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山東威高集團醫用高分子製品股份有限公司  
**Shandong Weigao Group Medical Polymer Company Limited**\*

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 1066)**

**STRATEGIC BUSINESS ALLIANCE WITH TERUMO  
IN PERITONEAL DIALYSIS BUSINESS  
AND  
FORMATION OF A JOINT VENTURE COMPANY**

The Board is pleased to announce the formation of strategic business alliance in peritoneal dialysis (“PD”) business between Weigao Holding, the Company, Weigao Blood, Terumo and Terumo China and the parties have entered into the following agreements on 18 March 2012.

1. Framework Agreement entered into by Weigao Holding, the Company, Weigao Blood, Terumo and Terumo China setting out the framework of the collaboration for the production and sale of dialysate and other PD related devices in the PRC; and
2. JV Agreement entered into by Weigao Blood and Terumo China to set up Wego Terumo JV for the production and sale of dialysate and other PD related devices.

Pursuant to the Framework Agreement, certain agreements including Sales Agreement, Technology License Agreement, Weigao Holding Trademark License Agreement, Terumo Trademark License Agreement, Marketing Support Agreement will be entered into by the relevant parties.

\* For identification purpose only

Pursuant to the JV Agreement, Wego Terumo JV will be established and will be held as to 50% by Weigao Blood and 50% by Terumo China. Wego Terumo JV will principally engage in production and sale of dialysate and other PD related devices in the PRC. The total investment of Wego Terumo JV will be RMB480 million (equivalent to approximately HK\$588.7 million) and the registered capital will be RMB160 million (equivalent to approximately HK\$196.2 million). It will be contributed in proportion to the shareholding interests as to RMB80 million (equivalent to approximately HK\$98.1 million) by Weigao Blood and RMB80 million (equivalent to approximately HK\$98.1 million) by Terumo China.

The Directors, including the independent non-executive Directors, consider that the terms of the Framework Agreement and the JV Agreement and transactions contemplated under these agreements are concluded by the parties after arm's length negotiations, are fair and reasonable and are on normal commercial terms and in the interests of the Company and its shareholders as a whole.

This announcement is made pursuant to the Rule 13.09(1) of the Listing Rules.

The Board is pleased to announce the formation of strategic business alliance in peritoneal dialysis business between Weigao Holding, the Company, Weigao Blood, Terumo and Terumo China and the parties have entered into the following agreements on 18 March 2012.

## **I. FRAMEWORK AGREEMENT**

Parties to the Framework Agreement:	i)	Weigao Holding
	ii)	the Company
	iii)	Weigao Blood
	iv)	Terumo
	v)	Terumo China

It was agreed between the parties to collaborate in the production and sale of dialysate and other PD related devices in the PRC.

Pursuant to the Framework Agreement, the terms of the following agreements have been agreed by the parties and will be entered into by the relevant parties.

1. Technology License Agreement between Terumo and Wego Terumo JV for Terumo to license Terumo's technology and technological support to Wego Terumo JV for Wego Terumo JV to engage in the production and sale of dialysate and other PD related devices on an exclusive basis in the PRC and non-assignable basis at an agreed rate;
2. Sales Agreement between WPD and Wego Terumo JV for WPD to sell and the provision of after sale services of dialysate and other PD related devices supplied by Wego Terumo JV in the PRC;
3. Weigao Holding Trademark License Agreement between Weigao Holding and Wego Terumo JV for Wego Terumo JV to use Weigao Holding's trademark for the production and sale of dialysate and other PD related devices on a non-exclusive and non-assignable at an agreed rate;
4. Terumo Trademark License Agreement between Terumo and Wego Terumo JV for Wego Terumo JV to use Terumo's trademark on a non-exclusive and non-assignable solely for the production and sale of dialysate and other PD related devices at an agreed rate; and
5. Marketing Support Agreement between Terumo and WPD for Terumo to provide information technology and technological services to WPD relating to sale and the provision of after sale services for the sale of dialysate and other PD related devices in the PRC at an agreed rate.

