TRAUSON HOLDINGS COMPANY LIMITED
創生控股有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 325)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

HIGHLIGHTS

- The Group's revenue for the year ended 31 December 2010 increased by approximately RMB79,257,000 or 37.48% to RMB290,742,000 as compared to RMB211,485,000 for fiscal year 2009.

- Gross profit of the Group increased by approximately RMB62,141,000 or 41.64% to RMB211,364,000 for the year ended 31 December 2010 as compared to RMB149,223,000 for fiscal year 2009.

- Profit attributable to owners of the Company increased by approximately RMB24,080,000 or 29.30% to RMB106,259,000 for the year ended 31 December 2010 as compared to RMB82,179,000 for fiscal year 2009.

- Basic earnings per share amounted to RMB16 cents, representing an increase of approximately 6.67% over RMB15 cents for fiscal year 2009.

- The Board recommended a final dividend of RMB3.57 cents per ordinary share for the year ended 31 December 2010 (2009: nil).

The board of directors (the "Board") of Trauson Holdings Company Limited (the "Company" or "Trauson Holdings") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2010, together with the comparative figures for the year ended 31 December 2009 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Notes	**2010** **RMB'000**	2009 RMB'000
Revenue	3	**290,742**	211,485
Cost of sales		**(79,378)**	(62,262)
Gross profit		**211,364**	149,223
Other income and other gains and losses	4	**(2,311)**	1,094
Distribution and selling expenses		**(17,896)**	(21,431)
Administrative and general expenses		**(36,725)**	(21,411)
Research and development expenses		**(10,617)**	(9,710)
Other expenses	5	**(13,906)**	(2,536)
Interest expenses in relation to bank loans wholly repayable within five years		**(325)**	(846)
Share of loss of an associate		**–**	(322)
Profit before tax	6	**129,584**	94,061
Income tax expense	7	**(23,325)**	(11,882)
Profit for the year and total comprehensive income for the year		**106,259**	82,179
Attributable to owners of the Company		**106,259**	82,179
		RMB	*RMB*
Earnings per share – Basic	8	**0.16**	0.15

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
Non-current assets			
Property, plant and equipment		**149,236**	89,512
Prepaid lease payments		**19,323**	20,148
Intangible asset		**6,186**	2,723
Deferred tax assets		**5,150**	2,889
		179,895	115,272
Current assets			
Inventories		**46,209**	43,557
Trade and other receivables	10	**97,488**	69,340
Amounts due from related parties		**–**	37,485
Prepaid lease payments		**423**	432
Bank balances and cash		**698,766**	58,394
		842,886	209,208
Land use rights classified as held for sale		**–**	14,988
		842,886	224,196
Current liabilities			
Trade and other payables	11	**49,202**	36,711
Amounts due to related parties		**200**	9,377
Amount due to a shareholder		**–**	52,713
Tax liabilities		**8,980**	3,199
Deferred income		**1,431**	–
		59,813	102,000
Net current assets		**783,073**	122,196
Total assets less current liabilities		**962,968**	237,468
Non-current liabilities			
Deferred tax liabilities		**4,118**	1,375
Deferred income		**5,471**	–
		9,589	1,375
Net assets		**953,379**	236,093
Capital and reserves			
Share capital		**68,141**	20
Reserves		**885,238**	236,073
Total equity attributable to owners of the Company		**953,379**	236,093

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION AND BASIS OF PREPARATION OF FINANCIAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liabilities on 27 January 2010. The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 29 June 2010. The immediate and ultimate holding company is Luna Group Holdings Limited ("Luna Group"), a company incorporated in the British Virgin Islands ("BVI") wholly owned by Ms. Xu Yan Hua ("Ms. Xu").

The consolidated financial information is presented in Renminbi ("RMB"), the currency of the primary economic environment in which the principal subsidiaries of the Company operate (the functional currency of the principal subsidiaries).

The Group Reorganisation

In order to streamline the structure of the Group in preparation of the listing of the shares of the Company on the Main Board of the Stock Exchange, the Group underwent a group reorganisation (the "Group Reorganisation").

On 27 January 2010, Trauson Holdings (BVI) Company Limited ("Trauson Holdings BVI") was incorporated in the BVI as a wholly owned subsidiary of the Company.

On 7 February 2010, Trauson Holdings BVI acquired the entire issued share capital of Trauson Holdings (Hong Kong) Company Limited ("Trauson Holdings HK") from Ms. Xu at a consideration of HK$10,000.

