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 2012

HIGHLIGHTS

- The Group's revenue for the six months ended 30 June 2012 increased by approximately RMB45,449,000 or 28.33% to RMB205,869,000 as compared to RMB160,420,000 for the first half of fiscal year 2011.

- Gross profit of the Group increased by approximately RMB23,710,000 or 20.93% to RMB137,015,000 for the six months ended 30 June 2012 as compared to RMB113,305,000 for the first half of fiscal year 2011.

- Profit attributable to owners of the Company increased by approximately RMB14,243,000 or 28.26% to RMB64,643,000 for the six months ended 30 June 2012 as compared to RMB50,400,000 for the first half of fiscal year 2011.

- Basic and diluted earnings per share amounted to RMB8.30 cents, representing an increase of approximately 27.69% compared to RMB6.50 cents for the first half of fiscal year 2011.

- The Board recommended an interim dividend of RMB2.17 cents and a special dividend of RMB2.00 cents per ordinary share for the six months ended 30 June 2012.

The board (the "Board") of directors (the "Directors") of Trauson Holdings Company Limited (the "Company" or "Trauson Holdings") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2012, together with the comparative figures for the six months ended 30 June 2011 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2012

		Six months ended	
		30.6.2012	30.6.2011
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	3	**205,869**	160,420
Cost of sales		**(68,854)**	(47,115)
Gross profit		**137,015**	113,305
Other income and other gains and losses	4	**9,773**	(129)
Distribution and selling expenses		**(17,348)**	(12,422)
Administrative expenses		**(35,229)**	(29,840)
Research and development expenses		**(12,143)**	(6,758)
Other expenses		**(617)**	(311)
Profit before tax	5	**81,451**	63,845
Income tax expense	6	**(16,808)**	(13,445)
Profit for the period and total comprehensive income for the period		**64,643**	50,400
Attributable to owners of the Company		**64,643**	50,400
		RMB	*RMB*
Earnings per share – Basic and diluted	7	**0.083**	0.065

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	Notes	**30.6.2012** **RMB'000** **(Unaudited)**	31.12.2011 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		**257,005**	171,428
Prepaid lease payments		**33,994**	18,896
Deposit for acquisition of land use rights and property, plant and equipment		**18,933**	12,988
Intangible asset		**13,706**	9,087
Pledged bank deposit		**11,200**	–
Deferred tax assets		**10,924**	7,580
		345,762	219,979
Current assets			
Inventories		**97,682**	61,460
Trade and other receivables	9	**246,589**	156,387
Prepaid lease payments		**735**	423
Bank balances and cash		**454,320**	695,990
		799,326	914,260
Current liabilities			
Trade and other payables	10	**86,607**	61,262
Amounts due to related parties		**1,131**	275
Tax liabilities		**20,160**	19,086
Deferred income		**4,849**	1,020
		112,747	81,643
Net current assets		**686,579**	832,617
Total assets less current liabilities		**1,032,341**	1,052,596
Non-current liabilities			
Deferred tax liabilities		**5,183**	6,937
Deferred income		**17,860**	2,886
		23,043	9,823
Net assets		**1,009,298**	1,042,773
Capital and reserves			
Share capital		**68,141**	68,141
Reserves		**941,157**	974,632
Total equity attributable to owners of the Company		**1,009,298**	1,042,773

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2012

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 ("Ms Xu"), who is a non-executive director of the Company.

The condensed consolidated financial information has been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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 as described below, the accounting policies used in the condensed consolidated financial information for the six months ended 30 June 2012 are consistent with those followed in the preparation of the Company's consolidated financial statements for the year ended 31 December 2011.

Revenue recognition

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined by reference to the proportion of the total cost of providing the service.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are mandatorily effective for the current interim period. The application of those amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial information and/or disclosures set out in these condensed consolidated financial information.

