TRAUSON

Trauson Holdings Company Limited
創生控股有限公司

(incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限公司)
Stock Code 股份代號：325

Interim Report 中期報告 2011

Corporate Information

MEMBERS OF THE BOARD

Executive Directors

Mr Qian Fu Qing
Mr Cai Yong

Non-executive Directors

Ms Xu Yan Hua
Mr Ng Ming Chee, James

Independent Non-executive Directors

Mr Chan Yuk Tong
Dr Lu Bing Heng
Mr Zhao Zi Lin

BOARD COMMITTEE

Audit committee

Mr Chan Yuk Tong *(Chairman)*
Mr Zhao Zi Lin
Ms Xu Yan Hua

Remuneration committee

Mr Zhao Zi Lin *(Chairman)*
Dr Lu Bing Heng
Mr Qian Fu Qing

Nomination committee

Dr Lu Bing Heng *(Chairman)*
Mr Chan Yuk Tong
Mr Qian Fu Qing

COMPANY SECRETARY

Ms Ma Sau Kuen, Gloria

AUTHORISED REPRESENTATIVES

Mr Qian Fu Qing
Ms Ma Sau Kuen, Gloria

AUDITORS

Deloitte Touche Tohmatsu

LEGAL ADVISERS

as to Hong Kong law:
Jackson Woo & Associates in association with
Ashurst Hong Kong

as to PRC law:
King and Wood

as to Cayman Islands law:
Maples and Calder

COMPLIANCE ADVISER

Mizuho Securities Asia Limited

HEADQUARTERS

9 Longmen Road
Wujin High-tech Industrial Development Zone
Changzhou City
Jiangsu Province
PRC

REGISTERED OFFICE

PO Box 309 Ugland House
Grand Cayman KY1-1104
Cayman Islands

Corporate Information

INVESTOR RELATIONS

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

8th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Limited
Agricultural Bank of China Limited
Bank of Communications Limited
China Construction Bank Corporation
China Minsheng Banking Corporation Limited
The Hongkong and Shanghai Banking Corporation Limited

SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Maples Finance Limited
PO Box 1093
Queensgate House
Grand Cayman
KY1-1102
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

COMPANY'S WEBSITE

http://www.trauson.com

STOCK CODE

325

Financial Summary

A summary of main financial data of Trauson Holdings Company Limited ("Trauson" or the "Company") and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2011 is set out below:

	For the six months ended 30 June		
	2011	2010	**Change**
	RMB'000	RMB'000	
	(Unaudited)	(Audited)	
Revenue	**160,420**	120,278	**33.37%**
Gross profit	**113,305**	87,179	**29.97%**
Profit before tax	**63,845**	45,880	**39.16%**
Profit attributable to owners of the Company	**50,400**	37,366	**34.88%**
Basic earnings per share (RMB cents)	**6.50**	6.60	**-1.52%**

The Group's unaudited profit attributable to owners of the Company and basic earnings per share were RMB50,400,000 and RMB6.50 cents for the six months ended 30 June 2011, respectively. The board of directors (the "Directors") of the Company (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.

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 (Unaudited)	**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) Medical Instrument Company Limited ("Trauson China") and Changzhou Orthmed Medical Instrument Company Limited ("Changzhou Orthmed"). The total production of the Group's major product types and their respective utilization rates for the 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%

Management Discussion and Analysis

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. EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2011, the Group had 946 full-time employees (2010: 908 employees).

For the six months ended 30 June 2011, the Group's total cost on remunerations, welfare and social security amounted to approximately RMB27,456,000 (2010: RMB26,984,000).

The remuneration structure of the Group is based on employee performance, local consumption level and prevailing conditions in the human resources market. Directors' remuneration is determined with reference to each Director's experience, responsibilities and prevailing market standards.

5. 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 RMB'000 (Unaudited)	**Percentage %**	Revenue RMB'000 (Audited)	Percentage %
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.

Management Discussion and Analysis

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
	(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
Total	**(129)**	348

Management Discussion and Analysis

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 of Hong Kong Limited (the "HKSE").

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.

Management Discussion and Analysis

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 HKSE 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.