On 10 March 2010, the Company, through Trauson Holdings HK, acquired the entire issued share capital of Trauson (Hong Kong) Company Limited ("Trauson Hong Kong") and Orthmed (Hong Kong) Medical Instrument Company Limited ("Orthmed Hong Kong") from Ms. Xu. In consideration for the acquisition, the Company allotted and issued 562,499,999 new ordinary shares credited as fully paid to Luna Group. Trauson Hong Kong and Orthmed Hong Kong are both the holding companies of the Company's operating subsidiaries in the People's Republic of China (the "PRC").

Upon completion of the Group Reorganisation, the Company became the holding company of its subsidiaries on 10 March 2010. Details of the Group Reorganisation are set out in the section headed "History and Development – Reorganisation" in the prospectus of the Company dated 15 June 2010.

The Group resulting from the Group Reorganisation is regarded as a continuing entity in accordance with principles of merger accounting for business combination under common control.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied a number of new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants.

The adoption of the new and revised HKFRSs in current year had no material effect on consolidated financial information.

The Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[7]
HKFRS 9	Financial Instruments[5]
HKAS 12 (Amendments)	Deferred Tax – Recovery of Underlying Assets[6]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendments)	Classification of Rights Issues[2]
HK (IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[4]
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 February 2010.
3 Effective for annual periods beginning on or after 1 July 2010.
4 Effective for annual periods beginning on or after 1 January 2011.
5 Effective for annual periods beginning on or after 1 January 2013.
6 Effective for annual periods beginning on or after 1 January 2012.
7 Effective for annual periods beginning on or after 1 July 2011.

The directors of the Company anticipate that the application of these new and revised Standards, Amendments or Interpretations in the respective financial years when they become effective, will have no material impact on the consolidated financial information of the Group and/or disclosures therein.

3. REVENUE AND SEGMENT INFORMATION

The information reported to the chief operating decision maker for the purposes of resource allocation and performance assessment focuses specifically on different types of products. The Group's operating and reportable segments are as follows:

(a)	Trauma products	Surgical treatment for bone fractures due to accidents, pathological or other reasons
(b)	Spine products	Surgical treatment for spinal disorders, deformity, fractures and back pain conditions caused by degenerative disc disease or other pathological reasons
(c)	Original equipment manufacturing ("OEM") products	Manufacturing of orthopaedic products in accordance with customers' orders and specifications
(d)	Others	Medical instrument and other components

The following is an analysis of the Group's revenue and results by operating and reportable segment:

	2010 *RMB'000*	2009 *RMB'000*
Segment revenue		
Trauma products	**183,626**	135,417
Spine products	**34,274**	31,366
OEM products	**57,804**	31,418
Others	**15,038**	13,284
Total revenue	**290,742**	211,485
Segment profit		
Trauma products	**149,766**	99,630
Spine products	**28,053**	25,658
OEM products	**32,191**	15,343
Others	**1,354**	8,592
Total segment profit	**211,364**	149,223
Unallocated income and other gains and losses	**(2,311)**	1,094
Unallocated expenses:		
Distribution and selling expenses	**(17,896)**	(21,431)
Administrative and general expenses	**(36,725)**	(21,411)
Research and development expenses	**(10,617)**	(9,710)
Other expenses	**(13,906)**	(2,536)
Interest expense in relation to bank loans wholly repayable within five years	**(325)**	(846)
Share of loss of an associate	**–**	(322)
Profit before tax	**129,584**	94,061
Income tax expense	**(23,325)**	(11,882)
Profit for the year and total comprehensive income for the year	**106,259**	82,179

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the reporting period.

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies. Segment profit represents the gross profit earned by each segment. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

The chief operating decision maker does not review the assets and liabilities by each segment for their resource allocation and performance assessment.

The Group's non-current assets are substantially located in the PRC, the place of domicile of relevant group entities.

Substantially all of the Group's revenue is derived from the PRC, the place of domicile of relevant group entities, except for customer A in OEM products segment as mentioned below which is derived from the United States of America and insignificant revenue generated from export sales to other countries.

Information about major customer

Revenue from the major customer which accounts for 10% or more of the Group's revenue are as follows:

	2010	2009
	RMB'000	*RMB'000*
Customer A in OEM products segment	**57,804**	31,418

4. OTHER INCOME AND OTHER GAINS AND LOSSES

	2010	2009
	RMB'000	*RMB'000*
Government grants *(Note)*	**8,054**	–
Interest income	**5,948**	876
Gain (loss) on disposal of property, plant and equipment	**111**	(15)
Net foreign exchange loss	**(16,557)**	(31)
Fair value change of held for trading investments	**–**	14
Others	**133**	250
	(2,311)	1,094

Note: The government grants are mainly awards for successful listing of the Company's shares on the Stock Exchange and the Company's contributions towards domestic businesses and economy in Changzhou City, the PRC.

