

CHINA AUTOMOTIVE SYSTEMS INC
Form S-3/A
August 08, 2008

As filed with the Securities and Exchange Commission on August 8, 2008
Registration No. 333-150250

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

PRE-EFFECTIVE AMENDMENT NO. 1 TO

**Form S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

China Automotive Systems, Inc.

(Exact name of Registrant as specified in its charter)

Delaware
*(State or Other Jurisdiction of
Incorporation or Organization)*

33-0885775
*(I.R.S. Employer
Identification Number)*

**No. 1 Henglong Road, Yu Qiao Development Zone
Shashi District, Jing Zhou City
Hubei Province
People's Republic of China
(86) 27-5981-8527**
*(Address, including zip code, and telephone number,
including area code, of Registrant's principal executive offices)*

**Jie Li
Chief Financial Officer
China Automotive Systems, Inc.
No. 1 Henglong Road, Yu Qiao Development Zone
Shashi District, Jing Zhou City
Hubei Province
People's Republic of China
(86) 27-5981-8527**
*(Name, address, including zip code, and telephone number,
including area code, of agent for service)*

Copies to:
Hayden J. Trubitt
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4350 La Jolla Village Drive, Seventh Floor
San Diego, California 92122

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this Registration Statement, as determined by the selling security holders.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. £

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or reinvestment plans, check the following box. T

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. £ ___

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. £ ___

If this form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box. £

If this form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box. £

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer £ Accelerated filer £

Non-accelerated filer £ Smaller reporting company T

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Security	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Senior Convertible Notes maturing February 15, 2013 (“Closing Notes”)	\$557,286 principal amount		\$ 557,286	\$ 21.90 (1)
Senior Convertible Notes maturing February 15, 2013 (“Henglong Notes”)	\$417,963 principal amount		\$ 417,963	\$ 16.43(1)
Senior Convertible Notes maturing February 15, 2013 (“Escrow Notes”)	\$975,258 principal amount		\$ 975,258	\$ 38.33(1)
Closing Warrants to purchase shares of Common Stock, with an expiration date of February 15, 2009	warrants to purchase 658,932 shares of common stock			-0-(2)
Escrow Warrants to purchase shares of Common Stock, with an expiration date of February 15, 2009	warrants to purchase 658,932 shares of common stock			-0-
Common Stock, par value \$0.0001 per share (3)(4)	220,329	\$ 8.8527	\$ 1,950,507	-0-(1)
Common Stock, par value \$0.0001 per share (3)(5)	1,317,864	\$ 8.8527	\$ 11,666,655	\$ 458.50(2)
Common Stock, par value \$0.0001 per share (3)(6)	44,065	\$ 8.8527	\$ 390,094	\$ 1.73
Total				\$ 536.89(7)

- (1) Pursuant to Rule 457(i) under the Securities Act, a registration fee is payable based on the proposed offering price of the convertible securities (the Senior Convertible Notes) alone, and no separate registration fee is payable with regard to the underlying shares of common stock which are also being registered for distribution in this same registration statement.
- (2) Calculation is indicated based upon the exercise price per share of the Warrants, in accordance with Rule 457(g)(1) under the Securities Act. However, pursuant to the final sentence of Rule 457(g) under the Securities Act, as applied, no registration fee is required with respect to the Warrants, because the Warrants are currently out-of-the-money and the underlying shares of common stock are also being registered for distribution in this same registration statement.
- (3) Pursuant to Rule 416 under the Securities Act, this Registration Statement also covers such additional shares as may hereafter be offered or issued to prevent dilution resulting from stock splits, stock dividends or similar transactions. The Registrant confirms that Rule 416 is not to be used to cover increases resulting from any other adjustment provisions contained in the Senior Convertible Notes, such as the conversion price reset and/or weighted-average antidilution provisions referred to in Footnote 6 of this table. However, if any shares issued are under such provisions and are then subjected to a stock split, stock dividend or similar transaction, Rule 416 would apply to the stock-split/stock-dividend/similar-transaction shares arising from the shares issued under such

non-Rule 416 adjustment provisions.

