

CHINA AUTOMOTIVE SYSTEMS INC
Form DEF 14A
June 26, 2013

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

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

China Automotive Systems, Inc.

(Name of Registrant as Specified In Its Charter)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

- 1) Title of each class of securities to which transaction applies:
- 2) Aggregate number of securities to which transaction applies:
- 3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
- 4) Proposed maximum aggregate value of transaction:
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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- 1) Amount Previously Paid:
- 2) Form, Schedule or Registration Statement No.:
- 3) Filing Party:
- 4) Date Filed:

CHINA AUTOMOTIVE SYSTEMS, INC.

Notice of Annual Meeting of Stockholders

To Be Held On August 20, 2013

The Annual Meeting of Stockholders of China Automotive Systems, Inc. (the “Company”) will be held on August 20, 2013 (Tuesday) at 10:00 a.m. local time at Henglong Conference Hall, No. 1 Henglong Road, Yu Qiao Development Zone, Shashi District, Jing Zhou City, Hubei Province, China for the following purposes, as more fully described in the accompanying proxy statement, to:

1. elect five directors of the Company, to hold office until the 2014 annual meeting of stockholders and until their successors are elected and qualified;
2. ratify the appointment of PricewaterhouseCoopers Zhong Tian CPAs Limited Company (to be renamed as PricewaterhouseCoopers Zhong Tian LLP) as the Company’s independent auditors for the fiscal year ending December 31, 2013;
3. approve an advisory (non-binding) proposal concerning the Company’s named executive compensation program;
4. 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 June 25, 2013 (the “Stockholders”) 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, The People’s Republic of China

June 26, 2013

YOUR VOTE IS IMPORTANT!

WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE EXECUTE THE PROXY FOLLOWING THE INSTRUCTIONS SET FORTH IN THE NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS MAILED TO YOU. 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 EXECUTED THE PROXY.

CHINA AUTOMOTIVE SYSTEMS, INC.

No. 1 Henglong Road, Yu Qiao Development Zone

Shashi District, Jing Zhou City, Hubei Province

The People's Republic of China

(86) 716-832-9196

PROXY STATEMENT

2013 ANNUAL MEETING OF STOCKHOLDERS

China Automotive Systems, Inc. (the "Company") is furnishing this proxy statement in connection with the solicitation of proxies by the board of directors of the Company (the "Board of Directors") for use at the annual meeting of Stockholders to be held on August 20, 2013 (Tuesday) at 10:00 a.m. local time at Henglong Conference Hall, No. 1 Henglong Road, Yu Qiao Development Zone, Shashi District, Jing Zhou City, Hubei Province, China and at any adjournments thereof (the "Annual Meeting"). This proxy statement and the Company's annual report will be made available on internet on or before July 9, 2013.

Important Notice Regarding the Availability of Proxy Materials for the Annual Stockholders Meeting to be Held on August 20, 2013 - the Company's Annual Report for the year ended December 31, 2012 (the "Annual Report") and this Proxy Statement are available at <http://www.caasauto.com>.

Only holders of the Company's common stock as of the close of business on June 25, 2013 (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 28,043,019 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 executing the proxy following the instructions on the notice of internet availability of proxy materials ("Notice of Internet Availability") mailed to the stockholders. All proxies received by the Company that are properly executed and have not been revoked will be voted in accordance with the instructions contained in the proxies. If paper copy of the proxy materials is requested by a stockholder and a signed proxy card is received that does not specify a vote or an abstention, the shares represented by that proxy card will be voted (i) for the nominees to the Board of Directors listed on the proxy card and in this proxy statement; (ii) for the ratification of the appointment of PricewaterhouseCoopers Zhong Tian CPAs Limited Company (to be renamed as PricewaterhouseCoopers Zhong Tian LLP) ("PwC"), as the Company's independent auditors for the fiscal year ending December 31, 2013; and (iii) for the (non-binding) approval of the Company's named executive compensation program. 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 proxy gives discretionary authority to the persons named as proxies to vote the shares represented by the proxy 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.

