

CHINA AUTOMOTIVE SYSTEMS INC
Form DEF 14A
November 17, 2009

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934

Filed by the Registrant x
Filed by a Party other than the Registrant o

Check the appropriate box:

- o Preliminary Proxy Statement
- o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- x Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to §240.14a-12

China Automotive Systems, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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- x No fee required.
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- 1) Amount Previously Paid:
 - 2) Form, Schedule or Registration Statement No.:
 - 3) Filing Party:
 - 4) Date Filed:
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CHINA AUTOMOTIVE SYSTEMS, INC.

Notice of Annual Meeting of Stockholders
To Be Held On December 17, 2009

The Annual Meeting of Stockholders of China Automotive Systems, Inc. (the "Company") will be held on December 17, 2009 (Thursday) at 10:00 am local time at the conference room of China Automotive Systems, Inc., Henglong Bldg., No. 1 Guanshan 1st Road, East Lake Hi-Tech Zone, Wuhan City, Hubei Province, China, for the following purposes, as more fully described in the accompanying proxy statement:

1. To elect six directors to hold office until the 2010 Annual Meeting of Stockholders and until their successors are elected and qualified.
2. To ratify the appointment of Schwartz Levitsky Feldman LLP as the Company's independent auditors for the fiscal year ending December 31, 2009.
3. To transact such other business as may properly come before the meeting or any adjournments or postponements thereof.

Only stockholders of record at the close of business on November 16, 2009 will be entitled to notice of, and to vote at, such meeting or any adjournments or postponements thereof.

BY ORDER OF THE
BOARD OF
DIRECTORS

Chen Hanlin
Chairman

Hubei, People's Republic of China
November 25, 2009

YOUR VOTE IS IMPORTANT!

WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE COMPLETE, SIGN, DATE AND MAIL PROMPTLY THE ACCOMPANYING PROXY CARD IN THE ENCLOSED RETURN ENVELOPE, WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES. THIS WILL ENSURE THE PRESENCE OF A QUORUM AT THE MEETING. IF YOU ATTEND THE MEETING, YOU MAY VOTE IN PERSON IF YOU WISH TO DO SO EVEN IF YOU HAVE PREVIOUSLY SENT IN YOUR PROXY CARD.

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CHINA AUTOMOTIVE SYSTEMS, INC.

Henglong Building, No. 1 Guanshan 1st Road
East Lake Hi-Tech Zone, Wuhan, Hubei Province
People's Republic of China
(86) 27 5981 8527

PROXY STATEMENT

2009 ANNUAL MEETING OF STOCKHOLDERS

China Automotive Systems, Inc., the “Company”, is furnishing this proxy statement and the enclosed proxy in connection with the solicitation of proxies by the Board of Directors of the Company for use at the Annual Meeting of Stockholders to be held on December 17, 2009 (Thursday) at 10:00 am local time at the conference room of China Automotive Systems, Inc., Henglong Bldg., No. 1 Guanshan 1st Road, East Lake Hi-Tech Zone, Wuhan City, Hubei Province, China, and at any adjournments thereof, the “Annual Meeting”. These materials will be mailed to stockholders on or about November 25, 2009.

Important Notice Regarding the Availability of Proxy Materials for the Stockholders Meeting to be Held on December 17, 2009 — the Company’s Annual Report and this Proxy Statement are available at <http://www.caasauto.com/caas/q.aspx?mid=ir&pg=45>

Only holders of the Company’s common stock as of the close of business on 16 November, 2009 the “Record Date”, are entitled to vote at the Annual Meeting. Stockholders who hold shares of the Company in “street name” may vote at the Annual Meeting only if they hold a valid proxy from their broker. As of the Record Date, there were 26,986,244 shares of common stock outstanding.

A majority of the outstanding shares of common stock entitled to vote at the Annual Meeting must be present in person or by proxy in order for there to be a quorum at the meeting. Stockholders of record who are present at the meeting in person or by proxy and who abstain from voting, including brokers holding customers’ shares of record who cause abstentions to be recorded at the meeting, will be included in the number of stockholders present at the meeting for purposes of determining whether a quorum is present.