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	
	30.6.2012	30.6.2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Segment revenue		
Trauma products	**114,433**	98,093
Spine products	**43,470**	22,298
OEM products	**26,252**	28,526
Others	**21,714**	11,503
Total revenue	**205,869**	160,420
Segment profit		
Trauma products	**87,573**	80,034
Spine products	**34,503**	18,495
OEM products	**10,826**	13,783
Others	**4,113**	993
Total segment profit	**137,015**	113,305
Unallocated income and other gains and losses	**9,773**	(129)
Unallocated expenses:		
Distribution and selling expenses	**(17,348)**	(12,422)
Administrative expenses	**(35,229)**	(29,840)
Research and development expenses	**(12,143)**	(6,758)
Other expenses	**(617)**	(311)
Profit before tax	**81,451**	63,845

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.

Substantially all of the Group's revenue is derived from the People's Republic of China (the "PRC"), the place of domicile of relevant group entities, except for customer A in the OEM products segment, which accounts for 13% of the Group's revenue for the six months ended 30 June 2012 (for the six months ended 30 June 2011: 18%) and 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

	Six months ended	
	30.6.2012	30.6.2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income	**9,077**	8,374
Government grants	**1,505**	1,416
Net foreign exchange loss	**(319)**	(9,934)
Loss on disposal of property, plant and equipment	**(149)**	(59)
Others	**(341)**	74
	9,773	(129)

5. PROFIT BEFORE TAX

	Six months ended	
	30.6.2012	30.6.2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit before tax has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**9,195**	6,973
Impairment losses on trade receivables	**2,527**	1,775
Write-down of inventories	**2,766**	1,664
Reversal of write-down of inventories	**(3,575)**	–

6. INCOME TAX EXPENSE

	Six months ended	
	30.6.2012	30.6.2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax:		
PRC enterprise income tax ("EIT")	**16,156**	10,279
Withholding tax on PRC dividends paid	**5,750**	4,250
Deferred tax credit:		
Current period	**(5,098)**	(1,084)
	16,808	13,445

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"), are both foreign investment enterprises registered in Changzhou city, Jiangsu province in the PRC. Trauson China is awarded as being a high-technology enterprise and is entitled to a preferential tax rate at 15% for 3 years from 1 October 2011 to 30 September 2014. Changzhou Orthmed is entitled to an exemption from EIT for two years starting from 2008, their first profit-making year, followed by a 50% tax relief for the following three years ending 31 December 2012.

7. EARNINGS PER SHARE

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

	Six months ended	
	30.6.2012	30.6.2011
	(Unaudited)	(Unaudited)
Profit		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share *(RMB'000)*	**64,643**	50,400
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**774,328,625**	774,328,625

For the six months ended 30 June 2012, 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 are the same as the basic earnings per share for the six months ended 30 June 2012.

The Group had no potential ordinary shares throughout the six months ended 30 June 2011.

8. DIVIDENDS

During the current interim period, a final dividend of RMB3.79 cents per share (for the six months ended 30 June 2011: RMB3.57 cents) and a special dividend of RMB9.21 cents (for the six months ended 30 June 2011: nil) in aggregate of approximately RMB100,521,000 (for the six months ended 30 June 2011: RMB27,644,000), in respect of the year ended 31 December 2011 was declared and paid to owners of the Company.

Subsequent to 30 June 2012, the directors of the Company have determined that an interim dividend of RMB2.17 cents and a special dividend of RMB2.00 cents per share (subsequent to 30 June 2011: an interim dividend of RMB1.68 cents and a special dividend of RMB1.55 cents per share) will be paid to the owners of the Company, whose names appear in the register of members of the Company on 20 September 2012 (30 June 2011: on 22 September 2011).

9. TRADE AND OTHER RECEIVABLES

	30.6.2012	31.12.2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**250,375**	155,349
Less: allowance for doubtful debts	**(14,984)**	(12,457)
	235,391	142,892
Advance to suppliers	**6,556**	7,460
Other receivables	**1,755**	2,623
Deposits	**1,548**	2,191
Prepaid expenses	**1,339**	1,221
	246,589	156,387

Generally, 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:

	30.6.2012	31.12.2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0 to 90 days	**156,311**	125,028
91 to 180 days	**22,359**	14,315
181 to 360 days	**55,503**	3,319
Over 360 days	**1,218**	230
	235,391	142,892

