

REFINITIV

DELTA REPORT

10-Q

CAAS - CHINA AUTOMOTIVE SYSTEMS

10-Q - SEPTEMBER 30, 2023 COMPARED TO 10-Q - JUNE 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	908
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■ CHANGES	510
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■ DELETIONS	170
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■ ADDITIONS	228
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

☐ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **June 30, 2023** **September 30, 2023**

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 No.)

No. 1 Henglong Road, Yu Qiao Development Zone, Shashi District

Jing Zhou City, Hubei Province, the People's Republic of China

(Address of principal executive offices)

(86) 716- 412- 7901

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol	Name of each exchange on which registered
Common Stock, \$0.0001 par value	CAAS	The Nasdaq Capital Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities 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 every Interactive Data File required to be submitted 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 such files).

Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

☐

Accelerated filer

☐

Non-accelerated filer

☐

Smaller reporting company

☐

Emerging growth company

☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☐

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol	Name of each exchange on which registered
Common Stock, \$0.0001 par value	CAAS	The Nasdaq Capital Market

As of August 11, 2023 November 13, 2023, the Company had 30,185,702 shares of common stock issued and outstanding.

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CHINA AUTOMOTIVE SYSTEMS, INC.

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Cautionary Statement

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934. These statements relate to future events or the Company's future financial performance. The Company has attempted to identify forward-looking statements by terminology including "anticipates," "believes," "expects," "can," "continues," "could," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "should" or "will" or the negative of these terms or other comparable terminology. Such statements are subject to certain risks and uncertainties, including the matters set forth in this Quarterly Report or other reports or documents the Company files with the Securities and Exchange Commission from time to time, which could cause actual results or outcomes to differ materially from those projected. Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, the Company cannot guarantee future results, levels of activity, performance or achievements. Undue reliance should not be placed on these forward-looking statements, which speak only as of the date hereof. The Company's expectations are as of the date this Form 10-Q is filed, and the Company does not intend to update any of the forward-looking statements after the date this Quarterly Report on Form 10-Q is filed to conform these statements to actual results, unless required by law. All of the forward-looking statements are qualified in their entirety by reference to the factors discussed under Item 1A. "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2022, as filed with the Securities and Exchange Commission.

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PART I — FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS.

China Automotive Systems, Inc. and Subsidiaries
Condensed Unaudited Consolidated Statements of Operations and Comprehensive Income
(In thousands of USD, except share and per share amounts)

	Three Months Ended June 30,		Three Months Ended September 30,	
	2023	2022	2023	2022
Net product sales (\$13,194 and \$9,158 sold to related parties for the three months ended June 30, 2023 and 2022)	\$ 137,410	\$ 127,161		
Cost of products sold (\$7,311 and \$6,496 purchased from related parties for the three months ended June 30, 2023 and 2022)	114,692	104,450		
Net product sales (\$8,407 and \$11,181 sold to related parties for the three months ended September 30, 2023 and 2022)			\$ 137,541	\$ 137,207
Cost of products sold (\$6,266 and \$7,689 purchased from related parties for the three months ended September 30, 2023 and 2022)			112,784	116,289

Gross profit	22,718	22,711	24,757	20,918
Gain on other sales	742	2,105	2,177	2,290
Less: Operating expenses				
Selling expenses	3,794	4,068	3,803	3,978
General and administrative expenses	5,271	5,662	6,108	4,893
Research and development expenses	6,606	7,886	6,870	9,450
Total operating expenses	15,671	17,616	16,781	18,321
Income from operations	7,789	7,200	10,153	4,887
Other income, net	1,963	2,804	1,155	744
Interest expense	(276)	(370)	(245)	(384)
Financial income, net	3,963	2,543	163	4,760
Income before income tax expenses and equity in earnings of affiliated companies	13,439	12,177	11,226	10,007
Less: Income taxes expense	1,487	3,156		
Add: Equity in (loss)/earnings of affiliated companies	(484)	914		
Less: Income taxes			688	899
Add: Equity in earnings/(loss) of affiliated companies			706	(1,101)
Net income	11,468	9,935	11,244	8,007
Less: Net income attributable to non-controlling interests	995	500	1,749	529
Accretion to redemption value of redeemable non-controlling interests	(7)	(7)	(7)	(8)
Net income attributable to parent company's common shareholders	\$ 10,466	\$ 9,428	\$ 9,488	\$ 7,470
Comprehensive income:				
Net income	\$ 11,468	\$ 9,935	\$ 11,244	\$ 8,007
Other comprehensive income:				
Foreign currency translation loss, net of tax	(16,886)	(19,055)		
Comprehensive loss	(5,418)	(9,120)		
Comprehensive loss attributable to non-controlling interests	(80)	(642)		
Foreign currency translation income/(loss), net of tax			3,580	(18,705)
Comprehensive income/(loss)			14,824	(10,698)
Less: Comprehensive income/(loss) attributable to non-controlling interests			3,590	(604)
Accretion to redemption value of redeemable non-controlling interests	(7)	(7)	(7)	(8)
Comprehensive loss attributable to parent company	\$ (5,345)	\$ (8,485)		
Comprehensive income/(loss) attributable to parent company			\$ 11,227	\$ (10,102)
Net income attributable to parent company's common shareholders per share -				
Basic	\$ 0.35	\$ 0.31	\$ 0.31	\$ 0.24
Diluted	\$ 0.35	\$ 0.31	\$ 0.31	\$ 0.24
Weighted average number of common shares outstanding -				
Basic	30,185,702	30,847,706	30,185,702	30,637,876
Diluted	30,189,537	30,849,009	30,189,363	30,640,260

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

(In thousands of USD, except share and per share amounts)

	Six Months Ended June 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net product sales (\$26,770 and \$20,162 sold to related parties for the six months ended June 30, 2023 and 2022)	\$ 279,653	\$ 263,557		
Cost of products sold (\$14,326 and \$14,036 purchased from related parties for the six months ended June 30, 2023 and 2022)	235,317	226,112		
Net product sales (\$35,177 and \$31,343 sold to related parties for the nine months ended September 30, 2023 and 2022)			\$ 417,194	\$ 400,764
Cost of products sold (\$20,592 and \$21,725 purchased from related parties for the nine months ended September 30, 2023 and 2022)			348,101	342,401
Gross profit	44,336	37,445	69,093	58,363
Gain on other sales	1,395	3,036	3,572	5,326
Less: Operating expenses				
Selling expenses	7,178	8,380	10,981	12,358
General and administrative expenses	10,024	10,416	16,132	15,309
Research and development expenses	12,996	16,023	19,866	25,473
Total operating expenses	30,198	34,819	46,979	53,140
Income from operations	15,533	5,662	25,686	10,549
Other income, net	3,465	6,323	4,620	7,067
Interest expense	(525)	(772)	(770)	(1,156)
Financial income, net	3,541	4,558	3,704	9,318
Income before income tax expenses and equity in earnings of affiliated companies	22,014	15,771	33,240	25,778
Less: Income taxes expense	2,316	4,114		
Add: Equity in loss of affiliated companies	(347)	(1,573)		
Less: Income taxes			3,004	5,013
Add: Equity in earnings/(loss) of affiliated companies			359	(2,674)
Net income	19,351	10,084	30,595	18,091
Less: Net income attributable to non-controlling interests	2,050	700	3,799	1,229
Accretion to redemption value of redeemable non-controlling interests	(15)	(15)	(22)	(23)
Net income attributable to parent company's common shareholders	\$ 17,286	\$ 9,369	\$ 26,774	\$ 16,839
Comprehensive income:				
Net income	\$ 19,351	\$ 10,084	\$ 30,595	\$ 18,091
Other comprehensive income:				
Foreign currency translation loss, net of tax	(12,332)	(17,618)	(8,752)	(36,323)
Comprehensive income/(loss)	7,019	(7,534)	21,843	(18,232)
Comprehensive income/(loss) attributable to non-controlling interests	1,241	(353)		
Less: Comprehensive income/(loss) attributable to non-controlling interests			4,831	(957)
Accretion to redemption value of redeemable non-controlling interests	(15)	(15)	(22)	(23)
Comprehensive income/(loss) attributable to parent company	\$ 5,763	\$ (7,196)	\$ 16,990	\$ (17,298)
Net income attributable to parent company's common shareholders per share -				
Basic	\$ 0.57	\$ 0.30	\$ 0.89	\$ 0.55
Diluted	\$ 0.57	\$ 0.30	\$ 0.89	\$ 0.55
Weighted average number of common shares outstanding -				
Basic	30,185,702	30,849,730	30,185,702	30,778,336
Diluted	30,191,309	30,850,859	30,190,660	30,779,883

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

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China Automotive Systems, Inc. and Subsidiaries
Condensed Unaudited Consolidated Balance Sheets
(In thousands of USD unless otherwise indicated)

	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 95,620	\$ 121,216	\$ 108,244	\$ 121,216
Pledged cash	29,921	37,735	26,877	37,735
Accounts and notes receivable, net - unrelated parties	217,493	214,308	227,946	214,308
Accounts and notes receivable, net - related parties	16,547	10,016	13,571	10,016
Inventories	100,262	112,236	103,187	112,236
Other current assets	28,063	25,207	29,127	25,207
Total current assets	487,906	520,718	508,952	520,718
Non-current assets:				
Property, plant and equipment, net	99,347	106,606	100,598	106,606
Land use rights, net	9,080	9,555	9,073	9,555
Long-term investments	62,179	59,810	60,866	59,810
Other non-current assets	26,065	17,663	28,604	17,663
Total assets	\$ 684,577	\$ 714,352	\$ 708,093	\$ 714,352
LIABILITIES, MEZZANINE EQUITY AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Short-term loans	\$ 38,457	\$ 45,671	\$ 38,568	\$ 45,671
Accounts and notes payable-unrelated parties	205,951	218,412	211,788	218,412
Accounts and notes payable-related parties	10,762	16,695	10,283	16,695
Accrued expenses and other payables	45,972	48,311	47,573	48,311
Other current liabilities	33,458	35,106	34,439	35,106
Total current liabilities	334,600	364,195	342,651	364,195
Long-term liabilities:				
Long-term tax payable	8,781	15,805	8,781	15,805
Other non-current liabilities	6,761	6,937	7,402	6,937
Total liabilities	\$ 350,142	\$ 386,937	\$ 358,834	\$ 386,937
Commitments and Contingencies (See Note 22)				
Mezzanine equity:				
Redeemable non-controlling interests	598	582	605	582
Stockholders' equity:				
Common stock, \$0.0001 par value - Authorized - 80,000,000 shares; Issued - 32,338,302 and 32,338,302 shares as of June 30, 2023 and December 31, 2022, respectively	\$ 3	\$ 3		
Common stock, \$0.0001 par value - Authorized - 80,000,000 shares; Issued - 32,338,302 and 32,338,302 shares as of September 30, 2023 and December 31, 2022, respectively			\$ 3	\$ 3
Additional paid-in capital	63,731	63,731	63,731	63,731
Retained earnings-				

Appropriated	11,851	11,851	11,851	11,851
Unappropriated	264,460	247,174	273,948	247,174
Accumulated other comprehensive income	(14,936)	(3,413)	(13,197)	(3,413)
Treasury stock – 2,152,600 and 2,152,600 shares as of June 30, 2023 and December 31, 2022, respectively	(7,695)	(7,695)		
Treasury stock – 2,152,600 and 2,152,600 shares as of September 30, 2023 and December 31, 2022, respectively			(7,695)	(7,695)
Total parent company stockholders' equity	317,414	311,651	328,641	311,651
Non-controlling interests	16,423	15,182	20,013	15,182
Total stockholders' equity	333,837	326,833	348,654	326,833
Total liabilities, mezzanine equity and stockholders' equity	\$ 684,577	\$ 714,352	\$ 708,093	\$ 714,352

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

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China Automotive Systems, Inc. and Subsidiaries
Condensed Unaudited Consolidated Statements of Cash Flows
(In thousands of USD unless otherwise indicated)

	Six Months Ended June 30,	
	2023	2022
Cash flows from operating activities:		
Net income	\$ 19,351	\$ 10,084
Adjustments to reconcile net income from operations to net cash provided by operating activities:		
Depreciation and amortization	9,528	12,012
(Reversal)/provision of credit losses	(459)	527
Deferred income taxes	237	2,945
Equity in loss of affiliated companies	347	1,573
Loss on fixed assets disposals	15	46
(Increase)/decrease in:		
Accounts and notes receivable	(18,323)	(4,333)
Inventories	8,355	896
Other current assets	(904)	(1,218)
Increase/(decrease) in:		
Accounts and notes payable	(10,323)	(6,156)
Accrued expenses and other payables	(604)	(2,643)
Long-term taxes payable	(5,268)	(2,809)
Other current liabilities	(2,004)	3,560
Net cash (used in)/provided by operating activities	(52)	14,484
Cash flows from investing activities:		
(Increase)/decrease in demand loans included in other non-current assets	(14)	291
Cash received from property, plant and equipment sales	582	572
Payments to acquire property, plant and equipment (including \$2,022 and \$2,143 paid to related parties for the six months ended June 30, 2023 and 2022, respectively)	(5,438)	(7,881)
Payments to acquire intangible assets	(2,361)	(41)
Investment under the equity method	(7,729)	(5,480)
Purchase of short-term investments	(40,491)	(59,758)

Proceeds from maturities of short-term investments	30,822	45,150
Cash received from long-term investment	583	2,704
Net cash used in investing activities	(24,046)	(24,443)
Cash flows from financing activities:		
Proceeds from bank loans	34,280	35,852
Repayments of bank loans	(39,836)	(32,916)
Repayments of the borrowing for sale and leaseback transaction	—	(1,130)
Repurchase of common shares	—	(196)
Net cash (used in)/ provided by financing activities	(5,556)	1,610
Effects of exchange rate on cash, cash equivalents and pledged cash	(3,756)	(7,327)
Net decrease in cash, cash equivalents and pledged cash	(33,410)	(15,676)
Cash, cash equivalents and pledged cash at beginning of the period	158,951	159,498
Cash, cash equivalents and pledged cash at end of the period	\$ 125,541	\$ 143,822
	Nine Months Ended September 30,	
	2023	2022
Cash flows from operating activities:		
Net income	\$ 30,595	\$ 18,091
Adjustments to reconcile net income from operations to net cash provided by operating activities:		
Depreciation and amortization	13,666	17,402
(Reversal)/provision of credit losses	(450)	602
Deferred income taxes	(1,017)	2,880
Equity in earnings of affiliated companies	(359)	2,674
Loss on fixed assets disposals	79	35
(Increase)/decrease in:		
Accounts and notes receivable	(24,315)	(21,616)
Inventories	6,070	115
Other current assets	(1,391)	(3,748)
Other non-current assets	(517)	—
Increase/(decrease) in:		
Accounts and notes payable	(6,198)	5,795
Accrued expenses and other payables	849	3,004
Long-term taxes payable	(5,268)	(2,809)
Other current liabilities	(1,004)	9,252
Net cash provided by operating activities	10,740	31,677
Cash flows from investing activities:		
(Increase)/decrease in demand loans included in other non-current assets	—	288
Cash received from property, plant and equipment sales	664	1,143
Payments to acquire property, plant and equipment (including \$6,414 and \$2,632 paid to related parties for the nine months ended September 30, 2023 and 2022, respectively)	(12,184)	(11,842)
Payments to acquire intangible assets	(2,437)	(68)
Investment under the equity method	(7,729)	(12,802)
Purchase of short-term investments	(55,290)	(79,311)
Proceeds from maturities of short-term investments	48,281	55,944
Cash received from long-term investments	3,115	3,986
Net cash used in investing activities	(25,580)	(42,662)
Cash flows from financing activities:		
Proceeds from bank loans	42,828	43,616
Repayments of bank loans	(48,147)	(41,465)
Repayments of the borrowing for sale and leaseback transaction	—	(1,130)
Repurchase of common shares	—	(1,567)
Net cash used in financing activities	(5,319)	(546)
Effects of exchange rate on cash, cash equivalents and pledged cash	(3,671)	(16,223)
Net decrease in cash, cash equivalents and pledged cash	(23,830)	(27,754)
Cash, cash equivalents and pledged cash at beginning of the period	158,951	159,499
Cash, cash equivalents and pledged cash at end of the period	\$ 135,121	\$ 131,745

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China Automotive Systems, Inc. and Subsidiaries
Notes to Condensed Unaudited Consolidated Financial Statements
Three Months and Six Nine Months Ended June 30, 2023 September 30, 2023 and 2022

1. Organization and business

China Automotive Systems, Inc., "China Automotive," was incorporated in the State of Delaware on June 29, 1999 under the name Visions-In-Glass, Inc. China Automotive, including, when the context so requires, its subsidiaries described below, is referred to herein as the "Company." The Company is primarily engaged in the manufacture and sale of automotive systems and components, as described below.

Great Genesis Holdings Limited, a company incorporated in Hong Kong on January 3, 2003 under the Companies Ordinance in Hong Kong as a limited liability company, "Genesis," is a wholly-owned subsidiary of the Company.