Each stockholder of record is entitled to one vote at the Annual Meeting for each share of common stock held by such stockholder on the Record Date. Stockholders do not have cumulative voting rights. Stockholders may vote their shares by using the proxy card enclosed with this proxy statement. All proxy cards received by the Company, which are properly signed and have not been revoked will be voted in accordance with the instructions contained in the proxy cards. If a signed proxy card is received which does not specify a vote or an abstention, the shares represented by that proxy card will be voted for (i) the nominees to the Board of Directors listed on the proxy card and in this proxy statement and (ii) the ratification of the appointment of Schwartz Levitsky Feldman LLP as the Company’s independent auditors for the fiscal year ending December 31, 2009. The Company is not aware, as of the date hereof, of any matters to be voted upon at the Annual Meeting other than those stated in this proxy statement and the accompanying Notice of Annual Meeting of Stockholders. If any other matters are properly brought before the Annual Meeting, the enclosed proxy card gives discretionary authority to the persons named as proxies to vote the shares represented by the proxy card in their discretion.

Under Delaware law and the Company's Certificate of Incorporation and Bylaws, if a quorum exists at the meeting, the affirmative vote of a plurality of the votes cast at the meeting is required for the election of directors. A properly executed proxy marked "Withhold authority" with respect to the election of one or more directors will not be voted with respect to the director or directors indicated, although it will be counted for purposes of determining whether there is a quorum. For each other item, the affirmative vote of the holders of a majority of the shares represented in person or by proxy and entitled to vote on the item will be required for approval. A properly executed proxy marked "Abstain" with respect to any such matter will not be voted, although it will be counted for purposes of determining whether there is a quorum. Accordingly, an abstention will have the effect of a negative vote.

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For shares held in “street name” through a broker or other nominee, the broker or nominee may not be permitted to exercise voting discretion with respect to some of the matters to be acted upon. Thus, if stockholders do not give their broker or nominee specific instructions, their shares may not be voted on those matters and will not be counted in determining the number of shares necessary for approval. Shares represented by such “broker non-votes” will, however, be counted in determining whether there is a quorum.

A stockholder of record may revoke a proxy at any time before it is voted at the Annual Meeting by (a) delivering a proxy revocation or another duly executed proxy bearing a later date to Mr. Li Jie, the Chief Financial Officer of the Company, at Henglong Bldg., No. 1 Guanshan 1st Road, East Lake Hi-Tech Zone, Wuhan City, Hubei Province, People's Republic of China, or (b) attending the Annual Meeting and voting in person. Attendance at the Annual Meeting will not revoke a proxy unless the stockholder actually votes in person at the meeting.

The proxy card accompanying this proxy statement is solicited by the Board of Directors of the Company. The Company will pay all of the costs of soliciting proxies. In addition to solicitation by mail, officers, directors and employees of the Company may solicit proxies personally, or by telephone, without receiving additional compensation. The Company, if requested, will also pay brokers, banks and other fiduciaries who hold shares of Common Stock for beneficial owners for their reasonable out-of-pocket expenses of forwarding these materials to stockholders.

BOARD OF DIRECTORS

The name, age and year in which the term expires of each member of the Board of Directors of the Company is set forth below:

Name	Age	Position	Term Expires on the Annual Meeting held in the Year
Hanlin Chen	52	Chairman of the Board of Directors of the Company	2010
Qizhou Wu	45	Chief Executive Officer and Director	2010
Guangxun Xu	58	Director	2010
Bruce Carlton Richardson	51	Director	2010
Robert Tung	52	Director	2010
William E. Thomson	67	Director	2010

At the Annual Meeting, the stockholders will vote on the election of Hanlin Chen, Qizhou Wu, Guangxun Xu, Bruce Carlton Richardson, Robert Tung and William E Thomson as directors to serve for a one-year term until the annual meeting of stockholders in 2010 and until their successors are elected and qualified. All directors will hold office until the annual meeting of stockholders at which their terms expire and the election and qualification of their successors.

NOMINEES AND CONTINUING DIRECTORS

The following individuals have been nominated for election to the Board of Directors or will continue to serve on the Board of Directors after the Annual Meeting:

Hanlin Chen has served as Chairman of the board and CEO since September 2007. Mr. Chen is a standing board member of Political Consulting Committee of Jingzhou City and vice president of Foreign Investors Association of Hubei Province. He was the general manager of Shashi Jiulong Power Steering Gears Co., Ltd. from 1993 to 1997.