## **II. JV AGREEMENT**

Parties to the JV Agreement: Weigao Blood and Terumo China

### **Principal terms of the JV Agreement:**

Wego Terumo JV will be established and will be held as to 50% by Weigao Blood and 50% by Terumo China. Wego Terumo JV will principally engage in the production and sale of dialysate and other PD related devices. The total investment of Wego Terumo JV will be RMB480 million (equivalent to approximately HK\$588.7 million) and the registered capital will be RMB160 million (equivalent to approximately HK\$196.2 million). It will be contributed in proportion to the shareholding interests as to RMB80 million (equivalent to approximately HK\$98.1 million) by Weigao Blood and RMB80 million (equivalent to approximately HK\$98.1 million) by Terumo China.

The duration of the life of Wego Terumo JV is for 20 years.

WPD will be the exclusive distributor in the PRC market for Wego Terumo JV for dialysate and other PD related devices.

### **Reasons for and benefits of the Framework Agreement and JV Agreement**

In the PRC, approximately 1,500,000 people are suffering from End-Stage Renal Disease (“ESRD”). The figure is estimated to reach approximately 3,000,000 by 2020. And, over 20,000 ESRD patients are currently receiving peritoneal dialysis therapy, forming the world largest PD market. The PD patient population is estimated to grow at 40% per year and reach approximately 300,000.

Terumo has been promoting the dissemination and expansion of PD since it began the development of CAPD system in 1980. Terumo has been leading this field by providing innovative technologies including Japan’s first neutralized dialysate and endowing educational courses at Tokyo University to contribute to the dissemination of PD.

By leveraging on Terumo’s technology and expertise in peritoneal dialysis and the Group’s strong market presence with nationwide sales network, the Group will be able to serve the patients in China with high quality, cost-effective integrated products offerings allowing the Group to enter and grow PD business in fast growing peritoneal dialysis market in the PRC.

## **INFORMATION ON WEIGAO HOLDING, WEIGAO BLOOD, TERUMO AND TERUMO CHINA**

### **Weigao Holding**

Weigao Holding is principally engaged in investment, research and development and the sale of pharmaceutical and medical products, property development and investment.

### **Weigao Blood**

Weigao Blood is 70% held by the Company. It is principally engaged in the production and sale of blood purification products.

### **Terumo**

Terumo is principally engaged in manufacturing and sales of medical products and equipment, including pharmaceuticals, nutritional food supplement, blood bags, disposable medical devices, cardiovascular systems, vascular grafts, peritoneal dialysis, blood glucose monitoring system, medical electronic, and digital thermometers. It is listed on the Tokyo Stock Exchange and the market capitalization as at 16 March 2012 was Yen 748,128 million (equivalent to approximately HK\$70,219.3 million). Net sales for the financial year ended 31 March 2011 amounted to Yen 328.2 billion (equivalent to approximately HK\$30.8 billion).

### **Terumo China**

Terumo China is an investment holding company.

## **GENERAL**

The Group is principally engaged in the research and development, production and sale of single-use medical devices. The Group has a wide range of products, which includes: 1) consumables (infusion sets, needles, syringes, blood bags, pre-filled syringes, blood sampling products and other consumables); 2) orthopedic products and 3) blood purification consumables and equipment. The Group has a nationwide sales network and an extensive customer base of over 5,069 healthcare organizations, including over 2,951 hospitals and 414 blood stations.

The Directors, including the independent non-executive Directors, consider that the terms of the Framework Agreement and the JV Agreement and the transactions contemplated under the agreements are concluded by the parties after arm's length negotiations, are fair and reasonable and are on normal commercial terms and in the interests of the Company and its shareholders as a whole.

This announcement is made pursuant to the Rule 13.09(1) of the Listing Rules.

## **DEFINITION**

“Board”	the board of Directors of the Company
“Company”	山東威高集團醫用高分子製品股份有限公司 (Shandong Weigao Group Medical Polymer Company Limited)*, a joint stock company incorporated in the People's Republic of China with limited liability and the H shares of which are listed on the Stock Exchange
“CAPD”	continuous ambulatory peritoneal dialysis is a continuous therapy consisting of four dialysis exchanges per day (exchanges last 5 to 6 hours)
“Directors”	the directors of the Company
“Framework Agreement”	the Framework Agreement dated 18 March 2012 entered into by Weigao Holding, the Company, Weigao Blood, Terumo and Terumo China setting out the framework of the collaboration for the production and sale of dialysate and other PD related devices in the PRC
“Group”	the Company and its subsidiaries
“JV Agreement”	the joint venture agreement dated 18 March 2012 entered into by Weigao Blood and Terumo China in respect of the establishment of Wego Terumo JV in the PRC for the production and sale of dialysate and other PD related devices in the PRC

