TRAUSON HOLDINGS COMPANY LIMITED
創生控股有限公司
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 325)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011

HIGHLIGHTS

- The Group's revenue for the six months ended 30 June 2011 increased by approximately RMB40,142,000 or 33.37% to RMB160,420,000 as compared to RMB120,278,000 for the first half of fiscal year 2010.

- Gross profit of the Group increased by approximately RMB26,126,000 or 29.97% to RMB113,305,000 for the six months ended 30 June 2011 as compared to RMB87,179,000 for the first half of fiscal year 2010.

- Profit attributable to owners of the Company increased by approximately RMB13,034,000 or 34.88% to RMB50,400,000 for the six months ended 30 June 2011 as compared to RMB37,366,000 for the first half of fiscal year 2010.

- Basic earnings per share amounted to RMB6.50 cents, representing a decrease of approximately 1.52% compared to RMB6.60 cents for the first half of fiscal year 2010.

- The Board recommended an interim dividend of RMB1.68 cents and a special dividend of RMB1.55 cents per ordinary share for the six months ended 30 June 2011.

The board of directors (the "Board") of Trauson Holdings Company Limited (the "Company" or "Trauson") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2011, together with the comparative figures for the six months ended 30 June 2010 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2011

		Six months ended	
		30.6.2011	30.6.2010
	NOTES	***RMB'000***	*RMB'000*
		(Unaudited)	(Audited)
Revenue	3	**160,420**	120,278
Cost of sales		**(47,115)**	(33,099)
Gross profit		**113,305**	87,179
Other income and other gains and losses	4	**(129)**	348
Distribution and selling expenses		**(12,422)**	(7,488)
Administrative expenses		**(29,840)**	(17,056)
Research and development expenses		**(6,758)**	(3,272)
Other expenses	5	**(311)**	(13,608)
Interest expenses in relation to bank loans wholly repayable within five years		**–**	(223)
Profit before tax	6	**63,845**	45,880
Income tax expense	7	**(13,445)**	(8,514)
Profit for the period and total comprehensive income for the period		**50,400**	37,366
Attributable to owners of the Company		**50,400**	37,366
		RMB	*RMB*
Earnings per share – Basic	8	**0.065**	0.066

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	NOTES	**30.6.2011** *RMB'000* **(Unaudited)**	31.12.2010 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment		**152,416**	149,236
Prepaid lease payments		**19,109**	19,323
Intangible asset		**8,041**	6,186
Deferred tax assets		**5,620**	5,150
		185,186	179,895
Current assets			
Inventories		**51,596**	46,209
Trade and other receivables	9	**119,517**	97,488
Prepaid lease payments		**423**	423
Bank balances and cash		**684,971**	698,766
		856,507	842,886
Current liabilities			
Trade and other payables	10	**47,837**	49,202
Amounts due to related parties		**219**	200
Tax liabilities		**8,079**	8,980
Deferred income		**1,250**	1,431
		57,385	59,813
Net current assets		**799,122**	783,073
Total assets less current liabilities		**984,308**	962,968
Non-current liabilities			
Deferred tax liabilities		**3,504**	4,118
Deferred income		**4,669**	5,471
		8,173	9,589
Net assets		**976,135**	953,379
Capital and reserves			
Share capital		**68,141**	68,141
Reserves		**907,994**	885,238
Total equity attributable to owners of the Company		**976,135**	953,379

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2011

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company is an exempted company with limited liability incorporated in the Cayman Islands 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, a company incorporated in the British Virgin Islands and wholly owned by Ms Xu Yan Hua.

The condensed 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).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial information has been prepared on the historical cost basis, except for certain financial instruments which were measured at fair value on initial recognition.

The accounting policies used in the condensed consolidated financial information for the six months ended 30 June 2011 are consistent with those followed in the preparation of the Company's consolidated financial statements for the year ended 31 December 2010.

In the current interim period, the Group has applied, for the first time, a number of revised standard, amendments and interpretations ("new or revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants. The application of the new or revised HKFRSs in current interim period has no material effect on the amounts reported in these condensed consolidated financial information and/or disclosures set out in these condensed consolidated financial information.