Henglong USA Corporation, "HLUSA," incorporated on January 8, 2007 in Troy, Michigan, is a wholly-owned subsidiary of the Company, and mainly engages in marketing of automotive parts in North America, and provides after-sales service and research and development support accordingly.

The Company owns the following aggregate net interests in the following subsidiaries organized in the People's Republic of China, the "PRC," and Brazil as of June 30, 2023 September 30, 2023 and December 31, 2022.

Name of Entity	Percentage Interest		Percentage Interest	
	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Shashi Jiulong Power Steering Gears Co., Ltd., "Jiulong" ¹	100.00 %	100.00 %	100.00 %	100.00 %
Jingzhou Henglong Automotive Parts Co., Ltd., "Henglong" ²	100.00 %	100.00 %	100.00 %	100.00 %
Shenyang Jinbei Henglong Automotive Steering System Co., Ltd., "Shenyang" ³	70.00 %	70.00 %	70.00 %	70.00 %
Wuhan Jielong Electric Power Steering Co., Ltd., "Jielong" ⁴	85.00 %	85.00 %	85.00 %	85.00 %
Wuhu Henglong Automotive Steering System Co., Ltd., "Wuhu" ⁵	100.00 %	100.00 %	100.00 %	100.00 %
Hubei Henglong Automotive System Group Co., Ltd., "Hubei Henglong" ⁶	100.00 %	100.00 %	100.00 %	100.00 %
Jingzhou Henglong Automotive Technology (Testing) Center, "Testing Center" ⁷	100.00 %	100.00 %	100.00 %	100.00 %
Chongqing Henglong Hongyan Automotive System Co., Ltd., "Chongqing Henglong" ⁸	70.00 %	70.00 %	70.00 %	70.00 %
CAAS Brazil's Imports and Trade In Automotive Parts Ltd., "Brazil Henglong" ⁹	95.84 %	95.84 %	95.84 %	95.84 %
Wuhan Chuguanjie Automotive Science and Technology Ltd., "Wuhan Chuguanjie" ¹⁰	85.00 %	85.00 %	85.00 %	85.00 %
Hubei Henglong Group Shanghai Automotive Electronics Research and Development Ltd., "Shanghai Henglong" ¹¹	100.00 %	100.00 %	100.00 %	100.00 %
Hubei Henglong & KYB Automobile Electric Steering System Co., Ltd., "Henglong KYB" ¹²	66.60 %	66.60 %	66.60 %	66.60 %
Hyoseong (Wuhan) Motion Mechatronics System Co., Ltd., "Wuhan Hyoseong" ¹³	51.00 %	51.00 %	51.00 %	51.00 %
Wuhu Hongrun New Material Co., Ltd., "Wuhu Hongrun" ¹⁴	62.00 %	62.00 %	62.00 %	62.00 %
Changchun Hualong Automotive Technology Co., Ltd., "Changchun Hualong" ¹⁵	100.00 %	100.00 %	100.00 %	100.00 %
Hubei Zhirong Automobile Technology Co., Ltd., "Zhirong" ¹⁶	100.00 %	—	100.00 %	—

- Jiulong was established in 1993 and mainly engages in the production of integral power steering gears for heavy-duty vehicles.
- Henglong was established in 1997 and mainly engages in the production of rack and pinion power steering gears for cars and light duty vehicles.
- Shenyang was established in 2002 and focuses on power steering parts for light duty vehicles.
- Jielong was established in 2006 and mainly engages in the production and sales of automotive steering columns.

5. Wuhu was established in 2006 and mainly engages in the production and sales of automobile steering systems.
6. On March 7, 2007, Genesis established Hubei Henglong, formerly known as Jingzhou Hengsheng Automotive System Co., Ltd., its wholly-owned subsidiary, to engage in the production and sales of automotive steering systems. On July 8, 2012, Hubei Henglong changed its name to Hubei Henglong Automotive System Group Co., Ltd.

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7. In December 2009, Henglong, a subsidiary of Genesis, formed Testing Center, which mainly engages in the research and development of new products.
8. On February 21, 2012, Hubei Henglong and SAIC-IVECO Hongyan Company, "SAIC-IVECO," established a Sino-foreign joint venture company, Chongqing Henglong, to design, develop and manufacture both hydraulic and electric power steering systems and parts.
9. On August 21, 2012, Brazil Henglong was established as a Sino-foreign joint venture company by Hubei Henglong and two Brazilian citizens, Ozias Gaia Da Silva and Ademir Dal' Evedove. Brazil Henglong engages mainly in the import and sales of automotive parts in Brazil. In May 2017, the Company obtained an additional 15.84% equity interest in Brazil Henglong for nil consideration. The Company retained its controlling interest in Brazil Henglong and the acquisition of the non-controlling interest was accounted for as an equity transaction.
10. In May 2014, together with Hubei Wanlong, Jielong formed a subsidiary, Wuhan Chuguanjie Automotive Science and Technology Ltd., "Wuhan Chuguanjie", which mainly engages in research and development, manufacture and sales of automobile electronic systems and parts. Wuhan Chuguanjie is located in Wuhan, China.
11. In January 2015, Hubei Henglong formed Hubei Henglong Group Shanghai Automotive Electronics Research and Development Ltd., "Shanghai Henglong", which mainly engages in the design and sales of automotive electronics.
12. In August 2018, Hubei Henglong and KYB (China) Investment Co., Ltd. ("KYB") established Hubei Henglong KYB Automobile Electric Steering System Co., Ltd., "Henglong KYB", which mainly engages in design, manufacture, sales and after-sales service of automobile electronic systems. Hubei Henglong owns 66.6% of the shares of this entity and has consolidated it since its establishment.
13. In March 2019, Hubei Henglong and Hyoseong Electric Co., Ltd. established Hyoseong (Wuhan) Motion Mechatronics System Co., Ltd., "Wuhan Hyoseong", which mainly engages in the design, manufacture and sales of automotive motors and electromechanical integrated systems. Hubei Henglong owns 51.0% of the shares of Wuhan Hyoseong and has consolidated it since its establishment.
14. In December 2019, Hubei Henglong formed Wuhu Hongrun New Material Co., Ltd., "Wuhu Hongrun", which mainly engages in the development, manufacturing and sale of high polymer materials. Hubei Henglong owns 62.0% of the shares of Wuhu Hongrun and has consolidated it since its establishment.
15. In April 2020, Hubei Henglong acquired 100.0% of the equity interests of Changchun Hualong Automotive Technology Co., Ltd., "Changchun Hualong", for total consideration of RMB 1.2 million, equivalent to approximately \$0.2 million from an entity controlled by Hanlin Chen. Before the acquisition, 52.1% of the shares of Changchun Hualong were ultimately owned by Hanlin Chen and 47.9% of the shares were owned by third parties. Changchun Hualong mainly engages in design and R&D of automotive parts.
16. In June 2023, Hubei Henglong contributed certain equipments equipment and intangible assets to Hubei Zhirong Automobile Technology Co., Ltd., "Zhirong", representing 100% of Zhirong's paid-up capital. Zhirong mainly engages in inspection and testing of automotive products.

2. Basis of presentation and significant accounting policies

(a) Basis of Presentation

Basis of Presentation – The accompanying condensed unaudited consolidated financial statements include the accounts of the Company and its subsidiaries. The details of subsidiaries are disclosed in Note 1. Significant inter-company balances and transactions have been eliminated upon consolidation. The condensed unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") for interim financial information and with the instructions in Regulation S-X. Accordingly they do not include all of the information and footnotes required by such accounting principles for complete financial statements. These financial statements should be read in conjunction with the consolidated financial statements and related footnotes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022.

The accompanying interim condensed consolidated financial statements are unaudited, but in the opinion of the Company's management, contain all necessary adjustments, which include normal recurring adjustments, for a fair statement of the results of operations, financial position and cash flows for the interim periods presented.

The condensed consolidated balance sheet as of December 31, 2022 is derived from the Company's audited financial statements at that date but does not include all of the information and footnotes required by U.S. GAAP for complete financial statements.

The results of operations for the three months and **six** **nine** months ended **June 30, 2023** **September 30, 2023** are not necessarily indicative of the results of operations to be expected for the full fiscal year ending December 31, 2023.

Estimation - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Foreign Currencies - China Automotive and HLUSA maintain their books and records in United States Dollars, "USD," their functional currency. The Company's subsidiaries based in the PRC and Genesis maintain their books and records in Renminbi, "RMB," their functional currency. The Company's subsidiary based in Brazil maintains its books and records in Brazilian real, "BRL," its functional currency. In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 830, foreign currency transactions denominated in currencies other than the functional currency are remeasured into the functional currency at the rate of exchange prevailing at the balance sheet date for monetary items. Nonmonetary items are remeasured at historical rates. Income and expenses are remeasured at the rate in effect on the transaction dates. Transaction gains and losses, if any, are included in the determination of net income for the period.

(b) Recent Accounting Pronouncements

No accounting standards newly issued during the three months ended **June 30, 2023** **September 30, 2023** had a material impact on the Company's financial statements or disclosures.

(c) Significant Accounting Policies

There have been no updates to the significant accounting policies set forth in the notes to the consolidated financial statements for the year ended December 31, 2022.

3. Accounts and notes receivable, net

The Company's accounts and notes receivable, net as of **June 30, 2023** **September 30, 2023** and December 31, 2022 are summarized as follows (figures are in thousands of USD):

	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Accounts receivable - unrelated parties	\$ 135,587	\$ 139,533	\$ 146,598	\$ 139,533
Notes receivable - unrelated parties	95,375	89,134	94,782	89,134
Total accounts and notes receivable - unrelated parties	230,962	228,667	241,380	228,667
Less: allowance for credit losses - unrelated parties	(13,469)	(14,359)	(13,434)	(14,359)
Accounts and notes receivable, net - unrelated parties	217,493	214,308	227,946	214,308
Accounts and notes receivable - related parties	18,177	11,779	15,336	11,779
Less: allowance for credit losses - related parties	(1,630)	(1,763)	(1,765)	(1,763)
Accounts and notes receivable, net - related parties	16,547	10,016	13,571	10,016
Accounts and notes receivable, net	\$ 234,040	\$ 224,324	\$ 241,517	\$ 224,324

Notes receivable represent accounts receivable in the form of bills of exchange for which acceptances are guaranteed and settlements are handled by banks.

As of **June 30, 2023** **September 30, 2023** and December 31, 2022, the Company pledged its notes receivable in amounts of **\$21.1 million** **\$17.7 million** and \$13.7 million, respectively, as collateral for banks to endorse the payment of the Company's notes payable to the noteholders upon maturity (See Note 8).

Provision for doubtful accounts and notes receivable, as provided in the unaudited consolidated statements of operations, amounted to \$0.01 million for the three months ended September 30, 2023.

Provision for doubtful accounts and notes receivable, as reversed in the unaudited consolidated statements of operations, amounted to \$0.2 million for the three months ended September 30, 2022.

Provision for doubtful accounts and notes receivable, as reversed in the unaudited consolidated statements of operations, amounted to \$0.5 million for the three and six months ended June 30, 2023, September 30, 2023.

Provision for doubtful accounts and notes receivable, as provided in the unaudited consolidated statements of operations, amounted to \$0.6 million and \$0.7 million for the three and six months ended June 30, 2022, respectively, September 30, 2022.

During the three months ended June 30, 2023, September 30, 2023, the Company's five largest customers accounted for 39.7% 42.2% of its consolidated net product sales, with one customer individually accounting for more than 10% of consolidated net product sales, i.e., 17.4% 18.3%. During the six months ended June 30, 2023, September 30, 2023, the Company's five largest customers accounted for 41.7% 40.9% of its consolidated net product sales, with one customer accounting for more than 10% of consolidated net product sales, i.e., 20.0% 19.4%. As of June 30, 2023, September 30, 2023, approximately 5.1% 5.3% of accounts receivable were from trade transactions with the aforementioned customer.

During the three months ended June 30, 2022, September 30, 2022, the Company's five largest customers accounted for 44.9% 41.9% of its consolidated net product sales, with one customer individually accounting for more than 10% of consolidated net product sales, i.e., 25.3% 17.8%. During the six months ended June 30, 2022, September 30, 2022, the Company's five largest customers accounted for 45.8% 43.6% of its consolidated net product sales, with one customer accounting for more than 10% of consolidated net product sales, i.e., 23.6% 21.6%. As of June 30, 2022, September 30, 2022, approximately 10.9% 6.8% of accounts receivable were from trade transactions with the aforementioned customer.

4. Inventories

The Company's inventories as of June 30, 2023, September 30, 2023 and December 31, 2022 consisted of the following (figures are in thousands of USD):

	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Raw materials	\$ 21,747	\$ 24,502	\$ 23,509	\$ 24,502
Work in process	16,813	16,001	16,298	16,001
Finished goods	59,775	71,371	60,638	71,371
Cost of R&D service	1,930	362	2,742	362
Total	\$ 100,262	\$ 112,236	\$ 103,187	\$ 112,236

The Company recorded \$3.7 million \$2.1 million and \$1.6 million \$1.2 million of inventory write-down to cost of products sold for the three months ended June 30, 2023, September 30, 2023 and 2022, respectively, respectively, and \$4.9 million \$7.0 million and \$2.6 million \$3.8 million for the six months ended June 30, 2023, September 30, 2023 and 2022, respectively.

5. Long-term investments

The Company's long-term investments as of June 30, 2023, September 30, 2023 and December 31, 2022, are summarized as follows (figures are in thousands of USD):

	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Sentient AB (1)	\$ 20,581	\$ 21,831	\$ 20,550	\$ 21,831

Chongqing Venture Fund	14,138	14,435	13,632	14,435
Hubei Venture Fund	11,214	11,738	11,352	11,738
Suzhou Qingshan (2)	8,148	4,179	8,212	4,179
Suzhou Venture Fund	4,848	5,473	3,862	5,473
Suzhou Mingzhi (3)	1,246	—	1,254	—
Henglong Tianyu	730	774	713	774
Chongqing Jinghua	623	695	658	695
Jiangsu Intelligent	651	685	633	685
Total	\$ 62,179	\$ 59,810	\$ 60,866	\$ 59,810

(1) In June 2021, Hubei Henglong entered into a share purchase agreement with Jingzhou WiseDawn Electric Car Co., Ltd., “Jingzhou WiseDawn”. In accordance with the agreement, CAAS would purchase 200 shares (representing 40% of Sentient AB's share capital) from Jingzhou WiseDawn for total consideration of RMB 155.2 million, equivalent to approximately \$24.5 million at prevailing rate. The transaction was completed in March 2022. Pursuant to the share purchase agreement, Hubei Henglong has the right to appoint two directors to the board of directors, and it can exercise significant influence over Sentient AB. Therefore, the investment is accounted for using the equity method. As of **June 30, 2023** **September 30, 2023**, Hubei Henglong the Company has paid **all the total** consideration.

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(2) In January 2022, Hubei Henglong entered into an agreement with other parties to establish a limited partnership, Suzhou Qingshan Zhiyuan Venture Capital Fund L.P., “Suzhou Qingshan”. As of **June 30, 2023** **September 30, 2023**, Hubei Henglong has paid RMB 60.0 million, equivalent to approximately \$9.1 million, to purchase 22.56% of Suzhou Qingshan's equity. As a limited partner, Hubei Henglong has more than virtually no influence over Suzhou Qingshan's operating and financial policies. The investment is accounted for using the equity method.

(3) In June 2023, Hubei Henglong entered into an agreement with other parties to establish a limited partnership, Suzhou Mingzhi Intelligent Manufacturing Industry Investment Fund L.P., “Suzhou Mingzhi”. As of **June 30, 2023** **September 30, 2023**, Hubei Henglong has paid RMB 9.0 million, equivalent to approximately \$1.2 million, to purchase representing 19.74% of Suzhou Mingzhi's equity. As a limited partner, Hubei Henglong has more than virtually no influence over Suzhou Qingshan's Mingzhi's operating and financial policies. The investment is accounted for using the equity method.

