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 2011

HIGHLIGHTS

- The Group's revenue for the year ended 31 December 2011 increased by approximately RMB94,099,000 or 32.37% to RMB384,841,000 as compared to RMB290,742,000 for fiscal year 2010.

- Gross profit of the Group increased by approximately RMB64,410,000 or 30.47% to RMB275,774,000 for the year ended 31 December 2011 as compared to RMB211,364,000 for fiscal year 2010.

- Profit attributable to owners of the Company increased by approximately RMB34,855,000 or 32.80% to RMB141,114,000 for the year ended 31 December 2011 as compared to RMB106,259,000 for fiscal year 2010.

- Basic and diluted earnings per share amounted to RMB18.00 cents, representing an increase of approximately 12.50% over RMB16.0 cents for fiscal year 2010.

- The Board recommends a final dividend of RMB3.79 cents and a special dividend of RMB9.21 cents per ordinary share for the year ended 31 December 2011.

The board (the "Board") of directors (the "Directors") 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 2011, together with the comparative figures for the year ended 31 December 2010 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Revenue	3	**384,841**	290,742
Cost of sales		**(109,067)**	(79,378)
Gross profit		**275,774**	211,364
Other income and other gains and losses	4	**14,579**	(2,311)
Distribution and selling expenses		**(26,913)**	(17,896)
Administrative expenses		**(65,194)**	(36,725)
Research and development expenses		**(15,763)**	(10,617)
Other expenses	5	**(598)**	(13,906)
Interest expense in relation to bank loans wholly repayable within five years		**–**	(325)
Profit before tax	6	**181,885**	129,584
Income tax expense	7	**(40,771)**	(23,325)
Profit for the year and total comprehensive income for the year		**141,114**	106,259
Profit for the year attributable to owners of the Company		**141,114**	106,259
		RMB	*RMB*
Earnings per share – Basic and diluted	8	**0.18**	0.16

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Notes	2011 *RMB'000*	2010 *RMB'000*
Non-current assets			
Property, plant and equipment		**171,428**	149,236
Prepaid lease payments		**18,896**	19,323
Deposit for acquisition of land use rights		**12,988**	–
Intangible asset		**9,087**	6,186
Deferred tax assets		**7,580**	5,150
		219,979	179,895
Current assets			
Inventories		**61,460**	46,209
Trade and other receivables	10	**156,387**	97,488
Prepaid lease payments		**423**	423
Bank balances and cash		**695,990**	698,766
		914,260	842,886
Current liabilities			
Trade and other payables	11	**61,262**	49,202
Amounts due to related parties		**275**	200
Tax liabilities		**19,086**	8,980
Deferred income		**1,020**	1,431
		81,643	59,813
Net current assets		**832,617**	783,073
Total assets less current liabilities		**1,052,596**	962,968
Non-current liabilities			
Deferred tax liabilities		**6,937**	4,118
Deferred income		**2,886**	5,471
		9,823	9,589
Net assets		**1,042,773**	953,379
Capital and reserves			
Share capital		**68,141**	68,141
Reserves		**974,632**	885,238
Total equity attributable to owners of the Company		**1,042,773**	953,379

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

1. GENERAL INFORMATION

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 ("Luna Group"), a company incorporated in the British Virgin Islands ("BVI") wholly owned by Ms Xu Yan Hua ("Ms Xu").