The Group has not early applied new or revised standards and amendments that have been issued but are not yet effective. The following new or revised standards and amendments have been issued after the date the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance and are not yet effective:

HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[2]
HKAS 19 (Revised 2011)	Employee Benefits[1]
HKAS 27 (Revised 2011)	Separate Financial Statements[1]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[1]

[1] Effective for annual periods beginning on or after 1 January 2013.

[2] Effective for annual periods beginning on or after 1 July 2012.

The directors of the Company anticipate that the application of these new or revised standards and amendments will have no material impact on the results and the financial position of the Group.

3. REVENUE AND SEGMENT INFORMATION

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

	Six months ended	
	30.6.2011	30.6.2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Segment revenue		
Trauma products	**98,093**	75,753
Spine products	**22,298**	13,903
OEM products	**28,526**	22,604
Others	**11,503**	8,018
Total revenue	**160,420**	120,278
Segment profit		
Trauma products	**80,034**	61,730
Spine products	**18,495**	11,164
OEM products	**13,783**	13,107
Others	**993**	1,178
Total segment profit	**113,305**	87,179
Unallocated income and other gains and losses	**(129)**	348
Unallocated expenses:		
Distribution and selling expenses	**(12,422)**	(7,488)
Administrative expenses	**(29,840)**	(17,056)
Research and development expenses	**(6,758)**	(3,272)
Other expenses	**(311)**	(13,608)
Interest expense in relation to bank loans wholly repayable within five years	**–**	(223)
Profit before tax	**63,845**	45,880

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.

4. OTHER INCOME AND OTHER GAINS AND LOSSES

	Six months ended	
	30.6.2011	30.6.2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Interest income	**8,374**	272
Government grants	**1,416**	299
Net foreign exchange loss	**(9,934)**	(451)
(Loss) gain on disposal of property, plant and equipment	**(59)**	111
Others	**74**	117
	(129)	348

5. OTHER EXPENSES

	Six months ended	
	30.6.2011	30.6.2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Donation	**303**	200
Legal and professional fees *(Note)*	**–**	13,398
Others	**8**	10
	311	13,608

Note: The amount mainly represented 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

	Six months ended	
	30.6.2011	30.6.2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Profit before tax has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**6,973**	4,586
Impairment losses on trade receivables	**1,775**	953
Impairment losses on other receivables	**–**	135
Write-down of inventories	**1,664**	–
Reversal of write-down of inventories	**–**	(879)

7. INCOME TAX EXPENSE

	Six months ended	
	30.6.2011	30.6.2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current tax:		
PRC enterprise income tax ("EIT")	**10,279**	6,784
Withholding tax on PRC dividends paid	**4,250**	2,500
Deferred tax:		
Current period	**(1,084)**	(770)
	13,445	8,514

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 (China) Medical Instrument Company Limited ("Trauson China") 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 China 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 period is based on the following:

	Six months ended	
	30.6.2011	30.6.2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Profit		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share (RMB'000)	**50,400**	37,366
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**774,328,625**	565,607,735

The Group has no potential ordinary shares throughout the six months ended 30 June 2011 and 2010.

9. TRADE AND OTHER RECEIVABLES

	30.6.2011	31.12.2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**109,464**	88,081
Less: allowance for doubtful debts	**(5,069)**	(3,294)
	104,395	84,787
Advance to suppliers	**9,505**	6,134
Other receivables	**3,137**	3,784
Deposits	**1,493**	1,935
Prepaid expenses	**987**	848
	119,517	97,488

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:

	30.6.2011	31.12.2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0 to 90 days	**78,433**	66,816
91 to 180 days	**14,156**	12,005
181 to 360 days	**10,346**	5,145
Over 360 days	**1,460**	821
	104,395	84,787

10. TRADE AND OTHER PAYABLES

	30.6.2011	31.12.2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**11,043**	12,169
Advance from customers	**2,240**	4,158
Payroll payables	**11,116**	13,676
Accrued expenses	**15,585**	7,444
Other tax liabilities	**5,377**	3,848
Other payables	**2,476**	7,907
	47,837	49,202

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 at the end of the reporting period. The ageing of trade payables is as follows:

	30.6.2011	31.12.2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0 to 90 days	**9,075**	11,316
91 to 180 days	**1,309**	396
181 to 360 days	**390**	303
Over 360 days	**269**	154
	11,043	12,169