10. TRADE AND OTHER PAYABLES

	30.6.2012	31.12.2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**40,833**	10,823
Advance from customers	**3,008**	2,874
Payroll payables	**18,530**	19,710
Accrued expenses	**13,641**	10,151
Other tax liabilities	**8,397**	13,155
Other payables	**2,198**	4,549
	86,607	61,262

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:

	30.6.2012	31.12.2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0 to 90 days	**38,817**	9,835
91 to 180 days	**1,467**	256
181 to 360 days	**398**	51
Over 360 days	**151**	681
	40,833	10,823

MANAGEMENT DISCUSSION AND ANALYSIS

1. INDUSTRY REVIEW

From a global perspective, the orthopaedic medical device sector is a significant part of the global medical device market of over US$350 billion. For the past few years, the growth rate of China's orthopaedic-implant market surpassed that of the global market. According to the information provided by China Association for Medical Devices Industry ("CAMDI"), the current market size of China's medical device industry is about RMB400 billion with a growth rate of approximately 20% annually. Thus, it can be seen that China's medical device industry is a genuine sunrise industry. In particular, the size of China's orthopaedic-implant device market has exceeded RMB8 billion in 2011.

Despite the global economic downturn in the first half of 2012, as the economy of China has been growing, the consumption power and consumption concept in respect of health care have changed dramatically in China. Higher standard of living quality has increased people's awareness of health care. At the same time, the aging population has led to more chronic orthopaedic diseases which are one of the major causes of old people's death. The increasing need for diagnosis and treatment of these chronic orthopaedic diseases has stimulated hospitals to improve their service facilities and to train more orthopaedic surgeons. In addition, the government has been gradually increasing the investment in health services. The implementation of new medical reform policies is conducive to the development of China's domestic orthopaedic companies.

Due to the rapid economic growth and the increasing market demand, the core competitiveness of China's domestic orthopaedic companies has been rising. Medium- and low-end products are self manufactured, while high-end products are gradually replacing imported products. For import substitution, the market share of China's orthopaedic-implant devices continued to rise in the past few years, and the competitiveness of China's medical devices has gradually increased. Liu Diankui, the deputy director-general of the Department of Planning and Finance of the Ministry of Health, clearly stated that during the "12th Five-Year" period, the Chinese government would give support to China's domestic medical device companies, and would in priority purchase domestically produced medical devices when purchasing by the centralized tender. Also, the policies in relation to medical insurance and new product registration approval have gradually favored China's domestic medical devices, which will significantly increase the competitiveness of China's domestic medical devices.

According to the "12th Five-Year Plan for Medical Device Technology Industry" released recently, the Chinese government will increase the support for research and development innovation of medical devices. By 2015, the research and development innovation chain of China's domestic medical devices will be initially set up, which will promote a number of leading orthopaedic medical device companies in China, including Trauson Holdings, to accelerate research and development innovation, seizing opportunities to capture larger market share in the future. The small-size manufacturers in China that do not have an advantage in terms of research and development innovation and sales network will face greater challenges, thus resulting in a possible consolidation in the industry. Then, those large-size China's domestic orthopaedic companies in China will occupy more market share by leveraging their own advantages.

Compared with global orthopaedic-implant devices market, China's market still represents a relatively small portion. Therefore, the leading orthopaedic medical device companies in China have been targeting at overseas markets. Through research and development and technological improvement, the China's domestic orthopaedic companies have already narrowed the quality gap with international brands. This, along with an advantage in cost and price, has made the China's domestic orthopaedic companies a force to be reckoned with in the global market.

2. REVIEW OF EACH BUSINESS SEGMENT

a) Sales Analysis

Trauma products, spine products, OEM products and other products are the products sold by the Group. During the period, revenue from trauma and spine products grew markedly by 16.66% and 94.95%, respectively. Sales of other products also reported a significant growth of 88.77%. However, sales of OEM products declined slightly by 7.97% due to the drop in orders from the customer. For the six months ended 30 June 2012, the growth in revenue was 28.33% when compared to the corresponding period of 2011.