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Marketing Support Agreement”	the marketing support agreement to be entered into between Terumo and WPD for Terumo to provide information technology and technological services to WPD relating to sale and the provision of after sale services for the sale of dialysate and other PD related devices in the PRC at an agreed rate
“PD”	peritoneal dialysis is a form of dialysis to remove waste products and excess water. In PD, the inside of patient abdomen – peritoneal cavity – is filled with a dialysis fluid that is introduced through a catheter surgically placed in patient abdomen. This exposes blood vessels in the peritoneum to the fluid. The peritoneum functions like the artificial membrane in a dialyzer. Excess water and wastes pass from the blood through the peritoneum into the dialysis fluid. The fluid is then drained from patient body and discarded
“Sales Agreement”	the sales agreement to be entered into between WPD and Wego Terumo JV for WPD to sell and the provision of after sale services of dialysate and other PD related devices supplied by Wego Terumo JV in the PRC
“Share(s)”	ordinary share(s) of RMB0.10 each in the capital of the Company
“Shareholder(s)”	the holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Technology License Agreement”	the technology license agreement to be entered into between Terumo and Wego Terumo JV for Terumo to license Terumo’s technology and technological support to Wego Terumo JV for Wego Terumo JV to engage in the production and sale of dialysate and other PD related devices on an exclusive basis in the PRC and non-assignable basis at an agreed rate
“Terumo”	Terumo Corporation which is incorporated in Japan and is listed on the Tokyo Stock Exchange
“Terumo China”	Terumo (China) Holdings Co., Ltd., a 100% owned subsidiary of Terumo. It was incorporated in the PRC with limited liability
“Terumo Trademark License Agreement”	the Terumo trademark license agreement to be entered into between Terumo and Wego Terumo JV for Wego Terumo JV to use Terumo’s trademark on a non-exclusive and non-assignable solely for the production and sale of dialysate and other PD related devices at an agreed rate
“Wego Terumo JV”	the joint venture to be established pursuant to the JV Agreement
“Weigao Blood”	Weihai Weigao Blood Purified Product Company Limited, a 70% owned subsidiary of the Company. It was incorporated in the PRC on 27 December 2004 with limited liability
“Weigao Holding”	威高控股有限公司 (Weigao Holding Company Limited)*, a limited liability company established in the PRC on 4 August 1998, being the controlling shareholder holding 47.6% equity interest in the Company
“Weigao Trademark License Agreement”	the Weigao trademark license agreement to be entered into between Weigao Holding and Wego Terumo JV for Wego Terumo JV to use Weigao Holding’s trademark for the production and sale of dialysate and other PD related devices on a non-exclusive and non-assignable at an agreed rate



“WPD”	a wholly owned subsidiary to be established by Weigao Blood and it will engage in the sale and provision of after sale services for dialysate and other PD related devices
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“Yen”	the lawful currency of Japan

*Exchange Rate: In this announcement, for reference only and unless otherwise specified, the translation of RMB into HK\$ is based on the exchange rate of RMB1.00 = HK\$1.2263 and Yen into HK\$ is based on the exchange rate of Yen1.00 = HK\$0.09386.*

By Order of the Board  
**Shandong Weigao Group Medical Polymer Company Limited**  
**Chen Xue Li**  
*Chairman*

18 March 2012

Shandong, the PRC

*As at the date of this announcement, the Board comprises:*

Mr. Zhang Hua Wei (*Executive Director*)

Mr. Miao Yan Guo (*Executive Director*)

Mr. Wang Yi (*Executive Director*)

Mr. Wang Zhi Fan (*Executive Director*)

Mr. Wu Chuan Ming (*Executive Director*)

Mr. Chen Xue Li (*Non-executive Director*)

Mrs. Zhou Shu Hua (*Non-executive Director*)

Mr. Li Bing Yung (*Non-executive Director*)

Mrs. Fu Ming Zhong (*Independent non-executive Director*)

Mr. Li Jia Miao (*Independent non-executive Director*)

Mr. Lo Wai Hung (*Independent non-executive Director*)