5. OTHER EXPENSES

	2010	2009
	RMB'000	*RMB'000*
Legal and professional fees *(Note)*	**13,685**	2,359
Donation	**205**	4
Others	**16**	173
	13,906	2,536

Note: The amount mainly represents the legal, professional and related expenses incurred for the listing of the shares of the Company on the Main Board of the Stock Exchange.

6. PROFIT BEFORE TAX

	2010	2009
	RMB'000	*RMB'000*
Profit before tax has been arrived at after charging (crediting):		
Directors' remuneration	**4,197**	2,721
Staff costs	**54,918**	36,185
Employees' retirement benefit schemes contributions	**3,359**	2,840
Total staff costs	**62,474**	41,746
Cost of inventories recognised as expense	**79,378**	62,262
Depreciation of property, plant and equipment	**10,598**	9,967
Auditor's remuneration	**2,100**	163
Impairment losses on trade receivables	**1,175**	616
Release of prepaid lease payments	**834**	589
Impairment losses on other receivables	**135**	–
Write-down of inventories *(Note)*	**316**	408
Reversal of write-down of inventories *(Note)*	**(3,716)**	–
Operating lease rentals in respect of rented premises	**–**	696

Note: The write-down of and reversal of write-down of inventories are included in cost of inventories recognised as expense. The latter was due to the increase in net realisable values of inventory items written-down in prior years above their historical costs in current year.

7. INCOME TAX EXPENSE

	2010	2009
	RMB'000	*RMB'000*
Current tax:		
PRC enterprise income tax ("EIT")	**20,343**	8,777
Withholding tax on PRC dividends paid	**2,500**	3,405
Deferred tax charge (credit):		
Current year	**482**	(300)
	23,325	11,882

No provision for Hong Kong Profits Tax has been made as the Group's subsidiaries in Hong Kong had no assessable profits.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Trauson (Jiangsu) Medical Instrument Company Limited ("Trauson Jiangsu") and Changzhou Orthmed Medical Instrument Company Limited ("Changzhou Orthmed"), being both foreign investment enterprises registered in Changzhou city, Jiangsu province in the PRC, are entitled to an exemption from EIT for two years starting from their first profit-making year, followed by a 50% tax relief for the following three years. Trauson Jiangsu was entitled to and enjoyed the first tax exemption year in 2006, and a 50% tax relief for the three years ended 31 December 2010. Changzhou Orthmed was entitled to and enjoyed the first tax exemption year in 2008, and a 50% tax relief for the three years ending 31 December 2012.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year is based on the following:

	2010	2009
Profits		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share (RMB'000)	**106,259**	82,179
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**669,159,593**	562,500,000

The number of shares for the purpose of basic earnings per share has been determined on the assumption that the ordinary shares of the Company issued upon the Group Reorganisation have been in issue on 1 January 2009 and taking into account of weighted average number of new ordinary shares issued:

(a) On 28 June 2010 pursuant to the Company's initial public offering; and

(b) On 26 July 2010 pursuant to the partial exercise of the over-allotment option as referred to in the prospectus of the Company dated 15 June 2010.

The Group has no potential ordinary shares throughout the year ended 31 December 2010 and 2009.

9. DIVIDENDS

The final dividend of RMB3.57 cents per share in respect of the year ended 31 December 2010 (2009: nil) has been proposed by the directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

10. TRADE AND OTHER RECEIVABLES

	2010	2009
	RMB'000	*RMB'000*
Trade receivables	**88,081**	55,289
Less: allowance for doubtful debts	**(3,294)**	(2,119)
	84,787	53,170
Advance to suppliers	**6,134**	12,240
Other receivables	**3,784**	2,324
Deposits	**1,935**	1,433
Prepaid expenses	**848**	173
	97,488	69,340

The Group allows credit period ranging from 0 to 90 days to its trade customers. The ageing of trade receivables, net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, is as follows:

	2010	2009
	RMB'000	*RMB'000*
0 to 90 days	**66,816**	39,460
91 to 180 days	**12,005**	6,871
181 to 360 days	**5,145**	5,294
Over 360 days	**821**	1,545
	84,787	53,170

At 31 December 2010, included in the Group's trade receivables are debtors with a carrying amount of RMB37,059,000 (2009: RMB13,710,000), which were overdue for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The trade receivables past due but not impaired are aged over credit periods granted by the Group based on the invoice date at the end of the reporting period, and their ageing analysis are set out in the preceding table.

