,541	1,305
Stores and lubricants	67	384	883
Management fees (Note 3)	26,457	24,650	12,688
Vetting, insurances, spares and repairs (Note 3)	2,963	1,002	
Other operating expenses	34	39	268
Total	$30,594	$29,456	$18,975

9. Income Taxes

Under the laws of the countries of the vessel-owning subsidiaries' incorporation and/or vessels' registration, these companies are not subject to tax on international shipping income. However, they are subject to registration and tonnage taxes, which have been included in vessel operating expenses in the accompanying combined statements of operations.

Based on its current operations, the Partnership does not expect to have U.S. source domestic transportation income. However, to the extent that certain of the Partnership's current activities or those as a result of future expansion give rise to income attributable to transportation that begins or ends, or both begins and ends in the United States, such income could be subject to U.S. federal income taxation, unless the exemption from U.S. taxation under Section 883 of the Code applies. This exemption provides that a qualifying non-U.S. corporation that satisfies certain requirements will not be subject to the net basis and branch taxes or 4.0% gross basis tax on its income attributable to transportation that begins or ends in the United States.

10. Cash Flow

The following assets, liabilities and equity accounts were included in the combined balance sheets of CMTC entities, however, these amounts were retained by CMTC on April 3, 2007, September 23, 2007, March 26, 2008, April 29, 2008, April 6, 2009 and April 12, 2009, when the shares of the vessel-owning companies of the Initial Vessels, the M/T Attikos, the M/T Amore Mio II, the M/T Aristofanis, the M/T Agamemnon II and the M/T Ayrton II were transferred from CMTC to the Partnership respectively (Note 1). The cash flows for the years ended December 31, 2009, 2008 and 2007 are adjusted accordingly to exclude the following assets and liabilities accounts as they did not result in cash inflows or outflows in consolidated and combined financial statements:

	As of December 31, 2009	As of December 31, 2008	As of December 31, 2007
Cash and cash equivalents	$	$2	$2,251
Trade receivables	113	1,037	2,040
Due from related parties	11	4,497	7,598
Prepayments and other assets	69	353	428
Inventories	272	143	328
Deferred charges	69	251	1,423
Total assets	534	6,283	14,068
Trade accounts payable	673	1,913	2,395
Due to related parties	1,777	1,194	5,517
Accrued liabilities	166	418	843
Deferred revenue			5,213
Borrowings	28,991	76,997	213,843
Total liabilities	31,607	80,522	227,811
Net liabilities assumed by CMTC upon contribution to the Partnership	31,073	74,239	213,743

The cash and cash equivalents of $2 and $2,251 are presented as cash dividend in the accompanying consolidated and combined cash flow statements for the years ended December 31, 2008 and 2007 respectively.

The supplemental disclosure of “Cash paid for interest” for the year ended December 31, 2008 has been revised to correct for an error. The Partnership previously reported cash paid for interest of $18,163 rather than the corrected figure of $24,264. This revision does not affect the Partnership’s financial position, results of operations or cash flows for the periods presented.

11. Partners' Capital / Stockholders' Equity and Distributions

General: The partnership agreement requires that within 45 days after the end of each quarter, beginning with the quarter ending June 30, 2007, all of the Partnership's available cash will be distributed to unitholders.

Definition of Available Cash: Available Cash, for each fiscal quarter, consists of all cash on hand at the end of the quarter:

less the amount of cash reserves established by our board of directors to:

provide for the proper conduct of Partnership' s business (including reserves for future capital expenditures and for our anticipated credit needs);

comply with applicable law, any of Partnership's debt instruments, or other agreements; or

provide funds for distributions to Partnership's unitholders and to general partner for any one or more of the next four quarters;

plus all cash on hand on the date of determination of available cash for the quarter resulting from working capital borrowings made after the end of the quarter. Working capital borrowings are generally borrowings that are made under our credit agreement and in all cases are used solely for working capital purposes or to pay distributions to partners.

General Partner Interest and Incentive Distribution Rights: The General Partner has a 2% interest in the Partnership as well as the incentive distribution rights.