The sales for the six months ended 30 June 2012 and the change compared to the corresponding period in 2011 are summarized as follows:

Type	**Sales amount** *RMB'000* (Unaudited)	**Change**
Trauma products	114,433	16.66%
Spine products	43,470	94.95%
OEM products	26,252	-7.97%
Others	21,714	88.77%
Total	205,869	28.33%

b) **Production and Operation**

The Group currently has three locations for its production facilities which are owned and operated by two wholly-owned controlling 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 2012 and the total production for the corresponding period of 2011 are as follows:

Product type	Actual production volume for the six months ended 30.6.2012	30.6.2011	Utilization rate for the first half of 2012
Plates	186,520 units	166,583 units	81%
Screws	1,594,143 units	1,141,556 units	92%
Intramedullary nails	94,149 units	16,103 units	118%
Cannulated screws	48,847 units	34,697 units	83%
Pedicle screws	221,670 units	64,116 units	85%
Surgical instrument	1,676 sets	1,212 sets	76%

The Group purchased a lot of new equipment, which was in place in the first half of 2012. It has increased the Group's overall production capacity and will be used for technology improvement in the near future.

c) **Research and Development**

During the six months ended 30 June 2012, the Group launched 4 new products. One of them is the non-fusion spine product. It has been well recognized by the market. In addition, the self-positioning intramedullary nails with its own intellectual property right has reformed the sighting method in traditional operation by intramedullary nails, which significantly facilitates a surgical operation. Besides, it has been recommended by the majority of clinical experts who have used the product.

Furthermore, as at 30 June 2012, the Group had 11 new products under research and development. Details of such products are set out in the following table:

Stages under research and development	**Trauma products**	**Spine products**	**Joint products**
Clinical trials	–	1	4
Clinical trials completed, at follow-up period	–	–	–
Follow-up period completed, ready to apply for registration	–	4	–
Application submitted, awaiting the approval from the State Food and Drug Administration	–	2	–
Total	–	7	4

During the first half of 2012, the Group obtained 3 new patents. As at 30 June 2012, the Group owned 83 registered patents and had several patents pending for approval.

In order to enhance product research, in addition to the existing cooperation, the Group also reached a long-term cooperation agreement with Shanghai 6th People's Hospital (上海市第六人民醫院) and Beijing Jishuitan Hospital (北京積水潭醫院) for the research and development of new orthopaedic products. Through a number of joint research and development efforts, the Group would develop more products with its own intellectual property and core competitiveness. By then, the Group aims to capture more market share by continuous introduction of new products to the market.

During the six-month period from 1 January 2012 to 30 June 2012, the Group invested a total of approximately RMB16,762,000 in research and development, mainly for the research of new orthopaedic materials and new coating technology, development of new spine products and clinical trials.

Absorbable materials, antibacterial materials and over 20 new products, including those for spine, joint, trauma and sports medicine, are under research and development.

With the achievements in the field of scientific research and intellectual property, the Group was recognized as the "Private Technology Enterprise in Jiangsu Province (江蘇省民營科技企業)" and the "Demonstration Entity of Intellectual Property Management Standardization of Companies in Jiangsu Province (江蘇省企業知識產權管理標準化示範單位)" by the relevant authorities of Jiangsu Province in the first half of 2012, which highlighted the Group as a high-tech orthopaedic company.

d) Market Coverage

Due to the rapid economic growth and the increasing market demand, the core competitiveness of the Group has been rising year-on-year. The Group has been able to manufacture medium- and low-end products on its own for a long time, and to provide a replacement of imported products with the Group's high-end products. Leveraged this advantage, the Group has maintained its position as a leader in the orthopaedic industry of China, and continued to adopt the strategy of localized management. It has also set up logistics platforms in some capital cities jointly with channel partners by enhancing the research on regional hospital orthopaedic market to shorten logistics time. This enhanced the capabilities to deal with emergency surgeries, and reduced the financial pressure and risks in relation to inventories of distributors.