11. TRADE AND OTHER PAYABLES

	2010	2009
	RMB'000	*RMB'000*
Trade payables	**12,169**	8,900
Advance from customers	**4,158**	7,090
Payroll payables	**13,676**	8,612
Accrued expenses	**7,444**	7,248
Other tax liabilities	**3,848**	3,836
Other payables	**7,907**	1,025
	49,202	36,711

Trade payables comprise amounts outstanding for trade purchases. Payment terms with suppliers are mainly on credit within 90 days from the date when the goods are received and accepted. The ageing of trade payables at the end of the reporting period is as follows:

	2010	2009
	RMB'000	*RMB'000*
0 to 90 days	**11,316**	8,237
91 to 180 days	**396**	142
181 to 360 days	**303**	401
Over 360 days	**154**	120
	12,169	8,900

MANAGEMENT DISCUSSION AND ANALYSIS

1. Industry Review

The Company is a direct beneficiary of the fundamentally sound orthopaedic-device industry in China. Driven by three key macro factors—1) China's large population, 2) the ageing demographics, and 3) the trend toward urbanization—the industry is expected to continue to grow at a sustainable, healthy rate.

China's 1.3 billion people represent a potentially huge market for the orthopaedic-device industry. In particular, China's ageing demographics has led to a significant increase in the morbidity of orthopaedic diseases. According to the International Osteoporosis Foundation, among people aged 50 and above in China, approximately 70 million people suffer from osteoporosis in 2010. Therefore, patients' demand for orthopaedic surgeries is increasing.

The trend towards urbanization in China is also contributing to the increasing need for orthopaedic devices. With higher income and a growing middle class, people are demanding better quality of life. Moreover, with the expansion of medical insurance coverage in the urban areas, orthopaedic treatments have become more affordable. These multiple factors are helping to fuel the development of the orthopaedic device market in China.

Not surprisingly, in 2010 China's orthopaedic-implant market by revenue grew in excess of 20% to RMB7 billion according to Frost & Sullivan. This growth rate is approximately four times that of the global market.

Across China, in many large and medium-sized cities, the local governments have added orthopaedic orthotic surgeries to the healthcare coverage plan. Orthopaedic orthotic surgeries encompass trauma cases, artificial joint replacement, and spine surgeries. These developments have undoubtedly bolstered the industry's growth as well.

Another important development is the drafting of the amendment to "The Regulations on the Supervision of Medical Devices." In early September 2010, the Legislative Affairs Office of the State Council issued a notice seeking comments on amending the aforementioned regulations. The Company views this latest regulatory development in a positive light, as its publication and implementation should eventually lead to a more structured industry ecosystem and benefit industry leaders such as Trauson Holdings.

With heightened healthcare reforms, multinational companies are paying more attention to China's medical device industry. Concurrently, China's medical device manufacturers are narrowing the gap with the multinationals by continuously improving their craftsmanship, and research and development capabilities. Indeed with quality products at competitive prices, "Made in China" medical devices are increasingly sought after in markets around the world.

2. Review of Each Business Segment

a) *Sales Analysis*

Trauma products, spine products and surgical instruments are the major products sold by the Company. During the year, revenue from trauma and OEM products grew markedly by 35.60% and 83.98%, respectively. Additionally, sales of spine and other products also saw steady growth of 9.27% and 13.20%, respectively. The overall growth in revenue for 2010 was 37.48%.

The sales for the year ended 31 December 2010 is summarized as follows:

Type	Sales amount *(RMB'000)*	Change
Trauma products	183,626	35.60%
Spine products	34,274	9.27%
OEM products	57,804	83.98%
Others	15,038	13.20%
Total	290,742	37.48%

b) *Production and Operation*

The Company currently has three locations for its production faciltiies which are owned and operated by two wholly-owned operating enterprises, namely Trauson (Jiangsu) Medical Instrument Company Limited ("Trauson Jiangsu") and Changzhou Orthmed Medical Instrument Company Limited ("Changzhou Orthmed"). The total production of the Group's major product types and their respective utilization rates for the year ended 31 December 2010 are as follows:

Product type	Actual production volume	Utilization rate
Plates	331,436 units	94%
Screws	2,149,776 units	83%
Intramedullary nails	42,129 units	78%
Cannulated screws	66,763 units	115%
Pedicle screws	110,255 units	86%
Surgical instruments	3,198 units	76%

The Group is committed to enhancing the production capacity to meet the market's strong demand. During the year, the construction of phase one of our new production facility which houses our headquarters, was completed. The Group has commenced the installation of equipment into this new facility. Upon the completion of equipment installation at the end of 2011, the Group's maximum annual production capacities are expected to reach the following levels:

Product	**Maximum annual capacity**
Plates	425,000 units
Screws	2,920,000 units
Intramedullary nails	52,000 units
Cannulated screws	85,000 units
Pedicle screws	155,000 units
Surgical instruments	4,400 sets

c) *Research and Development:*

For the year ended 31 December 2010, four new products were introduced to the market, including a spine product and three trauma products. Currently, the Group has nine products under clinical trials and has completed the clinical trials for another spine product for which the Group is applying for registration.

The Group owned 51 patents and had 27 patents pending approval at the end of 2010.

In order to further expand the product lines, to enhance the competitiveness of our products and to maintain the Group's edge over its industry peers, the Group spent an aggregate of approximately RMB10 million in research and development during the period. Our research and development team focuses mainly on developing new materials and products, and supporting clinical trials.

In 2010, the Science and Technology Department of Jiangsu province awarded Trauson Jiangsu the title of "Science and Technology Private Enterprise". Concurrently, Trauson Jiangsu garnered the approval from the provincial Science and Technology Department to establish the Jiangsu Research Center for Minimally Invasive Orthopaedic Devices. In addition, the Office of Human Resources and Social Security of Jiangsu province assessed and approved the establishment of a postdoctoral workshop by Trauson Jiangsu.

d) Market Coverage:

Domestic Sales

The Group continuously enhanced its distribution network during the year. We are committed to serving our distributors and hospitals better, improving our product portfolio, and increasing market share. Our domestic sales team is now divided into six regions in China to enhance customer service, better exploit new market opportunities, and eliminate underperforming distributors. In 2010, the Group added 67 distributors and expanded services to 77 new hospitals. At the end of 2010, the Group's distribution and sales network in China consisted of 450 distributors covering over 3,000 hospitals.

Among the six regions, Southern China contributed the largest portion to the overall sales accounting for 23% of total sales for 2010. Other five regions include Southwestern China, Central China, Eastern China, Northern China, and Northwestern China which contributed to 19%, 18%, 17%, 15% and 8% of total revenue for 2010, respectively.

International Sales

On the international front, in 2010, the Group focused on developing our distribution channels, registering our products, and marketing our own branded products. The regions of focus are South America and Eastern Europe. In 2010, sales generated outside China were approximately RMB15,574,000, an increase of 28.62% as compared with 2009, and represented 5.36% of the Group's overall revenue. The Group believes that international sales will continue to develop steadily in 2011 after expanding our sales channels.

3. Prospects and Outlook of the Company

The Group will strengthen academic collaborations with hospitals and scientific research institutes, strengthen needs-oriented medical research by putting more efforts on new materials research and new product development. The Group will also expand product series by devoting more to research and development of high value-added orthopaedic implants in order to maintain the leading position in the orthopaedic trauma product market in China.

The Group will increase its participation and promotion of academic activities, including attending more academic seminars and conferences organized by the orthopaedic branches of provincial and municipal medical associations. In addition, the Group will continue to partner with the Trauma Division of the Chinese Medical Association to organize the "Continuing Education Project" for orthopaedic physicians in third-tier cities. As a part of this project, the Group has formed three groups of expert consultants – one for each of the orthopaedic specialities: trauma, spine, and joints. Additionally, the Group will strengthen our cooperation with leading orthopaedic journals to enhance Trauson Holdings' brand image and product promotion. Last, but not least, the Group will continue to bear its social responsibility. The Group will continue its "Trauson's Care Project" which was established in conjunction with the China Charity Federation to combat scoliosis. Through this project, the Group aims to help build an upright future for affected children with its technology.

In regards to sales network, the Group will actively exploit new markets while maintaining its leadership in the existing markets. Domestically, one of our focuses this year is to expand the business in the inland cities beyond the coastal regions where we have established a strong footprint. Along with the continued development of China's economy, increased reforms of China's healthcare sector, and heightened financial support from the government to enhance healthcare coverage, the Group firmly believes that the growth of China's healthcare market in the inland regions will continue to experience significant growth and bring about more business opportunities for the Group. Through the continued expansion of its distribution networks in the inland regions, the Group is well positioned to seize these opportunities.