The condensed financial information of the Company's significant equity investee for the three and **six nine** months ended **June 30, 2023** **September 30, 2023** and 2022, Chongqing Venture Fund, is summarized as follows (figures are in thousands of USD):

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
Revenue	\$ —	\$ —	—	—	\$ —	\$ —	\$ —	\$ —
Gross profit	—	—	—	—	—	—	—	—
Gain/(loss) from continuing operations	(1,286)	(2,338)	1,387	(14,994)				
Net gain/(loss)	(1,286)	(2,338)	1,387	(14,994)				
(Loss) from continuing operations					(3,729)	(2,395)	(2,342)	(17,389)
Net (loss)					\$ (3,729)	(2,395)	\$ (2,342)	(17,389)

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6. Property, plant and equipment, net

The Company's property, plant and equipment, net as of **June 30, 2023**, **September 30, 2023** and December 31, 2022 are summarized as follows (figures are in thousands of USD):

	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Costs:				
Buildings	\$ 62,726	\$ 64,928	\$ 63,139	\$ 64,928
Machinery and equipment	232,846	239,385	237,652	239,385
Electronic equipment	5,768	6,242	5,802	6,242
Motor vehicles	4,382	4,308	4,462	4,308
Construction in progress	7,484	8,238	8,442	8,238
Total amount of property, plant and equipment	313,224	323,101	319,497	323,101
Less: Accumulated depreciation (1)	(213,877)	(216,495)	(218,899)	(216,495)
Total amount of property, plant and equipment, net (2)	\$ 99,347	\$ 106,606	\$ 100,598	\$ 106,606

(1) Depreciation charges were **\$4.3 million**, **\$3.9 million** and **\$5.6 million**, **\$5.2 million** for the three months ended **June 30, 2023**, **September 30, 2023** and 2022, respectively, and **\$8.8 million**, **\$12.7 million** and **\$11.5 million**, **\$16.7 million** for the **six** **nine** months ended **June 30, 2023**, **September 30, 2023** and 2022, respectively.

(2) As of **June 30, 2023**, **September 30, 2023** and December 31, 2022, the Company pledged property, plant and equipment and land use rights with net book value of approximately **\$46.3 million**, **\$44.8 million** and \$51.6 million, respectively, as security for its comprehensive credit facilities with banks in China.

7. Loans

Loans consist of the following as of **June 30, 2023**, **September 30, 2023** and December 31, 2022 (figures are in thousands of USD):

	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Short-term bank loans	\$ 38,457	\$ 45,671	\$ 38,568	\$ 45,671
Long-term bank loans	692	528	1,295	528
Total	\$ 39,149	\$ 46,199	\$ 39,863	\$ 46,199

The Company entered into credit facility agreements with various banks, which were secured by property, plant and equipment and land use rights of the Company. The total credit facility amount was **\$140.2 million**, **\$173.0 million** and \$148.3 million, respectively, as of **June 30, 2023**, **September 30, 2023** and December 31, 2022. As of **June 30, 2023**, **September 30, 2023** and December 31, 2022, the Company has drawn down loans under these facilities with an

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aggregate amount of **\$39.1 million**, **\$39.9 million** and \$46.2 million, respectively. The weighted average interest rate was **2.8%**, **2.9%** and 2.9% per annum, for the three months ending **June 30, 2023**, **September 30, 2023** and the year ended and December 31, 2022, respectively.

The Company must use the loans for the purpose as prescribed in the loan contracts. If the Company fails to do so, it will be charged penalty interest and/or trigger early repayment. The Company complied with such financial covenants during the three months ended **June 30, 2023**, **September 30, 2023**.

8. Accounts and notes payable

The Company's accounts and notes payable as of **June 30, 2023**, **September 30, 2023** and December 31, 2022 are summarized as follows (figures are in thousands of USD):

	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Accounts payable - unrelated parties	\$ 125,911	\$ 133,882	\$ 138,790	\$ 133,882
Notes payable - unrelated parties (1)	80,040	84,530	72,998	84,530

Accounts and notes payable - unrelated parties	205,951	218,412	211,788	218,412
Accounts and notes payable - related parties	10,762	16,695	10,283	16,695
Total	\$ 216,713	\$ 235,107	\$ 222,071	\$ 235,107

(1) Notes payable represent payables in the form of notes issued by the bank. As of **June 30, 2023** **September 30, 2023** and December 31, 2022, the Company has pledged cash of **\$29.9 million** **\$26.8 million** and \$37.6 million, respectively. As of **June 30, 2023** **September 30, 2023** and December 31, 2022,

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the Company has pledged notes receivable of **\$21.1 million** **\$17.7 million** and \$13.7 million, respectively, as collateral for banks to endorse the payment of the Company's notes payable to the noteholders upon maturity. The Company entered into credit facility agreements with various banks, which were secured by property, plant and equipment and land use rights of the Company. As of **June 30, 2023** **September 30, 2023** and December 31, 2022, the Company has used credit facilities for issue of bank notes with amount of **\$33.4 million** **\$31.6 million** and \$39.6 million.

9. Accrued expenses and other payables

The Company's accrued expenses and other payables as of **June 30, 2023** **September 30, 2023** and December 31, 2022 are summarized as follows (figures are in thousands of USD):

	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Warranty reserves (1)	\$ 33,948	\$ 32,435	\$ 34,989	\$ 32,435
Accrued expenses	8,963	9,652	9,200	9,652
Payables for overseas transportation and custom clearance	622	294	303	294
Dividends payable to holders of non-controlling interests	415	431	418	431
Accrued interest	91	465	238	465
Payable for the investment in Sentient AB (See Note 5)	—	2,043	—	2,043
Other payables	1,933	2,991	2,425	2,991
Balance at end of year/period	\$ 45,972	\$ 48,311	\$ 47,573	\$ 48,311

(1) The Company provides for the estimated cost of product warranties when the products are sold. Such estimates of product warranties are based on, among other things, historical experience, product changes, material expenses, services and transportation expenses arising from the manufactured products. Estimates will be adjusted on the basis of actual claims and circumstances.

For the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023** and 2022, the warranties activities were as follows (figures are in thousands of USD):

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
Balance at beginning of the period	\$ 34,032	\$ 37,128	\$ 32,435	\$ 36,572	\$ 33,948	\$ 35,028	\$ 32,435	\$ 36,572
Additions during the period	4,817	3,085	9,428	6,973	4,164	4,712	13,592	11,685
Settlement within the period	(3,185)	(3,178)	(6,633)	(6,654)	(3,340)	(3,255)	(9,973)	(9,909)
Foreign currency translation loss	(1,716)	(2,007)	(1,282)	(1,863)				
Foreign currency translation gain					217	(1,959)	(1,065)	(3,822)
Balance at end of the period	\$ 33,948	\$ 35,028	\$ 33,948	\$ 35,028	\$ 34,989	\$ 34,526	\$ 34,989	\$ 34,526

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10. Fair value measurement

The Company has entered into foreign exchange forward contracts with a local bank to reduce the exposure of significant changes in exchange rates between RMB and USD. Authoritative guidance requires companies to recognize all of the derivative financial instruments as either assets or liabilities at fair value in the consolidated balance sheets based upon quoted market prices for comparable instruments. The Company's forward contracts have not met the criteria for hedge accounting within authoritative guidance. Therefore, the foreign exchange forward contracts have been recorded at fair value, with the gain or loss on these transactions recorded in the consolidated statements of operations within "other income, net" in the period in which they occur. The Company held foreign exchange forward contracts with a total notional value of \$4.0 million \$1.0 million and nil as of June 30, 2023 September 30, 2023 and December 31, 2022, respectively. These foreign exchange forward contracts will mature within 12 months. The Company used a discounted cash-flow methodology to measure fair value, which requires inputs such as interest yield curves and foreign exchange rates. The significant inputs used in the aforementioned model can be corroborated with market observable data and therefore the fair value measurements are classified as level 2. Typically, any losses or gains on the forward exchange contracts are offset by re-measurement losses or gains on the underlying balances denominated in non-functional currencies. The Company's foreign currency exchange contracts are an over-the-counter instrument. The Company recorded loss from change in fair value of foreign exchange forward contracts of \$0.1 million \$0.04 million and nil during the six nine months ended June 30, 2023 September 30, 2023 and 2022.

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11. Redeemable non-controlling interests

In September 2020, one of the Company's subsidiaries issued shares to Hubei Venture Fund amounting to RMB 5.0 million, RMB5.0 million, equivalent to approximately \$0.7 million translated at spot rate of transaction date. The shares will be transferred to the Company and the other shareholder of the subsidiary on a pro rata basis at the holder's option if the subsidiary fails to complete a qualified IPO in a pre-agreed period of time after their issuance with a transfer price of par plus 6.0% interest per year. As of June 30, 2023 September 30, 2023, \$0.6 million of the shares are subject to purchase by the Company and are therefore accounted for as redeemable non-controlling interests in mezzanine equity.

For the three and six nine months ended June 30, 2023 September 30, 2023, the Company recognized accretion of \$0.007 million and \$0.015 million \$0.022 million, respectively, to the redemption value of the shares over the period starting from the issuance date with a corresponding reduction to retained earnings.

For the three and six nine months ended June 30, 2022 September 30, 2022, the Company recognized accretion of \$0.007 million \$0.008 million and \$0.015 million \$0.023 million, respectively, to the redemption value of the shares over the period starting from the issuance date with a corresponding reduction to retained earnings.

12. Additional paid-in capital

The Company's positions in respect of the amounts of additional paid-in capital for the three and six nine months ended June 30, 2023 September 30, 2023 and 2022, are summarized as follows (figures are in thousands of USD):

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
Balance at beginning of the period	\$ 63,731	\$ 63,731	\$ 63,731	\$ 63,731	\$ 63,731	\$ 63,731	\$ 63,731	\$ 63,731
Balance at end of the period	\$ 63,731	\$ 63,731	\$ 63,731	\$ 63,731	\$ 63,731	\$ 63,731	\$ 63,731	\$ 63,731

13. Retained earnings

Appropriated

Pursuant to the relevant PRC laws, the profits distribution of the Company's subsidiaries, which are based on their PRC statutory financial statements, are available for distribution in the form of cash dividends after these subsidiaries have paid all relevant PRC tax liabilities, provided for losses in previous years, and made appropriations to statutory surplus at 10% of their respective after-tax profits each year. When the statutory surplus reserve reaches 50% of the registered capital of a company, no additional reserve is required. For the three and six nine months ended June 30, 2023 September 30, 2023 and 2022, no statutory reserve was appropriated by the subsidiaries in China.

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The Company's activities in respect of the amounts of appropriated retained earnings for the three and six nine months ended June 30, 2023 September 30, 2023 and 2022, are summarized as follows (figures are in thousands of USD):

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
Balance at beginning of the period	\$ 11,851	\$ 11,481	\$ 11,851	\$ 11,481	\$ 11,851	\$ 11,481	\$ 11,851	\$ 11,481
Balance at end of the period	\$ 11,851	\$ 11,481	\$ 11,851	\$ 11,481	\$ 11,851	\$ 11,481	\$ 11,851	\$ 11,481

Unappropriated

The Company's activities in respect of the amounts of the unappropriated retained earnings for the three and six nine months ended June 30, 2023 September 30, 2023 and 2022, are summarized as follows (figures are in thousands of USD):

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
Balance at beginning of the period	\$ 253,994	\$ 226,304	\$ 247,174	\$ 226,363	\$ 264,460	\$ 235,732	\$ 247,174	\$ 226,363
Net income attributable to parent company	10,473	9,435	17,301	9,384	9,495	7,478	26,796	16,862
Accretion of redeemable non-controlling interests	(7)	(7)	(15)	(15)	(7)	(8)	(22)	(23)
Balance at end of the period	\$ 264,460	\$ 235,732	\$ 264,460	\$ 235,732	\$ 273,948	\$ 243,202	\$ 273,948	\$ 243,202

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14. Accumulated other comprehensive income

The Company's activities in respect of the amounts of accumulated other comprehensive income for the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023** and 2022, are summarized as follows (figures are in thousands of USD):

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
Balance at beginning of the period	\$ 875	\$ 26,065	\$ (3,413)	\$ 24,717	\$ (14,936)	\$ 8,152	\$ (3,413)	\$ 24,717
Foreign currency translation adjustment attributable to parent company	(15,811)	(17,913)	(11,523)	(16,565)	1,739	(17,572)	(9,784)	(34,137)
Balance at end of the period	\$ (14,936)	\$ 8,152	\$ (14,936)	\$ 8,152	\$ (13,197)	\$ (9,420)	\$ (13,197)	\$ (9,420)

15. Treasury stock

Treasury stock represents shares repurchased by the Company that are no longer outstanding and are held by the Company. Treasury stock is accounted for under the cost method. On March 29, 2022, the Board of Directors of the Company approved a share repurchase program under which the Company was permitted to repurchase up to \$5.0 million of its common stock from time to time in the open market at prevailing market prices not to exceed \$4.00 per share through March 30, 2023. As of **June 30, 2023** **September 30, 2023** and December 31, 2022, the Company had repurchased 666,074 shares of the Company's common stock under the program and the total number of shares held in treasury was 2,152,600. The repurchased shares are presented as "treasury stock" on the balance sheet.

16. Non-controlling interests

The Company's activities in respect of the amounts of the non-controlling interests' equity for the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023** and 2022, are summarized as follows (figures are in thousands of USD):

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
Balance at beginning of the period	\$ 16,503	\$ 16,143	\$ 15,182	\$ 15,854	\$ 16,423	\$ 15,501	\$ 15,182	\$ 15,854
Net income attributable to non-controlling interests	995	500	2,050	700	1,749	529	3,799	1,229
Foreign currency translation adjustment attributable to non-controlling interests	(1,075)	(1,142)	(809)	(1,053)	1,841	(1,133)	1,032	(2,186)
Balance at end of the period	\$ 16,423	\$ 15,501	\$ 16,423	\$ 15,501	\$ 20,013	\$ 14,897	\$ 20,013	\$ 14,897

17. Net product sales

Revenue Disaggregation

Management has concluded that the disaggregation level is the same under both the revenue standard and the segment reporting standard. Please refer to Note 24.

Payment to Customer

The Company accounts for consideration payable to a customer as a reduction of revenue at the later of revenue recognition and the Company's promise to pay the consideration.

Contract Assets and Liabilities

Contract assets, such as costs to obtain or fulfill contracts, are an insignificant component of the Company's revenue recognition process. The majority of the Company's cost of fulfillment as a manufacturer of products is classified as inventory, fixed assets and intangible assets, which are accounted for under the respective guidance for those asset types. Other costs of contract fulfillment are immaterial due to the nature of the Company's products and their respective manufacturing processes.

Contract liabilities are mainly customer deposits. As of June 30, 2023, September 30, 2023 and December 31, 2022, the Company has customer deposits of \$8.3 million, \$8.5 million and \$5.7 million, respectively, which were included in other current liabilities on the consolidated balance sheets. During the six nine months ended June 30, 2023, September 30, 2023, \$5.1 million, \$6.9 million was received and \$2.5 million, \$4.1 million (including \$1.5 million, \$2.6 million from the beginning

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balance of customer deposits) was recognized as net product sales revenue. During the six nine months ended June 30, 2022, September 30, 2022, \$2.8 million, \$4.3 million was received and \$2.9 million, \$3.0 million (including \$2.4 million from the beginning balance of customer deposits) was recognized as net product sales revenue. Customer deposits represent non-refundable cash deposits for customers to secure rights to an amount of products produced by the Company under supply agreements. When the products are shipped to customers, the Company will recognize revenue and bill the customers to reduce the amount of the customer deposit liability.

18. Financial income, net

During the three and six nine months ended June 30, 2023, September 30, 2023 and 2022, the Company recorded financial income, net which is summarized as follows (figures are in thousands of USD):

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
Interest income	\$ 346	\$ 312	\$ 565	\$ 562	\$ 322	\$ 340	\$ 886	\$ 903
Foreign exchange gain, net	3,673	2,325	3,108	4,236				
Foreign exchange (loss)/gain, net					(130)	4,453	2,978	8,688
Bank charges	(56)	(94)	(132)	(240)	(29)	(33)	(160)	(273)
Total financial income, net	\$ 3,963	\$ 2,543	\$ 3,541	\$ 4,558	\$ 163	\$ 4,760	\$ 3,704	\$ 9,318

19. Income per share

Basic income per share is computed using the weighted average number of ordinary shares outstanding during the period. Diluted income per share is computed using the weighted average number of ordinary shares and dilutive ordinary share equivalents outstanding during the period. The dilutive effect of outstanding stock options is determined based on the treasury stock method.

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The calculations of basic and diluted income per share attributable to the parent company for the three months ended **June 30, 2023** **September 30, 2023** and 2022, were as follows (figures are in thousands of USD, except share and per share amounts):

	Three Months Ended June 30,		Three Months Ended September 30,	
	2023	2022	2023	2022
Numerator:				
Net income attributable to the parent company's common shareholders - Basic and Diluted	\$ 10,466	\$ 9,428	\$ 9,488	\$ 7,470
Denominator:				
Weighted average shares outstanding	30,185,702	30,847,706	30,185,702	30,637,876
Dilutive effects of stock options	3,835	1,303	3,661	2,384
Denominator for dilutive income per share - Diluted	30,189,537	30,849,009	30,189,363	30,640,260
Net income per share attributable to parent company's common shareholders - Basic	\$ 0.35	\$ 0.31	\$ 0.31	\$ 0.24
Net income per share attributable to parent company's common shareholders - Diluted	\$ 0.35	\$ 0.31	\$ 0.31	\$ 0.24

The calculations of basic and diluted income per share attributable to the parent company for the **six nine** months ended **June 30, 2023** **September 30, 2023** and 2022, were as follows (figures are in thousands of USD, except share and per share amounts):

	Six Months Ended June 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Numerator:				
Net income attributable to the parent company's common shareholders - Basic and Diluted	\$ 17,286	\$ 9,369	\$ 26,774	\$ 16,839
Denominator:				
Weighted average shares outstanding	30,185,702	30,849,730	30,185,702	30,778,336
Dilutive effects of stock options	5,607	1,129	4,958	1,547
Denominator for dilutive income per share - Diluted	30,191,309	30,850,859	30,190,660	30,779,883
Net income per share attributable to parent company's common shareholders - Basic	\$ 0.57	\$ 0.30	\$ 0.89	\$ 0.55
Net income per share attributable to parent company's common shareholders - Diluted	\$ 0.57	\$ 0.30	\$ 0.89	\$ 0.55

As of **June 30, 2023** **September 30, 2023** and 2022, the exercise prices for 22,500 and 30,000 outstanding stock options exceeded the weighted average market price of the Company's common stock during the three **and nine** months ended **June 30, 2023** and 2022, respectively. Therefore, these stock options were excluded in the calculation of the diluted income per share for the corresponding periods presented.