The consolidated financial statements are 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. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[5]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[4]
HKAS 19 (Revised 2011)	Employee Benefits[2]
HKAS 27 (Revised 2011)	Separate Financial Statements[2]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[2]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

[1] Effective for annual periods beginning on or after 1 July 2011

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

[3] Effective for annual periods beginning on or after 1 January 2015

[4] Effective for annual periods beginning on or after 1 January 2012

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

[6] Effective for annual periods beginning on or after 1 January 2014

3. REVENUE AND SEGMENT INFORMATION

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

	2011	2010
	RMB'000	*RMB'000*
Segment revenue		
Trauma products	**244,225**	183,626
Spine products	**60,297**	34,274
OEM products	**57,163**	57,804
Others	**23,156**	15,038
Total revenue	**384,841**	290,742
Segment profit		
Trauma products	**199,190**	149,766
Spine products	**49,017**	28,053
OEM products	**26,846**	32,191
Others	**721**	1,354
Total segment profit	**275,774**	211,364
Unallocated income and other gains and losses	**14,579**	(2,311)
Unallocated expenses:		
Distribution and selling expenses	**(26,913)**	(17,896)
Administrative expenses	**(65,194)**	(36,725)
Research and development expenses	**(15,763)**	(10,617)
Other expenses	**(598)**	(13,906)
Interest expense in relation to bank loans wholly repayable within five years	**–**	(325)
Profit before tax	**181,885**	129,584
Income tax expense	**(40,771)**	(23,325)
Profit for the year and total comprehensive income for the year	**141,114**	106,259

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 People's Republic of China (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 a customer in the OEM products segment, which is derived from the United States of America and insignificant revenue generated from export sales to other countries.

4. OTHER INCOME AND OTHER GAINS AND LOSSES

	2011	2010
	RMB'000	*RMB'000*
Interest income	**19,895**	5,948
Government grants *(note)*	**5,654**	8,054
(Loss) gain on disposal of property, plant and equipment	**(231)**	111
Net foreign exchange loss	**(11,145)**	(16,557)
Others	**406**	133
	14,579	(2,311)

Note: The government grants include awards for successful listing of the Company's shares on the Stock Exchange and the Group's contributions towards domestic businesses and economy in Changzhou city.

5. OTHER EXPENSES

	2011	2010
	RMB'000	*RMB'000*
Donation	**505**	205
Legal and professional fees *(note)*	**–**	13,685
Others	**93**	16
	598	13,906

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

6. PROFIT BEFORE TAX

	2011	2010
	RMB'000	*RMB'000*
Profit before tax has been arrived at after charging (crediting):		
Directors' remuneration	**6,783**	4,197
Staff costs	**67,552**	54,918
Employees' retirement benefit schemes contributions	**4,253**	3,359
Equity-settled share-based payments	**934**	–
Total staff costs	**79,522**	62,474
Cost of inventories recognised as expense	**109,067**	79,378
Depreciation of property, plant and equipment	**14,336**	10,598
Auditor's remuneration	**2,050**	2,100
Impairment losses on trade receivables	**9,163**	1,175
Impairment losses on other receivables	**–**	135
Release of prepaid lease payments	**427**	834
Write-down of inventories *(note)*	**1,012**	316
Reversal of write-down of inventories *(note)*	**(354)**	(3,716)

Note: Included in cost of inventories recognised as expense represented the write-down of and reversal of write-down of inventories. The reversal of write-down of inventories 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

	2011	2010
	RMB'000	*RMB'000*
Current tax:		
PRC enterprise income tax ("EIT")	**29,632**	20,343
Under provision in prior year:		
PRC EIT	**6,500**	–
Withholding tax on PRC dividends paid	**4,250**	2,500
Deferred tax charge:		
Current year	**389**	482
	40,771	23,325

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, 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 year is based on the following:

	2011	2010
Profit		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share *(RMB'000)*	**141,114**	106,259
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**774,328,625**	669,159,593

The number of shares for the purpose of basic earnings per share for the year ended 31 December 2011 has been determined on the number of ordinary shares of the Company in issue throughout the year.

The number of shares for the purpose of basic earnings per share for the year ended 31 December 2010 has been determined on the assumption that the ordinary shares of the Company issued upon the Group's reorganisation in 2010 had been in issue on 1 January 2010 and taking into account 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 does not assume the exercise of the Company's outstanding share options as the exercise price (after adjustment for future services to be rendered according to HKFRS 2 Share-based Payments) of those options is higher than the average market price of the shares.

