UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K/A

CURRENT REPORT
Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported):
August 16, 2010

USANA HEALTH SCIENCES, INC.
(Exact name of registrant as specified in its charter)

Utah
(State or other jurisdiction of incorporation)

0-21116	**87-0500306**
(Commission File No.)	(IRS Employer Identification Number)

3838 West Parkway Boulevard
Salt Lake City, Utah 84120
(Address of principal executive offices, Zip Code)

Registrant's telephone number, including area code: **(801) 954-7100**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

On August 16, 2010, USANA Health Sciences, Inc., a Utah corporation (the "Company") filed a Form 8-K to report that the Company indirectly acquired BabyCare Ltd. ("BabyCare"), a limited liablity company incorporated under the laws of the People's Republic of China. This acquisition was accomplished in the following simultaneous transactions. The Company acquired Pet Lane, Inc., a Delaware corporation ("Pet Lane"), which is the record owner of BabyCare in China. Simultaneously, the Company entered into and closed a share purchase agreement (the "Purchase Agreement"), dated as of August 16, 2010, by and among the Company and the following parties: Pet Lane; Yaolan Ltd., an exempted company organized under the laws of the Cayman Islands ("Yaolan"); and BabyCare Holdings, Ltd., an exempted company organized under the laws of the Cayman Islands ("BabyCare Holdings"). Pursuant to the Purchase Agreement, the Company, through its acquisition entity Pet Lane, acquired all of the issued and outstanding shares of BabyCare Holdings from Yaolan. BabyCare Holdings is the beneficial owner of BabyCare. As a result of its acquisition of Pet Lane and BabyCare Holdings, the Company, indirectly, acquired both record and beneficial ownership of BabyCare.

This Form 8-K/A is being filed to provide the financial statements described under Item 9.01 below.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of Business Acquired.

The unaudited condensed consolidated financial statements of BabyCare Holdings for the six months ended June 30, 2010 and 2009 are filed as Exhibit 99.1 hereto and incorporated herein by reference.

The audited consolidated financial statements of BabyCare Holdings for the years ended December 31, 2009, 2008, and 2007 are filed as Exhibit 99.2 hereto and are incorporated herein by reference.

The audited balance sheets of Pet Lane as of December 31, 2009 and 2008, are filed as Exhibit 99.3 hereto and are incorporated herein by reference.

(b) Pro Forma Financial Information.

The pro forma financial information with respect to the Company's acquisition of BabyCare as of and for the six months ended July 3, 2010 and for the year ended January 2, 2010 is attached hereto as Exhibit 99.4 and is incorporated herein by reference.

(d) Exhibits.

Exhibit No.	Document
23.1	Consent of PricewaterhouseCoopers Zhong Tian CPAs Limited Company, independent accountants
23.2	Consent of Comyns, Smith, McCleary & Deaver, LLP, independent public accounting firm
99.1	Unaudited condensed consolidated financial statements of BabyCare Holdings as of and for the six months ended June 30, 2010 and 2009
99.2	Audited consolidated financial statements of BabyCare Holdings as of and for the years ended December 31, 2009, 2008, and 2007
99.3	Audited balance sheets of Pet Lane as of December 31, 2009 and 2008

99.4	Pro forma financial information with respect to the Company's acquisition of BabyCare as of and for the six months ended July 3, 2010 and for the year ended January 2, 2010

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

USANA HEALTH SCIENCES, INC.

By: /s/ Jeffrey A. Yates

Jeffrey A. Yates, Chief Financial Officer

Dated: October 8, 2010

Exhibit 23.1

Consent of Independent Accountants

The Board of Directors
USANA Health Sciences, Inc.

We consent to the incorporation by reference in the Registration Statements on Form S-8 (File Nos. 333-02934, 333-02860, 333-96645, 333-128103, and 333-133385) of USANA Health Sciences, Inc. of our report dated September 21, 2010, with respect to the financial statements of BabyCare Holdings, Ltd. as of December 31, 2009, 2008 and 2007 which is included in this Form 8-K/A.

/s/ PricewaterhouseCoopers Zhong Tian CPAs Limited Company

Beijing, People's Republic of China
October 6, 2010

Exhibit 23.2

Consent of Independent Public Accounting Firm

The Board of Directors
USANA Health Sciences, Inc.

We consent to the incorporation by reference in the Registration Statements on Form S-8 (File Nos. 333-02934, 333-02860, 333-96645, 333-128103, and 333-133385) of USANA Health Sciences, Inc. of our report dated September 30, 2010, with respect to the balance sheets of Pet Lane, Inc. as of December 31, 2009 and 2008 which is included in this Form 8-K/A.

/s/ Comyns, Smith, McCleary & Deaver, LLP

Lafayette, California
September 30, 2010

Exhibit 99.1

BABYCARE HOLDINGS, LTD.

CONSOLIDATED BALANCE SHEETS
(Amounts expressed in US dollars, except share data)
(Unaudited)

	As at June 30 2010	As at December 31 2009
ASSETS		
Current assets:		
Cash	$ 2,007,193	$ 1,964,612
Term deposits	1,327,199	6,297,414
Accounts receivable, net	99,681	83,447
Inventories	1,325,216	1,216,428
Prepaid expenses and other current assets	526,917	484,195
Total current assets	5,286,206	10,046,096
Rental deposits	155,808	173,377
Restricted cash	3,228,161	3,135,395
Amount due from related parties — non-current	4,558,485	4,331,714
Property and equipment, net	1,575,916	1,728,761
Total assets	$ 14,804,576	$ 19,415,343
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities:		
Accounts payable	$ 352,676	$ 66,635
Accrued expenses and other current liabilities	1,864,526	2,229,361
Total current liabilities	2,217,202	2,295,996
Total liabilities	2,217,202	2,295,996
Shareholder's equity:		
Ordinary shares: par value $1.00; 200,000 shares authorized, 75,472 shares issued and outstanding, respectively	75,472	75,472
Additional paid-in capital	50,009,823	53,896,374
Accumulated other comprehensive income	693,654	825,044
Accumulated deficit	(38,191,575)	(37,677,543)
Total shareholder's equity	12,587,374	17,119,347
Total liabilities and shareholder's equity	$ 14,804,576	$ 19,415,343

