

Tongxin International, Ltd. Reports First Quarter 2009

Financial Results

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- Tongxin International Ltd. ("Tongxin") ("Company") (NASDAQ:TXIC-[News](#)) a manufacturer of engineered commercial vehicle body structures ("EVBS" or "Cabs"), SUV passenger vehicle bodies and stamped body parts for the Chinese commercial vehicle market, today announced the Company's first quarter financial results for the three month period ended March 31, 2009.

- Overall revenues decreased 2.6% to \$29.5 million from \$30.3 million while domestic revenues increased 6.3% quarter over quarter

- Q1 2009 gross margins increased 370 basis-points to 28.6% from 24.9% in the first quarter 2008

- Net income increased 6.6 % to \$4.1 million in the first quarter from \$3.8 million prior year

- First quarter EPS increased to \$0.36 for versus \$0.34 in Q1 2008.

First Quarter Financial Results

Net revenues for the first quarter ended March 31, 2009 reached \$29.5 million, an approximate \$0.8 million, or 2.6% decrease, over the same period prior year. According the China Association of Automobile Manufacturers (CAAM), a total of 692,000 trucks were built in the first three months of 2009 with more than half, approximately 343, 800 units, built in March alone. The three month total is 4.4% below 2008 totals for the same period in 2008. As of April 30, 2009, CAAM also reported 339,300 commercial vehicles built in April, on par with March 2009 build totals.

Tongxin's decrease in revenues is consistent with the market and representative of the strong first quarter the industry witnessed in 2008 in an effort to build trucks prior to Euro III emissions standards enacted on July 1, 2008 and prior to factory restrictions imposed on manufacturers prior to the Beijing Olympics. Additionally, the Company also reported a drop in exports, from \$4.4 million in export sales the first quarter of 2008 to approximately \$1.8 million for the first quarter in 2009, due to timing of customer shipments to Vietnam. Since both the cabs and chassis are shipped to Vietnam, the drop could be attributable to timing of components availability and not a loss of customer volume; Tongxin has three export customers in Vietnam. Excluding exports from Tongxin's revenues, the Company reported an increase in domestic revenues of 6.3% from its more than 130-plus customers throughout China.

"We believe that the first quarter of 2009 is a better representation of our performance for the coming year", stated Vice-Chairman Duanxiang Zhang of Hunan Tongxin. "Baring the regulation of Euro III standards that produced a strong first quarter in 2009, we are very encouraged by the uptick in business and shipments for the last three months. As domestic demand and the effects of the stimulus package begin to work their way through the economy plus a noticeable return of export orders, we, anticipate a succession of strong quarters for Tongxin and continued demand for our commercial vehicle cabs in 2009." Zhang concluded.

Cost of goods sold were \$21.0 million in the first quarter 2009, a decrease of \$1.7million or 7.3% versus the same period in 2008. The decrease in costs is directly related to the drop in cold-rolled steel pricing. Based on a comparison between January 2008 and January 2009, per ton pricing on cold rolled steel has fallen approximately 15.0% from \$766.00 per ton to \$666.00 per ton (source – Management, Engineering and Production MEPS, Consultancy UK, Ltd.). Corresponding gross profits for the first quarter were \$8.4 million compared to \$7.5 million in the first quarter of 2008. As a result, gross margins increased 370 basis points to 28.6% in 2008 from 24.9% for the prior quarter ended March 31, 2008.

Total operating expenses for the first quarter of 2009 were \$2.7 million versus \$1.8 million for the same period in 2008. Included in the first quarter operating expenses was approximately \$607,000 in corporate costs reflecting added financial, legal and accounting expenses, listing costs on NASDAQ, and administrative expenses. The most significant portion of these costs is approximately \$233,000 in SOX compliance costs as the Company works towards SOX compliance with its partner, Ernst and Young. As a percentage of revenues, operating expenses were 8.2% compared with 6.0% for the same period, 2008. Operating income and operating margin for the quarter were \$6.0 million and 20.5%, respectively, versus \$5.7million and 18.9%, respectively for the same period in 2008.

Earnings before interest and taxes were \$6.0 million versus \$5.75 million the period ended March 31st, 2008. Tongxin pays the standard Chinese corporate tax rate of 25% however the Company is in the processes of applying for a reduction in taxes for companies based in the Henan province and in a related automotive industry. Net income was \$4.1 million, representing an increase of 6.6% from \$3.8 million reported in the same period prior year. Excluding costs associated with SOX compliance of \$233,000, adjusted net income would be \$4.3 million. Net profit margins were 13.9% for the quarter which represented a 130-basis point increase in net margins from 12.6% reported the first quarter of 2008. Earnings per share for the quarter were \$0.36 based on 11.3 million shares outstanding.

Ms. Jackie Chang, Chief Financial and Accounting Officer stated, "The Company will continue to experience the favorable Impact of lower steel prices and increasing vehicle production volumes throughout the year. Steel is approximately 80% of our cost of goods thus we allocate significant time managing these costs carefully and our pricing to our customer base."

Balance Sheet and Cash Flow Discussion

As of March 31, 2009, Tongxin International had approximately \$6 million in cash and cash equivalents versus \$11.3 million on December 31, 2008. The company

maintained a current ratio of 1.08 and \$25.3 million in accounts receivable on March 31, 2009. Corresponding days sales outstanding were 95 days. Stockholders' equity was \$84.1 million on March 31, 2009 from \$18.7 million for the same period 2008, an increase of \$65.4 million which is the purchase price of the acquisition. Cash flow from operations is a negative \$2.4 million due to higher trade receivables as a result of higher revenue in the first quarter.

