

healthzone limited

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ASX/MEDIA RELEASE

Leading Asian Healthcare Company Acquires 14.99% of Healthzone Strategic Alliance to Accelerate Healthzone's International Growth

SYDNEY; 3 August 2010 - Healthzone Limited (ASX:HZL - OTCQX:HLTZY), today announced a strategic alliance with Asia's leading healthcare company Eu Yan Sang International (EYSAN:SP) to accelerate Healthzone's growth in Asia's rapidly expanding wellness sector. Under the strategic alliance:

- **EYS has acquired a 14.99% shareholding in Healthzone for A\$3.6 million, becoming Healthzone's largest single shareholder.** In addition to acquiring 7.3 million Healthzone shares from market at A\$0.30 per share, EYS has acquired 4.6 million shares through Healthzone's recent private placement; the acquired shares have attached warrants to subscribe for additional shares within five years at A\$0.38 per share, enabling EYS to increase its shareholding in Healthzone up to 19.99%.
- **EYS will enter the Australian health, beauty and natural health products market via Healthzone.**
- **Healthzone will expand its Asian operations via EYS' retail manufacturing and distribution network.**
- **EYS will access Healthzone's retail network in China and partner with Healthzone in the expansion of Healthy Life China.**
- **EYS will be entitled to a seat on the Healthzone board.**

EYS was founded in 1879 with a core focus in Traditional Chinese Medicine (TCM) and integrated healthcare; today Eu Yan Sang is a household name across Asia with substantial brand recognition and is recognized as the most trusted brand in the TCM market. The business was listed on the Singapore Exchange in July 2000 as Eu Yan Sang International Limited. The company's revenue in FY2009 was SG\$222.5 million, with EBITDA of SG\$26.1 million and NPAT of SG\$13.1 million.

Mr. Richard Eu (余义明), EYS Group CEO, commented: “Healthzone is a market leader in the mainstream wellness industry. This is a strategic investment for EYS, in line with our vision to become a global integrated healthcare provider.”

“When we were considering this acquisition, we examined Healthzone’s business strategy, business operations and growth plans, as well as its financial performance, and it is clear that its business direction is a good fit with EYS. It will also help us to strengthen our position in the vitamins and dietary supplements market. Our business models complement one another and we are confident that this partnership will yield good results for both companies.”

The strategic alliance provides a range of opportunities to support Healthzone’s recently announced growth plans in the Asian region; it will give Healthzone access to the manufacturing expertise of EYS which operates two GMP¹-certified manufacturing facilities, the EYS retail network of 162 stores and EYS’ extensive distribution network in its core markets of Singapore, Malaysia, Macau and Hong Kong. While EYS has existing distribution channels in Australia for its products, these are largely focused on the Chinese communities in the larger cities. Healthzone’s extensive retail and distribution network will enable EYS to reach the mainstream health product market in Australia and increase interest in traditional Chinese medicine, which is already growing significantly.

Healthzone will be able to provide EYS with a new conduit to market in China through over 1600 Aurinda retail counters and the newly established Healthy Life China operations, which are based on the successful Australian Healthy Life franchise model. The strategic alliance provides for HZL to rapidly expand retail operations and distribution channels, and co-develop new products and brands with EYS in the \$30billion China wellness market growing at 17% per annum.

Mr. Roach, Executive Chairman of Healthzone said: “EYS’ acquisition of a strategic stake in Healthzone will provide us with a significant competitive advantage, as well as the benefits of an unparalleled growth platform in the Asian and Australian regions. The confidence that has driven this strategic move by EYS further reinforces their vision to grow the wellness sector in the region. We are committed to working hard together to leverage our collective expertise and resources to build Healthy Life as the leading wellness retail franchise in China. This will provide a conduit for our respective high margin branded products in a market that is growing rapidly and is much larger than our own markets.”

¹ GMP: Good Manufacturing Practice

Completion of Placement

EYS' investment in Healthzone marks the successful completion of Healthzone's private placement approved by shareholders on 25 February 2010. HZL is pleased to confirm the successful completion of the Placement of 30,000,000 shares at A\$0.30 per share to raise \$9,000,000 before costs. The Placement was oversubscribed with the additional shares and warrants issued within the Company's fifteen percent limit.

The funds raised from the placement will be used to expand Healthzone's gross margin through several initiatives including increased own brand development, accretive business acquisitions and working capital for business and retail expansion in Australia and China. An Appendix 3B and Cleansing Notice has been lodged separately.

Mr. Roach said: "The placement was largely to international investors and, together with the EYS strategic alliance, has expanded Healthzone into a truly global company, in line with our growth strategy. The 55 new shareholders include several institutions, and many are strategic, long-term investors which will add value to Healthzone, contributing expertise, resources and industry relationships. The establishment of the US ADR program is yet another benefit of the international capital raising, as we focus on improving liquidity. Following completion of the placement, we look forward to Healthzone's shares trading at a multiple closer to the sector average."

Healthzone wishes to acknowledge the financing efforts of Monarch Capital Group LLC (USA) and Quam Financial Services Group (Hong Kong) of the Global Alliance Partners and Westminster, a Division Hudson Securities Inc. which were successful in completing the placement.

Further information on Eu Yan Sang: www.euyansang.com

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BACKGROUND NOTES;

Healthzone Limited operates a portfolio of distribution, consumer product and retail businesses in the Wellness sector. Each business provides immediate opportunities for earnings growth through business development and integration. Further information; www.healthzone.com.au

Healthzone's businesses are comprised of three principal activities;

Health and Beauty Distribution

- Healthzone Solutions, Australia's largest national health food distributor, with three warehouse facilities in Sydney, Brisbane and Perth. www.healthzone.com.au/Solution/Home.asp
- Jasham International, Australia's largest parallel market beauty and fragrance product distributor to more than 3,300 pharmacies and department stores in Australia. www.jasham.com.au
- Healthzone International distribution through more than 1,600 outlets in China, North America, Europe and Asia.

Health and Beauty Products

- More than 300 "Healthy Life" products including health foods and beverages which are sold exclusively through Healthy Life stores in Australia with exclusive distribution agreements in place in China.
- More than 65 "HL" vitamin and supplement products which are sold exclusively through Healthy Life stores in Australia with exclusive distribution agreements in place in China. www.healthylife.net.au
- More than 120 "Natural Alternative" products, including food, household and cleaning products. www.naturalalternative.com.au
- The 'Bod' and new BOD ecology products are premium natural beauty products made in Australia. These products are sold in Japan, Hong Kong, Taiwan, Korea, Canada, Europe and New Zealand. These products will be the target of further development of the significant export market potential. The Bod products range is also actively marketed through Healthy Life franchise banner stores in Australia. www.bod.com.au
- The company produces a range of more than 45 supplement and vitamin products under its "Aurinda" brand, which are manufactured in Australia for export sale.
- The Company plans to acquire or develop its portfolio of Wellness products and is exploring opportunities to expand distribution of these products in Australian and international Wellness markets.

Health Retail

- Healthzone is the master franchisor of more than 130 health food retail stores www.healthylife.net.au
- Healthy Life is Australia's largest natural products retail chain.
- Healthy Life China first store now open in Shanghai through China master franchisee. An additional 100 stores are scheduled to be open by end of 2012.
- Healthzone has more than 470,000 registered loyalty club members.
- Healthzone's Healthy Life News magazine has a circulation of more than 6 million copies per annum.