Since 1997, he has been the Chairman of the Board of Henglong Automotive Parts, Ltd. Mr. Chen graduated from Barrington University with an MBA degree. Mr. Hanlin Chen is the brother-in-law of the Company's Senior Vice President, Mr. Andy Yiu Wong Tse.

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Qizhou Wu has served as the Chief Executive Officer since September 2007. Prior to that position he served as the Chief Operating Officer since March 2003. He was the Executive Vice General Manager of Jiulong from 1993 to 1999 and GM of Henglong Automotive Parts, Ltd. from 1999 to 2002. Mr. Wu graduated from Tsinghua University in Beijing with a Masters degree in Automobile Engineering.

Guangxun Xu served as the Chief Representative of NASDAQ in China in past two years and used to be a managing director with the NASDAQ Stock Market International, Asia for over 10 years. Mr. Xu currently serves as the leader of NASDAQ Listing Services Limited, a company he founded in April 2004, with a professional career in the finance field spanning over 25 years. His practice focuses on providing package services on US and UK listings, advising on and arranging for Private Placements, PIPEs and IPOs, pre-IPO restructuring, M&A, Corporate and Project Finance, IPOs, corporate governance, post-IPO IR and compliance, Risk Control, etc. He holds an MBA from Middlesex University, London.

Bruce Carlton Richardson served as Chief Financial Officer and Secretary of Dalian RINO International Environmental Engineering from October 2007 to September 2009. Prior to Dalian RINO, Mr. Richardson served as a Managing Director of Xinhua Finance in Shanghai, PRC, from April 2006 until September 2007, a Senior Analyst at Evolution Securities China Limited in Shanghai from 2004 until April 2006, and a Director of New Access Capital in Shanghai from June 2003 until January 2004. From 2001 through May 2003 Mr. Richardson was engaged in a private consulting practice centered on Chinese financial markets and institutions. Mr. Richardson earned a BA in Classics from the University of Notre Dame in 1980, and graduated with an MA in International Management from the University of Texas at Dallas in 1986. He was awarded a graduate study grant by the US National Academy of Sciences in 1987 and completed a year of post-graduate research on PRC accounting at People's University in 1988.

Robert Tung has been a Director of the Company since September 2003 and a member of the Company's Audit, Compensation and Nominating Committees. Mr. Tung is currently the President of Multi-Media Communications, Inc., and Vice President of Herbal Blends International, LLC. Mr. Tung holds a M.S. in Chemical Engineering from the University of Virginia and B.S. degrees in Computer Science and Chemical Engineering from the University of Maryland and National Taiwan University, respectively. Since 2003, Mr. Tung has been actively developing the business in China. Currently, Mr. Tung is the China Operation General Manager of Ulamatic Inc., a leading North American automated equipment design house and manufacturer. In addition, Mr. Tung holds grand China sales representative position of TRI Products, Inc., a well known North American iron ores and scrap metals supplier.

William E. Thomson, CA, has been a Director of the Company since September 2003 and is a member of the Company's Audit, Compensation and Nominating Committees. Mr. Thomson has been the president of Thomson Associates, Inc., a leading merchant banking and crisis management company, since 1978. Mr. Thomson's current additional directorships include: Nasdaq - Atlast Pain & Injury Solutions, Inc. (Healthcare); TSX-Venture Exchange - Open EC Technologies (Software); TSX-Score Media Inc. (Media); Private-ReWorks Inc. (Environmental/Agriculture), Electrical Contacts Ltd. (Electrical Contacts), Redpearl funding Corporation (IT Financing), Wright Environmental Management Inc. (Waste Management Solutions). YTW Growth Capital Management Corporation (CPC facilitation), Han Wind Energy (BVI) (Sustainable Energy), Summit Energy Management (Oil and Gas, Paradox Financial Solutions Inc. (Supply Chain Financing), Debt Freedom Canada Inc. (Financing), Confederazione degli Imprenditory Italianinel Mondo Canada - Confederation of Italian Entrepreneurs Worldwide Canada, Pure Med Spa (Aesthetics) and Arcis Limited.