- (4) Represents shares of common stock issuable upon conversion of various Senior Convertible Notes dated February 15, 2008 at a conversion price of \$8.8527 per share (subject to possible future adjustment), issued under the Securities Purchase Agreement dated February 1, 2008.
- (5) Represents shares of common stock issuable upon exercise of various Closing Warrants and Escrow Warrants dated February 15, 2008 to purchase common stock at an exercise price of \$8.8527 per share (subject to possible future adjustment), issued under the Securities Purchase Agreement dated February 1, 2008.
- (6) Represents additional shares of common stock issuable upon conversion of the various Senior Convertible Notes and/or exercise of the various Closing Warrants and Escrow Warrants upon potential future conversion price reset and/or weighted-average antidilution adjustments.
- (7) Fee of \$2,200.80 previously paid.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. The selling securityholders may not sell these securities until the registration statement relating to these securities filed with the Securities and Exchange Commission becomes effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion, Dated August 8, 2008

PROSPECTUS

CHINA AUTOMOTIVE SYSTEMS, INC.

\$557,286 principal amount of Senior Convertible Notes maturing February 15, 2013 (“Closing Notes”)
\$417,963 principal amount of Senior Convertible Notes maturing February 15, 2013 (“Henglong Notes”)
\$975,258 principal amount of Senior Convertible Notes maturing February 15, 2013 (“Escrow Notes”)
Closing Warrants to purchase an aggregate of 658,932 shares of Common Stock, with an expiration date of February 15, 2009
Escrow Warrants to purchase an aggregate of 658,932 shares of Common Stock, with an expiration date of February 15, 2009
1,582,258 shares of Common Stock

This prospectus relates to the resale, and offer for resale, of up to \$557,286 principal amount of Senior Convertible Notes maturing February 15, 2013 (“**Closing Notes**”), \$417,963 principal amount of Senior Convertible Notes maturing February 15, 2013 (“**Henglong Notes**”), and \$975,258 principal amount of Senior Convertible Notes maturing February 15, 2013 (“**Escrow Notes**”); Closing Warrants to purchase an aggregate of 658,392 shares of common stock, with an expiration date of February 15, 2009, and Escrow Warrants to purchase an aggregate of 658,392 shares of common stock, with an expiration date of February 15, 2009; and 1,538,193 shares (plus up to 44,095 additional shares upon potential future conversion price reset or weighted-average antidilution adjustments) of common stock, \$0.0001 par value per share, of China Automotive Systems, Inc. (“**we**,” “**China Automotive**” or the “**Company**”) that may be offered from time to time by the selling securityholders identified on page 31 of this prospectus.

The Closing Notes, the Henglong Notes and the Escrow Notes, which are collectively referred to as the “**Senior Convertible Notes**,” are identical except that the Henglong Notes and the Escrow Notes were subject to early redemption at the holders’ option if we did not consummate the acquisition of a further equity interest in Jingzhou Henglong Automotive Parts Co., Ltd. (the “**Henglong Transaction**”) by April 15, 2008. The Closing Warrants and the Escrow Warrants, which are collectively referred to as the “**Warrants**,” are identical except that the Escrow Warrants had to be surrendered back to us if the holders of the Escrow Notes elected early redemption of the Escrow Notes as a result of us not consummating the Henglong Transaction by April 15, 2008. In fact, the Henglong Transaction was consummated on April 3, 2008. Therefore, as a practical matter there is no further distinction among any of the Senior Convertible Notes and no further distinction among any of the Warrants.

