



ASX MEDIA RELEASE

MEDEC is proceeding to form MEDEC – ATOS group.

17 October 2007 – Perth based wellness and health care company MEDEC Limited [ASX: MAA] has finalised negotiations and due diligence to acquire 100% equity interest in the ATOS Wellness group of Singapore. The acquisition will be carried out in two tranches and payment to the vendors, Mr. Siva Ananda Rajah and Ms Pathma Sivaguru Ayadurai will be mostly against issue of MEDEC fully paid shares.

The issue of MEDEC shares to the vendors will invoke the takeover provisions of the Corporations act and it therefore requires extensive due diligence including independent expert reports and approval of MEDEC shareholders. At the Annual General Meeting of shareholders scheduled for 30th November 2007 MEDEC intends to seek approval for the issue of 97,666,250 MEDEC shares at a price of A\$0.12 cents per share to the vendors of ATOS for 100 % shareholding in ATOS.

Based on the MEDEC due diligence and independent expert reports MEDEC & the vendors have agreed on a valuation of ATOS of S\$15 million and payment will be in MEDEC shares at a price A\$0.12 per share with 50% of the MEDEC shares will be held in escrow for 3 years. The vendors provide a profit guarantee (EBITDA) of an average of S\$2.5 million per year from 1st January 2008 to 30th December 2010. The correlating budgeted annual turnover of ATOS group is S\$14.0 million.

Tranche 1 With effect of 1st December 2007 MEDEC acquires and Siva Ananda Rajah and Pathma Sivaguru Ayadurai each sell 25.25% of ATOS group shares. Payment by MEDEC shall be in 24,658,203 new MEDEC Ltd shares each at a price of A\$0.12 per share. With this transfer of scrip Siva Ananda Rajah plus related parties (Pathma Sivaguru Ayadurai) will have a shareholding in MEDEC shares of approximately 45 %.

Tranche 2 With effect of 31st March 2008 MEDEC shall acquire and Siva Ananda Rajah and Pathma Sivaguru Ayadurai shall sell a further 24.75% ATOS group shares each being the shares remaining of the total of 100% against issue of a further 24,169,922 new MEDEC Ltd shares each at A\$0.12. This will increase the shareholding of Siva Ananda Rajah plus related parties to 60%.

Between the first tranche in November 2007 and the second tranche in March 2008, a group business plan and funding arrangements for the future growths of the merged business will be implemented and an information memorandum will be provided to the shareholders outlining the business model, projected revenue and profitability for the next few years.

Mr Siva Ananda Rajah, the founder of both Body Contours and Atos and Ms Pathma Sivaguru Ayadurai, the managing director of ATOS have also established a strong MEDEC distributorship in the region. A considerable milestone is the establishment of an ATOS MEDEC wellness lounge in a Singapore school. The Body Contours executive team has established a Body Contours wellness lounge at the Singapore international airport and the opening of 3 Body Contours aesthetic clinics with medical doctors.

The advantages of the merger with the ATOS group are:

- High synergy effects with other MEDEC wellness business in Asia, Australia and Europe. The MEDEC – ATOS group will become the largest wellness provider in Singapore and the region employing more than 300 therapists, physiologists and doctors.

MEDEC Limited

22 Letchworth Centre Ave, Salter Point, 6152 Western Australia, ACN 100 531 191
Tel. 8 9450 7411, Fax. 8 9450 7422,



- The Singapore wellness business is a well established profitable business with a 23 years history and strong cash flow. Several new centres and clinics have commenced trading in Singapore, Kuala Lumpur and Perth and the groups Wellness revenue is expected to continue to grow substantially in the near future.
- The Singapore Wellness business has a large existing management team which now has been trained for the roll out of MEDEC products and services in Asia.
- The Singapore wellness business has a well established existing and low cost infrastructure for international management, marketing, administration, training and further research and development.

Accordingly MEDEC plans to move the operating head office to Singapore. Mr. Siva Ananda Rajah has offered to join the MEDEC board once the merger has been approved by the MEDEC shareholders. A Singapore based CFO has already commenced working for the MEDEC group and IT, marketing and product training is transferred to Singapore.

For further information refer to www.atos.com.sg, www.medec.com.au, and www.bodycontours.com.sg

Gordon Getley

Chairman

MEDEC Ltd

+61 (0)8 9450 7411

MEDEC Limited

22 Letchworth Centre Ave, Salter Point, 6152 Western Australia, ACN 100 531 191
Tel. 8 9450 7411, Fax. 8 9450 7422,