Other than as noted above, there are no family relationships among any of the Company's directors or executive officers.

DIRECTOR NOMINATION

Criteria for Board Membership. In recommending candidates for appointment or re-election to the Board, the nominating/corporate governance committee, the “nominating/corporate governance committee”, considers the appropriate balance of experience, skills and characteristics required of the Board of Directors. It seeks to ensure that at least three directors are independent under the rules of the Nasdaq Stock Market, that members of the Company’s audit committee meet the financial literacy and sophistication requirements under the rules of the Nasdaq Stock Market, and at least one member of the Board qualifies as an “audit committee financial expert” under the rules of the Securities and Exchange Commission. Nominees for director are recommended on the basis of their depth and breadth of experience, integrity, ability to make independent analytical inquiries, understanding of the Company’s business environment, and willingness to devote adequate time to Board duties.

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Stockholder Nominees. The nominating/corporate governance committee will consider written proposals from stockholders for nominees for director. Any such nominations should be submitted to the nominating/corporate governance committee c/o Mr. Li Jie, the Chief Financial Officer of the Company, and should include the following information: (a) all information relating to such nominee that is required to be disclosed pursuant to Regulation 14A under the Securities Exchange Act of 1934, including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected; (b) the names and addresses of the stockholders making the nomination and the number of shares of the Company's common stock which are owned beneficially and of record by such stockholders; and (c) appropriate biographical information and a statement as to the qualification of the nominee, and should be submitted in the time frame described in the Bylaws of the Company and under the caption, "Stockholder Proposals for 2010 Annual Meeting" below.

Process for Identifying and Evaluating Nominees. The nominating/corporate governance committee believes the company is well-served by its current directors. In the ordinary course, absent special circumstances or a material change in the criteria for Board membership, the nominating/corporate governance committee will renominate incumbent directors who continue to be qualified for Board service and are willing to continue as directors. If an incumbent director is not standing for re-election, or if a vacancy on the Board occurs between annual stockholder meetings, the nominating/corporate governance committee will seek out potential candidates for Board appointment who meet the criteria for selection as a nominee and have the specific qualities or skills being sought. Director candidates will be selected based on input from members of the Board, senior management of the company and, if the nominating/corporate governance committee deems appropriate, a third-party search firm. The nominating/corporate governance committee will evaluate each candidate's qualifications and check relevant references; in addition, such candidates will be interviewed by at least one member of the nominating/corporate governance committee. Candidates meriting serious consideration will meet with all members of the Board. Based on this input, the nominating/corporate governance committee will evaluate which of the prospective candidates is qualified to serve as a director and whether the committee should recommend to the Board that this candidate be appointed to fill a current vacancy on the Board, or presented for the approval of the stockholders, as appropriate.

The Company has never received a proposal from a stockholder to nominate a director. Although the nominating/corporate governance committee has not adopted a formal policy with respect to stockholder nominees, the committee expects that the evaluation process for a stockholder nominee would be similar to the process outlined above.

Board Nominees for the 2009 Annual Meeting. The nominees listed in this proxy statement are current four directors standing for re-election and two new nominees as independent directors for election.

DIRECTOR COMPENSATION

Effective on September 5, 2007, independent Directors receive a director fee from the Company for their services as members of the Board of Directors and any committee of the Board of Directors in the amount of \$10,000 per quarter and the Chairman of Audit Committee of the Board of Directors additionally receives an allowance of \$ 6,000 per year. They are reimbursed for certain expenses in connection with attending Board and committee meetings.

The Company has also granted, and expects to continue to grant, non-employee directors options to purchase shares of the Company's common stock. The stockholders of the Company have approved certain director grants at the Annual Meeting of Stockholders in 2005, which grants were included in the 2004 stock option plan.

On June 28, 2005, the Company issued additional options to purchase 7,500 shares of common stock to each of its then three independent directors. Such stock options were vested immediately upon grant and are exercisable at \$6.83 per share over a period of five years. The exercise price represented the fair market value based on the grant date of

the stock options.

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On July 6, 2006, the Company issued additional options to purchase 7,500 shares of common stock to each of its then three independent directors. Such stock options were vested immediately upon grant and are exercisable at \$7.94 per share over a period of five years. The exercise price represented the fair market value based on the grant date of the stock options.