MANAGEMENT DISCUSSION AND ANALYSIS

1. INDUSTRY REVIEW

The current market size of the global orthopaedic medical device industry is more than US$20 billion, of which orthopaedic-implant device represents a significant portion. According to Frost & Sullivan, the estimated size of the orthopaedic-implant market in China amounted to approximately RMB7 billion in 2010 in terms of manufacturers' ex-factory price, which accounted for a relatively low portion of the global market. In the past few years, the compound annual growth rate of China's orthopaedic-implant market has exceeded 20%, substantially surpassing that of the global market, which is around 5%. Nevertheless, in terms of future development, it is expected that China's orthopaedic-implant market will maintain a high growth rate due to the following reasons: 1) aging population, which is closely associated with higher morbidity of orthopaedic diseases; 2) income growth and expanding medical insurance coverage, which leads to higher affordability by the patients; 3) more hospitals will be able to carry out orthopaedic surgeries on the back of continued healthcare reform and increased financial contribution by the government; and 4) changing life style, for instance with a rapid increase in the number of vehicles in China, the number of trauma orthopaedic implant surgeries as a result of car accidents is expected to rise simultaneously.

Apart from the foregoing reasons, import substitution is also a major driving force for industry development, and the reasons for which include: 1) domestic products have a cost and price advantage over imported products, and the government is encouraging the use of domestic orthopaedic-implant devices through higher medical insurance reimbursement rate as a means to keep the overall medical expenditure under control; and 2) domestic manufacturers of orthopaedic devices are catching up on the multinational manufacturers in quality through continuous research and development and technical improvements, and are therefore capturing an increasing share in the mid and high-end device market segments in China.

Currently, there are more than 100 domestic manufacturers in the orthopaedic-implant device industry in China. As such, the industry is rather fragmented with a high portion of sub-scale enterprises. Compared with those sub-scale enterprises, larger manufacturers of orthopaedic-implant devices have stronger research and development capabilities, more extensive distribution network, as well as the ability to raise funds on the capital market. The Group envisages that even though more competitors may enter this high-growth sector, industry consolidation will remain a prevalent trend. Therefore, as one of the industry leaders in China, the Group is expected to be able to take advantage of more acquisition opportunities to further enlarge its market share.

2. REVIEW OF EACH BUSINESS SEGMENT

a) Sales Analysis

Trauma products, spine products, OEM products and other products are the major products sold by the Group. During the period, revenue from trauma and spine products grew markedly by 29.49% and 60.38%, respectively. Sales of OEM products and other products also reported healthy growth of 26.20% and 43.46%, respectively. The overall growth in revenue for the first half of 2011 was 33.37% when compared to the corresponding period of 2010.

The sales for the six months ended 30 June 2011 and the change compared to the corresponding period in 2010 are summarized as follows:

Type	**Sales amount** *(RMB'000)*	**Change**
Trauma products	98,093	29.49%
Spine products	22,298	60.38%
OEM products	28,526	26.20%
Others	11,503	43.46%
Total	160,420	33.37%

b) Production and Operation

The Group currently has three locations for its production facilities which are owned and operated by two wholly-owned operating enterprises, namely Trauson China and Changzhou Orthmed. The total production of the Group's major product types and their respective utilization rates for the six months ended 30 June 2011 are as follows:

	For the six months ended 30 June 2011	
Product type	**Actual production volume**	**Utilization rate**
Plates	166,583 units	78%
Screws	1,141,556 units	78%
Intramedullary nails	16,103 units	62%
Cannulated screws	34,697 units	82%
Pedicle screws	64,116 units	82%
Surgical instruments	1,212 sets	56%

c) **Research and Development:**

During the six months ended 30 June 2011, the Group completed the development of 7 new products. These new products have been approved by the State Food and Drug Administration and will be launched in the second half of the year.

Furthermore, as at 30 June 2011 the Group had 9 new products under research and development.

Details of the above products are set out in the following table:

Stages	**Trauma products**	**Spine products**	**Joint products**
Approved and will be launched in the second half of 2011	5	2	–
Clinical trials	–	3	2
Clinical trials completed, at follow-up period	–	2	0
Follow-up period completed, ready to apply for registration	–	2	0
Total	5	7	2

During the first half of 2011, the Group obtained 17 new patents and submitted 11 new patent applications. As at 30 June 2011, the Group owned 68 registered patents and had 21 patents pending for approval.

