



ATOS
WELLNESS

ACN 100 531 191

ASX Release

15 February 2012

The Company Announcements Office
ASX Ltd
via electronic lodgement

ATOS WELLNESS LTD AGM CHAIRMAN'S ADDRESS

The 2010/11 year has been a tough one financially for the Company but an extremely busy one for directors – particularly the latter part and continuing on through to the present. While announcements have been made along the way, I thought it would be useful to present a brief summary of just what has been going on and the current status.

- A. As shareholders you will generally be aware that the divestment of the ATOS Wellness Pte Ltd Group ("ATOS Singapore") was approved at the Annual General Meeting of the Company held on 21 April 2011. This left the Company essentially without an operating undertaking and the directors at the time set about finding a suitable business to replace what it had sold.
- B. On 16 August 2011 the Company announced to the market the execution of certain agreements ("AHE Agreements") relating to a transaction with Australian Healthcare Enterprises Pty Ltd ("AHE") and Mega Health Pty Ltd ("Mega Health") to acquire 100% ownership of AHE and the complete business assets of the going concern South Australian Health Distributors.
- C. The Company subsequently became aware of a business acquisition opportunity, Fitgenes Pty Ltd, ("FG") which had the potential to be significantly more valuable for shareholders. It undertook an assessment and commissioned an Independent Expert's Report ("IER"), both of which confirmed this potential. In particular the IER (which included a technical and commercial valuation as well) found that the proposed transaction was both fair and reasonable.
- D. Towards the end of September 2011 Josef Plattner, who has been a stalwart supporter of the Company over many years, retired from the board and I was invited to join it. A month later another long-time friend of the Company, Lloyd Halvorson, retired as executive chair and Ernest Boswarva came on to replace him.
- E. Given the favourable independent assessment of Fitgenes, the Company advised the market on 1 November 2011 that it had signed a Heads of Agreement to acquire 100% ownership of

Fitgenes. At the same time it announced that it had reached agreement in principle for an amicable termination of the AHE Agreements.

- F. On 10 November 2011 ATW confirmed that such amicable termination of the AHE agreements had been completed.
- G. Following a series of communications between the Company and the ASX, the ASX has now ruled that the Fitgenes Transaction will in fact require the Company to re-comply with Chapters 1 and 2 of the Listing Rules of the Australian Securities Exchange.
- H. Notwithstanding this set-back, Fitgenes and the Company have agreed to proceed with this re-compliance process and are jointly putting in place an implementation programme. An early step will be the issue in the near future of an information memorandum to raise the seed money required to fund the programme.
- I. You will be aware from the audited financials that ATW is not in a strong financial position, and in particular does not have a great deal of cash. ATW does, however, own 49% of the company called Medec International Pty Ltd. Medec has been operating at a loss and its business has little relevance to the Fitgenes business. On the other hand, Siva Ananda Rajah ("Raja"), who is a significant shareholder in ATW, owns a business in Singapore which is synergistic with the business of Medec. The opportunity thus presented itself to sell ATW's shareholding in Medec to Raja.
- J. An agreement to give effect to this sale has been now executed, though it is subject to your approval as shareholders, and this will be put to you at an EGM planned for a little later this year.

Your Company is not out of the woods yet. The re-compliance process has introduced an unwelcome delay and an additional cost burden. On the other hand, the Fitgenes business is an excellent one and the process of raising capital from retail and professional investors via a prospectus will ensure that shareholders are clear on the benefits and potential of this business and any confusion with the old Atos activities will be minimised.

I would like to thank my fellow directors, past and present, who have worked tirelessly in very difficult circumstances to salvage as much value as possible for this Company and ultimately for you, its owners.

And I also thank you for your patience, support and forbearance as we navigate these tricky waters.

Conrad Crisafulli
Chairman
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