Other Information

1. DISCLOSURE OF INTERESTS

Interests and short positions of the Directors and the chief executive in shares, underlying shares and debentures of the Company or its associated corporations

As at 30 June 2011, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Law of Hong Kong) (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the HKSE pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), were as follows:

Long positions in the shares and underlying shares of the Company

Name of Directors	Capacity/Nature of interest	Number of shares held	Approximate percentage of interest in the Company
Mr Qian Fu Qing *(Note 2)*	Interest of spouse	477,945,000	61.72%
Ms Xu Yan Hua *(Notes 1&2)*	Interest of controlled corporation	477,945,000	61.72%

Notes:

1. The entire issued share capital of Luna Group Holdings Limited is solely and beneficially owned by Ms Xu Yan Hua ("Ms Xu"). Ms Xu is deemed under the SFO to be interested in the 477,945,000 shares (long position) held by Luna Group Holdings Limited.

2. Mr Qian Fu Qing ("Mr Qian"), the spouse of Ms Xu, is also deemed to be interested in the 477,945,000 shares (long position) in which Ms Xu is deemed to be interested.

Save as disclosed above, as at 30 June 2011, none of the Directors and the chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the HKSE pursuant to the Model Code contained in Appendix 10 to the Listing Rules.

Substantial shareholders' interests and short positions in shares and underlying shares of the Company

As at 30 June 2011, the interests and short positions of the substantial shareholders of the Company (other than the Directors and the chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name of substantial shareholders	Capacity/ Nature of interest	Number of shares (long position)	Approximate percentage of interest in the Company
Luna Group Holdings Limited *(Note 1)*	Beneficial owner	477,945,000	61.72%
Central Huijin Investment Limited *(Note 2)*	Controlled corporation	55,940,625	7.22%
China Construction Bank Corporation *(Note 2)*	Controlled corporation	55,940,625	7.22%
CCB International Group Holdings Limited *(Note 2)*	Controlled corporation	55,940,625	7.22%
CCB Financial Holdings Limited *(Note 2)*	Controlled corporation	55,940,625	7.22%
CCB International (Holdings) Limited *(Note 2)*	Beneficial owner	55,940,625	7.22%
CCB International Assets Management (Cayman) Limited *(Note 2)*	Controlled corporation	55,940,625	7.22%
CCB International Asset Management Limited *(Note 2)*	Controlled corporation	55,940,625	7.22%
Honest Fame Investment Limited *(Note 2)*	Nominee of another person	55,940,625	7.22%
Baring Asset Management Limited	Investment manager	55,063,000	7.11%
Northern Trust Fiduciary Services (Ireland) Limited	Trustee	40,067,000	5.17%

Notes:

1 The entire issued share capital of Luna Group Holdings Limited is solely and beneficially owned by Ms Xu, who is deemed under the SFO to be interested in the 477,945,000 shares (long position) held by Luna Group Holdings Limited.

2 Such 55,940,625 shares refer to the same batch of shares.

Save as disclosed above, as at 30 June 2011, no other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

2. CHANGES IN THE BOARD OF DIRECTORS AND DIRECTOR'S INFORMATION

Ms Ren Feng Mei resigned as an executive Director of the Company with effect from 27 May 2011.

Mr Chan Yuk Tong, an independent non-executive Director of the Company, resigned as a non-executive director of Vitop Bioenergy Holdings Limited whose shares are listed on the HKSE (Stock Code: 1178) with effect from 24 May 2011.

3. 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 of its subsidiaries during the six months ended 30 June 2011.

4. COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Board has adopted all code provisions under the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules as the Code of the Company. The Company 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 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.

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

The Company has adopted the 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.

6. 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.

7. 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, Wanchai, Hong Kong not later than 4:30 p.m. on 19 September 2011.

8. REVIEW OF INTERIM REPORT BY AUDIT COMMITTEE

The audit committee of the Company comprises Mr Chan Yuk Tong (Chairman), 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 report of the Group for the six months ended 30 June 2011 and has recommended its adoption by the Board.