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) following the instructions on the website hosting proxy materials and voting as specified in the Notice of Internet Availability, (b) if proxy is executed in paper form, delivering another duly executed proxy bearing a later date or (c) 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 is solicited by the Board of Directors. The Company will pay all of the costs of soliciting proxies. In addition to solicitation by mail or through internet, 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 is set forth below:

Name	Age	Position	Term Expires on the
			Date of the Annual Meeting
			Held in the Year
Hanlin Chen	56	Chairman	2013
Qizhou Wu	49	CEO and Director	2013
Arthur Wong	53	Director	2013
Guangxun Xu	62	Director	2013
Robert Tung	57	Director	2013

The Board of Directors has determined that the following directors for fiscal year 2013 are “independent” under the current rules of the Nasdaq Stock Market: Arthur Wong, Guangxun Xu and Robert Tung.

At the Annual Meeting, the stockholders will vote on the election of Hanlin Chen, Qizhou Wu, Arthur Wong, Guangxun Xu and Robert Tung as directors to serve for a one-year term until the annual meeting of stockholders in 2014 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

Hanlin Chen has served as the chairman of the board of directors and an executive officer since March 2003. Since January 2013, Mr. Chen has become a standing committee member of the Chinese People's Political Consultative Conference (CPPCC) and vice president of Foreign Investors Association of Hubei Province. From 1993 to 1997, Mr. Chen was the general manager of Shashi Jiulong Power Steering Gears Co., Ltd. Since 1997, he has been the chairman of the Board of Henglong Automotive Parts, Ltd. Mr. Hanlin Chen is the brother-in-law of the Company's senior vice president, Mr. Andy Yiu Wong Tse.

As chairman of the Board of Directors, Mr. Chen oversees the implementation of the Company's business plan.

The Board of Directors believes that Mr. Chen's leadership and extensive knowledge of the Company are essential to the development of the Company's strategic vision.

Qizhou Wu

Qizhou Wu has served as a director and the chief operating officer of the Company since March 2003, and has become the chief executive officer of the Company since September 2007. He was the executive general manager of Shashi Jiulong Power Steering Gears Co., Ltd. from 1993 to 1999 and the general manager of Henglong Automotive Parts Co., Ltd. from 1999 to 2002. Mr. Wu graduated from Tsinghua University in Beijing with a Master's degree in automobile engineering.

The Board of Directors believes that Mr. Wu's experience and extensive knowledge of the Company are essential to the implementation of the Company's strategic vision.

Arthur Wong

Arthur Wong has been an independent director of the Company since May 2012 and is the chairman of the audit committee and a member of the compensation and nominating committees of the Board of Directors. Mr. Wong is currently the chief financial officer of Beijing Radio Cultural Transmission Company Limited, a music production and music data management service company. He also serves as a board member and chairman of the audit committees for VisionChina Media Inc. (NASDAQ:VISN), Daqo New Energy Corp. (NYSE: DQ), Besunyen Holdings Company Limited (HKSE: 926) and Termbray Petro-king Oilfield Services Limited (HKSE: 2178). Mr. Wong was formerly the chief financial officer of GreenTree Inns Hotel Management Group, Nobao Renewable Energy, and Asia New-Energy. Prior to that, he worked at Deloitte Touche Tohmatsu from 1982 to 2008, in that firm's San Jose, Hong Kong and Beijing offices, and most recently as a partner in the Beijing office. Mr. Wong received a Bachelor of Science in Applied Economics degree from the University of San Francisco and was awarded a Higher Diploma of Accountancy from Hong Kong Polytechnic. His professional affiliations include being a member of the American Institute of Certified Public Accountants, the Hong Kong Institute of Certified Public Accountants and the Chartered Association of Certified Accountants.

The Board of Directors believes that Mr. Wong's many years of experience working with public companies in the PRC and abroad provides perspective and global vision to the Company's development.