The establishment of informationized network platform has optimized the inventories of distributors and also set a secure level of inventories for the total stock of the Group, resulting in significant savings in resources. Regarding the marketing aspect, the Group has strengthened its well-established cooperation network with hospitals that play a leading role in the academic field regionally, such as Beijing Jishuitan Hospital (北京積水潭醫院) and Zhongshan Hospital in Dalian (大連中山醫院), in order to increase influence of the brand within the region. Moreover, the Group has actively organized and participated in advanced academic meetings to facilitate the demonstration of high-end products and the interaction with experts in the academic field. This has increased brand awareness and laid a solid foundation for its market share in first-tier cities. In addition, based on the efforts made in 2011, we continued to expand the sales and marketing team to further improve the quality of localized marketing services, and set up a number of regional offices across the country, so that the personnel in charge of localized services is closer to hospitals and distributors to render services for end customers more conveniently, and to respond to them in a timely manner. This has improved the overall service of the Group. With this service, the Group has laid a strong and solid foundation for further expansion of market coverage.

As the government grants more permits of setting up private hospitals, more and more private hospitals have been established. New opportunities for companies arise from orthopaedic consumables. A joint procurement platform for private hospitals has been built in key provinces jointly by the Group, channel partners and private hospitals. Efforts have been made to expand the business of private hospitals, and it is believed that remarkable results would be achieved in a short term. Since there is an expansive market for orthopaedic consumables in respect of private hospitals in China, the Group believes that this represents opportunities for the Group to expand its coverage in the private hospital sector and generate new growth points.

As at 30 June 2012, the Group has a total of approximately 663 distributors covering over 3,840 licensed hospitals in China.

The domestic sales and marketing personnel of Trauson China and Changzhou Orthmed are divided into 6 regional teams and 4 regional teams, respectively.

During the first half of 2012, the Group signed a material supply contract amounted to a total of approximately RMB315 million (value-added tax included). This demonstrated the leading position of Trauson Holdings in the orthopaedic industry in China.

During the first half of 2012, the Group continued to focus on developing international distribution channels and obtaining product registrations in regions such as South America, Middle East, Eastern Europe and Africa. The Group has set up training centers for overseas doctors in South America in the first half of this year and will establish similar training bases in other areas in the future. During the first half of 2012, the export sales of the Group was approximately RMB9,731,000, representing an increase of 3.4% as compared with the corresponding period of 2011, and constituted 4.7% of the Group's overall revenue. The Group believes that the international sales will improve in the second half of 2012 with the expansion of its international sales channels and establishment of overseas training centers.

3. PROSPECTS AND OUTLOOK OF THE COMPANY

Trauson Holdings is the domestic orthopaedic company which has the longest history and "Famous Trademark" in China. Currently, it holds a pivotal position across the orthopaedic industry in China and has the largest number of patent certificates and registration certificates among domestic orthopaedic enterprises. As the economy evolves, the government has made increasing investment in health services, and has implemented the new medical reform, which has improved the development of the domestic medical devices industry. Trauson Holdings will, subject to any future changes in the nation's policies, continue to adopt the strategy that Trauson China focuses on trauma products and Changzhou Orthmed focuses on spine products. The Group will continue to develop the localization strategy, to further exploit potential markets and to enhance the service capabilities of agents for end-markets. We will aggressively carry out re-education activities for doctors on a market-oriented basis. Trauson Holdings plans to initiate re-education activities for doctors jointly with the No.1 Hospital affiliated to Shanghai Jiaotong University (上海交通大學附屬第一醫院) in the Eastern China, and to establish a new training base in the Northern China in Zhongshan Hospital affiliated to Dalian University (大連大學附屬中山醫院), so as to increase the support for weak markets in the North and enhance the service capabilities of distributors for end markets. Trauson Holdings will also continue to expand its coverage over tertiary, secondary and primary hospitals that dominate the market, and to increase the penetration into domestic unexplored markets and regions, thus gaining more market share.

In addition, the Group firmly believes that, with the trend of "import substitution" and against the backdrop of release of relevant policies, i.e. "12th Five-Year Plan for Medical Device Technology Industry", by leveraging on its own strength and quality products of a relatively lower price, Trauson Holdings will seize more market share in the orthopaedic market of China from multinational companies in the coming years, and will gradually strengthen its position as a leader in China's orthopaedic industry.