Incentive distribution rights represent the right to receive an increasing percentage of quarterly distributions of available cash from operating surplus after the minimum quarterly distribution and the target distribution levels have been achieved. The Partnership's general partner as of December 31, 2009, 2008 and 2007 holds the incentive distribution rights.

The following table illustrates the percentage allocations of the additional available cash from operating surplus among the unitholders and general partner up to the various target distribution levels. The amounts set forth under ''Marginal Percentage Interest in Distributions'' are the percentage interests of the unitholders and general partner in any available cash from operating surplus that is being distributed up to and including the corresponding amount in the column ''Total Quarterly Distribution Target Amount,'' until available cash from operating surplus we distribute reaches the next target distribution level, if any. The percentage interests shown for the unitholders and general partner for the minimum quarterly distribution are also applicable to quarterly distribution amounts that are less than the minimum quarterly distribution.

			Marginal Percentage Interest in Distributions	
	Total Quarterly Distribution Target Amount		Unitholders	General Partner
Minimum Quarterly Distribution	$	0.3750	98 %	2 %
First Target Distribution	up to	$0.4313	98 %	2 %
Second Target Distribution	above	$0.4313 up to $0.4688	85 %	15 %
Third Target Distribution	above	$0.4688 up to $0.5625	75 %	25 %
Thereafter	above	$0.5625	50 %	50 %

Subordinated Units: All of the Partnership's subordinated units were held by CMTC. The Partnership agreement provided that, during the subordination period, the common units had the right to receive distributions of available cash from operating surplus in an amount equal to the minimum quarterly distribution of $0.3750 per quarter, plus any arrearages in the payment of the minimum quarterly distribution on the common units from prior quarters, before any distributions of available cash from operating surplus may be made on the subordinated units. Distribution arrearages did not accrue on the subordinated units. The purpose of the subordinated units was to increase the likelihood that during the subordination period there was available cash to be distributed on the common units.

Early Termination of Subordination Period: The payment of the exceptional distribution of $1.05 per unit in February 2009 brought annual distributions to unitholders to $2.27 per unit for the year ended December 31, 2008, a level which under the terms of the partnership agreement resulted in the early termination of the subordination period and the conversion of the subordinated units into common units on a one to one basis. Under the partnership agreement the subordination period would have ended in April 2011, if the Partnership had earned and paid at least $0.375 on each outstanding unit and corresponding distribution on the general partners' 2.0% for any three consecutive four-quarter periods.

11. Partners' Capital / Stockholders' Equity and Distributions – Continued

Distributions of Available Cash From Operating Surplus During the Subordination Period: The Partnership agreement required that we make distributions of available cash from operating surplus for any quarter during the subordination period in the following manner:

first, 98% to the common unitholders, pro rata, and 2.0% to our general partner, until we distribute for each outstanding common unit an amount equal to the minimum quarterly distribution for that quarter;

second, 98% to the common unitholders, pro rata, and 2.0% to our general partner, until we distribute for each outstanding common unit an amount equal to any arrearages in payment of the minimum quarterly distribution on the common units for any prior quarters during the subordination period;

third, 98% to the subordinated unitholders, pro rata, and 2.0% to our general partner, until we distribute for each subordinated unit an amount equal to the minimum quarterly distribution for that quarter; and

Thereafter, in the manner described in the above table under section "General Partner Interest and Incentive Distribution Rights".

Distributions of Available Cash From Operating Surplus After the Subordination Period: Our Partnership agreement requires that we will make distributions of available cash from operating surplus for any quarter after the subordination period in the following manner:

first, 98% to all unitholders, pro rata, and 2.0% to our general partner, until we distribute for each outstanding unit an amount equal to the minimum quarterly distribution for that quarter; and

Thereafter, in the manner described in the above table under section "General Partner Interest and Incentive Distribution Rights".

As of December 31, 2009 our partners' capital included the following units:

	As of December 31, 2009
Limited partner units	24,817,151
Number of limited partner units outstanding	24,817,151
General partner units	506,472