While actively expanding its sales coverage, the Group is also enhancing our services to hospitals. Through frequent interactions with hospitals and doctors, Trauson Holdings' marketing team has garnered a better understanding of the end customers' needs. With this knowledge, we strive to provide hospitals and doctors with better products and outstanding services. Through our efforts, we believe that doctors will gain a better appreciation and knowledge of Trauson Holdings' products, thereby strengthening our brand image in the process, which in turn will help expand the network of hospital customers.

Apart from solidifying the Group's leading position in China's market, the Group is also placing more emphasis on international sales. The Group's international focus is mainly placed on the developing countries, including South America, Eastern Europe, India and the Middle East. The Group's products are competitive in our target international markets not only in terms of price but also of quality. Moreover, the demand for China-made medical devices is potentially significant in overseas markets, particularly in the developing countries.

On the merger-and-acquisition front, the Group is continuously exploring opportunities that would result in synergistic effect to its existing businesses. Our senior management's intimate knowledge of China's medical services industry coupled with our strong distribution network give the Group an edge in consolidating the market, in our view. Our management believes that through strategic investments and acquisitions, the Group will further solidify its leading position in China's orthopaedic device market.

In terms of new product pipeline, five products are expected to be launched in 2011: four trauma products and one spine product. Additionally, three spine products will enter clinical trials in 2011.

The Group will increase its scientific research collaboration with academic institutions and hospitals. Moreover, we plan to engage more industry elites through fellowship workshops and postdoctoral programs, thereby enhancing our research and development capabilities. In particular, we will place more emphasis on materials research as well as new product development. These efforts should help the Group maintain its leading research and development position in China's domestic market.

4. Employees and Remuneration Policy

As at 31 December 2010, the Group had 938 full-time employees and the breakdown by department as compared to 2009 is as follows:

Department	**2010**	2009
Production and quality control	**692**	644
Sales and marketing	**63**	59
Research and development	**72**	68
Management, financial, human resources and regulatory compliance	**99**	60
Others	**12**	9
Total	**938**	840

During the period under review, the Group's total cost on remunerations, welfare and social security amounted to approximately RMB58,277,000 (2009: RMB39,025,000).

The remuneration system of the Group is based on employee performance, local consumption level and competition in the human resources market. The determination of the Directors' remuneration is based on the Company's operation results, individual performance and market competition.

5. Financial Review

Revenue

The revenue for the year ended 31 December 2010 increased by RMB79,257,000 or 37.48% to RMB290,742,000 as compared with RMB211,485,000 for the year ended 31 December 2009. The increase was primarily attributable to the growth in sales of trauma and spine products as well as OEM products.

The following table sets forth a breakdown of the Group's revenue by product category for the year ended 31 December 2010:

	For the year ended 31 December			
	2010		**2009**	
	Revenue	**Percentage**	Revenue	Percentage
	RMB'000	***%***	*RMB'000*	*%*
Trauma products	**183,626**	**63.16**	135,417	64.03
Spine products	**34,274**	**11.79**	31,366	14.83
OEM products	**57,804**	**19.88**	31,418	14.86
Others	**15,038**	**5.17**	13,284	6.28
Total	**290,742**	**100.00**	211,485	100.00

Revenue from trauma products increased by RMB48,209,000 or 35.60% to RMB183,626,000, accounting for 63.16% of total revenue in 2010. Revenue from trauma products as a percentage of the total revenue remains stable as compared with 2009. The increase in revenue from trauma products was primarily due to the increase in sales volume resulted from expanding distribution network of the Group.

Revenue from spine products increased by RMB2,908,000 or 9.27% to RMB34,274,000, accounting for 11.79% of the total revenue in 2010, as compared with RMB31,366,000 or 14.83% of the Group's total revenue for 2009. Revenue from spine products as a percentage of the total revenue decreased by 3.04 percentage points.

Revenue from OEM products increased by RMB26,386,000 or 83.98% to RMB57,804,000, accounting for 19.88% of the total revenue in 2010, as compared with RMB31,418,000 or 14.86% of the Group's total revenue in 2009. This was primarily due to the increase of orders placed by the Group's OEM customer.

Gross Profit and Gross Profit Margin

As a result of the above mentioned factors, gross profit increased significantly by RMB62,141,000 or 41.64% to RMB211,364,000 for the year ended 31 December 2010, as compared to RMB149,223,000 in 2009.