For the international market, the Group believes that the demand for relevant products will remain strong following the signing of this material contract. Besides, Trauson Holdings will recruit about 10 more international sales and marketing persons in the coming six months, and will build a dynamic and aggressive team through professional training. It will be actively engaged in the re-allocation of resources in the international medical device market, and increase its participation in international forums and medical devices exhibitions. The Group will set up more overseas offices, training bases and after-sales service centers. This will strengthen the academic exchange with doctors and enhance the training for distributors and sales persons in respect of medical expertise and product knowledge. These measures can enhance both domestic and overseas sales regarding medical expertise. By which, the international brand recognition of "Trauson" and "Orthmed" of Trauson Holdings will be improved, and the Company's image as an international public listed company will be established. Undoubtedly, Trauson Holdings will develop towards the global market in the future and this will become one of its new growth points.

Trauson Holdings will satisfy the increasing demand domestically and internationally by making more efforts in research and development, and seek to establish a brand in the ever-changing market. It is committed to providing high-quality products for distributors, reducing the risks of surgeries for patients and maximizing the benefits of customers. Through this, the Company will accomplish its strategic plan of "Winning in the End". It is believed that by way of cooperation and efforts, Trauson Holdings will be able to generate more value for shareholders.

Taking into account of new products introduced and the sales contribution in the first half of 2012, Trauson Holdings recorded a satisfactory result driven by the sales of new products; especially the sales of spine products represented a much higher than expected growth. Therefore, the Group has been committed to develop new products, so as to continuously improve its existing product mix to increase its sales revenue. The Group expects to launch 4 new products during the second half of 2012, including 1 trauma product and 3 spine products. As at 30 June 2012, the Group had 11 new products under research and development which consisted of 7 spine products and 4 joint products. The Group expects its product mix to be further enhanced after these products under research and development are registered successively in the following years. In addition, the Group, as a high-tech enterprise in the domestic orthopaedic industry, will continue to work with Grade IIIA hospitals and national institutes to enhance its capabilities for developing products and improving core competitiveness, so that the Group will be able to introduce new quality products to both domestic and international markets each year. Furthermore, the Group is fully committed to the development of joint products, and has made good progress as scheduled.

4. EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2012, the Group had 1,022 employees (2011: 946 employees).

For the six months ended 30 June 2012, the Group's total cost on remunerations, welfare and social security amounted to approximately RMB47,830,000 (2011: RMB27,456,000).

The Group is committed to the continuous improvement of the internal personnel structure. During the period under review, through introduction and training of professionals and replacement of inferior employees, the number of employees with a master's degree increased to 34 from 29 at the end of last year, those with professional medical background increased to 55 from 53 at the end of last year, and those with overseas education background increased to 10 from 4 in last year. The improvement of professional personnel structure has effectively enhanced the Group's operating system and the specialization efficiency of capabilities.

During the period under review, the Group further improved and optimized the remuneration package based on market competitiveness and according to its internal personnel development plan, to enhance the level of internal equity and external competitiveness of the Group's employee remuneration and benefit package.

In view of current and future strong growth potential of the Group, during the period under review, the Group launched a series of training plans for talent reserve echelon, which focused on professional medical qualification and expertise when considering selection and training. Currently, the Group has completed the construction of the system framework, and has been in regular contact and exchange with undergraduate and postgraduate students from domestic well-known medical institutes and universities.

The Group is highly concerned with the development of personnel expertise. During the period under review, the Group has invited domestic renowned orthopaedic experts from hospitals, such as Nanfang Hospital (南方醫院) and Shanghai People's Hospital (上海人民醫院), to provide 6 professional medical trainings on product knowledge to marketing staff. Through which, the professional quality of the Group's marketing staff has been effectively improved, and they have played an active role in sales. The result was satisfactory. In addition, the Group is in negotiation with international renowned universities in relation to a cooperation plan in connection with workshop for doctoral candidates and graduates, which is expected to play a significant motivated role in further promoting the comprehensive management capabilities of core senior management of the Group.

5. FINANCIAL REVIEW

Revenue

The revenue for the six months ended 30 June 2012 increased by approximately RMB45,449,000 or 28.33% to RMB205,869,000 as compared with RMB160,420,000 for the six months ended 30 June 2011. The increase was primarily attributable to the growth in sales of the Group's trauma, spine and other products.

