

CHINA AUTOMOTIVE SYSTEMS INC  
Form 8-K  
May 25, 2006

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 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): May 22, 2006**

**CHINA AUTOMOTIVE SYSTEMS, INC.**

*(Exact name of registrant as specified in its charter)*

**000-33123**

*(Commission File Number)*

**Delaware**

*(State or other jurisdiction of incorporation)*

**33-0885775**

*(I.R.S. Employer Identification No.)*

**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, with zip code)*

**(86) 716-832-9196**

*(Registrant's telephone number, including area code)*

**N/A**

*(Former name or former address, if changed since last report)*

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))
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**Item 3.02 Unregistered Sales of Equity Securities.**

Pursuant to our Standby Equity Distribution Agreement ( SEDA ) dated March 20, 2006, we sold 29,589 shares of common stock to Cornell Capital Partners, LP ( Cornell Capital ) on May 22, 2006. In accordance with the SEDA, the number of shares was calculated as \$300,000 divided by \$10.1388. We selected \$300,000 as the gross advance for this particular SEDA transaction. The \$10.1388 price per share was calculated, under the SEDA, by multiplying the lowest daily volume weighted average price (as quoted by Bloomberg L.P.) in the five-day trading period from May 12, 2006 to May 18, 2006, with the trading days on which the daily volume weighted average price was below \$10.01 (the Minimum Acceptable Price set in the Advance Notice) excluded, by 98.5%. From the indicated \$300,000 gross advance, we actually received cash proceeds of \$286,000, net of a 4.5% retainage fee of \$13,500 and a \$500 structuring fee.

We have stated in a SEC registration statement that the 1.5% discount and the 4.5% retainage fee constitute underwriting discounts, as does the \$440,000 commitment fee (paid in the form of 37,022 shares of our common stock) which we paid to Cornell Capital in respect of the entire \$15,000,000 SEDA commitment on March 20, 2006. The 29,589 shares were issued to Cornell Capital pursuant to the Securities Act Section 4(2) registration exemption.

**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.

Date: MAY 25, 2006

By: /s/ HANLIN CHEN

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Hanlin Chen  
President and  
Chief Executive Officer