BABYCARE HOLDINGS, LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts expressed in US dollars)
(Unaudited)

	Six months ended June 30 2010	Six months ended June 30 2009
Net revenues:		
Product sales	$ 7,014,637	$ 6,383,072
Services	1,021,842	575,152
Total net revenues	8,036,479	6,958,224
Cost of revenues:		
Product	(1,282,436)	(1,451,657)
Services	(142,166)	(141,571)
Total cost of revenues	(1,424,602)	(1,593,228)

Gross profit	6,611,877	5,364,996
Operating expenses:		
Selling expenses	(5,554,636)	(5,737,645)
General and administrative expenses	(1,618,880)	(1,611,788)
Loss from operations	(561,639)	(1,984,437)
Other income and expenses:		
Interest income	47,804	99,935
Interest expense	(197)	(173,261)
Other gains	—	654,986
Net loss	$ (514,032)	$ (1,402,777)

BABYCARE HOLDINGS, LTD.

CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY AND COMPREHENSIVE LOSS
(Amounts expressed in US dollars, except number of shares)
(Unaudited)

	Ordinary shares		Additional paid-in capital	Accumulated other comprehensive income	Accumulated deficit	Total	Comprehensive loss
	Shares	Amount					
Balance as of December 31, 2008	75,472	$ 75,472	$ 53,135,715	$ 816,333	$ (34,140,328)	$ 19,887,192	
Net loss	—	—	—	—	(1,402,777)	(1,402,777)	(1,402,777)
Foreign currency translation adjustments	—	—	—	68,775	—	68,775	68,775
Comprehensive loss							(1,334,002)
Shareholder's interest expense allocation	—	—	172,940	—	—	172,940	
Share-based compensation	—	—	230,982	—	—	230,982	
Balance as of June 30, 2009	75,472	$ 75,472	53,539,637	885,108	(35,543,105)	18,957,112	
Balance as of December 31, 2009	75,472	$ 75,472	$ 53,896,374	$ 825,044	$ (37,677,543)	$ 17,119,347	
Net loss	—	—	—	—	(514,032)	(514,032)	(514,032)
Foreign currency translation adjustments	—	—	—	(131,390)	—	(131,390)	(131,390)
Comprehensive loss							(645,422)
Distribution to shareholder	—	—	(4,001,000)	—	—	(4,001,000)	
Share-based compensation	—	—	114,449	—	—	114,449	
Balance as of June 30, 2010	75,472	75,472	50,009,823	693,654	(38,191,575)	12,587,374	

BABYCARE HOLDINGS, LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts expressed in US dollars)
(Unaudited)

	Six months ended June 30	
	2010	2009
Cash flows from operating activities:		
Net loss	(514,032)	(1,402,777)

Adjustments to reconcile net loss to net cash used in operating activities:		
Accrued interest on restricted cash	(70,789)	(45,277)
Losses on disposals of property and equipment	—	21,853
Depreciation and amortization	250,251	262,522
Share-based compensation	114,449	230,982
Shareholder’s interest expense allocation	—	172,940
Changes in operating assets and liabilities:		
Accounts receivable	(15,602)	(47,568)
Inventories	(100,010)	233,274
Prepaid expenses and other current assets	(39,231)	(394,252)
Amount due from related parties	(196,069)	(490,117)
Rental deposits	18,706	(36,440)
Accounts payable	284,591	(114,276)
Accrued expenses and other current liabilities	(378,974)	(544,934)
Net cash used in operating activities	(646,710)	(2,154,070)
Cash flows from investing activities:		
Term deposits	4,970,215	117,075
Purchases of property and equipment	(97,406)	(326,604)
Proceeds from disposal of property and equipment	—	917
Net cash provided by/(used in) investing activities	4,872,809	(208,612)
Cash flows from financing activities:		
Distribution to shareholder	(4,001,000)	—
Net cash provided by financing activities	(4,001,000)	—
Effect of exchange rate changes on cash	(182,518)	11,715
Net (decrease)/increase in cash	42,581	(2,350,967)
Cash at beginning of period	1,964,612	3,865,859
Cash at end of period	2,007,193	1,514,892

BABYCARE HOLDINGS, LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Description of Business

Babycare Holdings, Ltd. (the “Company”) is incorporated in the Cayman Islands as a holding company. The sole shareholder of the Company is Yaolan Ltd. (“Yaolan”), a company incorporated in Cayman Islands. The Company and its variable interest entities (“VIEs”) (collectively referred to as the “Group”) are principally engaged in developing and providing pre-natal, infant and toddler care related products and related educational services in the People’s Republic of China (the “PRC”).

As discussed in more detail in Note 10, on 16 August 2010, USANA Health Sciences, Inc. (“USANA”) acquired 100% of the equity interests in the Company from Yaolan.

2. Principles of consolidation

The Group’s consolidated financial statements include the financial statements of Babycare Holdings, Ltd and its VIEs. All transactions and balances among the Company and VIEs have been eliminated upon consolidation.

3. Basis of presentation

The balance sheet as of December 31, 2009, derived from audited financial statements, and the unaudited interim consolidated financial statements as of June 30, 2010 and 2009 of the Group have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”). Certain information and footnote disclosures that are normally included in financial statements that have been prepared in accordance with US GAAP have been condensed or omitted. In the opinion of management, the accompanying interim consolidated financial information reflects all adjustments, including normal recurring adjustments management considers necessary to present fairly the Group’s financial position as of June 30, 2010 and results of operations for the six months ended June 30, 2009 and 2010. These financial statements should be read in conjunction with the Company’s audited consolidated financial statements and notes thereto for the year ended December 31, 2009. The results for the interim periods are not necessarily indicative of the results for the entire year.