As of June 30, 2023 and 2022, the exercise prices for 22,500 and 30,000 outstanding stock options exceeded the weighted average market price of the Company's common stock during the six months ended **June 30, 2023** **September 30, 2023** and 2022, respectively. Therefore, these stock options were excluded from the calculation of the diluted income per share for the corresponding periods presented.

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20. Significant concentrations

A significant portion of the Company's business is conducted in China where the currency is the RMB. Regulations in China permit foreign owned entities to freely convert the RMB into foreign currency for transactions that fall under the "current account", which includes trade related receipts and payments, interest and dividends. Accordingly, the Company's Chinese subsidiaries may use RMB to purchase foreign currency for settlement of such "current account" transactions without pre-approval.

China Automotive, the parent company, may depend on dividend payments from Genesis and HLUSA, which are generated from their subsidiaries in China, "China-based Subsidiaries," after they receive payments from the China-based Subsidiaries. Regulations in the PRC currently permit payment of dividends of a PRC company only out of accumulated profits as determined in accordance with accounting standards and regulations in China. Under PRC law China-based Subsidiaries are required to set aside at least 10% of their after-tax profit based on PRC accounting standards each year to their general reserves until the cumulative amount reaches 50% of their paid-in capital. These reserves are not distributable as cash dividends, or as loans or advances. These foreign-invested enterprises may also allocate a portion of their after-tax profits, at the discretion of their boards of directors, to their staff welfare and bonus funds. Any amounts so allocated may not be distributed and, accordingly, would not be available for distribution to Genesis and HLUSA.

The PRC government also imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currencies out of China. The China-based Subsidiaries may experience difficulties in completing the administrative procedures necessary to obtain and remit foreign currencies. If China Automotive is unable to receive dividend payments from its subsidiaries, including the China-based subsidiaries, China Automotive may be unable to effectively finance its operations or pay dividends on its shares.

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Transactions other than those that fall under the "current account" and that involve conversion of RMB into foreign currency are classified as "capital account" transactions; examples of "capital account" transactions include repatriations of investment by or loans to foreign owners, or direct equity investments in a foreign entity by a China domiciled entity. "Capital account" transactions require prior approval from China's State Administration of Foreign Exchange, or SAFE, or its provincial branch to convert a remittance into a foreign currency, such as U.S. Dollars, and transmit the foreign currency outside of China.

This system could be changed at any time and any such change may affect the ability of the Company or its subsidiaries in China to repatriate capital or profits, if any, outside China. Furthermore, SAFE has a significant degree of administrative discretion in implementing the laws and has used this discretion to limit convertibility of current account payments out of China. Whether as a result of a deterioration in the Chinese balance of payments, a shift in the Chinese macroeconomic prospects or any number of other reasons, China could impose additional restrictions on capital remittances abroad. As a result of these and other restrictions under the laws and regulations of the People's Republic of China, or the PRC, the Company's China subsidiaries are restricted in their ability to transfer a portion of their net assets to the parent. The Company has no assurance that the relevant Chinese governmental authorities in the future will not limit further or eliminate the ability of the Company's China subsidiaries to purchase foreign currencies and transfer such funds to the Company to meet its liquidity or other business needs. Any inability to access funds in China, if and when needed for use by the Company outside of China, could have a material and adverse effect on the Company's liquidity and its business.

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21. Related party transactions and balances

Related party transactions are as follows (figures are in thousands of USD):

Related party sales

	Three Months Ended June 30,		Three Months Ended September 30,	
	2023	2022	2023	2022
Merchandise sold to related parties	\$ 13,194	\$ 9,158	\$ 8,407	\$ 11,181
Materials and others sold to related parties	735	971	233	646
Rental income obtained from related parties	76	120	82	114
Total	\$ 14,005	\$ 10,249	\$ 8,722	\$ 11,941

	Six Months Ended June 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Merchandise sold to related parties	\$ 26,770	\$ 20,162	\$ 35,177	\$ 31,343
Materials and others sold to related parties	1,327	1,576	1,560	2,222
Rental income obtained from related parties	139	245	221	359
Total	\$ 28,236	\$ 21,983	\$ 36,958	\$ 33,924

Related party purchases

	Three Months Ended June 30,		Three Months Ended September 30,	
	2023	2022	2023	2022
Materials purchased from related parties	\$ 7,311	\$ 6,496	\$ 6,266	\$ 7,689
Equipment purchased from related parties	390	671	2,820	831
Others purchased from related parties	3	—	20	330
Total	\$ 7,704	\$ 7,167	\$ 9,106	\$ 8,850

	Six Months Ended June 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Materials purchased from related parties	\$ 14,326	\$ 14,036	\$ 20,592	\$ 21,725
Equipment purchased from related parties	633	1,120	3,453	1,951
Others purchased from related parties	24	157	44	487
Total	\$ 14,983	\$ 15,313	\$ 24,089	\$ 24,163

Related party investment transaction

	Nine Months Ended September 30,	
	2023	2022
Equity interest purchase from related parties	\$ —	\$ 23,618

Related party receivables

	September 30, 2023	December 31, 2022
Accounts and notes receivable, net from related parties	\$ 13,571	\$ 10,016

Related party advance payments

	September 30, 2023	December 31, 2022
Advance payments for property, plant and equipment to related parties	\$ 4,806	\$ 1,884
Advance payments and others to related parties	1,970	1,439
Total	\$ 6,776	\$ 3,323

Related party investment transaction

	Six Months Ended June 30,	
	2023	2022
Equity interest purchase from related parties	\$ —	\$ 23,129

Related party receivables

	June 30, 2023	December 31, 2022
Accounts and notes receivable, net from related parties	\$ 16,547	\$ 10,016

Related party advance payments

	June 30, 2023	December 31, 2022
Advance payments for property, plant and equipment to related parties	\$ 3,169	\$ 1,884
Advance payments and others to related parties	1,926	1,439
Total	\$ 5,095	\$ 3,323

Related party payables

	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Accounts and notes payable	\$ 10,762	\$ 16,695	\$ 10,283	\$ 16,695

These transactions were consummated under similar terms as those with the Company's third-party customers and suppliers.

As of August 11, 2023 November 13, 2023, Hanlin Chen, the chairman of the board of directors of the Company, owns 59.13% of the common stock of the Company and has the effective power to control the vote on substantially all significant matters without the approval of other stockholders.

22. Commitments and contingencies

Legal proceedings

The Company is not a party to any pending or, to the best of the Company's knowledge, any threatened legal proceedings and no director, officer or affiliate of the Company, or owner of record of more than five percent of the securities of the Company, or any associate of any such director, officer or security holder is a party adverse to the Company or has a material interest adverse to the Company in reference to pending litigation.

Other commitments and contingencies

In addition to the bank loans, notes payables and the related interest and other payables, the following table summarizes the Company's major commitments and contingencies as of June 30, 2023 September 30, 2023 (figures are in thousands of USD):

	Payment obligations by period					Payment obligations by period				
	2023	2024	2025	Thereafter	Total	2023	2024	2025	Thereafter	Total
Obligations for investment contracts	\$ —	\$ —	\$ —	\$ 2,906	\$ 2,906	\$ —	\$ —	\$ —	\$ 2,925	\$ 2,925
Obligations for purchasing and service agreements	28,335	8,257	—	—	36,592	26,939	8,308	—	—	35,247
Total	28,335	8,257	—	2,906	39,498	\$26,939	\$8,308	\$—	\$ 2,925	\$38,172

23. Off-balance sheet arrangements

As of June 30, 2023, September 30, 2023 and December 31, 2022, the Company did not have any significant transactions, obligations or relationships that could be considered off-balance sheet arrangements.

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24. Segment reporting

The accounting policies of the product sectors (each entity manufactures and sells different products and represents a different product sector) are the same as those described in the summary of significant accounting policies disclosed in the Company's 2022 Annual Report on Form 10-K except that the disaggregated financial results for the product sectors have been prepared using a management approach, which is consistent with the basis and manner in which management internally disaggregates financial information for the purposes of assisting them in making internal operating decisions. Generally, the Company evaluates performance based on stand-alone product sector operating income and accounts for inter-segment sales and transfers as if the sales or transfers were to third parties, at current market prices. Each product sector is considered a reporting segment.

As of June 30, 2023, the Company had 16 product sectors, six of which were principal profit makers and were reported as separate sectors and engaged in the production and sales of power steering (Henglong, Jiulong, Wuhu, Henglong KYB, Hubei Henglong and Brazil Henglong), and one holding company (Genesis). The other ten sectors were engaged in the development, manufacturing and sale of high polymer materials (Wuhu Hongrun), power steering parts (Shenyang), R&D services (Changchun Hualong), automobile steering columns (Jielong), provision of after-sales and R&D services (HLUSA), production and sale of power steering (Chongqing Henglong), manufacture and sales of automobile electronic systems and parts (Wuhan Chuguanjie), research and development of intelligent automotive technology (Jingzhou Qingyan), manufacture and sales of automotive motors and electromechanical integrated systems (Wuhan Hyoseong) and inspection and testing of automotive products (Zhirong).

As of June 30, 2022, September 30, 2023, the Company had 15 product sectors, six of which were principal profit makers and were reported as separate sectors and engaged in the production and sales of power steering (Henglong, Jiulong, Wuhu, Henglong KYB, Hubei Henglong and Brazil Henglong), and one holding company (Genesis). The other nine sectors were engaged in the development, manufacturing and sale of high polymer materials (Wuhu Hongrun), power steering parts (Shenyang), R&D services (Changchun Hualong), automobile steering columns (Jielong), provision of after-sales and R&D services (HLUSA), production and sale of power steering (Chongqing Henglong), manufacture and sales of automobile electronic systems and parts (Wuhan Chuguanjie), research and development of intelligent automotive technology (Jingzhou Qingyan) and manufacture and sales of automotive motors and electromechanical integrated systems (Wuhan Hyoseong) and inspection and testing of automotive products (Zhirong).

As of September 30, 2022, the Company had 15 product sectors, six of which were principal profit makers and were reported as separate sectors and engaged in the production and sales of power steering (Henglong, Jiulong, Wuhu, Henglong KYB, Hubei Henglong and Brazil Henglong), and one holding company (Genesis). The other nine sectors were engaged in the development, manufacturing and

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sale of high polymer materials (Wuhu Hongrun), power steering parts (Shenyang), R&D services (Changchun Hualong), automobile steering columns (Jielong), provision of after-sales and R&D services (HLUSA), production and sale of power steering (Chongqing Henglong), manufacture and sales of automobile electronic systems and parts (Wuhan Chuguanjie), research and development of intelligent automotive technology (Jingzhou Qingyan) and manufacture and sales of automotive motors and electromechanical integrated systems (Wuhan Hyoseong).

The Company's product sector information for the three and six nine months ended June 30, 2023, September 30, 2023 and 2022, is as follows (figures are in thousands of USD):

Net Product Sales	Net Income/(Loss)	Net Product Sales	Net Income/(Loss)
Three Months Ended	Three Months Ended	Three Months Ended	Three Months Ended

	June 30,		June 30,		September 30,		September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
Henglong	\$ 67,292	\$ 52,808	\$ 2,431	\$ 2,485	\$ 63,580	\$ 62,590	\$ 2,715	\$ 1,996
Jiulong	19,681	18,357	1,427	(981)	15,605	16,986	302	196
Wuhu	6,986	9,991	194	52	11,841	11,831	(175)	16
Hubei Henglong	28,906	38,276	1,760	7,660	27,602	29,525	2,572	3,116
Henglong KYB	30,159	21,013	1,846	1,598	33,491	36,995	4,619	1,760
Brazil Henglong	12,167	8,477	1,667	(1,262)	13,335	11,510	422	188
Other Entities	24,459	21,517	1,856	1,382	28,483	22,991	1,464	1,337
Total Segments	189,650	170,439	11,181	10,934	193,937	192,428	11,919	8,609
Corporate	—	—	(706)	(186)	—	—	(633)	(211)
Eliminations	(52,240)	(43,278)	933	(813)	(56,396)	(55,221)	(42)	(391)
Total	\$ 137,410	\$ 127,161	\$ 11,468	\$ 9,935	\$137,541	\$137,207	\$11,244	\$ 8,007

	Net Product Sales		Net Income/(Loss)		Net Product Sales		Net Income/(Loss)	
	Six Months Ended		Six Months Ended		Nine Months Ended		Nine Months Ended	
	June 30,		June 30,		September 30,		September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
Henglong	\$ 128,923	\$ 114,811	\$ 4,040	\$ 3,684	\$ 192,503	\$ 177,401	\$ 6,755	\$ 5,680
Jiulong	36,501	36,085	1,058	(3,415)	52,106	53,071	1,360	(3,219)
Wuhu	14,885	18,863	646	54	26,726	30,695	471	70
Hubei Henglong	63,563	71,219	2,534	4,823	91,165	100,744	5,106	7,939
Henglong KYB	67,355	50,820	4,624	2,167	100,846	87,815	9,243	3,927
Brazil Henglong	22,929	18,961	3,037	1,553	36,264	30,471	3,459	1,741
Other Entities	46,574	44,677	3,033	2,469	75,057	67,667	4,497	3,806
Total Segments	380,730	355,436	18,972	11,335	574,667	547,864	30,891	19,944
Corporate	—	—	(856)	(421)	—	—	(1,489)	(632)
Eliminations	(101,077)	(91,879)	1,235	(830)	(157,473)	(147,100)	1,193	(1,221)
Total	\$ 279,653	\$ 263,557	\$ 19,351	\$ 10,084	\$ 417,194	\$ 400,764	\$30,595	\$18,091

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion and analysis should be read in conjunction with the Company's condensed unaudited consolidated financial statements and the related notes thereto and the other financial information contained elsewhere in this Report.

General Overview

China Automotive Systems, Inc. is a leading power steering systems supplier for the China automobile industry. The Company has business relationships with more than sixty vehicle manufacturers, including China's top ranking domestic automobile manufacturers such as JAC motors, Changan Automobile Group, BAIC Group, Dongfeng Group, Brilliance Jinbei, Chery, BYD and Zhejiang Geely as well as Sino-foreign or foreign automobile manufacturer such as General Motors, Citroen, Fiat Chrysler North America and Ford. Starting in 2008, the Company has supplied power steering gears to the Sino-foreign joint ventures established by GM, Citroen and Volkswagen in China. The Company has supplied power steering gear to Fiat Chrysler North America since 2009 and to Ford Motor Company since 2016.

Most of the Company's production and research and development institutes are located in China. As of **June 30, 2023** **September 30, 2023**, the Company has approximately **3,957** **4,070** employees dedicated to design, development, manufacture and sales of its products. By leveraging its extensive experience, innovative technology and geographic strengths, the Company aims to grow leading positions in automotive power steering systems and to further improve overall margins, long-term operating profitability and cash flows. To achieve these goals and to respond to industry factors and trends, the Company is continuing its work to improve its operations and business structure and achieve profitable growth.

In addition, as a result of COVID-19, the Company's businesses, results of operations, financial position and cash flows had been affected and may continue to be affected. However, because of the significant uncertainties surrounding COVID-19, which are still evolving, the extent of the business disruption, including the duration and the related financial impact on subsequent periods cannot be reasonably estimated at this time. See "Item 1A. Risk Factors—Our business operations have been and may continue to be materially and adversely affected by the outbreak of the coronavirus disease (COVID-19)" in the Company's Annual Report on Form 10-K for the year ended December 31, 2022.