Guangxun Xu

Guangxun Xu has served as an independent director of the Company since December 2009. He is a member of the audit and compensation committees, and the chairman of the nominating committee of the Board of Directors. Mr. Xu has been the Chief Representative of NASDAQ in China and a managing director of the NASDAQ Stock Market International, Asia for over 10 years. With a professional career in the finance field spanning over 25 years, Mr. Xu's practice focuses on providing package services on U.S. and U.K. listings, advising on and arranging for private placements, PIPEs, IPOs, pre-IPO restructuring, M&A, corporate and project finance, corporate governance, post-IPOIR compliance, and risk control.

The Board of Directors believes that Mr. Xu's many years of experience in working with public companies and financial markets in Asia provides value to the Board of Directors and the Company.

Robert Tung

Robert Tung has been an independent director of the Company since September 2003. He is a member of the audit and nominating committees, and the chairman of the compensation committee of the Board of Directors. Mr. Tung is currently the president of Multi-Media Communications, Inc. and vice president of Herbal Blends International, LLC. Mr. Tung holds a Master's degree in chemical engineering from the University of Virginia. At present, Mr. Tung is the China operation vice president of Iraq Development Company of Canada, a leading North American corporation engaging in oilfield and infrastructure development in the Republic of Iraq. In addition, Mr. Tung holds the Grand China sales representative position of TRI Products, Inc., a well-known North American iron ore and scrap metals supplier. Mr. Tung is also actively involved in minerals, iron ore and petroleum derivatives trading.

The Board of Directors believes that Mr. Tung's many years of experience working with in the PRC and abroad provides perspective and global vision to the Company's development.

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 of Directors, the nominating committee of the Board of Directors (the "Nominating Committee") considers the appropriate balance of experience, skills and characteristics required of the Board of Directors. It seeks to ensure that a majority of the directors are independent under the rules of the Nasdaq Stock Market, that the members of the Company's audit committee of the Board of Directors (the "Audit Committee") meet the financial literacy and sophistication requirements under the rules of the Nasdaq Stock Market and that at least one member of the Board qualifies as an "audit committee financial expert" under the rules of the SEC. 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 of Directors duties.

Process for Identifying and Evaluating Nominees.

The Nominating 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 membership to the Board of Directors, the Nominating Committee will re-nominate incumbent directors who continue to be qualified for 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 of Directors occurs between annual stockholder meetings, the Nominating Committee will seek out potential candidates for appointment to the Board of Directors 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 of Directors, senior management of the Company and, if the Nominating Committee deems appropriate, a third-party search firm. The Nominating 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 Committee. Candidates meriting serious consideration will meet with all members of the Board of Directors. Based on this input, the Nominating Committee will evaluate whether one of the prospective candidates is qualified to serve as a director and whether the committee should recommend to the Board of Directors that such candidate be appointed to fill a then current vacancy or presented for the approval of the stockholders, as appropriate.

Stockholder Nominees.

The Nominating Committee will consider suggestions from stockholders regarding possible director candidates for election at the annual meeting to be held in 2014. Any such nominations should be submitted to the Nominating Committee, c/o Mrs. Wei Na (secretary to the Board of Directors), 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 qualifications 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 2014 Annual Meeting" below. Each director nominated in this Proxy Statement was recommended for election by the Nominating Committee and by the Board of Directors. The Board of Directors did not receive any notice of a Board of Directors nominee recommendation in connection with this Proxy Statement from any security holder. The Company has never received a proposal from a stockholder to nominate a director.

Board Nominees for the 2013 Annual Meeting.

The nominees listed in this proxy statement are the current five directors standing for re-election.