4. ***Recent accounting pronouncements***

In June 2009, the Financial Accounting Standards Board ("FASB") issued FAS 167: Amendments to FASB Interpretation No. 46(R) which amended the consolidation accounting guidance. This guidance requires that companies qualitatively assess the determination of the Company being the primary beneficiary ("consolidator") of a variable interest entity ("VIE") on whether the Company (1) has the power to direct matters that most significantly impact the activities of the VIE, and (2) has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. It also requires an ongoing reconsideration of the primary beneficiary and amends events that trigger a reassessment of whether an entity qualifies as a VIE. The new model is applicable to all new and existing VIEs and is effective for periods beginning after November 15, 2009.
The Company adopted FAS 167 on January 1, 2010, and its application had no impact on the Company's consolidated financial statements.

Recent accounting pronouncements - continued

In October 2009, the FASB issued Accounting Standards Update No. 2009-13, Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements — a consensus of the FASB Emerging Issues Task Force ("ASU 2009-13"). ASU 2009-13 addresses the accounting for sales arrangements that include multiple products or services by revising the criteria for when deliverables may be accounted for separately rather than as a combined unit. Specifically, this guidance establishes a selling price hierarchy for determining the selling price of a deliverable, which is necessary to separately account for each product or service. This hierarchy provides more options for establishing selling price than existing guidance. ASU 2009-13 is required to be applied prospectively to new or materially modified revenue arrangements in fiscal years beginning on or after June 15, 2010. The Group adopted ASU 2009-13 during the interim period ended June 30, 2010, and its application had no impact on the Group's consolidated financial statements.

5. ***Fair value of financial instruments***

Financial instruments include cash, term deposits, accounts receivable, restricted cash, accounts payable, accrued expenses and other current liabilities and amounts due from and to related parties. As of June 30, 2010, except for restricted cash, which is determined based on the principal plus interest accrual, the carrying values of these financial instruments approximate their fair values due to their short-term maturities.

Assets measured at fair value on a recurring basis are summarized below:

		Fair value measurement at reporting date using		
	As at June 30, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Term deposits	$ 1,327,199	—	$ 1,327,199	—

		Fair value measurement at reporting date using		
	As at December 31, 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Term deposits	$ 6,297,414	—	$ 6,297,414	—

Term deposits:

The fair values of term deposits placed with banks are determined based on the pervasive interest rates in the market, which are also the interest rates as stated in the contracts with the banks. The Group classifies the valuation techniques that use the pervasive interest rates input as Level 2.

6. *Inventories*

Inventories by major class consist of the following

	As at June 30, 2010	As at December 31, 2009
Raw materials	$ 679,660	$ 477,926
Finished goods	645,556	738,502
Total inventories	$ 1,325,216	$ 1,216,428

7. *Property and equipment, net*

Property and equipment consist of the following:

	As at June 30, 2010	As at December 31, 2009
Machinery	$ 1,188,304	$ 1,169,153
Furniture and office equipment	959,780	996,876
Application software	441,236	412,769
Leasehold improvements	2,594,770	2,589,777
Construction in progress	74,618	—
Total property and equipment	5,258,708	5,168,575
Less: accumulated depreciation and amortization	(3,682,792)	(3,439,814)
Total property and equipment, net	$ 1,575,916	$ 1,728,761

8. *Accrued expenses and other current liabilities*

	As at June 30, 2010	As at December 31, 2009
Accrued payroll and welfare	$ 121,187	$ 186,693
Accrued expenses	588,338	566,372
Accrued business and valued added taxes	190,638	240,125
Deferred revenue	479,895	750,432
Other current liabilities	484,468	485,739
Total accrued expenses and other current liabilities	$ 1,864,526	$ 2,229,361

Other current liabilities represent payables for social insurance fees withheld from employees' payroll, sales commissions, and others.

9. *Related Party Transactions*

Related party balances consist of the following:

	As at	
	June 30, 2010	December 31, 2009
Due from related parties - non-current		
Beijing Century Yaolan Network Technology Co. ("Century Yaolan") (i)	$ 4,558,485	$ 4,331,714
	$ 4,558,485	$ 4,331,714

The transactions with related parties included:

(i) Transactions with Century Yaolan

Through a financing agreement, an equity purchase agreement and a service support agreement, Yaolan has obtained the economic controlling interest over and is the primary beneficiary of Century Yaolan. The transactions between the Company and Century Yaolan mainly include advances and providing support services:

	2010	2009
Advances to Century Yaolan	$ 176,349	$ 761,623
Revenue for services from Century Yaolan	$ 19,704	$ 59,917

On August 12, 2010, the Company decided to settle a sum of $5,050,000 to Yaolan, of which $4,000,000 was paid in April 2010, and recorded as a distribution, with the remaining $1,050,000 paid in September 2010.

10. Subsequent events

On August 16, 2010, USANA Health Sciences, Inc. ("USANA") acquired 100% of the equity interests in the Company from Yaolan at a consideration of $62.7 million. The consideration consisted of $45 million in cash with the remaining settled by 400,000 shares of USANA common stock.

In accordance with ASC 855, the Company has performed an evaluation of subsequent events through October 7, 2010, which is the date on which these financial statements were available to be issued, with no other events or transactions needed to be recognized or disclosed.

Exhibit 99.2

BABYCARE HOLDINGS, LTD.

Consolidated Financial Statements
and Report of Independent Auditors
For the years ended December 31, 2009, 2008 and 2007

BABYCARE HOLDINGS, LTD.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT AUDITORS

TO THE BOARD OF DIRECTORS AND SHAREHOLDER OF
BABYCARE HOLDINGS, LTD.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, shareholder's equity and comprehensive loss, and cash flows present fairly, in all material respects, the financial position of Babycare Holdings, Ltd. (the "Company") and its subsidiaries at December 31, 2009, 2008 and 2007, and the results of their operations and their cash flows for each of the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers Zhong Tian CPAs Limited Company

Beijing, the People's Republic of China

September 21, 2010

BABYCARE HOLDINGS, LTD.