Accordingly, diluted earnings per share is the same as the basic earnings per share for the year ended 31 December 2011.

9. DIVIDENDS

	2011	2010
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2011 Interim – RMB1.68 cents (2010: nil) per share	**13,008**	–
2011 Special – RMB1.55 cents (2010: nil) per share	**12,002**	–
2010 Final – RMB3.57 cents (2009: nil) per share	**27,644**	–
Pre-listing dividends	**–**	13,414
	52,654	13,414

The final dividend of RMB3.79 cents per share (2010: RMB3.57 cents) and special dividend of RMB9.21 cents per share (2010: Nil) in respect of the year ended 31 December 2011 have been proposed by the Directors and are subject to approval by the shareholders in the annual general meeting.

On 8 March 2010, Trauson (Hong Kong) Company Limited declared dividends of US$196 per share amounted to US$1,960,000 (equivalent to approximately RMB13,414,000) in aggregate to its then sole shareholder, Ms Xu. The dividends were paid before the listing of the Company's shares on the Main Board of the Stock Exchange.

10. TRADE AND OTHER RECEIVABLES

	2011	2010
	RMB'000	*RMB'000*
Trade receivables	**155,349**	88,081
Less: allowance for doubtful debts	**(12,457)**	(3,294)
	142,892	84,787
Advances to suppliers	**7,460**	6,134
Other receivables	**2,623**	3,784
Deposits	**2,191**	1,935
Prepaid expenses	**1,221**	848
	156,387	97,488

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:

	2011	2010
	RMB'000	*RMB'000*
0 to 90 days	**125,028**	66,816
91 to 180 days	**14,315**	12,005
181 to 360 days	**3,319**	5,145
Over 360 days	**230**	821
	142,892	84,787

Movements in the allowance for doubtful debts for the year ended 31 December 2011:

	2011	2010
	RMB'000	*RMB'000*
At beginning of the year	**3,294**	2,119
Impairment losses recognised on trade receivables	**9,163**	1,175
At end of the year	**12,457**	3,294

The Group does not hold any collateral over these balances. In determining the recoverability of the trade receivables, the Group monitors any change in the credit quality of the trade receivables since the credit was granted and up to the reporting date. After reassessment, the Directors believe that no further allowance is required.

11. TRADE AND OTHER PAYABLES

	2011	2010
	RMB'000	*RMB'000*
Trade payables	**10,823**	12,169
Advances from customers	**2,874**	4,158
Payroll payables	**19,710**	13,676
Accrued expenses	**10,151**	7,444
Other tax liabilities	**13,155**	3,848
Other payables	**4,549**	7,907
	61,262	49,202

The ageing of trade payables is as follows:

	2011	2010
	RMB'000	*RMB'000*
0 to 90 days	**9,835**	11,316
91 to 180 days	**256**	396
181 to 360 days	**51**	303
Over 360 days	**681**	154
	10,823	12,169

MANAGEMENT DISCUSSION AND ANALYSIS

1. Industry Review

China's orthopaedic market continued to grow strongly during 2011, despite a slowdown of the global orthopaedic market resulting from weaker economic conditions worldwide. The major contributing factors for the growth of the orthopaedic market in China in recent years remained unabated during the year. Such factors include the expansion of health insurance coverage, improvement of patients' affordability, ageing population, increase in number of surgeons and hospitals with the capabilities of carrying out orthopaedic surgeries, as well as rising rates of co-morbidities such as osteoporosis and arthritis. These factors are expected to continue to drive sustainable growth of China's orthopaedic market in the foreseeable future.