The following table sets forth a breakdown of the Group's revenue by product category for the six months ended 30 June 2012:

	For the six months ended 30 June			
	2012		2011	
	Revenue	**Percentage**	Revenue	Percentage
	RMB'000	***%***	*RMB'000*	*%*
	(Unaudited)		(Unaudited)	
Trauma products	**114,433**	**55.59**	98,093	61.15
Spine products	**43,470**	**21.11**	22,298	13.90
OEM products	**26,252**	**12.75**	28,526	17.78
Others	**21,714**	**10.55**	11,503	7.17
Total	**205,869**	**100.00**	160,420	100.00

Revenue from trauma products increased by approximately RMB16,340,000 or 16.66% to RMB114,433,000, accounting for 55.59% of total revenue in the first six months of 2012. Revenue from trauma products as a percentage of the total revenue decreased by 5.56 percentage points as compared with the corresponding period in 2011. 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 approximately RMB21,172,000 or 94.95% to RMB43,470,000, accounting for 21.11% of the total revenue in the first six months of 2012, as compared with RMB22,298,000 or 13.90% of the Group's total revenue for the six months ended 30 June 2011. Revenue from spine products as a percentage of the total revenue increased by 7.21 percentage points. The increase in revenue from spine products was primarily due to the growth in sales of new products and the expansion of the Group's distribution network.

Revenue from OEM products decreased by approximately RMB2,274,000 or 7.97% to RMB26,252,000, accounting for 12.75% of the total revenue in the first six months of 2012, as compared with RMB28,526,000 or 17.78% of the Group's total revenue for the six months ended 30 June 2011. The decreased in the revenue from OEM products was primarily due to the drop in orders from the customer.

Gross Profit and Gross Profit Margin

As a result of the above-mentioned factors, gross profit increased by approximately RMB23,710,000 or 20.93% to RMB137,015,000 for the six months ended 30 June 2012, as compared to RMB113,305,000 for the same period in 2011.

Cost of sales increased by approximately RMB21,739,000 or 46.14% to RMB68,854,000 for the six months ended 30 June 2012, as compared to RMB47,115,000 for the six months ended 30 June 2011. The gross profit margin decreased by 4.08 percentage points to 66.55% for the six months ended 30 June 2012 as compared to 70.63% for the corresponding period in 2011. The main reasons are apart from the export sales, the gross margin of local sales and OEM dropped, and the proportion of low-margin products increased.

Other Income and Other Gains and Losses

Other income and other gains and losses increased by approximately RMB9,902,000 to net gain of RMB9,773,000 for the six months ended 30 June 2012, as compared to net loss of RMB129,000 for the same period in 2011.

The table below sets forth a breakdown of other income and other gains and losses for the six months ended 2011 and 2012:

	For the six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income	**9,077**	8,374
Government grants	**1,505**	1,416
Net foreign exchange loss	**(319)**	(9,934)
Loss on disposal of property, plant and equipment	**(149)**	(59)
Others	**(341)**	74
Total	**9,773**	(129)

Other Expenses

Other expenses increased by approximately RMB306,000 to RMB617,000 for the six months ended 30 June 2012, as compared to RMB311,000 for the same period in 2011.

Distribution and Selling Expenses

Distribution and selling expenses increased by approximately RMB4,926,000 or 39.66% to RMB17,348,000 for the six months ended 30 June 2012, as compared to RMB12,422,000 for the corresponding period in 2011. 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 approximately RMB5,389,000 or 18.06% to RMB35,229,000 for the six months ended 30 June 2012, as compared to RMB29,840,000 for the six months ended 30 June 2011. The increase was primarily due to the growth of the management's remuneration and the relevant operating 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 approximately RMB5,385,000 or 79.68% to RMB12,143,000 for the six months ended 30 June 2012, as compared to RMB6,758,000 for the corresponding period in 2011. The increase was primarily due to the increase in testing charges and materials.