In order to further expand the product lines, to enhance the competitiveness of the products and to maintain its edge over industry peers, the Group spent an aggregate of approximately RMB8.6 million in research and development during the first half of 2011, focusing mainly on developing new materials and products, as well as supporting clinical trials.

d) **Market Coverage:**

In response to the prevailing trend of the medical industry, the Group has revised its sales and marketing strategies by adopting an enhanced market-driven sales model. During the first half of the year, the sales and marketing department has brought in a significant number of professional sales personnel with medical background. Through scheduled hospital visits and market research, the sales and marketing team will be able to obtain a deeper understanding of the needs of the end-user customers, as well as provide technical support to them in an efficient and effective manner; thereby enhancing the level of service quality and customer satisfaction. At the same time, the Group strives to continue to expand its market share by seeking new distributors and developing quality distribution networks.

In the first half of 2011, the Group added 45 distributors and expanded services to 102 new hospitals. As at 30 June 2011, the Group's distribution and sales network in China consisted of approximately 500 distributors covering over 3,110 hospitals.

Trauson China's domestic sales force comprises of six regional teams. Among the six regions, Southern China contributed the largest portion to the overall sales, accounting for 23% of total domestic sales for the first half of 2011. The other five regions include Northern China, Central China, Eastern China, Southwestern China and Northwestern China, which contributed to 15%, 17%, 16%, 20% and 9% of total domestic sales for the first half of 2011, respectively. Changzhou Orthmed's domestic sales force comprises of four regional teams. Among the four regions, Eastern China was the largest contributor, accounting for 33% of total domestic sales for the first half of 2011. The other three regions include Southern China, Northern China and Southwestern China, which contributed to 29%, 25% and 13% of total domestic sales for the first half of 2011, respectively.

On the international front, during the first half of 2011, the Group continued to focus on developing distribution channels and obtaining product registrations in regions such as South America, Middle East and Eastern Europe. During the first half of 2011, the export sales of the Group was approximately RMB9,409,000, representing an increase of 40.10% as compared with the corresponding period of 2010, and constituted 5.87% of the Group's overall revenue. The Group believes that international sales will continue to develop steadily in the second half of 2011 in tandem with the expansion of its international distribution channels.

3. PROSPECTS AND OUTLOOK OF THE COMPANY

Trauson maintains a positive outlook of the orthopaedic device industry in China due to the continued existence of strong macro factors and favourable government healthcare policies towards domestic manufacturers. The Group would continue to capitalise on these advantageous conditions to bolster its position as one of the top players in the orthopaedic device industry in China.

Since its inception towards the end of 2010, Trauson's enhanced sales and marketing strategy of managing the China market by geographical regions has proven to be an initial success. Each of these regions is served by a dedicated team which comprises of highly-qualified personnel, many of whom are qualified medical doctors. These locally-based sales and marketing teams have demonstrated great effectiveness in expanding the Group's distribution network as well as penetrating into new hospitals. In addition, by staying close to the local markets, the Group has been able to enhance the level of its services to hospitals and surgeons as well as obtaining their feedback in a more efficient manner. These are the key factors which enable the Group to consistently deliver superior products and services to end-users, thereby enabling Trauson to stay ahead of its competitors.

In view of the initial success of its enhanced sales and marketing strategy, Trauson will continue to expand the size of its regional teams, not just in economically developed coastal regions but also in inland regions. Since the healthcare market in inland regions is experiencing rapid growth, it is imperative for Trauson to expand into and establish market presence in these regions in a timely fashion.

Besides strengthening its leading position in China's orthopaedic market, the Group also continues to pursue its international sales strategies. The Group would focus on developing regions such as South America, Middle East and Eastern Europe as its target export markets. The products of the Group are highly competitive in these target international markets in both price and quality. Moreover, the Group believes that the demand for China-made medical devices is potentially significant in overseas markets, especially in those developing countries with close economic and trade relations with China.