9. SHARE OPTION SCHEME

On 27 May 2011, the shareholders of the Company approved and adopted a share option scheme (the "Share Option Scheme"). Key terms of the Share Option Scheme are summarized below:

(i) The purpose of the Share Option Scheme is to recognise and acknowledge the contributions the eligible participants have made or may have made to the Group. Eligible participants include (i) any full-time or part-time employees, executives or senior officers of the Company or any of its subsidiaries; (ii) any directors (including non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries; or (iii) any advisers, consultants, suppliers, customers, agents and other persons who in the sole discretion of the Board have contributed or will contribute to the Company or any of its subsidiaries (collectively, the "Eligible participants"). The Directors consider that the Share Option Scheme will offer Eligible Participants an opportunity to have a personal stake in the Company with a view to achieving the objectives of motivating the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and attracting and retaining or otherwise maintaining on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

(ii) The total number of ordinary shares of the Company of HKD0.10 each ("Shares") in respect of which options may be granted under the Share Option Scheme is 77,432,862 Shares, being 10% of the total number of Shares in issue as at 27 May 2011.

(iii) Unless approved by shareholders in a general meeting, no participant shall be granted an option within the 12-month period up to and including the proposed date on which the grant of an option is made (the "Grant Date") if such grant would result in the total number of Shares already issued and which may fall to be issued upon exercise of such option proposed to be granted and all other options already granted and to be granted to him/her under the Share Option Scheme and any other share option scheme(s) of the Group representing in aggregate over 1% of the number of Shares in issue as at the proposed Grant Date.

(iv) The limit on the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of any member of the Group must not exceed 30% of the number of shares in issue from time to time.

(v) The exercise price for Shares under the Share Option Scheme shall be determined by the Board at its absolute discretion but in any event shall not be less than the higher of: (i) the closing price of the Shares as stated in the HKSE's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the HKSE's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share. A consideration of HK$1.00 is payable on acceptance of the offer of grant of an option.

(vi) An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be notified by the Board, which must not be more than 10 years from the Grant Date.

For the six months ended 30 June 2011, no option has been granted or agreed to be granted under the Share Option Scheme.

Report On Review Of Interim Financial Information

TO THE BOARD OF DIRECTORS OF TRAUSON HOLDINGS COMPANY LIMITED
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 20 to 37, which comprises the condensed consolidated statement of financial position of Trauson Holdings Company Limited (the "Company") and its subsidiaries as of 30 June 2011 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Company is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

17 August 2011

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011

	NOTES	Six months ended 30.6.2011 RMB'000 (Unaudited)	Six months ended 30.6.2010 RMB'000 (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	10	**152,416**	149,236
Prepaid lease payments		**19,109**	19,323
Intangible asset		**8,041**	6,186
Deferred tax assets	11	**5,620**	5,150
		185,186	179,895
Current assets			
Inventories		**51,596**	46,209
Trade and other receivables	12	**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	13	**47,837**	49,202
Amounts due to related parties	16	**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	11	**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	14	**68,141**	68,141
Reserves		**907,994**	885,238
Total equity attributable to owners of the Company		**976,135**	953,379

Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2011

	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Statutory surplus reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2010 (audited)	20	–	2,924	22,528	210,621	236,093
Profit for the period and total comprehensive income for the period	–	–	–	–	37,366	37,366
Issue of shares pursuant to a group reorganisation *(note a)*	49,480	118,592	(168,072)	–	–	–
Dividend *(note b)*	–	–	–	–	(13,414)	(13,414)
Issuance of new shares	16,500	559,420	–	–	–	575,920
Cost of issue of new shares	–	(23,368)	–	–	–	(23,368)
At 30 June 2010 (audited)	66,000	654,644	(165,148)	22,528	234,573	812,597
Profit for the period and total comprehensive income for the period	–	–	–	–	68,893	68,893
Issuance of new shares	2,141	72,594	–	–	–	74,735
Cost of issue of new shares	–	(2,846)	–	–	–	(2,846)
Appropriation of statutory surplus reserve	–	–	–	13,639	(13,639)	–
At 31 December 2010 (audited)	68,141	724,392	(165,148)	36,167	289,827	953,379
Profit for the period and total comprehensive income for the period	–	–	–	–	50,400	50,400
Dividend	–	–	–	–	(27,644)	(27,644)
At 30 June 2011 (unaudited)	68,141	724,392	(165,148)	36,167	312,583	976,135

Notes:

(a) On 10 March 2010, the Company allotted and issued 562,499,999 new ordinary shares to acquire the entire issued share capital of Trauson (Hong Kong) Company Limited ("Trauson Hong Kong") and Orthmed (Hong Kong) Medical Instrument Company Limited ("Orthmed Hong Kong") from Ms Xu. The aggregated equity of Trauson Hong Kong and Orthmed Hong Kong on that date amounted to approximately RMB168,092,000 and resulted in share premium of approximately RMB118,592,000. Thereafter, the Company became the holding company of its subsidiaries on 10 March 2010.