Besides the above factors, increasing volume of domestic orthopaedic products compared to imported products is also a major driving force for industry development. Larger domestic companies nowadays possess product technologies that are very close to those of multinational companies, especially in trauma and spine products. Coupled with pricing advantage and favourable health insurance reimbursement policies, leading domestic companies are capturing an increasing market share in Tier 1 hospitals, the traditional stronghold of multinational companies, whilst also making it difficult for the latter to penetrate the fastest-growing Tier 2 and Tier 3 hospital segments. In January 2012, China's Ministry of Science and Technology released the "12th Five-Year Plan for the Medical Device Industry", which emphasized China's commitments in developing its domestic medical device industry in order to reduce the country's reliance on expensive imported medical devices. As such, Trauson Holdings believes that import substitution will continue to play an important role in driving the market share of domestic companies in China's orthopaedic industry.

The industry also saw new and tighter regulations introduced by the State Food and Drug Administration (the "SFDA") during 2011, most notably the mandatory requirement for the orthopaedic industry to meet GMP standards effective from 1 July 2011. Since China's orthopaedic industry is highly fragmented with a significant number of small and sub-substandard companies, the tightening of the regulations would most likely create challenges for those companies to remain competitive, which may lead to more active industry consolidation activities over the next few years.

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 33.00% and 75.93%, respectively, while revenue from other products also grew notably by 53.98%. Sales of OEM products however declined slightly by 1.11% due to the internal restructuring of the OEM customer and the depreciation of the US Dollar against RMB during the year. The overall growth in revenue for the year ended 31 December 2011 was 32.37% when compared to the corresponding period of 2010.

The sales for the year ended 31 December 2011 and the change compared to the corresponding period in 2010 are summarized as follows:

Type	**Sales amount** *RMB'000*	**Change**
Trauma products	244,225	33.00%
Spine products	60,297	75.93%
OEM products	57,163	-1.11%
Others	23,156	53.98%
Total	384,841	32.37%

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 year ended 31 December 2011 are as follows:

Product type	**Actual production volume**	**Utilization rate**
Plates	439,460 units	103%
Screws	2,556,007 units	88%
Intramedullary nails	54,489 units	105%
Cannulated screws	89,643 units	105%
Pedicle screws	178,703 units	115%
Surgical instruments	3,612 sets	82%

c) *Research and Development:*

During the year ended 31 December 2011, the Group completed the development of 12 new products, which had been approved by the SFDA.

Furthermore, as at 31 December 2011 the Group had 11 new products under research and development; details of which are set out in the following table:

Stages	**Spine products**	**Joint products**
Clinical trials	1	4
Clinical trials completed, at follow-up period	2	–
Follow-up period completed, ready to apply for registration	2	–
Application submitted, awaiting SFDA approval	2	–
Total	7	4

During the year 2011, the Group obtained 28 new patents. As at 31 December 2011, the Group owned 80 registered patents and had several 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 RMB15,763,000 on research and development during the year 2011, focusing mainly on developing new materials and products, as well as supporting clinical trials.

d) Market Coverage:

The Group believes that the key to achieving sustainable growth is by focusing on its customers and by anticipating and delivering on their needs through innovation. In order to obtain a deeper understanding of the needs of the end-user customers, the Group adopted an enhanced sales and marketing strategy in the beginning of 2011 by introducing an increased level of locally-based sales and marketing activities, including scheduled hospital visits, surgeons meetings and market research. To support these new initiatives, the Group expanded its sales and marketing team significantly during 2011 by recruiting more than 50 new sales personnel with medical background, including a number of former orthopaedic surgeons. The Group believes that the right team is now in place to communicate with end-user customers in an efficient and effective manner.

The Group continued to expand its market coverage by widening its distribution network and increasing its hospital penetration during the year. As at 31 December 2011, the Group's distribution and sales network in China consisted of approximately 620 distributors and 3,450 hospitals, compared to approximately 450 distributors and 3,000 hospitals as at the end of the previous year.