Trauson believes that strategic investment is an important means for the Group to accelerate its pace of expansion and to upkeep its competitiveness in China's orthopaedic device market. Therefore, the Group is continuously searching for merger-and-acquisition targets, as well as potential strategic collaboration partners, in both China and abroad. In particular, the Group's priority is to identify strategic investment opportunities which will complement and expand its existing product portfolio and market coverage, or strengthen its technological know-how and research and development capabilities. These would no doubt create additional value for the shareholders.

Trauson always places great emphasis on developing new products to augment its existing product portfolio. In the second half of 2011, the Group expects to launch 7 new products, which consist of 5 trauma products and 2 spine products. As at 30 June 2011, the Group had 9 new products under research and development, including 7 spine products and 2 joint products. In the next few years, the Group anticipates that its product portfolio will be further enhanced when registration is obtained for these products currently under development. Furthermore, the Group is fully committed to the development of its own joint products, which is progressing as planned.

The fellowship workshops and postdoctoral workshops, which are both established by the Group, have been working with science research institutions to continue their research works on new materials and new coating treatment techniques, as well as accelerate the progress of existing collaboration projects. Meanwhile, the Group will continue to seek new research projects in order to retain its leading technological position in the development of orthopaedic products.

4. FINANCIAL REVIEW

Revenue

The revenue for the six months ended 30 June 2011 increased by RMB40,142,000 or 33.37% to RMB160,420,000 as compared with RMB120,278,000 for the six months ended 30 June 2010. 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 six months ended 30 June 2011:

	For the six months ended 30 June			
	2011		**2010**	
	Revenue	**Percentage**	Revenue	Percentage
	RMB'000	***%***	*RMB'000*	*%*
Trauma products	**98,093**	**61.15**	75,753	62.98
Spine products	**22,298**	**13.90**	13,903	11.56
OEM products	**28,526**	**17.78**	22,604	18.79
Others	**11,503**	**7.17**	8,018	6.67
Total	**160,420**	**100.00**	120,278	100.00

Revenue from trauma products increased by RMB22,340,000 or 29.49% to RMB98,093,000, accounting for 61.15% of total revenue in the first six months of 2011. Revenue from trauma products as a percentage of the total revenue remains stable as compared with the corresponding period in 2010. The increase in revenue from trauma products was primarily due to the continued expansion of the distribution network of the Group.

Revenue from spine products increased by RMB8,395,000 or 60.38% to RMB22,298,000, accounting for 13.90% of the total revenue in the first six months of 2011, as compared with RMB13,903,000 or 11.56% of the Group's total revenue for the six months ended 30 June 2010. Revenue from spine products as a percentage of the total revenue increased by 2.34 percentage points. The increase in revenue from spine products was primarily due to the increase of orders placed by the Group's international customers as well as the expansion of the Group's distribution network.

Revenue from OEM products increased by RMB5,922,000 or 26.20% to RMB28,526,000, accounting for 17.78% of the total revenue in the first six months of 2011, as compared with RMB22,604,000 or 18.79% of the Group's total revenue for the six months ended 30 June 2010. This was primarily due to the increase of orders placed by the Group's OEM customer. The increase in revenue from OEM products was primarily due to the increase of orders for both existing and new products placed by the Group's OEM customer, as Trauson continues to strengthen its position as one of the top global suppliers for that customer.

Gross Profit and Gross Profit Margin

As a result of the above-mentioned factors, gross profit increased by RMB26,126,000 or 29.97% to RMB113,305,000 for the six months ended 30 June 2011, as compared to RMB87,179,000 for the same period in 2010.

Cost of sales increased by RMB14,016,000 or 42.35% to RMB47,115,000 for the six months ended 30 June 2011, as compared to RMB33,099,000 for the six months ended 30 June 2010. The gross profit margin decreased by 1.85 percentage points to 70.63% for the six months ended 2011 as compared to 72.48% for the corresponding period in 2010.

Other Income and Other Gains and Losses

Other income and other gains and losses decreased by approximately RMB477,000 to net loss of RMB129,000 for the six months ended 30 June 2011, as compared to net gain of RMB348,000 for the same period in 2010.