CONSOLIDATED BALANCE SHEETS
(Amounts expressed in US dollars, except share data)

	Note	As at December 31 2009	2008	2007
ASSETS				
Current assets:				
Cash		$ 1,964,612	$ 3,865,859	$ 3,352,191

	Note			
Term deposits		6,297,414	8,486,232	—
Accounts receivable, net		83,447	3,300	29,279
Inventories	3	1,216,428	1,553,209	928,943
Prepaid expenses and other current assets		484,195	459,191	356,982
Amount due from related parties - current	8	—	—	3,000,000
Total current assets		10,046,096	14,367,791	7,667,395
Rental deposits		173,377	128,766	127,326
Restricted cash		3,135,395	3,007,930	2,738,001
Amount due from related parties — non-current	8	4,331,714	3,518,899	1,840,446
Property and equipment, net	4	1,728,761	1,716,957	2,043,570
Total assets		$ 19,415,343	$ 22,740,343	$ 14,416,738
LIABILITIES AND SHAREHOLDER'S EQUITY				
Current liabilities:				
Accounts payable		$ 66,635	$ 208,410	$ 60,718
Accrued expenses and other current liabilities	5	2,229,361	2,644,741	2,541,883
Amount due to related parties - current	8	—	—	3,358,864
Total current liabilities		2,295,996	2,853,151	5,961,465
Total liabilities		$ 2,295,996	$ 2,853,151	$ 5,961,465
Commitments and contingencies	9	—	—	—
Shareholder's equity:				
Ordinary shares : par value $1.00; 200,000 shares authorized, 75,472 shares issued and outstanding as of December 31, 2009, 2008 and 2007, respectively		75,472	75,472	75,472
Additional paid-in capital		53,896,374	53,135,715	37,229,004
Accumulated other comprehensive income		825,044	816,333	260,231
Accumulated deficit		(37,677,543)	(34,140,328)	(29,109,434)
Total shareholder's equity		$ 17,119,347	$ 19,887,192	$ 8,455,273
Total liabilities and shareholder's equity		$ 19,415,343	$ 22,740,343	$ 14,416,738

The accompanying notes are an integral part of these consolidated financial statements.

BABYCARE HOLDINGS, LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts expressed in US dollars)

	Year ended December 31		
	2009	2008	2007
Net revenues:			
Product sales	$ 13,006,695	$ 11,983,617	$ 9,740,982
Services	1,406,333	1,346,572	965,865
Total net revenues	14,413,028	13,330,189	10,706,847
Cost of revenues:			
Product	(2,813,470)	(2,780,445)	(3,026,070)
Services	(283,221)	(249,651)	(181,426)
Total cost of revenues	(3,096,691)	(3,030,096)	(3,207,496)
Gross profit	11,316,337	10,300,093	7,499,351
Operating expenses:			
Selling expenses	(12,065,487)	(11,364,181)	(9,025,727)
General and administrative expenses	(3,484,342)	(3,507,073)	(2,366,357)
Losses on disposals of property and equipment	(21,853)	(13,297)	(11,185)
Loss from operations	(4,255,345)	(4,584,458)	(3,903,918)
Other income and expenses:			
Interest income	329,370	296,519	90,145
Interest expense	(298,694)	(1,080,184)	(152,355)
Other gains	687,454	337,229	—
Net loss	$ (3,537,215)	$ (5,030,894)	$ (3,966,128)

The accompanying notes are an integral part of these consolidated financial statements.

BABYCARE HOLDINGS, LTD.

CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY AND COMPREHENSIVE LOSS
(Amounts expressed in US dollars, except number of shares)

	Ordinary shares		Additional paid-in capital	Accumulated other comprehensive income	Accumulated deficit	Total	Comprehensive loss
	Shares	Amount					
Balance as of January 1, 2007	75,472	$ 75,472	$ 32,521,169	$ 60,289	$ (25,143,306)	$ 7,513,624	
Net loss	—	—	—	—	(3,966,128)	(3,966,128)	(3,966,128)
Foreign currency translation adjustments	—	—	—	199,942	—	199,942	199,942
Comprehensive loss							(3,766,186)
Contribution from shareholder (Note 8(iii))	—	—	4,235,848	—	—	4,235,848	
Shareholder's interest expense allocation (Note 8(iii))	—	—	152,355	—	—	152,355	
Share-based compensation (Note 7)	—	—	319,632	—	—	319,632	
Balance as of December 31, 2007	75,472	$ 75,472	$ 37,229,004	$ 260,231	$ (29,109,434)	$ 8,455,273	
Net loss	—	—	—	—	(5,030,894)	(5,030,894)	(5,030,894)
Foreign currency translation adjustments	—	—	—	556,102	—	556,102	556,102
Comprehensive loss							(4,474,792)
Contribution from shareholder (Note 8(iii))	—	—	17,514,152	—	—	17,514,152	
Distribution to shareholder	—	—	(3,151,519)	—	—	(3,151,519)	
Shareholder's interest expense allocation (Note 8(iii))	—	—	1,080,184	—	—	1,080,184	
Share-based compensation (Note 7)	—	—	463,894	—	—	463,894	
Balance as of December 31, 2008	75,472	$ 75,472	$ 53,135,715	$ 816,333	$ (34,140,328)	$ 19,887,192	
Net loss	—	—	—	—	(3,537,215)	(3,537,215)	(3,537,215)
Foreign currency translation adjustments	—	—	—	8,711	—	8,711	8,711
Comprehensive loss							(3,528,504)
Shareholder's interest expense allocation (Note 8(iii))	—	—	298,694	—	—	298,694	
Share-based compensation (Note 7)	—	—	461,965	—	—	461,965	
Balance as of December 31, 2009	75,472	$ 75,472	$ 53,896,374	$ 825,044	$ (37,677,543)	$ 17,119,347	

The accompanying notes are an integral part of these consolidated financial statements.