BOARD LEADERSHIP STRUCTURE

Mr. Hanlin Chen is the chairman of the Board of Directors and Mr. Qizhou Wu is the chief executive officer and a director of the Company. The Company believes that there are wide arrays of leadership structures that could apply to different business models and that every company should be afforded the opportunity to determine the ideal structure for its board leadership, which leadership structure may change over time. The Company's leadership structure of a separate chairman of the Board of Directors and chief executive officer has historically proven extremely effective for it in the areas of performance and corporate governance, among others. The Company does not have a lead independent director. The Company, in consideration of the size of the Board of Directors and the presence of three independent directors who constitute a majority, believes that it is not necessary to appoint a lead independent director. The Board of Directors has determined that its current structure is in the best interests of the Company and its stockholders. The Company believes the independent nature of the audit, compensation and nominating committees of the Board of Directors also ensures that the Board of Directors maintains a level of independent oversight of management that is appropriate for the Company. The Board of Directors will review from time to time the appropriateness of its leadership structure and implement any changes it may deem necessary.

RISK OVERSIGHT

The Board of Directors has the ultimate oversight responsibility for the risk management process. A fundamental part of risk management is not only understanding the risks the Company faces and what steps management is taking to manage those risks, but also understanding what level of risk is appropriate for the Company. In setting the Company's business strategy, the Board of Directors assesses the various risks being mitigated by management and determines what constitutes an appropriate level of risk for the Company. While the ultimate risk oversight rests with the Board of Directors, various committees of the Board of Directors also have responsibility for risk management. For example, the Audit Committee focuses on financial risk, including internal controls, and receives financial risk assessment reports from management, and risks related to the compensation programs are reviewed by the compensation committee of the Board of Directors (the "Compensation Committee"). The Board of Directors is advised by these committees of significant risks and management's response via periodic updates.

DIRECTOR COMPENSATION

Based on the number of years of service to the Board of Directors, workload and performance, the Board of Directors decides on directors' compensation. The Board of Directors believes that the pay for the members of the board of directors was appropriate as of December 31, 2012. With effect from August 2, 2011, 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 \$7,000 to \$11,000 per quarter. The chairman of the Audit Committee additionally receives an allowance of \$6,000 per year. Prior to August 2, 2011, the independent directors received a director fee from the Company for their services as members of the Board of Directors in the amount of \$7,000 to \$10,000 per quarter, and the chairman of the Audit Committee additionally receives an allowance of \$6,000 per year. The directors are reimbursed for certain expenses in connection with attending Board of Directors and committee meetings of the Board of Directors. 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 approved certain director grants at the annual meeting of the stockholders in 2005, which grants were included in the 2004 stock option plan. The non-employee directors options granted and not expired over three years ago are as follows:

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.

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.

On September 10, 2009, 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 \$8.45 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 July 8, 2010, 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 \$16.80 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 October 12, 2011, 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 \$4.84 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 August 15, 2012, 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 \$3.71 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, the Company decides on the directors' pay. The management believes that the pay for the members of the Board of Directors was appropriate as of December 31, 2012. The compensation that directors received for serving on the Board of Directors for fiscal year 2012 was as follows (figures in the chart are in thousands of USD):

Name	Fees earned or paid in cash	Option awards⁽¹⁾	Total
Robert Tung	\$ 44	\$ 25	\$ 69
Guangxun Xu	\$ 36	\$ 25	\$ 61
Arthur Wong	\$ 31	\$ 25	56
Bruce C. Richardson ⁽²⁾	\$ 11	\$ -	\$ 11

(1)

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 *ASC Topic 718*, 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. Please see Note 19 to the consolidated financial statements of the Company in the Annual Report on Form 10-K for more details.

(2) Mr. Bruce C. Richardson resigned as a director of the Company on May 15, 2012.

The cost of the above mentioned compensation paid to directors was measured based on investment, operating, technology, and consulting services they provided. No other directors had received any compensation for their service on the Board of Directors.

BOARD MEETINGS AND COMMITTEES

The Board of Directors has standing audit, compensation and nominating committees. The Board of Directors met nine (9) times during 2012. The Audit Committee met six (6) times, the Compensation Committee met three (3) times and the Nominating Committee met three (3) times during 2012. 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 audit, compensation and nominating committees' charters are available on the Company's website at www.caasauto.com.

Audit Committee.