Profit Before Tax

As a result of the above-mentioned factors, the Group's profit before tax increased by approximately RMB17,606,000 or 27.58% to RMB81,451,000 for the six months ended 30 June 2012, as compared to RMB63,845,000 for the corresponding period in 2011.

Income Tax Expense

Income tax expense increased by approximately RMB3,363,000 or 25.01% to RMB16,808,000 for the six months ended 30 June 2012, as compared to RMB13,445,000 for the corresponding period in 2011. The effective tax rate for the Group for the six months ended 30 June 2012 and 2011 was 20.64% and 21.06%, respectively.

Net Current Assets

Net current assets decreased by approximately RMB146,038,000 to RMB686,579,000 as at 30 June 2012 as compared with RMB832,617,000 as at 31 December 2011. The decreased amount primarily consisted of a decrease in deposits held in banks and cash of approximately RMB241,670,000 and the increase in trade and other receivables of approximately RMB90,202,000. After the reporting date until 15 August 2012, cash received from the trade receivables as at 30 June 2012 amounted to RMB113,203,000.

Liquidity

The financial resources of the Group remained healthy due to the proceeds from listing as well as solid operating cash flow. Bank balances and cash held by the Group were RMB454,320,000 and RMB695,990,000 on 30 June 2012 and 31 December 2011, respectively.

Gearing ratio

As at 30 June 2012, gearing ratio is approximately 11.86%, representing an increase of approximately 3.80 percentage points as compared with approximately 8.06% for the corresponding period of 2011. The increase was mainly due to the increase in total liabilities of approximately RMB44,324,000 to RMB135,790,000. The total liabilities as at 31 December 2011 was approximately RMB91,466,000.

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 RMB was approximately RMB319,000 for the first half of 2012 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 2012, the Group has thus far utilized approximately RMB99,869,000 for expansion of production capacity, RMB25,963,000 for research and development and RMB27,300,000 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 any of the Company's listed securities by the Company or any of its subsidiaries during the six months ended 30 June 2012.

MATERIAL ACQUISITION AND DISPOSAL

There was no material acquisition or disposal of subsidiaries and associated companies by the Company during the six months ended 30 June 2012.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE (THE "CODE")

The Board has adopted all code provisions under the Code as set out in Appendix 14 to the Listing Rules as the code of the Company. The Company has complied with all applicable code provisions under the Code throughout the six months ended 30 June 2012, save and except for the following deviations:

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 of the Company, 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.

Code provision A.4.1 of the Code, as both of the Company and Mr Wang Chong Guang Charles ("Mr Wang") would like to retain the flexibility as to the term of Mr Wang's appointment, Mr Wang's appointment as a non-executive Director has no specified length of service, but subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's articles of association.

Code provision A.6.7 of the Code, due to personal commitments, Mr Zhao Zi Lin (an independent non-executive Director and chairman of the remuneration committee of the Company) and Dr Lu Bing Heng (an independent non-executive Director and chairman of the nomination committee of the Company) did not attend the 2011 annual general meeting of the Company held on 16 May 2012.

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

The Company has adopted the Model Code 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 standard as set out in the Model Code throughout the six months ended 30 June 2012.

INTERIM DIVIDEND

The Board declared an interim dividend of RMB2.17 cents and a special dividend of RMB2.00 cents per ordinary share for the six months ended 30 June 2012 (for the six months ended 30 June 2011: an interim dividend of RMB1.68 cents and a special dividend of RMB1.55 cents per ordinary share) and such dividends will be paid on or about 27 September 2012 to shareholders whose names appear on the register of members of the Company at the close of business on 20 September 2012.

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 18 September 2012 to 20 September 2012, both days 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, Wanchai, Hong Kong, not later than 4:30 p.m. on 17 September 2012.

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

The audit committee of the Company comprises Mr Chan Yuk Tong (Chairman), 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 unaudited interim results of the Group for the six months ended 30 June 2012 and has recommended its adoption by the Board.

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

Hong Kong, 15 August 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 directors of the Company are Ms Xu Yan Hua and Mr Wang Chong Guang Charles, and the independent non-executive directors of the Company are Mr Chan Yuk Tong, Dr Lu Bing Heng and Mr Zhao Zi Lin.