BABYCARE HOLDINGS, LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts expressed in US dollars)

	Note	Year ended December 31 2009	2008	2007
Cash flows from operating activities:				
Net loss		$ (3,537,215)	$ (5,030,894)	$ (3,966,128)
Adjustments to reconcile net loss to net cash used in operating activities:				
Accrued interest on restricted cash		(124,645)	(81,643)	—
Other gains		—	(337,229)	—
Losses on disposals of property and equipment		21,853	13,297	11,185
Depreciation and amortization	4	531,346	559,686	525,456
Share-based compensation		461,965	463,894	319,632
Shareholder's interest expense allocation		298,694	1,080,184	152,355

Changes in operating assets and liabilities:			
Accounts receivable	(80,069)	27,992	(26,141)
Inventories	337,920	(560,385)	758,063
Prepaid expenses and other current assets	(24,551)	(77,660)	(160,209)
Amount due from related parties	(808,759)	(1,527,198)	(771,271)
Rental deposits	(44,449)	7,316	(12,062)
Accounts payable	(141,837)	143,517	(34,130)
Accrued expenses and other current liabilities	(417,468)	(71,942)	678,639
Net cash used in operating activities	(3,527,215)	(5,391,065)	(2,524,611)
Cash flows from investing activities:			
Term deposits	2,188,818	(8,486,232)	—
Purchases of property and equipment	(564,379)	(231,900)	(229,980)
Proceeds from disposal of property and equipment	917	—	—
Net cash provided by/(used in) investing activities	1,625,356	(8,718,132)	(229,980)
Cash flows from financing activities:			
Contribution from shareholder	—	17,514,152	4,235,848
Distribution to shareholder	—	(3,151,519)	—
Net cash provided by financing activities	—	14,362,633	4,235,848
Effect of exchange rate changes on cash	612	260,232	155,639
Net (decrease)/increase in cash	(1,901,247)	513,668	1,636,896
Cash at beginning of year	3,865,859	3,352,191	1,715,295
Cash at end of year	$ 1,964,612	$ 3,865,859	$ 3,352,191

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in US dollars, or otherwise noted)

1. DESCRIPTION OF BUSINESS

On November 21, 1997, Babycare Holdings, Ltd. (the "Company") was incorporated in Cayman Islands as a holding company. The sole shareholder of the Company is Yaolan Ltd. ("Yaolan"), a company incorporated in Cayman Islands. The Company and its variable interest entities ("VIEs") (collectively referred to as the "Group") are principally engaged in developing and providing pre-natal, infant and toddler care related products and related educational services in the People's Republic of China (the "PRC").

The percentage of ownership in all of the Company's VIEs in 2009, 2008 and 2007 are as follows:

Company Name	Incorporation or acquisition date / place	Legal owner	Company legal ownership %	Principal activity
BabyCare Ltd. ("BabyCare")	January 11, 1999 The PRC	Pet Lane Inc. ("Pet Lane")	—	Providing infant products and educational service
Beijing ScitechCare Trading Co.,Ltd. ("Saibaokang")	December 18, 1998 The PRC	Employees: Wang Ya Wen & Mo Ya Nan ("nominee owners")	—	Dormant, liquidated in February 2009

1. **DESCRIPTION OF BUSINESS - continued**

Due to the restrictions under the PRC law on foreign investments in certain business activities, the Group operates its businesses through a series of contractual agreements with the VIEs and their shareholder/nominee owners.

(a) BabyCare was initially established by the Company in January 1999. In April 2006, Yaolan, Pet Lane and the Company entered into an equity transfer agreement, a trust agreement, and a management service agreement such that (i) the Company sold all the equities of BabyCare to Pet Lane for a consideration of $5,500,000; (ii) Pet Lane held the equity of BabyCare as trustee on behalf of Yaolan; and (iii) Pet Lane authorized the Company to perform all functions as Babycare's equity holder.

Through the above contractual agreements, Yaolan obtained the economic controlling interest over and was the primary beneficiary of BabyCare. Subsequently, on August 4, 2010, Yaolan agreed to assign all its rights and interests in the trust agreement to the Company, and the Company became the primary beneficiary of BabyCare.

The Direct Sales Ordinance of the PRC, effective since December 1, 2005, requires the foreign shareholder of a direct sales company to have at least three years experience of conducting direct sales businesses outside of the PRC. After Petlane became the legal shareholder of BabyCare, BabyCare started the application for a direct sales license in 2007, and obtained this license from the Ministry of Commerce of China in November 2009.

(b) The registered capital for Saibaokang was funded by the Company through loans provided to the nominee owners. Additionally, the Company and the nominee owners of Saibaokang entered into equity purchase agreements which require transfer of the nominee owners' interest in Saibaokang to the Company, if permitted by PRC laws and regulations, or, if not so permitted, to designees of the Company at any time to repay the loans outstanding. All voting rights of Saibaokang are also assigned to the Company, and the Company has the right to designate all of its directors and senior management personnel. The nominee owners have pledged their shares as collateral for the loans.

Through the above contractual agreements, the Company has obtained the economic controlling interest over and is the primary beneficiary of Saibaokang.

The change of primary beneficiary of BabyCare as described in (a) above has been accounted for as a reorganization of business under common control in a manner similar to a pooling of interests. The financial positions and results of operations of BabyCare and Saibaokang have been consolidated in the Group's consolidated financial statements pursuant to the provisions of the accounting guidance for consolidation of VIEs.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

(a) Principles of consolidation

The Group's consolidated financial statements include the financial statements of Babycare Holdings, Ltd and its VIEs. All transactions and balances among the Company and VIEs have been eliminated upon consolidation.