Cost of sales increased by RMB17,116,000 or 27.49% to RMB79,378,000 for the year ended 31 December 2010, as compared to RMB62,262,000 for the year ended 31 December 2009. The gross profit margin rose by 2.14 percentage points to 72.70% in 2010 as compared to 70.56% in 2009, which was mainly achieved by the Group's continuing efforts in adjusting its product mix towards higher-margin products.

Other Income and Other Gains and Losses

Other income and other gains and losses decreased by approximately RMB3,405,000 to net loss of RMB2,311,000 for the year ended 31 December 2010, as compared to net gain of RMB1,094,000 in 2009.

The table below sets forth a breakdown of other income and other gains and losses for the 2009 and 2010:

	For the year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Interest income	**5,948**	876
Net foreign exchange loss	**(16,557)**	(31)
Gain (loss) on disposal of fixed assets	**111**	(15)
Government subsidy	**8,054**	–
Others	**133**	264
Total	**(2,311)**	1,094

Other Expenses

Other expenses increased by approximately RMB11,370,000 to RMB13,906,000 for the year ended 31 December 2010, as compared to RMB2,536,000 in 2009. The increase in other expenses was primarily due to the Company's listing expenses with an amount of approximately RMB13,685,000.

Distribution and Selling Expenses

Distribution and selling expenses decreased by RMB3,535,000 or 16.49% to RMB17,896,000 for the year ended 31 December 2010, as compared to RMB21,431,000 in 2009. This was primarily due to a decrease of sample fees as a result of the change of the Company's sales strategies from providing free instruments to offering discounts based on actual purchases from distributors.

Administrative and General Expenses

Administrative and general expenses increased by RMB15,314,000 to RMB36,725,000 for the year ended 31 December 2010, as compared to RMB21,411,000 in 2009. The increase was primarily due to an increase in headcount, salaries for administrative staff, staff welfare, and traveling expenses.

Research and Development Expenses

Research and development expenses in relation to the development of new products (including salaries and welfare paid to research and development staff) increased by RMB907,000 to RMB10,617,000 for the year ended 31 December 2010, as compared to RMB9,710,000 in 2009.

Profit Before Tax

As a result of the above mentioned factors, the Group's profit before tax increased by RMB35,523,000 or 37.77% to RMB129,584,000 for the year ended 31 December 2010, as compared to RMB94,061,000 in 2009. The increase in profit before tax was due to increase in revenue and reduction in costs as a result of the Group's improvement in production efficiency.

Income Tax Expense

Income tax expense increased by RMB11,443,000 or 96.31% to RMB23,325,000 for the year ended 31 December 2010, as compared to RMB11,882,000 in 2009. The effective tax rate for the Group of 2010 and 2009 was 18.00% and 12.60%, respectively. The increase in effective tax rate was mainly due to the fact that Changzhou Orthmed qualified as a foreign invested enterprise and enjoyed full tax exemption in 2009, but it was subject to EIT tax rate of 12.50% in 2010; as well as the fact that certain expenses (including listing expenses) were not allowed for tax deduction in 2010.

Net Current Assets

With the improvement of the Company's capital structure and the increase in cash flow from operations, net current assets amounted to RMB783,073,000 as at 31 December 2010 as compared with RMB122,196,000 as at 31 December 2009. The increased amount primarily consists of trade receivables and other receivables of approximately RMB28,148,000 and an increase in bank deposit and cash of approximately RMB640,372,000.

Liquidity

The financial resources of the Group became more sufficient with the proceeds from listing. Bank balances and cash held by the Group were RMB698,766,000 and RMB58,394,000 on 31 December 2010 and 31 December 2009, respectively.

Gearing Ratio

The Group's gearing ratio as at 31 December 2010 was approximately 0%, which decreased significantly by approximately 18.06 percentage points from approximately 18.06% as at 31 December 2009. The decrease was mainly due to the significant increase in the Group's current assets as the Group raised HK$715,851,000 from the successful listing and the repayment of bank loans during the year.

Exchange Rate Risks and Counter Measures

Constrained by the control over conversion of foreign currencies for capital items, the Group's net foreign exchange loss due to appreciation of Renminbi was approximately RMB16,557,000 in 2010 and the Group has adopted various measures such as active exchange settlement and foreign currencies management to alleviate the adverse impact brought about by the loss in currency exchange.