The domestic sales and marketing personnel of Trauson China and Changzhou Orthmed are divided into 6 regional teams and 4 regional teams, respectively. The contribution of each region to overall sales for 2011 is set out below:

	As % of total sales for 2011	
	Trauson China	**Changzhou Orthmed**
Eastern China	40.69%	39.63%
Southern China	15.79%	21.59%
Northern China	10.63%	27.67%
Northeastern China	12.00%	–
Southwestern China	10.85%	11.11%
Northwestern China	10.04%	–
Total	100%	100%

Besides domestic sales, the Group continued to develop distribution channels in international markets such as South America, Middle East, Eastern Europe and Southeast Asia. During 2011, export sales of the Group amounted to approximately RMB18,180,000, representing an increase of 16.72% as compared to the previous year and 4.72% of the Group's overall revenue. Furthermore, Trauson Holdings obtained regulatory approval to sell its own branded products directly to Thailand and Venezuela during the year. As at 31 December 2011, Trauson Holdings had obtained approval to export its own branded products directly to 17 countries.

3. Prospects and Outlook of the Company

Trauson Holdings believes that the long-term growth drivers underpinning the orthopaedic industry in China, such as ageing population, expanding health insurance coverage, patients' improving affordability, increasing number of orthopaedic surgeons and hospitals, would remain strong in the coming years. The Group therefore maintains a positive outlook of its development prospects and would continue to capitalise on these advantageous conditions with a view to bolstering its position as one of the leading players in the orthopaedic devices industry in China.

Geographical expansion will continue to be one of the main strategies of the Group to grow future sales beyond its traditional stronghold of economically developed coastal provinces. As the healthcare market in China's inland provinces is experiencing rapid growth, Trauson Holdings will further expand the size and depth of its regional sales and marketing teams in these markets. Since the inception of its enhanced sales and marketing strategy in the beginning of 2011, the Group's sales force is now represented by dedicated regional teams which comprise highly-qualified personnel, many of whom are former medical physicians or orthopaedic surgeons. By staying close to the local markets, these locally-based teams will be the key to expanding the Group's distribution network as well as penetrating into local hospitals. In addition, by possessing professional medical knowledge, they are well-equipped to enhance the Group's services to hospitals and surgeons and to obtain clinical feedback in an efficient manner.

Besides the foregoing, new product innovation and introduction is another major strategy of Trauson Holdings to stay ahead of its competitors. As such, Trauson Holdings continues to place great emphasis on developing new products to augment its existing product portfolio. As at 31 December 2011, the Group had 11 new products under research and development which consisted of 7 spine products and 4 joint products. The Group expects that several spine products will be approved by the SFDA in 2012. After a highly robust showing of spine product sales in 2011, Trauson Holdings anticipates that its spine product portfolio will be further enhanced when registration is obtained for all of these new spine products currently under development. Furthermore, Trauson Holdings is fully committed to the development of its own joint products, which is progressing well as planned. Trauson Holdings firmly believes that it is well-positioned to deliver long-term sustainable growth by offering its customers on-going innovative products with the right value proposition.

On the international front, Trauson Holdings believes that there are substantial opportunities for its products in emerging markets, including South America, Middle East, Eastern Europe and Southeast Asia. Trauson Holdings' products are highly competitive in these markets in terms of price and quality. As such, the Group will maintain its strategy of driving growth in international sales through expanding its network of quality overseas distributors and pursuing regulatory approvals to sell to new markets.

In addition to organic growth, Trauson Holdings will continue to look for strategic investment opportunities as a means to accelerate its pace of expansion and to maintain its competitive edge in China's orthopaedic device market. Therefore, the Group is continuously searching for suitable merger-and-acquisition targets and strategic collaboration partners, in both China and abroad. The Group's priority is to create additional value for its shareholders through these transactions, and therefore is prepared to invest the appropriate amount of time and resources throughout the process of identifying and evaluating potential investment opportunities. As the prevailing regulatory environment in China may generate industry consolidation opportunities over the next few years, Trauson Holdings is well-positioned to be at the forefront of taking advantage of such opportunities.