The Company has approximately five million warrants outstanding with strike price of \$5.00 and callable at \$10.00. At the Company's option, and in the event the selling price of the Company's common shares trades at an average price of \$10.00 or more for twenty days out of a thirty day selling period, it may redeem warrants on "an all-or-none" basis. If the warrants are redeemed the Company would recognize gross proceeds of approximately \$25 million.

2009 Guidance

For the fiscal year ending December 31, 2009, we anticipate consolidated earnings per share of \$1.10 (based upon shares outstanding of 11,294,633).

About TXI

Tongxin International Ltd., is the largest independent supplier of EVBS in China, is capable of providing EVBS for both the commercial truck and light vehicle market segments, in addition to designing, fabricating and testing dies used in the manufacturing process. EVBS consists of exterior body panels including doors, floor pans, hoods, side panels and fenders.

Forward Looking Statements

Statements contained in this press release, which are not historical fact, including the anticipated date of listing of the Class A Common Stock on the NASDAQ Global Market, constitute "Forward-Looking Statements." Actual results may differ

materially due to numerous important factors that are described in Tongxin International's most recent report to the SEC on Form 6-K, which may be revised or supplemented in subsequent reports to the SEC. Such factors include, among others, the cost and timing of implementing restructuring actions, the Company's ability to generate cost savings or manufacturing efficiencies to offset or exceed contractually or competitively required price reductions or price reductions to obtain new business, conditions in the automotive industry, and certain global and regional economic conditions. Tongxin International does not intend or assume any obligation to update any forward-looking statement to reflect events or circumstances after the date of this press release.

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CONSOLIDATED BALANCE SHEETS
(In thousands, In US\$, except share data)

	March 31, 2009	March 31, 2008
	----- (unaudited)	----- (audited)
Assets		
Current assets:		
Cash and cash equivalents	\$6,003	\$3,483
Restricted Cash-Bank Deposit	5,865	
Accounts and notes receivable, net	25,335	25,388
Other receivable, net	25,083	10,026
Inventories	23,415	15,978
Investment in marketable securities	147	74
Prepaid expenses	3,770	2,959
Deferred tax assets	1,069	1,676
	-----	-----
Total current assets	90,687	59,584
	-----	-----
Investments in operating business	472	908
Plant and equipment, net of depreciation	36,282	30,706
Land occupancy rights	9,633	1,865
HNTX internal receivable	8	
Deferred income tax	878	
Goodwill	36,696	
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Total assets	174,656	93,063
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Liabilities and shareholders' equity

Current liabilities:

Accounts and notes payable	26,150	15,343
Accrued expenses and other liabilities	14,974	10,671

Income taxes payable	19,749	9,246
Short-term loans	22,386	24,492
Derivative liability	452	

Total current liabilities	83,711	59,752
Long-term loans	4,545	14,597
Deferred tax liability	2,256	22
Other	26	

Total liabilities	90,538	74,371
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Shareholders' equity:

Common stock (authorized, 39,000,000 common shares US\$0.001 par value, issued and outstanding 11,300,336 shares)	98	8,762 *
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Successor Treasury stoc, 1,589,422 shares outstanding	(7,682)	
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Additional paid-in capital	78,882	
Reserve funds	11	2,998

Deficit accumulated at develop	(5,519)	
Retained earnings	18,328	6,932

Total shareholders' equity	84,118	18,692
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Total liabilities and shareholders' equity	174,656	93,063
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*Paid-in Capital

CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, In US\$, except number of share and per share data)

	Three months ended 31-Mar	
	2009	2008
	----- (unaudited)	----- (audited)
Revenues	\$29,499	\$30,281
Cost of Goods Sold	(21,071)	(22,734)
Gross Profit	8,428	7,547
Operating expenses:		
Selling and General and administrative	(2,665)	(1,798)
Other income, net	270	0
Profit before income taxes	6,033	5,749
Interest expense	(515)	(618)
Income before income taxes	5,518	5,131
Income tax expense	(1,418)	(1,283)
Net Income	----- 4,100	----- 3,848
Earnings per share - BASIC	\$0.36	\$0.34
Earnings per share - DILUTED	\$0.36	\$0.29

Consolidated Statements of Cash Flows
For Year Ended March 31, 2008
(US\$ amounts in thousands)

	March 31 2009	March 31 2008
	----- (unaudited)	----- (audited)
Cash flows from operating activities:		
Net income(loss)	\$4,100	3,847
Adjustments to reconcile net income (loss)to net		
cash provided by(used in)operating activities:		
Allowance for doubtful accounts	0	(136)
Depreciation expense	659	520
Amortization expense	64	15
Changes in		
Decrease in tax payable	2,331	
Increase of inventories	(4,319)	(3,449)
Increase of accounts and notes and other receivable	(18,353)	(950)
Decrease (increase)of prepaid expenses	427	(37)
Increase of accounts and notes payable	5,126	6,349
Increase(decrease)of accrued expenses , and other liabilities	7,581	750
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Net cash provided by(used in)operating activities	(\$2,384)	6,909
Net cash used in investing activities	(239)	(6,205)
Cash folws from financing activities:		
Proceeds from capital contributions	0	
Proceeds from loans	(2,852)	4,325
Dividends paid		(263)
Cash repayments of amounts borrowed		(3,275)

Net cash provided by financing activities	(2,852)	787
Effect of foreign exchange rate changes	\$165	330
Net increase(decrease)in cash and cash equivalents	(5,310)	1,821
Cash and cash equivalents at beginning of year	11,313	1,662
Cash and cash equivalents at end of year	6,003	3,483
Income taxes paid	1,418	1283
Interest paid	515	618