(b) Basis of presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

The Group's consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and liquidation of liabilities during the normal course of operations. The Group has been operating at losses during 2007, 2008 and 2009 as the Group was developing its national sales and distribution network and has not achieved the desired level of economies of scale in reducing selling costs and in increasing sales and operating cash flows. The Group's net cash used in operating activities amounted to $3,527,215 for the year ended December 31, 2009. Further, the Group has accumulated a deficit of $37,677,543 as of December 31, 2009 and realized a net loss of $3,537,215 for the year ended December 31, 2009. The Group's ability to continue as a going concern is dependent upon management's ability to successfully execute its business plan, which includes the development of its sales and distribution network and to reduce selling costs and increase sales and operating cash flows as a result of having obtained the direct sales license in November 2009. Subsequently on 16 August 2010, the Group was acquired by USANA Health Sciences, Inc. ("USANA"), and USANA has confirmed to provide financial support to the Group, up to $ 2,000,000 in the period ending October 31, 2011, to enable the Group to meet its financial obligations. The accompanying consolidated financial statements have been prepared on the basis that the Group will be able to continue as a going concern basis for a reasonable period of time. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that might result from the outcome of this uncertainty.

The Group's consolidated statements of operations include allocations of interest expenses incurred by Yaolan for its issuance of convertible promissory notes. Such expenses have been allocated to the Group based on the percentage of the total assets of the Group to the total assets of the entities under Yaolan's control. Total interest expense allocated from Yaolan to the Group was $298,694, $1,080,184, and $152,355 for the years ended December 31, 2009, 2008 and 2007, respectively. While the expenses allocated to the Group for these items are not necessarily indicative of the expenses that the Group would have incurred if the Group had been a separate, independent entity during the years presented, management believes that the foregoing presents a reasonable basis of estimating what the Group's expenses would have been on a historical basis. Interest expense allocated from Yaolan is recorded as a capital contribution.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(c) Use of estimates

The preparation of the consolidated financial statements, in conformity with US GAAP, requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives of property and equipment, allowances for doubtful accounts, impairment of long-lived assets, share-based compensation, inventories valuations, allowance for deferred income tax assets, and fair value of financial and equity instruments.

(d) Financial Accounting Standards Board ("FASB") Accounting Standards Codification

In June 2009, the FASB established the FASB Accounting Standards Codification (the "Codification") as the single source of authoritative US GAAP recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the United States Securities and Exchange Commission ("SEC") under authority of federal securities laws are also sources of authoritative US GAAP for SEC registrants. The Codification had no impact on the Group's consolidated financial statements upon adoption. Accordingly, the Group's notes to its consolidated financial statements now explain accounting concepts in plain English rather than cite the specific US GAAP references.

(e) Cash, term deposits and restricted cash

Cash and cash equivalents consist of cash on hand, demand deposits and highly liquid investments which are unrestricted as to withdrawal or use, and which have original maturities of three months or less.

Term deposits as of December 31, 2009 and 2008 were held at a PRC bank maturing in one year. The fixed interest rates range from 2.25% to 2.52% and from 2.52% to 4.14% per annum during the years ended December 31, 2009 and 2008 respectively.

Restricted cash as of December 31, 2009, 2008 and 2007 was $3,135,395, $3,007,930 and $2,738,001, respectively, representing a long-term deposit of RMB20,000,000, RMB20,000,000 and RMB20,000,000 and corresponding accrued interest. The deposit, which is held at a PRC bank, is required by the rules of the Ministry of Commerce and the State of Administration for Industry & Commerce of the PRC for BabyCare's application for a direct sales license, and will continue to be restricted during the periods when Babycare holds that license.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(f) Fair value of financial instruments

Financial instruments include cash, term deposits, accounts receivable, restricted cash, accounts payable, accrued expenses and other current liabilities and amounts due from and to related parties. As of December 31, 2009, 2008 and 2007, except for restricted cash, which is determined based on the principal plus interest accrual, the carrying values of these financial instruments approximate their fair values due to their short-term maturities.

(Amounts expressed in US dollars, or otherwise noted)

On January 1, 2008, the Group adopted the guidance on fair value measurements and disclosures. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It establishes a hierarchy for inputs used in measuring fair value that gives the highest priority to observable inputs and the lowest priority to unobservable inputs. Valuation techniques used to measure fair value shall maximize the use of observable inputs.

· Level 1 — Valuations based on quoted prices in active markets for identical assets or liabilities that are readily accessible.

· Level 2 — Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.

· Level 3 — Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

When available, the Group uses quoted market prices to determine the fair value of an asset or liability. If quoted market prices are not available, the Group will measure fair value using valuation techniques that use, when possible, current market-based or independently sourced market parameters, such as interest rates and currency rates. The following is a description of the valuation techniques that the Group uses to measure the fair value of assets and liabilities that the Group measured and reported on its consolidated balance sheet at fair value on a recurring basis.

Term deposits:

The fair values of term deposits placed with banks are determined based on the pervasive interest rates in the market, which are also the interest rates as stated in the contracts with the banks. The Group classifies the valuation techniques that use the pervasive interest rates input as Level 2.

The Group's initial adoption of the fair value measurements and disclosures guidance was limited to its fair value measures of financial assets and financial liabilities. At January 1, 2009, the Group adopted the guidance to its remaining fair value measurements. The implementation of the fair value measurement guidance did not result in any material changes to the carrying values of the Group's assets and liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(f) Fair value of financial instruments - continued

Assets measured at fair value on a recurring basis are summarized below:

		Fair value measurement at reporting date using		
	As at December 31, 2009	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets				
Term deposits	$ 6,297,414	—	$ 6,297,414	—
Total assets	$ 6,297,414	—	$ 6,297,414	—

		Fair value measurement at reporting date using		
	As at December 31, 2008	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets				
Term deposits	$ 8,486,232	—	$ 8,486,232	—
Total assets	$ 8,486,232	—	$ 8,486,232	—

(g) Inventories

Inventories are stated at the lower of cost or market value. Cost is determined using the weighted-average method. Finished goods include direct materials, direct labor and related manufacturing overhead based on normal operating capacity. During the years 2009, 2008 and 2007, the Group did not record any impairment losses or write-down of the carrying amount of inventories.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(h) Property and equipment

Property and equipment are stated at historical cost. Depreciation and amortization is provided on the straight-line basis (after taking into consideration of any estimated residual value of 10%) over the following estimated useful lives:

Machinery	10 years
Furniture and office equipment	5 years
Application software	5 to 10 years
Leasehold improvements	the shorter of the lease term or estimated useful life of the asset

Depreciation and amortization of property and equipment attributable to manufacturing activities is capitalized and recognized as part of cost of revenues when the inventory is sold.