(b) Trauson Hong Kong 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, on 8 March 2010.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2011

	Six months ended	
	30.6.2011	30.6.2010
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Net cash from operating activities	**19,864**	33,239
Net cash used in investing activities		
Proceeds from disposal of property, plant and equipment	**11**	1,214
Interest received	**5,722**	272
Proceeds from disposal of land use rights	**-**	14,988
Payments for acquisition of property, plant and equipment	**(9,893)**	(39,670)
Repayment from related parties	**-**	9,706
Development costs paid and capitalised	**(1,855)**	(1,380)
	(6,015)	(14,870)
Net cash (used in) from financing activities		
Short-term bank loans raised	**-**	30,000
Repayment to a shareholder	**-**	(33,519)
Proceeds from issue of shares	**-**	575,920
Payment for expenses on issue of shares	**-**	(23,368)
Dividend paid	**(27,644)**	(13,414)
Interest paid	**-**	(223)
	(27,644)	535,396
Net (decrease) increase in cash and cash equivalents	**(13,795)**	553,765
Cash and cash equivalents at beginning of the period	**698,766**	58,394
Cash and cash equivalents at end of the period, represented by		
Bank balances and cash	**684,971**	612,159

Notes to the Condensed Consolidated Financial Statements

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 HKSE 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.

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Listing Rules and with Hong Kong Accounting Standard 34 *Interim Financial Reporting*.

The condensed 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. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have 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 statements 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 ("HKICPA"). 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 statements and/or disclosures set out in these condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES – CONTINUED

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.

Five new or revised standards on consolidation, joint arrangements and disclosures, i.e. HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (revised 2011) and HKAS 28 (revised 2011), were issued by the HKICPA in June 2011 and are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five new or revised standards are applied early at the same time. The directors of the Company anticipate that these new or revised standards will be applied in the Group's consolidated financial statements for financial year ending 31 December 2013.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statement* that deal with consolidated financial statements. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee; (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Based on the Group's circumstances on consolidation as of 30 June 2011, the application of HKFRS 10 will have no material impact on the scope of consolidation, the results and the financial position of the Group.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

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

3. REVENUE AND SEGMENT INFORMATION – CONTINUED

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

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 HKSE.

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 and 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
	(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. DIVIDENDS

During the current interim period, a final dividend of RMB3.57 cents per share (2010: nil), in aggregate of approximately RMB27,644,000 (2010: nil), in respect of the year ended 31 December 2010 was declared and paid to owners of the Company.

Subsequent to 30 June 2011, the directors of the Company have determined that an interim dividend of RMB1.68 cents (2010: nil) and a special dividend of RMB1.55 cents (2010: nil) per share will be paid to the owners of the Company, whose names appear in the Register of Members at the close of business on 22 September 2011.

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired motor vehicles of approximately RMB1,386,000 and purchased machineries and equipment amounted to approximately RMB8,507,000 for expansion of production plant. During the six months ended 30 June 2010, the Group spent approximately RMB2,295,000 on machineries and incurred approximately RMB15,918,000 for construction of new production plant and office.

During the period, the Group disposed of certain machineries with a carrying amount of approximately RMB70,000 for cash proceeds of approximately RMB11,000 resulting in a loss on disposal of approximately RMB59,000. During the six months ended 30 June 2010, the Group disposed of certain machineries and motor vehicles with a carrying amount of approximately RMB1,103,000 for cash proceeds of approximately RMB1,214,000 resulting in a gain on disposal of approximately RMB111,000.