Corporate Structure

The Company, through its subsidiaries, engages in the manufacture and sales of automotive systems and components. Great Genesis Holdings Limited, a company incorporated in Hong Kong on January 3, 2003 under the Companies Ordinance of Hong Kong as a limited liability company, "Genesis," is a wholly-owned subsidiary of the Company and the holding company of the Company's joint ventures in the PRC. Henglong USA Corporation, "HLUSA," incorporated on January 8, 2007 in Troy, Michigan, is a wholly-owned subsidiary of the Company, and mainly engages in marketing of automotive parts in North America, and provides after-sales service and research and development support. CAAS Brazil's Imports And Trade In Automotive Parts Ltd., "Brazil Henglong," was established by Hubei Henglong Automotive System Group Co., Ltd., formerly known as Jingzhou Hengsheng Automotive System Co., Ltd., "Hubei Henglong," as a Sino-foreign joint venture company with two Brazilian citizens in Brazil in August 2012. In May 2017, the Company obtained an additional 15.84% equity interest in Brazil Henglong for nil consideration. The Company retained its controlling interest in Brazil Henglong and the acquisition of the non-controlling interest was accounted for as an equity transaction. Fujian Qiaolong was acquired by the Company in the second quarter of 2014, as a joint venture company that mainly manufactures and distributes drainage and rescue vehicles with mass flow, drainage vehicles with vertical downhole operation, crawler-type mobile pump stations, high-altitude water supply and discharge drainage vehicles, long-range control crawler-type mobile pump stations and other vehicles, which was disposed of by the Company in the second quarter of 2016. USAI was established in 2005, and the Company and Hubei Wanlong owned 83.34% and 16.66%, respectively. In May 2020, USAI merged with and into Wuhan Chuguanjie, a wholly-owned subsidiary of Wuhan Jielong, and it deregistered from the local business administration on April 28, 2020. Following the merger, 85.0% of Wuhan Chuguanjie was owned by the Company and 15.0% was owned by Hubei Wanlong. In April 2020, Hubei Henglong acquired 100.00% of the shares of Changchun Hualong Automotive Technology Co., Ltd., "Changchun Hualong", for total consideration of RMB 1.20 million, equivalent to approximately \$0.2 million. Changchun Hualong mainly engages in design and R&D of automotive parts. Wuhu Hongrun New Material Co., Ltd., "Wuhu Hongrun" was formed in December 2019, which mainly engages in the development, manufacturing and sale of high polymer materials. In April 2021, the Company obtained an additional 22.67% equity interest in Wuhu, for total consideration of RMB 6.9 million, equivalent to approximately \$1.1 million, from the other shareholder. Following the acquisition, the Company owned 100% of the equity interests of Wuhu Henglong. Jingzhou Qingyan deregistered from the local business administration on June 22, 2022. In June 2023, Hubei Henglong contributed certain **equipments** **equipment** and intangible assets to Hubei Zhirong Automobile

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Technology Co., Ltd., "Zhirong", representing 100% of Zhirong's paid-up capital. Zhirong mainly engages in inspection and testing of automotive products.

Critical Accounting Estimates

The Company prepares its condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amount of revenues and expenses during the reporting periods. Management periodically evaluates the estimates and judgments made. Management bases its estimates and judgments on historical experience and on various factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates as a result of different assumptions or conditions. The following critical accounting policies affect the more significant judgments and estimates used in the preparation of the Company's condensed consolidated financial statements.

The Company considers an accounting estimate to be critical if:

- It requires the Company to make assumptions about matters that were uncertain at the time it was making the estimate, and
- Changes in the estimate or different estimates that the Company could have selected would have had a material impact on the Company's financial condition or results of operations.

The table below presents information about the nature and rationale for the Company's critical accounting estimates:

Balance Sheet	Critical Estimate	Nature of Estimates	Assumptions/Approaches	
Caption	Item	Required	Used	Key Factors
Accrued liabilities and other long-term liabilities	Warranty obligations	Estimating warranty requires the Company to forecast the resolution of existing claims and expected future claims on products sold. OEMs (Original Equipment Manufacturers) are increasingly seeking to hold suppliers responsible for product warranties, which may impact the Company's exposure to these costs.	The Company bases its estimate on historical trends of units sold and payment amounts, combined with its current understanding of the status of existing claims and discussions with its customers.	OEM sourcing decisions regarding warranty claims
Property, plant and equipment, intangible assets and other long-term assets	Valuation of long-lived assets and investments	The Company is required from time to time to review the recoverability of certain of its assets based on projections of anticipated future cash flows, including future profitability assessments of various product lines.	The Company estimates cash flows using internal budgets based on recent sales data, independent automotive production volume estimates and customer commitments.	Future production estimates and customer preferences and decisions
Accounts receivable	Allowance for doubtful accounts	The Company is required from time to time to review the credit of customers and make timely provision of allowance for doubtful accounts.	The Company estimates the collectability of the receivables based on the future cash flows using historical experiences.	Customer credit
Inventory	Write-down of inventory	The Company is required from time to time to review the cash ability of inventory based on projections of anticipated future cash flows, including write-down of inventory for prices that are higher than market price and undesirable inventories.	The Company estimates cash flows using internal budgets based on recent sales data, independent automotive production volume estimates and customer commitments.	Future production estimates and customer preferences and decisions
Deferred income taxes	Recoverability of deferred tax assets	The Company is required to estimate whether recoverability of its deferred tax assets is more likely than not based on forecasts of taxable earnings in the related tax jurisdiction.	The Company uses historical and projected future operating results, based upon approved business plans, including a review of the eligible carry forward period, tax planning opportunities and other relevant considerations.	Tax law changes, variances in future projected profitability, including by taxing entity

Recent Accounting Pronouncements

Please see Note 2 to the consolidated financial statements under Item 1 of Part I of this report.

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Results of Operations - Three Months Ended **June 30, 2023** **September 30, 2023** and 2022

Selected highlights from our results of operations are as follows (in thousands of U.S. dollars):

Three Months Ended June 30,	Three Months Ended September 30,
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	2023	2022	Change	Change %	2023	2022	Change	Change %
Net product sales	\$ 137,410	\$ 127,161	\$ 10,249	8.1 %	\$137,541	\$137,207	\$ 334	0.2 %
Cost of products sold	114,692	104,450	10,242	9.8	112,784	116,289	(3,505)	(3.0)
Gain on other sales	742	2,105	(1,363)	(64.8)	2,177	2,290	(113)	(4.9)
Selling expenses	3,794	4,068	(274)	(6.7)	3,803	3,978	(175)	(4.4)
General and administrative expenses	5,271	5,662	(391)	(6.9)	6,108	4,893	1,215	24.8
Research and development expenses	6,606	7,886	(1,280)	(16.2)	6,870	9,450	(2,580)	(27.3)
Other income	1,963	2,804	(841)	(30.0)	1,155	744	411	55.2
Interest expense	(276)	(370)	94	(25.4)	(245)	(384)	139	(36.2)
Financial income, net	3,963	2,543	1,420	55.8	163	4,760	(4,597)	(96.6)
Income taxes	1,487	3,156	(1,669)	(52.9)	688	899	(211)	(23.5)
Net income	11,468	9,935	1,533	15.4	11,244	8,007	3,237	40.4
Net income attributable to non-controlling interests	995	500	495	99.0	1,749	529	1,220	230.6
Net income attributable to parent company's common shareholders	10,466	9,428	1,038	11.0 %	9,488	7,470	2,018	27.0 %

Net Product Sales and Cost of Products Sold

	Net Product Sales				Cost of Products Sold				Net Product Sales				Cost of Products Sold			
	(in thousands of USD, except percentages)				(in thousands of USD, except percentages)				(in thousands of USD, except percentages)				(in thousands of USD, except percentages)			
	Three Months Ended June 30,				Three Months Ended June 30,				Three Months Ended June 30,				Three Months Ended June 30,			
	2023	2022	Change		2023	2022	Change		2023	2022	Change		2023	2022	Change	
Henglong	\$ 67,292	\$ 52,808	14,484	27.4 %	\$ 61,435	\$ 48,347	13,088	27.1 %	\$ 63,580	\$ 62,590	990	1.6 %	\$ 57,217	\$ 59,006	(1,789)	(3.0)
Jiulong	19,681	18,357	1,324	7.2	16,268	15,763	505	3.2	15,605	16,986	(1,381)	(8.1)	13,637	14,584	(947)	(6.5)
Wuhu	6,986	9,991	(3,005)	(30.1)	6,317	9,417	(3,100)	(32.9)	11,841	11,831	10	0.1	11,494	11,121	373	3.3
Hubei																
Henglong	28,906	38,276	(9,370)	(24.5)	25,716	31,015	(5,299)	(17.1)	27,602	29,525	(1,923)	(6.5)	23,201	24,384	(1,183)	(4.8)
Henglong																
KYB	30,159	21,013	9,146	43.5	27,280	17,798	9,482	53.3	33,491	36,995	(3,504)	(9.5)	28,339	32,669	(4,330)	(13.3)
Brazil																
Henglong	12,167	8,477	3,690	43.5	10,289	7,494	2,795	37.3	13,335	11,510	1,825	15.9	11,203	9,948	1,255	12.5
Other																
Entities	24,459	21,517	2,942	13.7	18,967	16,534	2,433	14.7	28,483	22,991	5,492	23.9	23,396	18,322	5,074	27.7
Total																
Segments	189,650	170,439	19,211	11.3	166,272	146,368	19,904	13.6	193,937	192,428	1,509	0.8	168,487	170,034	(1,547)	(0.9)
Elimination	(52,240)	(43,278)	(8,962)	20.7	(51,580)	(41,918)	(9,662)	23.0	(56,396)	(55,221)	(1,175)	2.1	(55,703)	(53,745)	(1,958)	(3.6)
Total	\$137,410	\$127,161	10,249	8.1 %	\$114,692	\$104,450	10,242	9.8 %	\$137,541	\$137,207	334	0.2 %	\$112,784	\$116,289	(3,505)	(3.0)

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Net Product Sales

Net product sales were **\$137.4 million** **\$137.5 million** for the three months ended **June 30, 2023** **September 30, 2023**, compared to **\$127.2 million** **\$137.2 million** for the same period in 2022, representing an increase of **\$10.2 million** **\$0.3 million**, or **8.1%** **0.2%**, mainly due to the Company's increased sales of electric power steering ("EPS") systems and parts and partially offset by the appreciation of the USD against the RMB.

Net sales of traditional steering products and parts were \$95.8 million \$91.8 million for the three months ended June 30, 2023 September 30, 2023, compared to \$94.8 million \$92.4 million for the same period in 2022, representing a decrease of \$0.4 million, or 0.4%. Net sales of EPS systems and parts were \$45.7 million for the three months ended September 30, 2023 and \$44.8 million for the same period in 2022, representing an increase of \$1.0 million \$0.9 million, or 1.1%. Net sales of EPS systems and parts were \$41.6 million for the three months ended June 30, 2023 and \$32.4 million for the same period in 2022, representing an increase of \$9.2 million, or 28.4% 2.0%. As a percentage of net sales, sales of EPS were 30.3% 33.2% for the three months ended June 30, 2023 September 30, 2023, compared with 25.5% 32.6% for the same period in 2022.

Further analysis by segment (before elimination) is as follows:

- Henglong mainly engages in providing passenger vehicle steering systems. Net product sales for Henglong were \$67.3 million \$63.6 million for the three months ended June 30, 2023 September 30, 2023, compared with \$52.8 million \$62.6 million for the three months ended June 30, 2022 September 30, 2022, representing an increase of \$14.5 million \$1.0 million, or 27.4% 1.6%. The increase was mainly due to the increase in sales volume of products used in passenger vehicles.
- Jiulong mainly engages in providing commercial vehicle steering systems. Net product sales for Jiulong were \$19.7 million \$15.6 million for the three months ended June 30, 2023 September 30, 2023, compared with \$18.4 million \$17.0 million for the three months ended June 30, 2022 September 30, 2022, representing an increase a decrease of \$1.3 million \$1.4 million, or 7.2% 8.2%. The increase decrease was mainly due to the increase decrease in average selling price due to change in product mix. sales volume of products.
- Wuhu mainly engages in providing vehicle steering systems to Chery Automobile Co., Ltd. ("Chery"), one of the major automotive manufacturers in China. Net product sales for Wuhu were \$7.0 million \$11.8 million for the three months ended June 30, 2023 September 30, 2023, which is stable compared to \$10.0 million \$11.8 million for the same period in 2022, representing a decrease of \$3.0 million, or 30.1%. The decrease was mainly due to the decrease in sales volume of products used in passenger vehicles from Chery. 2022.
- Hubei Henglong mainly engages in providing vehicle steering systems to Chrysler and Ford. Net product sales for Hubei Henglong were \$28.9 million \$27.6 million for the three months ended June 30, 2023 September 30, 2023, compared with \$38.3 million \$29.5 million for the three months ended June 30, 2022 September 30, 2022, representing a decrease of \$9.4 million \$1.9 million, or 24.5% 6.4%. The decrease was mainly due to the decrease in sales volume of products used in passenger vehicles from Chrysler, Ford.
- Henglong KYB mainly engages in providing passenger EPS products. Net product sales for Henglong KYB were \$30.2 million \$33.5 million for the three months ended June 30, 2023 September 30, 2023, compared with \$21.0 million \$37.0 million for the three months ended June 30, 2022 September 30, 2022, representing an increase a decrease of \$9.1 million \$3.5 million, or 43.5% 9.5%. The increase decrease was mainly due to the increase decrease in sales volume of EPS products used in passenger vehicles and the increase in average selling prices. vehicles.
- Net product sales for Brazil Henglong were \$12.2 million \$13.3 million for the three months ended June 30, 2023 September 30, 2023, compared to \$8.5 million \$11.5 million for the same period in 2022, representing an increase of \$3.7 million \$1.8 million, or 43.5% 15.7%. The increase was mainly due to the increase in demand of Fiat in Brazil.
- Net product sales for other entities were \$24.5 million \$28.5 million for the three months ended June 30, 2023 September 30, 2023, compared to \$21.5 million \$23.0 million for the same period in 2022, representing an increase of \$3.0 million \$5.5 million, or 13.7% 23.9%. The increase was mainly due to the increase in sales of Wuhan Jiulong.

Cost of Products Sold

For the three months ended June 30, 2023 September 30, 2023, the cost of products sold was \$114.7 million \$112.8 million, compared to \$104.5 million \$116.3 million for the same period of 2022, representing an increase a decrease of \$10.2 million \$3.5 million, or 9.8% 3.0%. The increase decrease in cost of sales was mainly due to the increase decrease in sales volume and offset by the impact unit cost as a result of foreign exchange rate fluctuation. reduced raw material costs. Further analysis is as follows:

- Cost of products sold for Henglong was \$61.4 million \$57.2 million for the three months ended June 30, 2023 September 30, 2023, compared to \$48.3 million \$59.0 million for the same period of 2022, representing an increase a decrease of \$13.1 million \$1.8 million, or 27.1% 3.1%. The increase decrease was mainly due to the increase decrease in sales volume unit cost as a result of products used in passenger vehicles. reduced raw material costs.

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- Cost of products sold for Jiulong was \$16.3 million \$13.6 million for the three months ended June 30, 2023 September 30, 2023, compared to \$15.8 million \$14.6 million for the same period in 2022, representing an increase of \$0.5 million, or 3.2%. The increase was mainly due to change in product mix.
- Cost of products sold for Wuhu was \$6.3 million for the three months ended June 30, 2023, compared to \$9.4 million for the same period of 2022, representing a decrease of \$3.1 million \$1.0 million, or 32.9% 6.8%. The decrease was mainly due to the decrease in sales volumes.

- Cost of products sold for Wuhu was \$11.5 million for the three months ended September 30, 2023, compared to \$11.1 million for the same period of 2022, representing an increase of \$0.4 million, or 3.6%. The increase was mainly due to the increase in sales volumes.
- Cost of products sold for Hubei Henglong was \$25.7 million \$23.2 million for the three months ended June 30, 2023 September 30, 2023, compared to \$31.0 million \$24.4 million for the same period of 2022, representing a decrease of \$5.3 million \$1.2 million, or 17.1% 4.9%. The decrease was mainly due to the decrease in sales volumes.
- Cost of products sold for Henglong KYB was \$27.3 million \$28.3 million for the three months ended June 30, 2023 September 30, 2023, compared to \$17.8 million \$32.7 million for the same period of 2022, representing an increase a decrease of \$9.5 million \$4.4 million, or 53.3% 13.5%. The increase decrease was mainly due to the increase decrease in sales volume of EPS products used in passenger vehicles.
- Cost of products sold for Brazil Henglong was \$10.3 million \$11.2 million for the three months ended June 30, 2023 September 30, 2023, compared to \$7.5 million \$9.9 million for the same period in 2022, representing an increase of \$2.8 million \$1.3 million, or 37.3% 13.1%. The increase was mainly due to the increase in sales volume, offset by the decrease in sales unit cost as a result of reduced overseas transportation cost. costs.
- Cost of products sold for other entities was \$19.0 million \$23.4 million for the three months ended June 30, 2023 September 30, 2023, compared to \$16.5 million \$18.3 million for the same period in 2022, representing an increase of \$2.5 million \$5.1 million, or 14.7% 27.9%.

Gross margin was 16.5% 18.0% for the three months ended June 30, 2023 September 30, 2023, compared to 17.9% 15.2% for the same period of 2022, representing a decrease an increase of 1.4% 2.8%. The decrease increase was mainly due to the change in product mix and the decrease in sales unit cost for the three months ended June 30, 2023 September 30, 2023.