We are registering these securities for resale by the selling securityholders named in this prospectus or their pledges, donees, assigns, transferees or other successors in interest. These securities are being registered to permit the selling securityholders to sell securities from time to time in the public market or otherwise, in amounts, at prices and on terms determined at the time of offering. The selling securityholders may sell these securities through ordinary brokerage transactions or through any other means described in the section entitled “Plan of Distribution” beginning on page 39. We will not receive any of the proceeds from this offering. We will receive proceeds from any exercise of the Warrants, if the exercise price is paid in cash instead of via “net exercise.” All costs associated with this registration will be borne by us.

Our common stock is listed on the NASDAQ Capital Market under the symbol "CAAS." On April 11, 2008, the last reported sale price of our common stock was \$5.66 per share. The Senior Convertible Notes and the Warrants are not listed on any exchange or known to be quoted in any interdealer quotation system.

**Investing in our securities involves a high degree of risk.
See "Risk Factors" beginning on page 6.**

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is August 8, 2008.

TABLE OF CONTENTS

Prospectus Summary	4
Risk Factors	6
Special Note Regarding Forward-Looking Statements	15
Use of Proceeds	16
Ratio of Earnings to Fixed Charges	17
Private Placement of and Description of Senior Convertible Notes and Warrants	18
Selling Securityholders	30
Additional Disclosures	32
Plan of Distribution	39
Certain U.S. Federal Income Tax Considerations	42
Legal Matters	47
Experts	47
Where You Can Find More Information	48
Documents Incorporated by Reference	49

Prospectus Summary

This summary highlights selected information appearing elsewhere in, or incorporated by reference in, this prospectus. While this summary highlights important information about us, you should carefully read this prospectus (including the documents incorporated by reference into this prospectus) and the registration statement of which this prospectus is a part in their entirety before investing in our securities, especially the risks of investing in our securities which we discuss later in “Risk Factors.” Unless the context requires otherwise, the words “we,” the “Company,” “us” and “our” refer to China Automotive Systems, Inc.

ABOUT CHINA AUTOMOTIVE SYSTEMS, INC.

Business and History

China Automotive Systems, Inc. manufactures power steering components and systems for passenger automobiles and commercial vehicles, primarily through seven indirectly-owned Sino-foreign joint ventures. Its current customer base includes several leading Chinese auto manufacturers.

We were incorporated in the State of Delaware on June 29, 1999 under the name Visions-In-Glass, Inc., which was principally engaged in the business of designing, marketing and selling custom-designed stained glass, leaded glass artifacts and leaded glass windows through a web site. From August 23, 2002 to March 2003, we had no business operations.

Pursuant to a Share Exchange Agreement dated as of March 5, 2003, among Yarek Bartosz, Guofu Dong, Liping Xie, Qizhou Wu, Andy Yiu Wong Tse and Hanlin Chen and Great Genesis Holding Limited, a corporation organized under the laws of the Hong Kong Special Administrative Region, China (“**Genesis**”), we acquired all of the issued and outstanding equity interests of Genesis. As consideration for these Genesis shares, we issued 20,914,250 shares of common stock to the former stockholders of Genesis.

Genesis currently owns interests in the seven Sino-foreign power steering joint ventures and also has one wholly-owned power steering subsidiary.

In connection with the acquisition of Genesis, we changed our name from Visions-In-Glass, Inc. to China Automotive Systems, Inc.

Our principal executive offices are located at No. 1 Henglong Road, Yu Qiao Development Zone, Shashi District, Jing Zhou City, Hubei Province, People’s Republic of China. Our telephone number is (86) 27-5981-8527.

Recent Developments

On February 1, 2008, we entered into a Securities Purchase Agreement with two institutional investors (the “**Securities Purchase Agreement**”). At the February 15, 2008 closing pursuant to the Securities Purchase Agreement, we issued and sold to the two institutional investors senior convertible notes with an aggregate original principal amount of \$35,000,000 plus warrants to purchase an aggregate of 1,317,684 shares of our common stock. A portion of these senior convertible notes and all of these warrants, and a corresponding portion of the shares of common stock issuable upon conversion or exercise of them, are the securities being offered for resale pursuant to this prospectus. In consideration for the issuance of the senior convertible notes and warrants, we received \$35,000,000 in cash from the institutional investors — \$17,500,000 directly at the closing, and \$17,500,000 which was delivered to us from an escrow account on April 11, 2008 following the consummation of the Henglong Transaction described below.