(i) Impairment of long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in the circumstances indicate that the carrying value of an asset may not be recoverable. Impairment is determined to exist if the estimated future undiscounted cash flows are less than the carrying value. The amount of any impairment then recognized would be calculated as the difference between estimated fair value and the carrying value of the asset. Management estimates fair value based on estimated future discounted cash flows associated with the related asset group. As such, the fair value calculation requires the estimation of future sales growth, effects on cost control, disposal value (if any), etc. with possible variations in the amount and timing of those future cash flows.

No impairment of long-lived assets was recognized for any of the periods presented. If management's aforementioned estimates are revised, an impairment charge may need to be recognized.

(j) Deferred revenue

Payments received in advance of service are recorded as deferred revenue until earned and when the relevant revenue recognition requirements have been met.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(k) Foreign currency transactions

The accompanying consolidated financial statements have been expressed in the US dollars. The functional currency of the Company is the US dollar since it is the currency in which the Company primarily generates and expends cash, whereas the functional currency of the consolidated VIEs in the PRC is the Renminbi ("RMB").

Transactions denominated in foreign currencies are converted into the functional currency at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted into the functional currency using the applicable exchange rates at the balance sheet dates. The resulting foreign exchange gains or losses are recorded as general and administrative expenses in the consolidated statements of operations.

Assets and liabilities in functional currencies other than the US dollar are translated into the US dollar, using the exchange rate at each balance sheet date. Revenues and expenses are translated into the US dollar at average rates prevailing during the reporting period. Gains and losses resulting from such translations are recorded as a separate component of accumulated other comprehensive income/(loss) within shareholder's equity.

(l) ***Foreign currency risk***

The RMB is not a freely convertible currency. The State Administration for Foreign Exchange of the PRC, under the authority of The People's Bank of China, controls the conversion of RMB into foreign currencies. The value of the RMB is subject to changes in central government policies and to international economic and political developments affecting supply and demand in the China Foreign Exchange Trading System market. Cash of the Group included aggregate amounts of $1,329,054, $2,033,869 and $2,272,255 at December 31, 2009, 2008 and 2007, and term deposits included aggregate amounts of $6,297,414 and $8,486,232 at December 31, 2009 and 2008 which were denominated in RMB.

(m) ***Revenue recognition***

Revenue is recognized when persuasive evidence of an arrangement exists, delivery of the product has occurred or the service has been rendered, the fee is fixed or determinable and collectability is reasonably assured.

For the sales of products, delivery of the product occurs at the point in time the product is received by the customer which is the point when risk and title are transferred. The Group offers a seven-day return policy on certain products and maintains an allowance for sales returns based on historical experience, which has been immaterial.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(m) ***Revenue recognition*** - continued

Service revenues are derived primarily from preschool playgroup classes. Preschool play group classes are provided to customers at the Group's retail training facilities and are recognized over the course period.

In the PRC, value added tax ("VAT") at a general rate of 17% on product sales invoice amount is collected on behalf of tax authorities. Product sales revenue is recorded net of VAT. VAT collected from customers, net of VAT paid for purchases, is recorded as a liability in the consolidated balance sheets until paid to the tax authorities.

Service revenue is recorded net of business taxes and related fees when incurred. The Group is subject to business taxes of approximately 5% on taxable services provided to its customers. During the years ended December 31, 2009, 2008 and 2007, business taxes related to service revenue totaled $88,980, $68,189 and $60,132, respectively.

(n) ***Advertising***

Advertising costs are charged to expenses as incurred. Advertising expense totaled $725,490, $562,074 and $379,891 in the years ended December 31, 2009, 2008 and 2007 respectively. Such expenses are recorded in selling expenses.

(o) ***Selling expenses***

Selling expenses mainly include commissions paid to the sales agents, wages and benefits for sales department, advertising and marketing expenses, as well as rents and utilities for stores in different cities.

(p) ***General and administrative expenses***

General and administrative expenses mainly include wages and benefits for other departments, depreciation and amortization, rents and utilities for office buildings, professional fees, and research and development expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(q) ***Income taxes***

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and any operating loss and tax credit carryforward. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the periods in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rate is recognized in operations in the period that includes the enactment date or date of change in tax status. A valuation allowance is provided to reduce the carrying amount of deferred tax assets if it is considered more likely than not that some portion, or all, of the deferred tax assets will not be realized.

The Group adopted the guidance on accounting for uncertainty in income taxes for the year ended December 31, 2009. The guidance prescribes a more likely than not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Guidance was also provided on derecognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods, and income tax disclosures. The Group did not have any interest and penalties associated with tax positions nor any significant unrecognized uncertain tax positions as of December 31, 2009.

(r) Share-based payments

Effective January 1, 2006, the Group adopted the fair value recognition provisions of the accounting guidance on share-based payment which requires that share-based payment transactions with employees be measured based on the grant-date fair value of the equity instrument issued and recognized as compensation expense over the requisite service period. The Group recognizes stock-based compensation costs on a straight-line basis over the requisite service period during which an employee is required to provide service in exchange for the award, which generally is the vesting period.