4. Employees and Remuneration Policy

As at 31 December 2011, the Group had 1,047 full-time employees (2010: 908 employees).

For the year ended 31 December 2011, the Group's total cost on remunerations, welfare and social security amounted to approximately RMB72,739,000 (2010: RMB58,277,000).

The remuneration structure of the Group is based on employee performance, local cost of living and prevailing conditions in the human resources market.

5. Financial Review

Revenue

The revenue for the year ended 31 December 2011 increased by approximately RMB94,099,000 or 32.37% to RMB384,841,000 as compared with RMB290,742,000 for the year ended 31 December 2010. The increase was primarily attributable to the growth in sales of trauma and spine products.

The following table sets forth a breakdown of the Group's revenue by product category for the year ended 31 December 2011 and the corresponding period in 2010:

	For the year ended 31 December			
	2011		2010	
	Revenue	**Percentage**	Revenue	Percentage
	RMB'000	***%***	*RMB'000*	*%*
Trauma products	**244,225**	**63.46**	183,626	63.16
Spine products	**60,297**	**15.67**	34,274	11.79
OEM products	**57,163**	**14.85**	57,804	19.88
Others	**23,156**	**6.02**	15,038	5.17
Total	**384,841**	**100.00**	290,742	100.00

Revenue from trauma products increased by RMB60,599,000 or 33.00% to RMB244,225,000, accounting for 63.46% of total revenue in the year 2011. Revenue from trauma products as a percentage of the total revenue remained 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 RMB26,023,000 or 75.93% to RMB60,297,000, accounting for 15.67% of the total revenue in the year 2011, as compared with RMB34,274,000 or 11.79% of the Group's total revenue for the year ended 31 December 2010. The increase in revenue from spine products was primarily due to the Group's adjustment in marketing strategy, the increase of orders placed by the Group's international customers as well as the continued expansion of the Group's distribution network.

Revenue from OEM products decreased by RMB641,000 or 1.11% to RMB57,163,000, accounting for 14.85% of the total revenue in the year 2011, as compared with RMB57,804,000 or 19.88% of the Group's total revenue for the year ended 31 December 2010. The decrease in revenue from OEM products was primarily due to the internal restructuring of the OEM customer and the depreciation of the US Dollar against RMB during the year.

Gross Profit and Gross Profit Margin

As a result of the above-mentioned factors, gross profit increased by approximately RMB64,410,000 or 30.47% to RMB275,774,000 for the year ended 31 December 2011, as compared to RMB211,364,000 for the same period in 2010.

Cost of sales increased by RMB29,689,000 or 37.40% to RMB109,067,000 for the year ended 31 December 2011, as compared to RMB79,378,000 for the year ended 31 December 2010. The gross profit margin decreased by 1.04 percentage points to 71.66% for the year ended 31 December 2011 as compared to 72.70% for the corresponding period in 2010, mainly due to the decrease in OEM products' gross profit margin.

Other Income and Other Gains and Losses

Other income and other gains and losses increased by approximately RMB16,890,000 to net gain of RMB14,579,000 for the year ended 31 December 2011, as compared to net loss of RMB2,311,000 for the same period in 2010, mainly due to the decrease of foreign exchange loss and the increase of interest income.

The table below sets forth a breakdown of other income and other gains and losses for the year ended 31 December 2011 and the corresponding period in 2010:

	For the year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Interest income	**19,895**	5,948
Government grants	**5,654**	8,054
(Loss) gain on disposal of property, plant and equipment	**(231)**	111
Net foreign exchange loss	**(11,145)**	(16,557)
Others	**406**	133
Total	**14,579**	(2,311)

Other Expenses

Other expenses decreased by RMB13,308,000 or 95.70% to RMB598,000 for the year ended 31 December 2011, as compared to RMB13,906,000 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 RMB13,685,000 in 2010.