Selling Expenses

Selling expenses were \$3.8 million for the three months ended June 30, 2023 September 30, 2023, as compared to \$4.1 million which is substantially consistent with \$4.0 million for the same period of 2022, representing a decrease of \$0.3 million, or 6.7%, which was primarily due to a decrease in marketing and office expense and the impact of appreciation of the USD against the RMB. 2022.

General and Administrative Expenses

General and administrative expenses were \$ 5.3 million \$6.1 million for the three months ended June 30, 2023 September 30, 2023, as compared to \$5.7 million \$4.9 million for the same period of 2022, representing a decrease an increase of \$0.4 million \$1.2 million, or 24.5%, which was primarily due to reversal of credit losses higher marketing and office expenses, a one-time expense for the Company's 30th anniversary celebrations and the impact of the appreciation of the USD against the RMB.

Research and Development Expenses

Research and development expenses were \$6.6 million \$6.9 million for the three months ended June 30, 2023 September 30, 2023, as compared to \$7.9 million \$9.5 million for the same period of 2022, representing a decrease of \$1.3 million \$2.6 million, or 16.2% 27.4%, which was mainly due to decreased higher R&D activities expenditures in the third quarter of 2022 for the development of iRCB, eRCB and REPS new projects. products.

Other Income, net

Other income, net was \$2.0 million \$1.2 million for the three months ended June 30, 2023 September 30, 2023, as compared to \$2.8 million \$0.7 million for the three months ended June 30, 2022 September 30, 2022, representing a decrease an increase of \$0.8 million \$0.5 million, which was mainly due to the government subsidies received for the three months ended June 30, 2023 September 30, 2023 being less more than the amount received for the three months ended June 30, 2022 September 30, 2022.

Interest Expense

Interest expense was \$0.3 million \$0.2 million for the three months ended June 30, 2023 September 30, 2023, as compared to \$0.4 million for the three months ended June 30, 2022 September 30, 2022, representing a decrease of \$0.1 million \$0.2 million, which is mainly due to the decrease in short-term loans. loans and borrowing rates.

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Financial income, income, net

Financial income, net was \$4.0 million \$0.2 million for the three months ended June 30, 2023 September 30, 2023, as compared to financial income, net of \$2.5 million \$4.8 million for the three months ended June 30, 2022 September 30, 2022, representing an increase a decrease in financial income of \$1.5 million \$4.6 million, which was primarily due to an increase a decrease in the foreign exchange gain due to the appreciation of USD against RMB, foreign exchange volatility.

Income Taxes

Income tax expense was \$1.5 million \$0.7 million for the three months ended June 30, 2023 September 30, 2023, as compared to income tax expense of \$3.2 million \$0.9 million for the three months ended June 30, 2022 September 30, 2022, which was primarily due to the valuation allowance provided in the three months ended June 30, 2022, whereas no significant valuation allowance was recognized in the three months ended June 30, 2023 September 30, 2022.

Net Income Attributable to Non-controlling Interests

Net income attributable to non-controlling interests amounted to \$1.0 million \$1.7 million for the three months ended June 30, 2023 September 30, 2023, compared to net income attributable to non-controlling interests of \$0.5 million for the three months ended June 30, 2022 September 30, 2022, representing an increase of \$1.2 million.

Net Income Attributable to Parent Company's Common Shareholders

Net income attributable to parent company's common shareholders was \$10.5 million \$9.5 million for the three months ended June 30, 2023 September 30, 2023, compared to net income attributable to parent company's common shareholders of \$9.4 million \$7.5 million for the three months ended June 30, 2022 September 30, 2022, representing an increase in net income attributable to parent company's common shareholders of \$1.1 million \$2.0 million.

Results of Operations - Six Nine Months Ended June 30, 2023 September 30, 2023 and 2022

Selected highlights from our results of operations are as follows (in thousands of U.S. dollars):

	Six Months Ended June 30,				Nine Months Ended September 30,			
	2023	2022	Change	Change%	2023	2022	Change	Change%
Net product sales	\$ 279,653	\$ 263,557	\$ 16,096	6.1 %	\$417,194	\$400,764	\$16,430	4.1 %
Cost of products sold	235,317	226,112	9,205	4.1	348,101	342,401	5,700	1.7
Gain on other sales	1,395	3,036	(1,641)	(54.1)	3,572	5,326	(1,754)	(32.9)
Selling expenses	7,178	8,380	(1,202)	(14.3)	10,981	12,358	(1,377)	(11.1)
General and administrative expenses	10,024	10,416	(392)	(3.8)	16,132	15,309	823	5.4
Research and development expenses	12,996	16,023	(3,027)	(18.9)	19,866	25,473	(5,607)	(22.0)
Other income, net	3,465	6,323	(2,858)	(45.2)	4,620	7,067	(2,447)	(34.6)
Interest expense	(525)	(772)	247	(32.0)	(770)	(1,156)	386	(33.4)
Financial income, net	3,541	4,558	(1,017)	(22.3)	3,704	9,318	(5,614)	(60.2)
Income taxes	2,316	4,114	(1,798)	(43.7)	3,004	5,013	(2,009)	(40.1)
Net income	19,351	10,084	9,267	91.9	30,595	18,091	12,504	69.1
Net income attributable to non-controlling interests	2,050	700	1,350	192.9	3,799	1,229	2,570	209.1
Net income attributable to parent company's common shareholders	17,286	9,369	7,917	84.5 %	26,774	16,839	9,935	59.0 %

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Net Product Sales and Cost of Products Sold

Net Product Sales	Cost of Products Sold	Net Product Sales	Cost of Products Sold
(in thousands of USD, except percentages)	(in thousands of USD, except percentages)	(in thousands of USD, except percentages)	(in thousands of USD, except percentages)
Six Months Ended June 30,	Six Months Ended June 30,	Six Months Ended June 30,	Six Months Ended June 30,

	2023	2022	Change		2023	2022	Change		2023	2022	Change		2023	2022	Change
Henglong	\$ 128,923	\$114,811	14,112	12.3 %	\$ 118,586	\$105,788	12,798	12.1 %	\$ 192,503	177,401	15,102	8.5 %	\$ 175,803	164,794	11,009
Jiulong	36,501	36,085	416	1.2	31,799	33,369	(1,570)	(4.7)	52,106	53,071	(965)	(1.8)	45,436	47,953	(2,517)
Wuhu	14,885	18,863	(3,978)	(21.1)	13,451	17,719	(4,268)	(24.1)	26,726	30,695	(3,969)	(12.9)	24,945	28,841	(3,896)
Hubei															
Henglong	63,563	71,219	(7,656)	(10.7)	55,789	61,137	(5,348)	(8.7)	91,165	100,744	(9,579)	(9.5)	78,990	85,521	(6,531)
Henglong															
KYB	67,355	50,820	16,535	32.5	59,736	45,119	14,617	32.4	100,846	87,815	13,031	14.8	88,075	77,788	10,287
Brazil															
Henglong	22,929	18,961	3,968	20.9	19,215	16,992	2,223	13.1	36,264	30,471	5,793	19.0	30,418	26,940	3,478
Other															
Entities	46,574	44,677	1,897	4.2	36,951	35,394	1,557	4.4	75,057	67,667	7,390	10.9	60,347	53,714	6,633
Total															
Segments	380,730	355,436	25,294	7.1	335,527	315,518	20,009	6.3	574,667	547,864	26,803	4.9	504,014	485,551	18,463
Elimination	(101,077)	(91,879)	(9,198)	10.0	(100,210)	(89,406)	(10,804)	12.1	(157,473)	(147,100)	(10,373)	7.1	(155,913)	(143,150)	(12,763)
Total	\$ 279,653	\$263,557	16,096	6.1 %	\$ 235,317	\$226,112	9,205	4.1 %	\$ 417,194	\$400,764	16,430	4.1 %	\$ 348,101	\$342,401	5,700

Net Product Sales

Net product sales were \$279.7 million \$417.2 million for the six nine months ended June 30, 2023 September 30, 2023, compared to \$263.6 million \$400.8 million for the same period of 2022, representing an increase of \$16.1 million \$16.4 million, or 6.1% 4.1%, mainly due to the Company's increased sales of EPS systems and parts and partially offset by the appreciation of the USD against the RMB.

Net sales of traditional steering products and parts were \$190.3 million \$282.1 million for the six nine months ended June 30, 2023 September 30, 2023, which is stable compared to \$190.2 million \$282.7 million for the same period in 2022. Net sales of EPS systems and parts were \$89.4 million \$135.1 million for the six nine months ended June 30, 2023 September 30, 2023 and \$73.4 million \$118.1 million for the same period in 2022, representing an increase of \$16.0 million \$17.0 million, or 21.8% 14.4%. As a percentage of net sales, sales of EPS were 32.0% 32.4% for the six nine months ended June 30, 2023 September 30, 2023, compared to 27.8% 29.5% for the same period in 2022.

Further analysis by segment (before elimination) is as follows:

- Henglong mainly engages in providing passenger vehicle steering systems. Net product sales for Henglong were \$128.9 million \$192.5 million for the six nine months ended June 30, 2023 September 30, 2023, compared to \$114.8 million \$177.4 million for the same period in 2022, representing an increase of \$14.1 million \$15.1 million, or 12.3% 8.5%. The increase was mainly due to the increase in sales volume of products used in passenger vehicles.
- Jiulong mainly engages in providing commercial vehicle steering systems. Net product sales for Jiulong were \$36.5 million \$52.1 million for the six nine months ended June 30, 2023 September 30, 2023, which is stable compared to \$36.1 million \$53.1 million for the same period of 2022.
- Wuhu mainly engages in providing vehicle steering systems to Chery Automobile Co., Ltd., "Chery", one of the major automotive manufacturers in China. Net product sales for Wuhu were \$14.9 million \$26.7 million for the six nine months ended June 30, 2023 September 30, 2023, compared to \$18.9 million \$30.7 million for the same period in 2022, representing a decrease of \$4.0 million, or 21.1% 13.0%. The decrease was mainly due to the decrease in sales volume of products used in passenger vehicles from Chery.
- Hubei Henglong mainly engages in providing vehicle steering systems to Chrysler and Ford. Net product sales for Hubei Henglong were \$63.6 million \$91.2 million for the six nine months ended June 30, 2023 September 30, 2023, compared to \$71.2 million \$100.7 million for the same period in 2022, representing a decrease of \$7.6 million \$9.5 million, or 10.7% 9.4%. The decrease was mainly due to the decrease in sales volume of products used in passenger vehicles from Chrysler, Chrysler and Ford.
- Henglong KYB mainly engages in providing passenger EPS products. Net product sales for Henglong KYB were \$67.4 million \$100.8 million for the six nine months ended June 30, 2023 September 30, 2023, compared with \$50.8 million \$87.8 million for the six nine months ended June 30, 2022 September 30, 2022, representing an increase of \$16.5 million \$13.0 million, or 32.5% 14.8%. The increase was mainly due to the increase in sales volume of EPS products used in passenger vehicles and the increase in average selling prices.
- Net product sales for Brazil Henglong were \$22.9 million \$36.3 million for the six nine months ended June 30, 2023 September 30, 2023, compared to \$19.0 million \$30.5 million for the same period in 2022, representing an increase of \$3.9 million \$5.8 million, or 20.9% 19.0%. The increase was mainly due to the increase in demand of Fiat in Brazil.

Net product sales for other entities were \$46.6 million \$75.1 million for the six nine months ended June 30, 2023 September 30, 2023, compared to \$44.7 million \$67.7 million for the same period in 2022, representing an increase of \$1.9 million \$7.4 million, or 4.2% 10.9%. The increase was mainly due to the increase in sales of Wuhan Jielong.

Cost of Products Sold

For the six nine months ended June 30, 2023 September 30, 2023, the cost of products sold was \$235.3 million \$348.1 million, compared to \$226.1 million \$342.4 million for the same period of 2022, representing an increase of \$9.2 million \$5.7 million, or 4.1% 1.7%. The increase in cost of sales was mainly due to the increase in sales volume and offset by the impact of foreign exchange rate fluctuation, decrease in sales unit cost. Further analysis is as follows:

- Cost of products sold for Henglong was \$118.6 million \$175.8 million for the six nine months ended June 30, 2023 September 30, 2023, compared to \$105.8 million \$164.8 million for the same period of 2022, representing an increase of \$12.8 million \$11.0 million, or 12.1% 6.7%. The increase was mainly due to the increase in sales volume of products used in passenger vehicles, vehicles, offset by the decrease in sales unit cost as a result of reduced raw material costs.
- Cost of products sold for Jiulong was \$31.8 million \$45.4 million for the six nine months ended June 30, 2023 September 30, 2023, compared to \$33.4 million \$48.0 million for the same period of 2022, representing a decrease of \$1.6 million \$2.6 million, or 4.7% 5.4%. The decrease was mainly due to the decrease in sales volumes and change in product mix, sales unit cost.
- Cost of products sold for Wuhu was \$13.5 million \$24.9 million for the six nine months ended June 30, 2023 September 30, 2023, compared to \$17.7 million \$28.8 million for the same period of 2022, representing a decrease of \$4.2 million \$3.9 million, or 24.1% 13.5%. The decrease was mainly due to the decrease in sales volumes.
- Cost of products sold for Hubei Henglong was \$55.8 million \$79.0 million for the six nine months ended June 30, 2023 September 30, 2023, compared to \$61.1 million \$85.5 million for the same period of 2022, representing a decrease of \$5.3 million \$6.5 million, or 8.7% 7.6%. The decrease was mainly due to the decrease in sales volumes.
- Cost of products sold for Henglong KYB was \$59.7 million \$88.1 million for the six nine months ended June 30, 2023 September 30, 2023, compared to \$45.1 million \$77.8 million for the same period of 2022, representing an increase of \$14.6 million \$10.3 million, or 32.4% 13.2%. The increase was mainly due to the increase in sales volume of EPS products used in passenger vehicles, vehicles and the increase in sales unit costs.
- Cost of products sold for Brazil Henglong was \$19.2 million \$30.4 million for the six nine months ended June 30, 2023 September 30, 2023, compared to \$17.0 million \$26.9 million for the same period in 2022, representing an increase of \$2.2 million \$3.5 million, or 13.1% 13.0%. The increase was mainly due to the increase in sales volume, offset by the decrease in sales unit cost as a result of reduced overseas transportation cost, costs.
- Cost of products sold for other entities was \$37.0 million \$60.3 million for the six nine months ended June 30, 2023 September 30, 2023, compared to \$35.4 million \$53.7 million for the same period in 2022, representing an increase of \$1.6 million \$6.6 million, or 4.4% 12.3%.

Gross margin was 15.9% 16.6% for the six nine months ended June 30, 2023 September 30, 2023, compared to 14.2% 14.6% for the same period of 2022, representing an increase of 1.7% 2.0%. The increase was mainly due to the change in product mix and the decrease in sales unit cost for the six nine months ended June 30, 2023 September 30, 2023.

Selling Expenses

Selling expenses were \$7.2 million \$11.0 million for the six nine months ended June 30, 2023 September 30, 2023, as compared to \$8.4 million \$12.4 million for the six nine months ended June 30, 2022 September 30, 2022, representing a decrease of \$1.2 million \$1.4 million, or 14.3% 11.3%, which was mainly due to a decrease in marketing and office expense and the impact of appreciation of the USD against the RMB.

General and Administrative Expenses

General and administrative expenses were \$10.0 million \$16.1 million for the six nine months ended June 30, 2023, which is stable compared to \$10.4 million for the six months ended June 30, 2022.

Research and Development Expenses

Research and development expenses were \$13.0 million for the six months ended June 30, 2023 September 30, 2023, as compared to \$16.0 million \$15.3 million for the six nine months ended June 30, 2022 September 30, 2022, representing a decrease an increase of \$3.0 million \$0.8 million, or 18.9% 5.2%, which was mainly primarily due to decreased R&D activities for new projects, an increase in marketing and office expense and the impact of the appreciation of the USD against the RMB.

Research and Development Expenses

Research and development expenses were \$19.9 million for the nine months ended September 30, 2023, as compared to \$25.5 million for the nine months ended September 30, 2022, representing a decrease of \$5.6 million, or 22.0%, which was mainly due to decreased R&D activities for new projects.

Other Income, net

Other income, net was \$3.5 million \$4.6 million for the six nine months ended June 30, 2023 September 30, 2023, which was mainly comprised of government subsidies, as compared to \$6.3 million \$7.1 million for the six nine months ended June 30, 2022 September 30, 2022, representing a decrease of \$2.8 million \$2.5 million, which was mainly due to the government subsidies received for the six nine months ended June 30, 2023 September 30, 2023 being less than the amount received for the six nine months ended June 30, 2022 September 30, 2022.

Interest Expense

Interest expense was \$0.5 million \$0.8 million for the six nine months ended June 30, 2023 September 30, 2023, as compared to \$0.8 million \$1.2 million for the six nine months ended June 30, 2022 September 30, 2022, representing a decrease of \$0.3 million \$0.4 million, which is mainly due to the decrease in short-term loans, loans and borrowing rates.

