

CHINA AUTOMOTIVE SYSTEMS INC
Form 10-Q
May 06, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2010

Or

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission file number: 000-33123

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
(Address of principal executive offices)

Issuer's telephone number: (86) 716- 832- 9196

Issuer's fax number: (86) 716-832-9298

Not Applicable

(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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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.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

As of March 31, 2010, the Company had 27,046,244 shares of common stock issued and outstanding.

CHINA AUTOMOTIVE SYSTEMS, INC.

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PART 1 — FINANCIAL INFORMATION

Item 1. Financial Statements

China Automotive Systems, Inc.
Condensed Consolidated Statements of Operations (Unaudited)

	Three Months Ended March 31,	
	2010	2009
Net product sales, including \$1,660,393 and \$559,011 to related parties for the three months ended March 31, 2010 and 2009	\$ 84,232,689	\$ 44,697,446
Cost of product sold, including \$4,347,288 and \$2,126,737 purchased from related parties for the three months ended March 31, 2010 and 2009	61,697,672	33,794,101
Gross profit	22,535,017	10,903,345
Add: Gain on other sales	451,610	66,879
Less: Operating expenses-		
Selling expenses	1,867,803	1,064,680
General and administrative expenses	3,604,784	1,801,702
R&D expenses	1,301,758	439,922
Depreciation and amortization	321,793	571,413
Total Operating expenses	7,096,138	3,877,717
Income from operations	15,890,489	7,092,507
Add: Other income, net (note 21)	15,528	-
Financial income (expenses) net (note 22)	(368,011)	(439,480)
Gain (loss) on change in fair value of derivative (note 23)	149,028	(1,560,848)
Income before income taxes	15,687,034	5,092,179
Less: Income taxes (note 24)	2,285,522	1,449,670
Net income	\$ 13,401,512	\$ 3,642,509
Net income attributable to noncontrolling interest	3,066,343	1,383,697
Net income attributable to parent company	\$ 10,335,169	\$ 2,258,812
Net income per common share attributable to parent company-		
Basic (note 25)	\$ 0.38	\$ 0.08
Diluted (note 25)	\$ 0.34	\$ 0.08
Weighted average number of common shares outstanding -		
Basic	27,046,244	26,983,244
Diluted	31,564,462	31,947,823

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

China Automotive Systems, Inc.
Condensed Consolidated Statements of Comprehensive Income (Unaudited)

	Three Months Ended March 31,	
	2010	2009
Net income	\$ 13,401,512	\$ 3,642,509
Other comprehensive income:		
Foreign currency translation gain (loss)	45,340	(14,579)
Comprehensive income	\$ 13,446,852	\$ 3,627,930
Comprehensive income attributable to non-controlling interest	3,073,906	1,379,281
Comprehensive income attributable to parent company	\$ 10,372,946	\$ 2,248,649

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

China Automotive Systems, Inc.
Condensed Consolidated Balance Sheets

March 31, 2010 December 31, 2009
(Unaudited)

ASSETS

Current assets:

Cash and cash equivalents	\$ 51,075,033	\$ 43,480,176
Pledged cash deposits (note 3)	13,976,353	12,742,187
Accounts and notes receivable, net, including \$1,526,905 and \$1,441,939 from related parties at March 31, 2010 and December 31, 2009 (note 4)	168,252,346	154,863,292
Advance payments and other, including \$1,080,591 and \$0 to related parties at March 31, 2010 and December 31, 2009	7,549,606	2,413,556
Inventories (note 6)	35,383,898	