Distribution and Selling Expenses

Distribution and selling expenses increased by RMB9,017,000 or 50.39% to RMB26,913,000 for the year ended 31 December 2011, as compared to RMB17,896,000 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 RMB28,469,000 or 77.52% to RMB65,194,000 for the year ended 31 December 2011, as compared to RMB36,725,000 for the year ended 31 December 2010. The increase was primarily due to the 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 RMB5,146,000 or 48.47% to RMB15,763,000 for the year ended 31 December 2011, as compared to RMB10,617,000 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 2011.

Profit Before Tax

As a result of the above-mentioned factors, the Group's profit before tax increased by RMB52,301,000 or 40.36% to RMB181,885,000 for the year ended 31 December 2011, as compared to RMB129,584,000 for the corresponding period in 2010.

Income Tax Expense

Income tax expense increased by RMB17,446,000 or 74.80% to RMB40,771,000 for the year ended 31 December 2011, as compared to RMB23,325,000 for the corresponding period in 2010. The effective tax rate for the Group for the year ended 31 December 2011 and 2010 was 22.42% and 18.00%, respectively.

Net Current Assets

Net current assets amounted to RMB832,617,000 as at 31 December 2011 as compared with RMB783,073,000 as at 31 December 2010. The increased amount primarily reflected an increase in trade and other receivables of approximately RMB58,899,000.

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 RMB695,990,000 and RMB698,766,000 on 31 December 2011 and 31 December 2010, respectively.

Exchange Rate Risks and Counter Measures

Constrained by the regulatory control over conversion of foreign currencies for capital items, the Group's net foreign exchange loss due to appreciation of RMB was approximately RMB11,145,000 for the year ended 31 December 2011. 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 31 December 2011, the Group has thus far utilised approximately RMB78,864,000 for expansion of production capacity, RMB21,864,000 for research and development and RMB19,800,000 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 COMPANY'S LISTED SECURITIES

There were no purchases, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the year ended 31 December 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 (the "Listing Rules") as the Code of the Company. The Company has complied with all applicable code provisions under the Code throughout the year ended 31 December 2011, 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 (the "Model Code") as set out in Appendix 10 to 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 year ended 31 December 2011.

DIVIDEND

An interim dividend of RMB1.68 cents and a special dividend of RMB1.55 cents per ordinary share were distributed during the year. The Board proposed a final dividend of RMB3.79 cents and a special dividend of RMB9.21 cents per ordinary share for the year ended 31 December 2011 which are subject to the approval by the shareholders of the Company at the annual general meeting ("AGM") to be held on 16 May 2012. The proposed dividends are payable in Hong Kong Dollars based on the official exchange rate of RMB against Hong Kong Dollars as quoted by the People's Bank of China on 16 May 2012. Upon shareholders' approval, the proposed dividends will be paid on or about 6 June 2012 to shareholders whose name shall appear on the register of members of the Company on 24 May 2012.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determination of shareholders' eligibility to attend and vote at the AGM, the register of members of the Company will be closed from 14 May 2012 to 16 May 2012, both days inclusive, during which no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, 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 11 May 2012.

For the purpose of determination of shareholders' entitlements to the final dividend and the special dividend, the register of members of the Company will be closed from 22 May 2012 to 24 May 2012, both dates inclusive, during which no transfer of shares will be registered. In order to qualify for the final 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, Wanchai, Hong Kong not later than 4:30 p.m. on 21 May 2012.

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. Except for Ms Xu who is a non-executive Director, the other members of the audit committee are independent non-executive Directors. The audit committee has reviewed the audited annual results of the Group for the year ended 31 December 2011 and has recommended its adoption by the Board.

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

Hong Kong, 21 March 2012

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 Director of the Company is Ms Xu Yan Hua, and the independent non-executive Directors of the Company are Mr Chan Yuk Tong, Dr Lu Bing Heng and Mr Zhao Zi Lin.