Contingent Liabilities

The Group was named as a defendant in certain court cases in which the Group was being sued by patients for damages suffered as a result of alleged unsatisfactory orthopaedic operations involving the Group's products. In one of these cases, the plaintiff claims unspecified damages for alleged unsatisfactory orthopaedic operation involving the Group's products, and therefore the directors of the Company are not able to quantify reliably such claim. As at 31 December 2010, the aggregate amount of claims in respect of all other outstanding cases amounted to approximately RMB2 million (2009: RMB2 million).

After seeking legal opinion and taking into account the facts that (i) for cases that were settled or finalised in prior years, the Group has a history of winning most of the cases as the plaintiffs failed to prove the Group's products in questions were defective or did not meet the required quality standards; and (ii) for two cases which the Group was held liable, the amount paid by the Group as compensation in each case was less than 1% of the relevant claim. As such, the directors of the Company are of the opinion that those unsettled claims are without merits and no provision for any potential liability is necessary to be made in the consolidated financial information.

Bank Loans

The Group repaid short-term bank loans of RMB20,000,000 and RMB10,000,000 on 15 July 2010 and 2 August 2010 respectively. Consequently, the Group repaid the total outstanding short-term bank loans of RMB30,000,000 as at 30 June 2010 in August 2010.

Save as disclosed above, as at 31 December 2010, the Group did not have any debt capital issued and outstanding or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, notes, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

Use of the Proceeds from Listing

The shares of the Company were listed on the Stock Exchange on 29 June 2010. The net proceeds received by the Company from the Share Offering (including the exercise of the over-allotment option), were approximately HK$715,851,000.

The Group does not anticipate any material change to its plan on the use of proceeds as stated in the prospectus of the Company dated 15 June 2010. As at the date of this announcement, the Group has thus far utilised approximately RMB23,411,000 for expansion of production capacity, RMB3,200,000 for research and development and RMB19,800,000 for working capital and general corporate purposes.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

There were no purchases, sale or redemption of the Company's listed securities by the Company or any other subsidiaries during the period from 29 June 2010 (the date on which the shares of the Company were listed) to 31 December 2010.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Board has adopted all code provisions under the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules as the code of the Company. The Company had complied with all applicable code provisions under the Code for the period from the listing date to 31 December 2010, save and except the only deviation from code provision A.2.1 of the Code, namely, the roles of the chairman and chief executive officer have not been separated. Although Mr Qian Fu Qing assumes both the roles of chairman and chief executive officer, the divisions of responsibilities between the two roles are clearly defined. On the whole, the role of chairman is responsible for monitoring the duties and performance of the Board, whereas the role of chief executive officer is responsible for managing the Group's business. The Board believes that at the current stage of development of the Group, vesting the roles of both chairman and chief executive officer in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of RMB3.57 cents per ordinary share for the year ended 31 December 2010 (2009: nil). The proposed dividend payment is subject to approval by the shareholders of the Company at the annual general meeting ("AGM") to be held on 27 May 2011 and is payable in Hong Kong Dollars based on the official exchange rate of Renminbi against Hong Kong Dollars as quoted by the People's Bank of China on 27 May 2011. Upon shareholders' approval, the proposed final dividend will be paid on or about 17 June 2011 to shareholders whose name shall appear on the register of members of the Company on 27 May 2011.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determination of entitlement to the final dividend and to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 25 May 2011 to Friday, 27 May 2011 (both days inclusive), during which no transfer of shares will be registered. In order to qualify for the final dividend and be entitled to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 24 May 2011.

REVIEW OF FINAL RESULTS BY AUDIT COMMITTEE

The audit committee of the Company is comprised of the following three members, two of whom are independent non-executive Directors:

Mr Chan Yuk Tong *(Chairman of committee) – Independent non-executive Director*
Mr Zhao Zi Lin – *Independent non-executive Director*
Ms Xu Yan Hua – *Non-executive Director*

The audit committee of the Company has reviewed the audited consolidated annual results of the Group for the year ended 31 December 2010.

By Order of the Board
Trauson Holdings Company Limited
Qian Fu Qing
Chairman

Hong Kong, 25 March 2011

As at the date of this announcement, the executive Directors of the Company are Mr Qian Fu Qing, Ms Ren Feng Mei and Mr Cai Yong, the non-executive Directors of the Company are Ms Xu Yan Hua and Mr Ng Ming Chee James, and the independent non-executive Directors of the Company are Mr Chan Yuk Tong, Dr Lu Bing Heng and Mr Zhao Zi Lin.