The table below sets forth a breakdown of other income and other gains and losses for the six months ended 2010 and 2011:

	For the six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Interest income	**8,374**	272
Government grants	**1,416**	299
Net foreign exchange loss	**(9,934)**	(451)
(Loss) gain on disposal of property, plant and equipment	**(59)**	111
Others	**74**	117
Total	**(129)**	348

Other Expenses

Other expenses decreased by approximately RMB13,297,000 to RMB311,000 for the six months ended 30 June 2011, as compared to RMB13,608,000 for the same period in 2010. The decrease in other expenses was primarily due to the fact that the Company incurred listing expenses of approximately RMB13,398,000 in 2010.

Distribution and Selling Expenses

Distribution and selling expenses increased by RMB4,934,000 or 65.89% to RMB12,422,000 for the six months ended 30 June 2011, as compared to RMB7,488,000 for the corresponding period in 2010. This was primarily due to the expansion of the sales and marketing team as well as the increase in marketing activities.

Administrative and General Expenses

Administrative and general expenses increased by RMB12,784,000 to RMB29,840,000 for the six months ended 30 June 2011, as compared to RMB17,056,000 for the six months ended 30 June 2010. The increase was primarily due to an increase in headcount and recurring legal and professional fees since the Company was listed on the Stock Exchange.

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 RMB3,486,000 or 106.54% to RMB6,758,000 for the six months ended 30 June 2011, as compared to RMB3,272,000 for the corresponding period in 2010. The increase was primarily due to the fact that the Company had more products which entered into clinical trials during the first half of 2011.

Profit Before Tax

As a result of the above-mentioned factors, the Group's profit before tax increased by RMB17,965,000 or 39.16% to RMB63,845,000 for the six months ended 30 June 2011, as compared to RMB45,880,000 for the corresponding period in 2010.

Income Tax Expense

Income tax expense increased by RMB4,931,000 or 57.92% to RMB13,445,000 for the six months ended 30 June 2011, as compared to RMB8,514,000 for the corresponding period in 2010. The effective tax rate for the Group for the six months ended 30 June 2011 and 2010 was 21.06% and 18.56%, respectively.

Net Current Assets

Net current assets amounted to RMB799,122,000 as at 30 June 2011 as compared with RMB783,073,000 as at 31 December 2010. The increased amount primarily consisted of receivables and other receivables of approximately RMB22,029,000.

Liquidity

The financial resources of the Group remained healthy due to the proceeds from listing as well as strong operating cash flow. Bank balances and cash held by the Group were RMB684,971,000 and RMB698,766,000 on 30 June 2011 and 31 December 2010, respectively.

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 RMB9,934,000 for the first half of 2011 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.

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 listing (including the issue of shares pursuant to the exercise of the over-allotment option and after deducting the relevant expenses), 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 30 June 2011, the Group has thus far utilised approximately RMB33,304,000 for expansion of production capacity, RMB11,813,000 for research and development and RMB26,955,000 for working capital and general corporate purposes. The unused proceeds are principally held as bank deposits in China and Hong Kong.

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 six months ended 30 June 2011.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") as the code of the Company. The Company has complied with all applicable code provisions under the Code since its listing on 29 June 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.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transactions. The directors have confirmed, following specific enquiry by the Company, that they had complied with the Model Code throughout the six months ended 30 June 2011.

DIVIDENDS

The Board has resolved to declare an interim dividend of RMB1.68 cents and a special dividend of RMB1.55 cents per ordinary share for the six months ended 30 June 2011 (six months ended 30 June 2010: Nil) to the shareholders of the Company whose names appear on the register of members at the close of business on 22 September 2011. The interim dividend and special dividend will be paid on or about 29 September 2011.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determination of shareholders' entitlements to the interim dividend and the special dividend, the register of members of the Company will be closed from 20 September 2011 to 22 September 2011, both dates inclusive, during which no transfer of shares will be registered. In order to qualify for the interim dividend and the special dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, 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 19 September 2011.

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

The audit committee of the Company comprises Mr Chan Yuk Tong, Mr Zhao Zi Lin and Ms Xu Yan Hua. Except for Ms Xu Yan Hua who is a non-executive director, the other members of the audit committee are independent non-executive directors. The audit committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2011 and has recommended its adoption by the Board.

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

Hong Kong, 17 August 2011

As at the date of this announcement, the executive directors of the Company are Mr Qian Fu Qing 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.