The Audit Committee currently consists of Arthur Wong (chairman), Robert Tung and Guangxun Xu. The Board of Directors 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 of Directors has determined that Arthur Wong qualifies as an "audit committee financial expert" as defined by the rules of the SEC. 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 May 31, 2005.

Nominating Committee.

The Nominating Committee currently consists of Guangxun Xu (chairman), Robert Tung and Arthur Wong, each of whom the Board of Directors has determined is an independent director under the rules of the Nasdaq Stock Market. The Nominating Committee's responsibilities include recommending nominees for possible election to the Board of Directors and providing oversight with respect to corporate governance. The Nominating Committee operates under a written charter that was included as Appendix B to the Company's definitive proxy statement filed with the SEC on May 31, 2005.

Compensation Committee.

The Compensation Committee currently consists of Robert Tung (chairman), Guangxun Xu and Arthur Wong. 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 compensation and benefits of our officers and employees. The Compensation Committee operates under a written charter that was included as Appendix A with the Company's definitive proxy statement filed with the SEC on May 31, 2005.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

For the twelve months ended December 31, 2012, none of our executive officers had a relationship that would constitute an interlocking relationship with executive officers or directors of another entity or insider participation in compensation decisions.

COMMUNICATIONS WITH DIRECTORS

Stockholders interested in communicating directly with our Directors may email the chairman Mr. Hanlin Chen at chenhanlin@chl.com.cn. Mr. Chen will review all such correspondence and will regularly forward to the other members of the Board of Directors copies of all such correspondence that deals with the functions of the Board of Directors or committees thereof or that he otherwise determines requires their attention. Directors may at any time review all of the correspondence received that is addressed to members of the Board of Directors and request copies of such correspondence. Concerns relating to accounting, internal controls or auditing matters will immediately be brought to the attention of the Audit Committee and handled in accordance with procedures established by the Audit Committee with respect to such matters.

The Company has a policy of encouraging all directors to attend the annual stockholder meetings. Last year, five (5) directors attended the annual meeting.

CODE OF CONDUCT AND ETHICS

The Company has adopted a code of conduct and ethics that applies to all directors, officers and employees, including its principal executive officer, principal financial officer and controller. This code of conduct and ethics was filed as Exhibit 99.1 to the Company's Annual Report on Form 10-KSB/A for the fiscal year ended December 31, 2003 filed with the SEC.

SECURITY OWNERSHIP OF DIRECTORS AND

OFFICERS AND CERTAIN BENEFICIAL OWNERS

The following table sets forth certain information known to the Company with respect to the beneficial ownership of the Company's common stock as of December 31, 2012 by (i) each person who is known by the Company to own beneficially more than 5% of the Company's common stock, (ii) each of the Company's directors and executive officers and (iii) all executive officers and directors as a group. Except as otherwise listed below, the address of each person is c/o China Automotive Systems, Inc., Optics Valley Software Park, No. 1 Guanshan Road, East Lake Hi-Tech Zone, Wuhan City, Hubei Province, The People's Republic of China. Percentage ownership is based upon 28,043,019 shares outstanding as of December 31, 2012 (exclusive of 217,283 treasury stock).

Name/Title	Total Number of Shares	Percentage Ownership	
Hanlin Chen, Chairman ⁽¹⁾	17,849,014	63.65	%
Qizhou Wu, CEO and Director	1,445,136	5.15	%
Jie Li, CFO	33,403	0.12	%
Li Ping Xie ⁽²⁾	17,849,014	63.65	%
Tse, Yiu Wong Andy, Sr. VP, Director	400,204	1.43	%
Shaobo Wang, Sr. VP	165,104	0.59	%
Shengbin Yu, Sr. VP	246,429	0.88	%
Yijun Xia, VP	17,200	0.06	%
Daming Hu, CAO	26,400	0.09	%
Robert Tung, Director	7,500	0.03	%
Haimian Cai, Director	3,750	0.01	%
Wiselink Holdings Limited ⁽³⁾	17,849,014	63.65	%
All Directors and Executive Officers (12 persons)	20,194,140	72.01	%