On April 3, 2008, Genesis consummated the acquisition of a 35.5% minority interest in Jingzhou Henglong Automotive Parts Co., Ltd., pursuant to an Equity Transfer Agreement dated March 31, 2008 (the “**Henglong Transaction**”). After the Henglong Transaction, Genesis holds 80% of the shares of Jingzhou Henglong Automotive Parts Co., Ltd. In the Henglong Transaction, we transferred to Wiselink Holdings Limited, the seller of the shares, \$10,000,000 cash and 3,023,542 shares of our common stock — 1,170,000 shares on April 22, 2008, and an additional 1,853,542 shares on June 30, 2008 after we obtained approval of our stockholders for the Henglong Transaction.

SUMMARY OF THE OFFERING

This offering relates to the resale by the selling securityholders named in this prospectus, or their pledges, donees, assigns, transferees or other successors in interest, of certain derivative securities issued by us pursuant to the Securities Purchase Agreement and of our common stock underlying such derivative securities. The derivative securities offered for resale consist of an aggregate of \$1,950,507 original principal amount of senior convertible notes dated February 15, 2008, which were issued in series which we refer to as the “*Closing Notes*,” the “*Henglong Notes*” and the “*Escrow Notes*,” and warrants to purchase 1,317,864 shares of common stock dated February 15, 2008, which were issued in series which we refer to as the “*Closing Warrants*” and “*Escrow Warrants*.” The resale offering also includes 1,538,193 shares of common stock issuable upon conversion and exercise of such derivative securities, plus up to 44,065 additional shares of common stock upon potential future conversion price reset or weighted-average antidilution adjustments.

The Closing Notes, the Henglong Notes and the Escrow Notes, which are collectively referred to as the “*Senior Convertible Notes*,” are identical except that the Henglong Notes and the Escrow Notes were subject to early redemption at the holders’ option if we did not consummate the Henglong Transaction by April 15, 2008. The Closing Warrants and the Escrow Warrants, which are collectively referred to as the “*Warrants*,” are identical except that the Escrow Warrants had to be surrendered back to us if the holders of the Escrow Notes elected early redemption of the Escrow Notes as a result of us not consummating the Henglong Transaction by April 15, 2008. In fact, the Henglong Transaction was consummated on April 3, 2008. Therefore, as a practical matter there is no further distinction among any of the Senior Convertible Notes and no further distinction among any of the Warrants.

Senior Convertible Notes Offered	The resale of Senior Convertible Notes with an aggregate original principal amount of up to \$1,950,507.
Warrants Offered	The resale of Warrants to purchase up to 1,317,864 shares of our common stock.
Common Stock Offered	The resale of up to 1,582,258 shares of common stock issuable to the selling securityholders (including 44,065 additional shares upon potential future conversion price resets or weighted-average antidilution adjustments).
Common Stock Outstanding Before the Offering	23,959,702 shares (not including any of the shares issued pursuant to the Henglong Transaction); 26,983,244 shares (including the shares issued pursuant to the Henglong Transaction).
Use of Proceeds	We will not receive any proceeds of the securities offered by the selling securityholders. However, we may receive proceeds from the exercise of the Warrants if the exercise price of the Warrants is paid in cash instead of via “net exercise.” We would plan to use all such proceeds for capital expenditures, possible future acquisitions, and general corporate and working capital purposes. See “Use of Proceeds.” We have already received \$35 million from the issuance of these and other Senior Convertible Notes and the Warrants under the Securities Purchase Agreement.

Risk Factors

The securities offered hereby involve a high degree of risk.
See "Risk Factors."

NASDAQ Capital Market symbol of Common Stock

CAAS