Financial income, Income, net

Financial income, net was \$3.5 million \$3.7 million for the six nine months ended June 30, 2023 September 30, 2023, as compared to financial income, net of \$4.6 million \$9.3 million for the six nine months ended June 30, 2022 September 30, 2022, representing a decrease in financial income of \$1.1 million \$5.6 million, which was primarily due to a decrease in the foreign exchange gain due to the appreciation of USD against RMB. foreign exchange volatility.

Income Taxes

Income tax expense was \$ 2.3 million \$3.0 million for the six nine months ended June 30, 2023 September 30, 2023, compared to \$4.1 million \$5.0 million for the six nine months ended June 30, 2022 September 30, 2022, which was primarily due to the valuation allowance provided in the six nine months ended June 30, 2022, whereas no significant valuation allowance was recognized in the six months ended June 30, 2023 September 30, 2022.

Net Income Attributable to Non-controlling Interests

Net income attributable to non-controlling interests amounted to \$2.1 million \$3.8 million for the six nine months ended June 30, 2023 September 30, 2023, compared to net income attributable to non-controlling interests of \$0.7 million \$1.2 million for the six nine months ended June 30, 2022 September 30, 2022, representing an increase in net income attributable to non-controlling interests of \$1.4 million \$2.6 million.

Net Income Attributable to Parent Company's Common Shareholders

Net income attributable to parent company's common shareholders was \$17.3 million \$26.8 million for the six nine months ended June 30, 2023 September 30, 2023, compared to net income attributable to parent company's common shareholders of \$9.4 million \$16.8 million for the six nine months ended June 30, 2022 September 30, 2022, representing an increase in net income attributable to parent company's common shareholders of \$7.9 million \$10.0 million.

Liquidity and Capital Resources

Capital Resources and Use of Cash

The Company has historically financed its liquidity requirements from a variety of sources, including short-term borrowings under bank credit agreements, bankers' acceptances, issuances of capital stock and notes and internally generated cash. As of June 30, 2023 September 30, 2023, the Company had cash and cash equivalents and short-term investments of \$111.1 million \$124.0 million, compared to \$134.1 million as of December 31, 2022, representing a decrease of \$23.0 million \$10.1 million, or 17.2% 7.5%.

The Company had working capital (total current assets less total current liabilities) of \$153.3 million \$166.3 million as of June 30, 2023 September 30, 2023, compared to \$156.5 million as of December 31, 2022, representing a decrease an increase of \$3.2 million \$9.8 million, or 2.0% 6.3%.

Except for the expected distribution of dividends from the Company's PRC subsidiaries to the Company in order to fund the payment of the one-time transition tax due to the U.S. Tax Reform, the Company intends to indefinitely reinvest the funds in subsidiaries established in the PRC.

We cannot predict the impact COVID-19 may have on our cash flow for the rest of 2023. However, based on our liquidity assessment, we believe that our cash flow from operations and proceeds from our financing activities will be sufficient to meet our anticipated cash needs, including our cash needs for working capital and capital expenditures, for the foreseeable future and for at least twelve months subsequent to the filing of this report.

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Capital Source

The Company's capital source is multifaceted, such as bank loans and banks' acceptance facilities. In financing activities and operating activities, the Company's banks require the Company to sign line of credit agreements and repay such facilities within one to two years. On the condition that the Company can provide adequate mortgage security and has not violated the terms of the line of credit agreement, such facilities can be extended for another one to two years.

The Company had short-term loans of \$38.5 million \$38.6 million, long-term loans of \$0.7 million \$1.3 million (See Note 7) and bankers' acceptances of \$84.3 million \$76.1 million (See Note 8) as of June 30, 2023 September 30, 2023.

The Company currently expects to be able to obtain similar bank loans, i.e., RMB loans, and bankers' acceptance facilities in the future if it can provide adequate mortgage security following the termination of the above-mentioned agreements, see the table under "Bank Arrangements" below for more information. If the Company is not able to do so, it will have to refinance such debt as it becomes due or repay that debt to the extent it has cash available from operations or from the proceeds of additional issuances of capital stock. Due to a depreciation of assets, the value of the mortgages securing the above-mentioned bank loans and banker's acceptances is expected to be reduced by approximately \$16.0 million \$16.7 million over the next 12 months. If the Company wishes to maintain the same amount of bank loans and banker's acceptances in the future, it may be required by the banks to provide additional mortgages of \$16.0 million \$16.7 million as of the maturity date of such line of credit agreements, see the table under "Bank Arrangements" below for more information. The Company can still obtain a reduced line of credit with a reduction of \$8.5 million \$9.9 million, which is 53.0% 59.1%, the mortgage ratio, of \$16.0 million \$16.7 million, if it cannot provide additional mortgages. The Company expects that the reduction in bank loans will not have a material adverse effect on its liquidity.

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Bank Arrangements

As of June 30, 2023 September 30, 2023, the principal outstanding under the Company's credit facilities and lines of credit was as follows (figures are in thousands of USD):

	Bank	Due Date	Amount Available ⁽²⁾	Amount Used ⁽³⁾	Assessed Mortgage Value ⁽⁴⁾	Bank	Due Date	Amount Available ⁽²⁾	Amount Used ⁽³⁾	Assessed Mortgage Value ⁽⁴⁾
1. Comprehensive credit facilities	China CITIC Bank (1)	Aug-2024	67,121	30,402	26,455	China CITIC Bank (1)	Aug-2024	67,551	35,216	22,871

2. Comprehensive credit facilities	Hankou Bank ⁽¹⁾	Mar-2024	13,839	5,564	—	China CITIC Bank ⁽¹⁾	Jan-2024	2,786	975	—
3. Comprehensive credit facilities	Hubei Bank ⁽¹⁾	Mar-2024	23,527	16,265	71,688	Hankou Bank ⁽¹⁾	Mar-2024	13,928	5,599	—
4. Comprehensive credit facilities	Chongqing Bank	Mar-2025	969	747	1,767	Hubei Bank ⁽¹⁾	Mar-2024	23,678	3,501	28,859
5. Comprehensive credit facilities	China Constitution Bank	Sep-2025	2,768	1,384	6,281	Chongqing Bank	Mar-2025	975	767	975
6. Comprehensive credit facilities	China Merchants Bank ⁽¹⁾	June-2024	13,839	4,380	—	China Constitution Bank	Sep-2025	2,786	—	2,925
7. Comprehensive credit facilities	Bank of China ⁽¹⁾⁽⁵⁾	Aug-2023	12,594	5,536	—	China Merchants Bank ⁽¹⁾	June-2024	13,928	4,198	—
8. Comprehensive credit facilities	China Everbright Bank	Dec-2025	4,152	3,321	8,694	China Everbright Bank	Dec-2025	4,178	2,431	4,178
9. Comprehensive credit facilities	China Industrial Bank	Mar-2024	692	—	2,735	China Industrial Bank	Mar-2024	696	—	696
10. Comprehensive credit facilities	Bank of China (Chongqing)	Jun-2024	692	692	3,493	Bank of China	Jun-2024	696	696	696
11. Comprehensive credit facilities						Shanghai Pudong Development Bank ⁽¹⁾	Sep-2024	27,856	5,007	19,884
12. Comprehensive credit facilities						Bank of China ⁽¹⁾	Sep-2024	6,964	—	—
13. Comprehensive credit facilities						Bank of China ⁽¹⁾	Sep-2024	6,964	6,964	—
Total			\$ 140,193	\$ 68,291	\$ 121,113			172,986	65,354	81,084

(1) The comprehensive credit facilities with China CITIC Bank are guaranteed by Henglong and Hubei Henglong in addition to the above pledged assets. The comprehensive credit facilities with Hankou Bank are guaranteed by Henglong and certain account receivables in addition to the above pledged assets. Henglong. The comprehensive credit facilities with Hubei Bank are guaranteed by Chen Hanlin in addition to the above pledged assets. The comprehensive credit facilities with Merchants Bank are guaranteed by Hubei

Henglong and Chen Hanlin Hanlin. The comprehensive credit facilities with Shanghai Pudong Development Bank are guaranteed by Henglong and certain account receivables Hubei Henglong in addition to the above pledged assets. The comprehensive credit facilities with Bank of China are guaranteed by Hubei Henglong in addition to the above pledged assets. Henglong.

- (2) "Amount available" is used for the drawdown of bank loans and issuance of bank notes at the Company's discretion. If the Company elects to utilize the facility by issuance of bank notes, additional collateral is requested to be pledged to the bank.
- (3) "Amount used" represents the credit facilities used by the Company for the purpose of bank loans or notes payable during the facility contract period. The loans or notes payable under the credit facilities will remain outstanding regardless of the expiration of the relevant credit facilities until the separate loans or notes payable expire. The amount used includes bank loans of \$34.8 million \$33.7 million and notes payable of \$33.4 million \$31.6 million and derivatives of \$0.1 million \$ 0.03 million as of June 30, 2023 September 30, 2023.
- (4) In order to obtain lines of credit, the Company needs to pledge certain assets to banks. As of June 30, 2023 September 30, 2023, the pledged assets included property, plant and equipment and land use rights with an aggregate assessed value of \$121.1 million \$137.2 million.
- (5) This credit facility expired on August 7, 2023. The company is currently in the process of negotiating with the bank to renew the credit facility.

The Company may request the banks to issue notes payable or bank loans within its credit line using a 365-day revolving line.

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The Company's bank loan terms range from 4 months to 35 36 months. Pursuant to the comprehensive credit line arrangement, the Company pledged and guaranteed:

1. Land use rights and buildings with an assessed value of approximately \$26.5 million \$26.6 million as security for its comprehensive credit facility with China CITIC Bank Wuhan Branch.
2. Equipment with an assessed value of approximately \$71.7 million \$72.1 million as security for its revolving comprehensive credit facility with Hubei Bank.
3. Buildings with an assessed value of approximately \$1.8 million as security for its comprehensive credit facility with Chongqing Bank.
4. Land use rights and buildings with an assessed value of approximately \$6.3 million as security for its revolving comprehensive credit facility with China Constitution Bank.
5. Land use rights and buildings with an assessed value of approximately \$8.7 million \$8.8 million as security for its revolving comprehensive credit facility with China Everbright Bank.
6. Buildings with an assessed value of approximately \$2.8 million as security for its comprehensive credit facility with China Industrial Bank.
7. Buildings with an assessed value of approximately \$3.5 million as security for its comprehensive credit facility with Bank of China.
8. Land use rights and buildings with an assessed value of approximately \$2.7 million \$15.3 million as security for its revolving comprehensive credit facility with China Industrial Shanghai Pudong Development Bank.
7. Land use rights and buildings with an assessed value of approximately \$3.5 million as security for its revolving comprehensive credit facility with China Industrial Bank of China (Chongqing).

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Short-term and Long-term Loans

The following table summarizes the contract information of short-term borrowings between the banks and the Company as of **June 30, 2023** **September 30, 2023** (figures are in thousands of USD).

Bank	Borrowing							Borrowing						
	Purpose	Date	Term (Months)	Principal	Rate	Payment	Due Date	Purpose	Date	Term (Months)	Principal	Rate	Payment	Due Date
Government														
Bank of China	Working Capital	October 28, 2022	12	2,768	3.00 %	Pay monthly	October 28, 2023							
Bank of China ⁽¹⁾	Working Capital	October 28, 2022	12	2,786	3.00 %	Pay monthly	October 28, 2023	Working Capital	Oct 28, 2022	12	2,786	3.00 %	Pay monthly	Oct 28, 2023
Bank of China	Working Capital	September 28, 2022	12	2,768	3.00 %	Pay monthly	September 27, 2023	Working Capital	Sep 27, 2023	12	4,178	2.78 %	Pay monthly	Sep 27, 2024
China CITIC Bank	Working Capital	September 26, 2022	12	692	3.65 %	Pay monthly	September 25, 2023	Working Capital	Mar 2, 2023	12	1,393	3.65 %	Pay monthly	Mar 1, 2024
China CITIC Bank	Working Capital	September 26, 2022	12	692	3.65 %	Pay quarterly	September 25, 2023	Working Capital	Mar 23, 2023	12	696	3.65 %	Pay monthly	Mar 23, 2024
China CITIC Bank	Working Capital	March 2, 2023	12	1,384	3.65 %	Pay monthly	March 1, 2024							
China CITIC Bank	Working Capital	March 23, 2023	12	692	3.65 %	Pay monthly	March 23, 2024							
China Constitution Bank	Working Capital	September 28, 2022	12	1,384	3.50 %	Pay monthly	September 26, 2023							
Bank of China	Working Capital	June 8, 2023	12	374	3.50 %	Pay quarterly	June 8, 2024	Working Capital	Jun 8, 2023	12	376	3.50 %	Pay quarterly	Jun 8, 2024
Bank of China	Working Capital	June 8, 2023	12	318	3.50 %	Pay quarterly	June 8, 2024	Working Capital	Jun 8, 2023	12	320	3.50 %	Pay quarterly	Jun 8, 2024
Chongqing Bank	Working Capital	April 14, 2022	24	14	3.80 %	Pay semiannually	April 14, 2024	Working Capital	Apr 14, 2022	24	14	3.80 %	Pay semiannually	Apr 14, 2024
Chongqing Bank ⁽¹⁾	Working Capital	April 14, 2022	18	14	3.80 %	Pay semiannually	October 14, 2023	Working Capital	Apr 14, 2022	18	14	3.80 %	Pay semiannually	Oct 14, 2023
Chongqing Bank	Working Capital	April 14, 2022	35	24	3.80 %	Pay semiannually	October 14, 2023	Working Capital	Apr 14, 2022	35	24	3.80 %	Pay semiannually	Mar 20, 2025
Chongqing Bank	Working Capital	April 14, 2022	35	116	3.80 %	Pay semiannually	March 20, 2025	Working Capital	Apr 27, 2022	35	117	3.80 %	Pay semiannually	Mar 20, 2025
Chongqing Bank	Working Capital	April 27, 2022	34	72	3.80 %	Pay semiannually	March 20, 2025	Working Capital	May 12, 2022	34	72	3.80 %	Pay semiannually	Mar 20, 2025
Chongqing Bank	Working Capital	May 12, 2022	34	53	3.80 %	Pay semiannually	March 20, 2025	Working Capital	May 24, 2022	34	53	3.80 %	Pay semiannually	Mar 20, 2025
Chongqing Bank	Working Capital	May 24, 2022	33	42	3.80 %	Pay semiannually	March 20, 2025	Working Capital	Jun 16, 2022	33	42	3.80 %	Pay semiannually	Mar 20, 2025
Chongqing Bank	Working Capital	June 16, 2022	33	112	3.80 %	Pay semiannually	March 20, 2025	Working Capital	Jun 29, 2022	33	113	3.80 %	Pay semiannually	Mar 20, 2025
Chongqing Bank	Working Capital	June 29, 2022	33	77	3.80 %	Pay semiannually	March 20, 2025	Working Capital	Jul 28, 2022	33	78	3.80 %	Pay semiannually	Apr 13, 2025
Chongqing Bank	Working Capital	July 28, 2022	33	157	3.80 %	Pay semiannually	April 13, 2025	Working Capital	Jan 16, 2023	27	157	3.80 %	Pay semiannually	Apr 13, 2025

