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ASX Limited  
20 Bridge Street  
Sydney NSW 2000

healthzone  
limited

ACN 118 715 772

316 Horsley Road  
Milperra NSW 2214

ASX/MEDIA RELEASE

## HEALTHZONE RETAIL UPDATE

### Healthy Life China open for business

**Australia's leading natural products distributor, franchise retailer and producer of health, beauty and natural products, Healthzone Limited (ASX: HZL. OTCQX: HLTZY)**, today announced the further expansion of its international operations and company owned brands strategy with the opening of the first Healthy Life China store in Shanghai's iconic Jin Mao Tower J-Life shopping Centre. The second store is scheduled to open next week in Asia's largest new shopping centre, the Sun-Moon-Light (SML) Shopping Centre in Shanghai with five further high profile stores scheduled for opening in 2010. The Healthy Life China franchise forecasts up to 100 new stores by the end of 2012.

"Establishing the Healthy Life Franchise in China is another step towards control of the promotion and retailing of Healthzone owned brands and distributed products throughout Australasia. As the leading natural products retailer, brands and distribution business in Australia, Healthzone intends to duplicate this dominant position in Australasia within the next five years through further strategic negotiations currently in progress with additional announcements imminent.", Mr Roach said. To support the strategy Healthzone is advancing the registration of HL Vitamins, Healthy Life Food, Natural Alternative and BOD ranges for the China market and project to have over 100 new SKU's of own brands to be distributed through the Healthy Life China network by the end of 2010. Consistent with the Australian Healthy Life model over 500 high margin own brand products are scheduled for release through the new Healthy Life China retail model.

Peter Roach said, "Healthzone is well positioned for a rapid roll out of Healthy Life stores having successfully operated an established retail business of over 1600 Aurinda retail counters in China over the past 12 years through the experienced local management based in the Healthzone Shanghai office. The Aurinda counters have provided a platform to promote the 45 SKU's of Healthzone owned Aurinda vitamin product's as one of China's most recognised imported nutraceutical brand's. As the largest natural food store franchise and natural products distributors in Australia, it is a logical next step to expand into the Chinese market with our products through the expansion of Healthy Life as a vehicle for up to 2,500 SKU's of both Healthzone owned and higher margin third party distributed products."

The opening of the first Healthy Life China store is a milestone event launching Healthzone's retail business into a wellness market of over \$30 billion annually growing at more than 17% per annum compared to the Australian market of \$2.1 billion growing at 6% per annum. China represents 20% of the World's population with 1.38 billion people growing at a rate of 8.3 million people per annum and Healthzone is now positioned strategically to build retail and grow within this huge wellness market.

## Franchise store acquisition

Healthzone further announces today that it has reached agreement, subject to standard contractual terms being finalised, for the acquisition of a chain of Australian franchise natural products stores.

Chairman Peter Roach said, "The acquired entity has been a large multi store franchisee of Healthy Life and the acquisition will deliver to Healthzone the equivalent in terms of EBIT contribution of an additional 30 Healthy Life stores due to the opportunity to promote more of our higher margin, own branded and distributed products through the stores under Healthzone ownership."

Healthzone owned and operated stores provide a 35% greater average annual revenue than the average franchisee operated stores with more than 65% of COGS sourced from Healthzone owned and distributed brand's compared to 44% of COGS by franchisee stores.

Mr Roach said, "From an operational and strategic brand development perspective it makes sense for Healthzone to own and operate more of its own stores in Australia. Store ownership empowers us to drive our own branded and distributed products in our market which provide up to four times the gross profit of third party products. Integration of the acquisition provides immediate synergies being realised with the closure of the acquired entities administration offices and roll-up of the store management into the already established Healthzone corporate store infrastructure."

The Company confirms that the acquisition is EPS accretive consistent with Healthzone's acquisition principles and is scheduled to complete prior to the 30 July 2010; however the consideration remains commercially sensitive with premature disclosure possibly prejudicing other negotiations in which the Company is presently engaged. The acquisition will be wholly funded from cash reserves with no requirement for a further capital raise.

### Contact Details

#### Healthzone Limited

Peter Roach  
Executive Chairman  
Tel: +612 9772 7100

#### Healthzone Limited

Michael Jenkins,  
Company Secretary  
Tel: +612 9772 7102

#### USA

#### Grayling USA

Investor Relations  
Leslie Wolf-Creutzfeldt  
Tel: +1 646 284 9472

## 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. [www.healthzone.com.au](http://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](http://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](http://www.jasham.com.au)
- Healthzone International distribution through more than 1,600 outlets in China.
- North America, Europe and Asia distribution.

### 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](http://www.healthylife.net.au)
- More than 120 "Natural Alternative" products, including food, household and cleaning products. [www.naturalalternative.com.au](http://www.naturalalternative.com.au)
- The 'Bod' and new BOD ecology products are 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 Healthzone franchise banner stores in Australia. [www.bod.com.au](http://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](http://www.healthylife.net.au)
- Healthy Life China first store now open in Shanghai.
- 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.