11. DEFERRED TAXATION

For the purposes of presentation in the condensed consolidated statements of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	30.6.2011 RMB'000 (Unaudited)	31.12.2010 RMB'000 (Audited)
Deferred tax assets	**5,620**	5,150
Deferred tax liabilities	**(3,504)**	(4,118)
	2,116	1,032

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

11. DEFERRED TAXATION – CONTINUED

The following are the major deferred tax assets and (liabilities) recognised and movements thereon during the current reporting period:

	Write-down of inventories RMB'000	Deferred income RMB'000	Other provisions RMB'000	Withholding tax on undistributed profits RMB'000	Total RMB'000
At 1 January 2011 (audited)	2,021	825	2,304	(4,118)	1,032
Reversal upon payment of withholding tax	–	–	–	4,118	4,118
Credit (charge) to condensed consolidated statement of comprehensive income for the period	425	(70)	115	(3,504)	(3,034)
At 30 June 2011 (unaudited)	2,446	755	2,419	(3,504)	2,116

12. TRADE AND OTHER RECEIVABLES

	30.6.2011 RMB'000 (Unaudited)	31.12.2010 RMB'000 (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

12. TRADE AND OTHER RECEIVABLES – CONTINUED

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 RMB'000 (Unaudited)	31.12.2010 RMB'000 (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

13. TRADE AND OTHER PAYABLES

	30.6.2011 RMB'000 (Unaudited)	31.12.2010 RMB'000 (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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

13. TRADE AND OTHER PAYABLES – CONTINUED

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 RMB'000 (Unaudited)	31.12.2010 RMB'000 (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

14. SHARE CAPITAL

	Number of shares	**Amounts** HK$'000
Ordinary shares of HK$0.10 each:		
Authorised		
At date of incorporation, at 30 June 2010, 31 December 2010 (audited) and 30 June 2011 (unaudited)	100,000,000,000	10,000,000
Issued and fully paid		
At date of incorporation	1	–
Issue of new shares pursuant to a group reorganisation	562,499,999	56,250
Issue of new shares pursuant to the initial public offering	187,500,000	18,750
At 30 June 2010 (audited)	750,000,000	75,000
Issue of new shares pursuant to the partial exercise of the over-allotment option	24,328,625	2,433
At 31 December 2010 (audited) and 30 June 2011 (unaudited)	774,328,625	77,433

14. SHARE CAPITAL – CONTINUED

	RMB'000
Shown in the condensed consolidated statement of financial position:	
At 30 June 2011 (unaudited)	68,141
At 31 December 2010 (audited)	68,141

15. CONTINGENT LIABILITIES

The Group was named as defendants in certain court cases in which the Group was being sued by patients for damages suffered as a result of alleged unsatisfactory orthopaedic operations involving the Group's products. As at 30 June 2011, such claims amounted to approximately RMB1.4 million (31 December 2010: RMB2.0 million), except for one case of court litigation pursuant to which the plaintiff claimed unspecified damages for alleged unsatisfactory orthopaedic operation involving the Group's products. The directors of the Company are not able to quantify reliably such claim as at 30 June 2011.

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

16. RELATED PARTY TRANSACTIONS

	30.6.2011 RMB'000 (Unaudited)	31.12.2010 RMB'000 (Audited)
Amounts due to related parties:		
Changzhou Cofey Refrigeration Equipment Co., Ltd. *(note a)*	**171**	152
Biorth Incorporation *(note b)*	**48**	48
	219	200

16. RELATED PARTY TRANSACTIONS – CONTINUED

The Group had the following significant transactions with its related parties during the current reporting period:

	Six months ended	
	30.6.2011	30.6.2010
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Processing fee charge:		
Changzhou Cofey Refrigeration Equipment Co., Ltd. *(note a)*	**333**	537
Purchase of raw materials:		
Biorth Incorporation *(note b)*	**–**	234

Notes:

(a) A company beneficially owned by Ms Xu's brother.

(b) A company wholly owned by Mr Qian Song, son of Ms Xu.

The remuneration of directors of the Company and other members of key management during the period were as follows:

	Six months ended	
	30.6.2011	30.6.2010
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Short-term employees benefits	**3,239**	2,997
Post-employment benefits	**23**	33
	3,262	3,030

TRAUSON

Trauson Holdings Company Limited
創生控股有限公司