Chongqing Bank	Working Capital	January 16, 2023	27	156	3.80 %	Pay semiannually	April 13, 2025	Working Capital	Feb 20, 2023	26	19	3.80 %	Pay semiannually	Apr 13, 2025
Chongqing Bank	Working Capital	February 20, 2023	26	19	3.80 %	Pay semiannually	April 13, 2025	Working Capital	Mar 21, 2023	25	22	3.80 %	Pay semiannually	Apr 13, 2025
Chongqing Bank	Working Capital	March 21, 2023	25	22	3.80 %	Pay semiannually	April 13, 2025	Working Capital	Jul 19, 2023	22	15	3.80 %	Pay semiannually	Apr 13, 2025
China CITIC Bank	Working Capital	June 26, 2023	7	6,275	2.35 %	Pay in arrear	February 1, 2024	Working Capital	Jun 26, 2023	7	6,315	2.35 %	Pay in arrear	Feb 1, 2024
China CITIC Bank	Working Capital	March 28, 2023	12	5,344	2.70 %	Pay in arrear	March 27, 2024	Working Capital	Mar 28, 2023	12	5,378	2.70 %	Pay in arrear	Mar 27, 2024
China CITIC Bank	Working Capital	June 20, 2023	7	3,875	2.34 %	Pay in arrear	January 26, 2024	Working Capital	Jun 20, 2023	7	3,900	2.34 %	Pay in arrear	Jan 26, 2024
Hankou Bank	Working Capital	March 30, 2023	9	2,652	2.30 %	Pay in arrear	December 25, 2023	Working Capital	Mar 30, 2023	9	2,669	2.30 %	Pay in arrear	Dec 25, 2023
China CITIC Bank	Working Capital	March 28, 2023	12	4,442	2.70 %	Pay in arrear	March 26, 2024	Working Capital	Mar 28, 2023	12	4,471	2.70 %	Pay in arrear	Mar 26, 2024
China CITIC Bank ⁽¹⁾	Working Capital	January 10, 2023	6	110	1.80 %	Pay in arrear	July 3, 2023							
China Merchants Bank ⁽¹⁾								Working Capital	May 30, 2023	4	249	1.88 %	Pay in arrear	Oct 5, 2023
China Merchants Bank ⁽¹⁾								Working Capital	May 30, 2023	5	124	1.88 %	Pay in arrear	Oct 20, 2023
China CITIC Bank ⁽¹⁾	Working Capital	January 10, 2023	6	823	1.80 %	Pay in arrear	July 4, 2023	Working Capital	Jun 19, 2023	5	277	2.00 %	Pay in arrear	Nov 4, 2023
China CITIC Bank ⁽¹⁾	Working Capital	February 17, 2023	5	685	2.50 %	Pay in arrear	July 17, 2023							
China Merchants Bank ⁽¹⁾								Working Capital	Jun 26, 2023	5	208	1.85 %	Pay in arrear	Nov 10, 2023
China CITIC Bank ⁽¹⁾	Working Capital	February 16, 2023	5	274	2.50 %	Pay in arrear	July 17, 2023							
China CITIC Bank								Working Capital	Jun 5, 2023	5	276	1.90 %	Pay in arrear	Nov 15, 2023
China CITIC Bank								Working Capital	Jun 5, 2023	5	276	1.90 %	Pay in arrear	Nov 15, 2023
China CITIC Bank								Working Capital	Jun 5, 2023	5	276	1.90 %	Pay in arrear	Nov 15, 2023
China Merchants Bank								Working Capital	Jun 26, 2023	5	138	1.85 %	Pay in arrear	Nov 15, 2023
China Merchants Bank								Working Capital	Jun 26, 2023	5	159	1.85 %	Pay in arrear	Nov 15, 2023
China CITIC Bank								Working Capital	Jun 5, 2023	6	64	1.90 %	Pay in arrear	Nov 30, 2023
China CITIC Bank								Working Capital	Jun 19, 2023	5	8	2.00 %	Pay in arrear	Dec 2, 2023
China CITIC Bank								Working Capital	Jun 19, 2023	5	12	2.00 %	Pay in arrear	Dec 2, 2023
China Merchants Bank								Working Capital	Jul 6, 2023	6	144	1.60 %	Pay in arrear	Dec 28, 2023
China Merchants Bank								Working Capital	Jul 6, 2023	5	114	1.60 %	Pay in arrear	Dec 1, 2023
China CITIC Bank														
China CITIC Bank	Working Capital	April 25, 2023	4	824	2.30 %	Pay in arrear	September 1, 2023	Working Capital	Jul 25, 2023	5	166	1.50 %	Pay in arrear	Dec 28, 2023

China CITIC Bank	Working Capital	May 30, 2023	4	247	1.88 %	Pay in arrear	October 5, 2023	Working Capital	Jul 25, 2023	5	210	1.50 %	Pay in arrear	Dec 11, 2023
							October 20,							
China CITIC Bank	Working Capital	May 30, 2023	5	124	1.88 %	Pay in arrear	2023	Working Capital	Jul 25, 2023	4	277	1.50 %	Pay in arrear	Dec 1, 2023
							November 4,							
China CITIC Bank	Working Capital	June 19, 2023	5	275	2.00 %	Pay in arrear	2023	Working Capital	Jul 25, 2023	4	277	1.50 %	Pay in arrear	Dec 1, 2023
							November 10,							
China CITIC Bank	Working Capital	June 26, 2023	5	206	1.85 %	Pay in arrear	2023	Working Capital	Jul 25, 2023	4	319	1.50 %	Pay in arrear	Dec 7, 2023
							November 15,							
China CITIC Bank	Working Capital	June 5, 2023	5	274	1.90 %	Pay in arrear	2023	Working Capital	Aug 24, 2023	5	416	1.10 %	Pay in arrear	Jan 11, 2024
							November 15,							
China CITIC Bank	Working Capital	June 5, 2023	5	274	1.90 %	Pay in arrear	2023							
China Merchants Bank								Working Capital	Sep 14, 2023	5	277	1.45 %	Pay in arrear	Jan 31, 2024
							November 15,							
China CITIC Bank	Working Capital	June 5, 2023	5	274	1.90 %	Pay in arrear	2023							
China Merchants Bank								Working Capital	Sep 14, 2023	6	498	1.45 %	Pay in arrear	Feb 29, 2024
							November 15,							
China CITIC Bank	Working Capital	June 26, 2023	5	137	1.85 %	Pay in arrear	2023							
							November 15,							
China CITIC Bank	Working Capital	June 26, 2023	5	158	1.85 %	Pay in arrear	2023							
							November 30,							
China CITIC Bank	Working Capital	June 5, 2023	6	63	1.90 %	Pay in arrear	2023							
							December 2,							
China CITIC Bank	Working Capital	June 19, 2023	5	8	2.00 %	Pay in arrear	2023							
							December 2,							
China CITIC Bank	Working Capital	June 19, 2023	5	12	2.00 %	Pay in arrear	2023							
Total				\$ 39,149										
China Merchants Bank								Working Capital	Sep 14, 2023	5	692	1.45 %	Pay in arrear	Feb 25, 2024

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China Merchants Bank	Working Capital	Sep 14, 2023	5	374	1.45 %	Pay in arrear	Feb 3, 2024
Banco Safra	Working Capital	Jul 6, 2023	7	17	7.31 %	Pay monthly	Feb 8, 2024

Banco Safra	Working Capital	Jul 6, 2023	8	17	7.31 %	Pay monthly	Mar 6, 2024
Banco Safra	Working Capital	Jul 6, 2023	9	17	7.31 %	Pay monthly	Apr 8, 2024
Banco Safra	Working Capital	Jul 6, 2023	10	17	7.31 %	Pay monthly	May 6, 2024
Banco Safra	Working Capital	Jul 6, 2023	11	17	7.31 %	Pay monthly	Jun 6, 2024
Banco Safra	Working Capital	Jul 6, 2023	12	17	7.31 %	Pay monthly	Jul 8, 2024
Banco Safra	Working Capital	Jul 6, 2023	13	17	7.31 %	Pay monthly	Aug 6, 2024
Banco Safra	Working Capital	Jul 6, 2023	14	17	7.31 %	Pay monthly	Sep 6, 2024
Banco Safra	Working Capital	Jun 29, 2023	8	10	7.44 %	Pay monthly	Feb 1, 2024
Banco Safra	Working Capital	Jun 29, 2023	9	10	7.44 %	Pay monthly	Feb 29, 2024
Banco Safra	Working Capital	Jun 29, 2023	10	10	7.44 %	Pay monthly	Apr 1, 2024
Banco Safra	Working Capital	Jun 29, 2023	10	10	7.44 %	Pay monthly	Apr 29, 2024
Banco Safra	Working Capital	Jun 29, 2023	11	10	7.44 %	Pay monthly	May 29, 2024
Banco Safra	Working Capital	Jun 29, 2023	12	10	7.44 %	Pay monthly	Jul 1, 2024
Banco Safra	Working Capital	Jun 29, 2023	13	10	7.44 %	Pay monthly	Jul 29, 2024
Banco Safra	Working Capital	Jun 29, 2023	14	10	7.44 %	Pay monthly	Aug 29, 2024
Banco Safra	Working Capital	Jun 29, 2023	15	10	7.44 %	Pay monthly	Sep 29, 2024
Banco Safra	Working Capital	Jul 6, 2023	36	371	7.31 %	Pay monthly	Jul 6, 2026
Banco Safra	Working Capital	Jun 29, 2023	36	213	7.44 %	Pay monthly	Jun 29, 2026
Total			\$ 39,863				

(1) These bank loans were repaid in July, October and November 2023 when they became due.

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The Company must use notes payable the loans for the purpose described and repay the principal outstanding on the specified date in the table. If it fails to do so, the banks will no longer issue the notes payable, and it may have an adverse effect on the Company's liquidity and capital resources. The Company has to deposit a sufficient amount of cash on the due date of notes payable for payment to the suppliers. If the bank has advanced payment for the Company, it will be charged an additional 50% a penalty interest, interest payment of 30% to 100%. The Company had complied with such financial covenants as of June 30, 2023 September 30, 2023.

Notes Payable

The following table summarizes the contract information of issuing notes payable between the banks and the Company as of **June 30, 2023** **September 30, 2023** (figures are in thousands of USD):

Purpose	Term (Months)	Due Date	Amount	Term (Months)	Due Date	Amount
			Payable on Due Date			Payable on Due Date
Working Capital ⁽¹⁾	6	Jul. 2023	15,052	6	Oct. 2023	12,998
Working Capital ⁽¹⁾	6	Aug. 2023	12,927	6	Nov. 2023	14,130
Working Capital	6	Sep. 2023	21,666	6	Dec. 2023	9,632
Working Capital	6	Oct. 2023	11,137	6	Jan. 2024	12,232
Working Capital	6	Nov. 2023	14,040	6	Feb. 2024	14,201
Working Capital	6	Dec. 2023	9,458	6	Mar. 2024	12,889
Total (See Note 8)			\$ 84,280			\$ 76,082

(1) The notes payable were repaid in full on their respective due dates.

The Company must use notes payable for the purpose described in the table. If it fails to do so, the banks will no longer issue the notes payable, and it may have an adverse effect on the Company's liquidity and capital resources. The Company has to deposit a sufficient amount of cash on the due date of notes payable for payment to the suppliers. If the bank has advanced payment for the Company, it will be charged an additional 50% penalty interest. The Company complied with such financial covenants as of **June 30, 2023** **September 30, 2023**.

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Cash Flows

(a) Operating Activities

Net cash **used in** **provided by** operating activities for the **six nine** months ended **June 30, 2023** **September 30, 2023** was **\$0.1 million** **\$10.7 million**, compared to net cash provided by operating activities of **\$14.5 million** **\$31.7 million** for the same period of 2022, representing a decrease in net cash inflows by **\$14.6 million** **\$21.0 million**, which was mainly due to (1) the increase in net income excluding non-cash items by **\$1.8 million** **\$0.8 million**, (2) the increase in the cash inflows from movements of inventory by **\$7.5 million** **\$6.0 million**, (3) the increase in the cash outflows from movements of accounts and notes receivable by **\$14.0 million** **\$2.7 million**, (4) the increase in the cash outflows from movements of accounts and notes payable by **\$4.2 million** **\$12.0 million**, and (5) a combination of other factors contributing an increase of cash outflows by **\$5.7 million** **\$13.1 million**.

(b) Investing Activities

Net cash used in investing activities for the **six nine** months ended **June 30, 2023** **September 30, 2023** was **\$24.0 million** **\$25.6 million**, as compared to net cash used in investing activities of **\$24.4 million** **\$42.7 million** for the same period of 2022, representing a decrease in net cash outflows by **\$0.4 million** **\$17.1 million**, which was mainly due to the net effect of (1) a decrease in purchase of short-term investments of **\$ 19.3 million** **\$24.0 million**, (2) **an** a decrease in proceeds from maturities of short-term investments by **\$14.3 million** **\$7.7 million**, (3) an increase in payments to acquire investments under the equity method by **\$2.2 million** **\$5.1 million**, and (4) a combination of other factors contributing an increase of cash outflows by **\$2.4 million** **\$4.3 million**, primarily including a decrease in cash received from long-term investment by **\$2.1 million** **\$0.9 million** and an increase in payments to acquire intangible assets by **\$2.3 million** **\$2.4 million**.

(c) Financing Activities

Net cash used in financing activities for the **six nine** months ended **June 30, 2023** **September 30, 2023** was **\$5.6 million** **\$5.3 million**, compared to net cash **provided** **used** in financing activities of **\$1.6 million** **\$0.5 million** for the same period of 2022, representing an increase in net cash outflows by **\$7.2 million** **\$4.8 million**, which was mainly due to the net effect of (1) an increase in repayment of bank loan by **\$6.9 million** **\$6.7 million**, (2) a decrease in proceeds from bank loan by **\$1.6 million** **\$0.8 million**, (3) a decrease in repayments of the borrowing for sale and leaseback transaction by \$1.1 million, and (4) a combination of other factors contributing an increase of cash inflows by **\$0.2 million** **\$1.6 million**.

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Off-Balance Sheet Arrangements

As of June 30, 2023, September 30, 2023 and December 31, 2022, the Company did not have any significant transactions, obligations or relationships that could be considered off-balance sheet arrangements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

There were no material changes to the disclosure made in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 regarding this matter.

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ITEM 4. CONTROLS AND PROCEDURES.

A. Disclosure Controls and Procedures

The Company's management, under the supervision and with the participation of its chief executive officer and chief financial officer, Messrs. Wu Qizhou and Li Jie, respectively, evaluated the effectiveness of the Company's disclosure controls and procedures as of June 30, 2023, September 30, 2023, the end of the period covered by this Report. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports, such as this Form 10-Q, that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Based on that evaluation, Messrs. Wu and Li concluded that the Company's disclosure controls and procedures were effective as of June 30, 2023, September 30, 2023.

The Company's disclosure controls and procedures are designed to provide reasonable, not absolute, assurance that the objectives of its disclosure control system are met. Because of inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, if any, within a company have been detected.

B. Changes in Internal Control Over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the three months ended June 30, 2023, September 30, 2023 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II. — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

The Company is not a party to any pending or, to the best of the Company's knowledge, any threatened legal proceedings and no director, officer or affiliate of the Company, or owner of record of more than five percent of the securities of the Company, or any associate of any such director, officer or security holder is a party adverse to the Company or has a material interest adverse to the Company in reference to pending litigation.

ITEM 1A. RISK FACTORS.

There have been no material changes from the risk factors previously disclosed in Item 1A of the Company's 2022 Annual Report on Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

None.

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[Table of Contents](#)**ITEM 6. EXHIBITS.**

INDEX TO EXHIBITS

Exhibit Number	Description
3.1(i)	Certificate of Incorporation (incorporated by reference from the filing on Form 10SB12G File No. 000-33123).
3.1(ii)	Bylaws (incorporated by reference from the Form 10SB12G File No. 000-33123).
10.1	Joint-venture Agreement, dated March 31, 2006, as amended on May 2, 2006, between Great Genesis Holdings Limited and Wuhu Chery Technology Co., Ltd. (incorporated by reference to Exhibit 10.8 to the Company's Form 10-Q Quarterly Report on May 10, 2006).
10.2	Stock Exchange Agreement dated August 11, 2014 by and among Jingzhou City Jiulong Machinery Electricity Manufacturing Co., Ltd., China Automotive Systems, Inc. and Hubei Henglong Automotive System Group Co., Ltd. (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q Quarterly Report on August 13, 2014).
10.3	English translation of Joint Venture Contract, dated as of April 27, 2018, by and between Hubei Henglong Automotive System Group Co., Ltd. and KYB (China) Investment Co., Ltd. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 27, 2018).
31.1	Rule 13a-14(a) Certification*

31.2	Rule 13a-14(a) Certification*
32.1	Section 1350 Certification*
32.2	Section 1350 Certification*
101.INS*	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
Exhibit 104*	Cover Page Interactive Data File - The cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
<hr/>	
*	filed herewith

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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, thereunto duly authorized.

CHINA AUTOMOTIVE SYSTEMS, INC.

(Registrant)

Date: August 11, 2023 November 13, 2023

By: /s/ Qizhou Wu
Qizhou Wu
President and Chief Executive Officer

Date: August 11, 2023 November 13, 2023

By: /s/ Jie Li
Jie Li
Chief Financial Officer

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RULE 13a-14(a) CERTIFICATION FOR FORM 10-Q

I, Qizhou Wu, certify that:

1. I have reviewed this quarterly report on Form 10-Q of China Automotive Systems, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 11, 2023 November 13, 2023

By: /s/ Qizhou Wu

Qizhou Wu

President and Chief Executive Officer

RULE 13a-14(a) CERTIFICATION FOR FORM 10-Q

I, Jie Li, certify that:

1. I have reviewed this quarterly report on Form 10-Q of China Automotive Systems, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **August 11, 2023** November 13, 2023

By: /s/ Jie Li

Jie Li

Chief Financial Officer

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,**

**AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of China Automotive Systems, Inc. (the "Company") on Form 10-Q for the quarter ended **June 30, 2023** **September 30, 2023**, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Qizhou Wu, the Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: **August 11, 2023** **November 13, 2023**

By: /s/ Qizhou Wu

Qizhou Wu

President and Chief Executive Officer

Exhibit 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of China Automotive Systems, Inc. (the "Company") on Form 10-Q for the quarter ended **June 30, 2023** **September 30, 2023**, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jie Li, the Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: **August 11, 2023** **November 13, 2023**

By: /s/ Jie Li

Jie Li

Chief Financial Officer

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