On September 5, 2007, the Company issued additional options to purchase 7,500 shares of common stock to each of its then three independent directors. Such stock options were vested immediately upon grant and are exercisable at \$7.01 per share over a period of four years. The exercise price represented the fair market value based on the grant date of the stock options.

On June 26, 2008, the Company issued additional options to purchase 7,500 shares of common stock to each of its then three independent directors. Such stock options were vested immediately upon grant and are exercisable at \$5.65 per share over a period of five years. The exercise price represented the fair market value based on the grant date of the stock options.

Based on the number of the board of directors' service years, workload and performance, we decide on their pay. The management believes that the pay for the members of the board of directors was appropriate as of December 31, 2008. The compensation that directors received for serving on the Board of Directors for fiscal year 2008 was as follows:

Name	Fees earned or paid in cash	Stock awards	Option awards*	Non-equity incentive plan compensation	Change in pension value and nonqualified deferred compensation earnings	All other compensation**	Total
Haimian Cai	\$ 40,000	\$ -	\$ 31,800	\$ -	\$ -	\$ 101,200	\$ 173,000
William E. Thomson	\$ 45,500	\$ -	\$ 31,800	\$ -	\$ -	\$ 15,600	\$ 92,900
Robert Tung	\$ 40,000	\$ -	\$ 31,800	\$ -	\$ -	\$ 9,200	\$ 81,000

* Other than the cash payment based on the number of a director's service years, workload and performance, the Company grants 7,500 option awards to each director every year.

In accordance with SFAS No. 123R, the cost of the above mentioned stock options issued to directors was measured on the grant date based on their fair value. The fair value is determined using the Black-Scholes option pricing model and certain assumptions.

**The cost of the above mentioned compensation paid to directors was measured based on investment, operating, technology, and consulting services they provided.

During the year 2008, Mr. Haimian Cai provided additional investment, business, management, technical and customer interface etc consulting services. Mr. Thomson and Robert Tung provided additional investment consulting services.

All other directors did not receive compensation for their service on the Board of Directors.

BOARD MEETINGS AND COMMITTEES

The Company's Board of Directors met four (4) times during fiscal 2008. The audit committee met four (4) times, the compensation committee met four (4) times and the nominating/corporate governance committee met four (4) times during fiscal 2008. Each member of the Board attended 75% or more of the aggregate of (i) the total number of Board meetings held during the period of such member's service and (ii) the total number of meetings of Committees on which such member served, during the period of such member's service.

The Board has determined that the following current and new nominated directors are "independent" under current Nasdaq rules: Robert Tung, William E Thomson, Guangxun Xu, and Bruce Carlton Richardson.

The Board of Directors has standing audit, compensation and nominating/corporate governance committees.

The Company's Audit Committee Charter, Nominating Committee Charter and Compensation Committee Charter are available on the Company's website at www.caasauto.com/caas

Audit Committee. The audit committee currently consists of William E. Thomson (chairman), Robert Tung, Guangxun Xu, and Bruce Carlton Richardson. The Board has determined that all members of the audit committee are independent directors under the rules of the Nasdaq Stock Market and each of them is able to read and understand fundamental financial statements. The Board has determined that William E. Thomson qualifies as an "audit committee financial expert" as defined by the rules of the Securities and Exchange Commission. The purpose of the audit committee is to oversee the accounting and financial reporting processes of the Company and audits of its financial statements. The responsibilities of the audit committee include appointing and providing the compensation of the independent accountants to conduct the annual audit of our accounts, reviewing the scope and results of the independent audits, reviewing and evaluating internal accounting policies, and approving all professional services to be provided to the Company by its independent accountants. The audit committee operates under a written charter that was included as Appendix C with the Company's definitive proxy statement filed with the SEC on June 18, 2005.

Compensation Committee. The compensation committee currently consists of Guangxun Xu (chairman), Bruce Carlton Richardson, William E. Thomson and Robert Tung. The Board has determined that all members of the compensation committee are independent directors under the rules of the Nasdaq Stock Market. The compensation committee administers the Company's benefit plans, reviews and administers all compensation arrangements for executive officers, and establishes and reviews general policies relating to the