- (1) Includes 1,502,925 shares of common stock beneficially owned by Mr. Hanlin Chen's wife, Ms. Li Ping Xie, and 3,023,542 shares of common stock beneficially held through Wiselink Holdings Limited.
- (2) Includes 13,322,547 shares of common stock beneficially owned by Ms. Li Ping Xie's husband, Mr. Hanlin Chen, and 3,023,542 shares of common stock beneficially held in Wiselink Holdings Limited.
Includes 13,322,547 shares of common stock beneficially owned by Mr. Hanlin Chen and 1,502,925 shares of
- (3) common stock beneficially owned by Mr. Hanlin Chen's wife, Ms. Li Ping Xie. Wiselink Holdings Limited is a company controlled by Mr. Hanlin Chen.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The following related parties are related through common ownership with the major stockholders of the Company:

Jingzhou Henglong Fulida Textile Co., Ltd.
Xiamen Joylon Co., Ltd., "Xiamen Joylon"
Shanghai Tianxiang Automotive Parts Co., Ltd., "Shanghai Tianxiang"
Shanghai Fenglong Materials Co., Ltd., "Shanghai Fenglong"
Changchun Hualong Automotive Technology Co., Ltd., "Changchun Hualong"
Jiangling Tongchuang Machining Co., Ltd., "Jiangling Tongchuang"
Beijing Hualong Century Digital S&T Development Co., Ltd., "Beijing Hualong"
Jingzhou Jiulong Material Co., Ltd., "Jiulong Material"
Shanghai Hongxi Investment Inc., "Hongxi"
Hubei Wiselink Equipment Manufacturing Co., Ltd., "Hubei Wiselink"
Jingzhou Tongyi Special Parts Co., Ltd., "Jingzhou Tongyi"
Jingzhou Derun Agricultural S&T Development Co., Ltd., "Jingzhou Derun"
Jingzhou Tongying Alloys Materials Co., Ltd., "Jingzhou Tongying"
Wuhan Dida Information S&T Development Co., Ltd., "Wuhan Dida"
Hubei Wanlong Investment Co., Ltd., "Hubei Wanlong"
Jiangling Yude Machining Co., Ltd., "Jiangling Yude"
Wiselink Holdings Limited., "Wiselink"
Beijing Henglong Automotive System Co., Ltd., "Beijing Henglong"
Honghu Changrun Automotive Parts Co., Ltd., "Honghu Changrun"

Related Party Transactions.

The Company's related party transactions include product sales, material purchases and purchases of equipment and technology. These transactions were consummated at fair market price and under similar terms as those with the Company's customers and suppliers. On some occasions, the Company's related party transactions also include purchase/sale of capital stock of the joint ventures and sale of property, plant and equipment.

Related sales and purchases: During the years ended December 31, 2012 and 2011, the joint ventures entered into related party transactions with companies with common directors as shown below (figures are in thousands of USD):

Merchandise Sold to Related Parties

	Year Ended	
	December 31,	
	2012	2011
Honghu Changrun	\$81	\$-
Xiamen Joylon	7,055	16,166
Shanghai Fenglong	377	519
Hubei Wiselink	-	1,413
Jiangling Yude	103	1,018
Beijing Henglong	19,826	24,058
Total	\$27,442	\$43,174

Technology sold to Related Parties

	Year Ended	
	December 31,	
	2012	2011
Beijing Henglong	\$ 86	\$ -
Total	\$ 86	\$ -

Materials Purchased from Related Parties

Year Ended
December 31,
2012 2011

Honghu Changrun	\$1,018	\$1,104
Jiangling Tongchuang	7,653	8,858
Jingzhou Tongying	9,436	9,153
Hubei Wiselink	1,190	923
Wuhan Tongkai	693	651
Total	\$19,990	\$20,689

Technology Purchased from Related Parties

Year Ended
December 31,
2012 2011

Changchun Hualong	\$ 365	\$ 218
Honghu Changrun	317	-
Beijing Hualong	137	-
Total		