The Group accounts for share-based compensation awards issued to non-employees in accordance with the provisions of the accounting guidance "Equity — Equity-Based Payments to Non-Employees". The Group uses the Black-Scholes Option Pricing Model method to measure the value of options granted to non-employees at the earlier of the commitment date or the date at which the non-employee's performance is complete. Prior to the measurement date, non-employee share-based compensation is remeasured at its fair value at each financial reporting date with any changes in the fair value recorded in the consolidated statements of operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(s) Mainland China Contribution Plan

Full time employees of the Group in the PRC participate in a government-mandated multi-employer defined contribution plan pursuant to which certain pension benefits, medical care, unemployment insurance, employee housing fund and other welfare benefits are provided to employees. Chinese labor regulations require the Group to accrue for these benefits based on certain percentages of the employees' salaries. The total provisions recognized in the consolidated statement of operations for such employee benefits were $1,374,348, $1,180,527 and $914,589 for the years ended December 31, 2009, 2008 and 2007, respectively. The provisions are recorded in cost of revenues, selling expenses or general and administrative expenses depending on the functions of the departments in which employees work.

(t) Comprehensive income/(loss)

Comprehensive income/(loss) is defined as the change in equity of the Group during a period from transactions and other events and circumstances excluding those resulting from investments by shareholder and distributions to shareholder. The Group has recognized the translation adjustments as other comprehensive income/(loss) in the consolidated statements of shareholder's equity and comprehensive loss.

(u) Contingencies

In the normal course of business, the Group is subject to loss contingencies, such as legal proceedings and claims arising out of the business that cover a wide range of matters, including, among others, product liability and tax matters. The Group records accruals for such loss contingencies when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. Historically, the Group has experienced no product liability claims.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(v) Recently issued accounting standards

In May 2009, the FASB issued authoritative accounting guidance on subsequent events, a topic that was previously only addressed by auditing literature. The FASB clarified subsequent events as either recognized subsequent events or non-recognized subsequent events, and modified the definition of subsequent events to refer to events or transactions that occur after the balance sheet date, but before the financial statements are issued or available to be issued. Furthermore, the guidance requires entities to disclose the date through which an entity has evaluated subsequent events and the basis for that date. The authoritative guidance was effective for the interim or annual financial periods ending after June 15, 2009, and is applied prospectively.

In October 2009, the FASB issued Accounting Standards Update No. 2009-13, Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements — a consensus of the FASB Emerging Issues Task Force ("ASU 2009-13"). ASU 2009-13 addresses the accounting for sales arrangements that include multiple products or services by revising the criteria for when deliverables may be accounted for separately rather than as a combined unit. Specifically, this guidance establishes a selling price hierarchy for determining the selling price of a deliverable, which is necessary to separately account for each product or service. This hierarchy provides more options for establishing selling price than existing guidance. ASU 2009-13 is required to be applied prospectively to new or materially modified revenue arrangements in fiscal periods beginning on or after June 15, 2010. The Group does not believe the adoption of this accounting guidance would have a material impact on its consolidated financial statements.

In December 2009, the FASB issued Accounting Standards Update No. 2009-17 Consolidations (Topic 810): Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities ("ASU 2009-17"). ASU 2009-17 replaced the quantitative-based risks and rewards calculation for determining which reporting entity, if any, has a controlling financial interest in a VIE with an approach focused on identifying which reporting entity has the power to direct the activities of a VIE that most significantly impact the entity's economic performance and has (1) the obligation to absorb losses of the entity or (2) the right to receive benefits from the entity. An approach that is expected to be primarily qualitative will be more effective for identifying which reporting entity has a controlling financial interest in a VIE. ASU 2009-17 also requires additional disclosures about a reporting entity's involvement in VIEs, which will enhance the information provided to users of financial statements. The guidance will be effective January 1, 2010. The Group does not believe the adoption of this account guidance would have a material impact on its consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

***(v) Recently issued accounting standards*- continued**

In January 2010, the FASB issued Accounting Standards Update No. 2010-06 Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements ("ASU 2010-06"). ASU 2010-06 amends ASC 820-10 to add two new disclosures: (1) transfers in and out of Level 1 and 2 measurements and the reasons for the transfers, and (2) a gross presentation of activity within the Level 3 roll forward. The ASU also includes clarifications to existing disclosure requirements on the level of disaggregation and disclosures regarding inputs and valuation techniques. The ASU applies to all entities required to make disclosures about recurring and nonrecurring fair value measurements. The effective date of the ASU is the first interim or annual reporting period beginning after December 15, 2009, except for the gross presentation of the Level 3 roll forward information, which is required for annual reporting periods beginning after December 15, 2010 and for interim reporting periods within those years. The Group believes that there will be no material impact on its consolidated financial statements upon adoption of this standard.

(w) Concentrations of risk

Supplier concentration

The Group obtains raw materials and supplies from a small number of selected suppliers. Six vendors accounted for approximately 77%, 82% and 86% of the Group's purchases for the years ended December 31, 2009, 2008 and 2007, respectively. The Group's failure to obtain sufficient quantities of raw materials and supplies in a timely manner with adequate quality and on terms acceptable to the Group could disrupt, delay, or increase its costs of production.

BABYCARE HOLDINGS, LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
(Amounts expressed in US dollars, or otherwise noted)

3. INVENTORIES

Inventories by major class consist of the following:

	As at December 31		
	2009	2008	2007
Raw materials	$ 477,926	$ 695,279	$ 443,728
Finished goods	738,502	857,930	485,215
Total inventories	$ 1,216,428	$ 1,553,209	$ 928,943

4. PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following:

	As at December 31		
	2009	2008	2007
Machinery	$ 1,169,153	$ 1,143,259	$ 1,288,162
Furniture and office equipment	996,876	1,001,577	924,252
Application software	412,769	431,404	394,473
Leasehold improvements	2,589,777	2,218,458	1,951,008
Total property and equipment	5,168,575	4,794,698	4,557,895
Less: accumulated depreciation and amortization	(3,439,814)	(3,077,741)	(2,514,325)
Total property and equipment, net	$ 1,728,761	$ 1,716,957	$ 2,043,570

Depreciation and amortization expense for the years ended December 31, 2009, 2008 and 2007 was $531,346, $559,686 and $525,456, respectively.

BABYCARE HOLDINGS, LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
(Amounts expressed in US dollars, or otherwise noted)

5. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	As at December 31		
	2009	2008	2007
Accrued payroll and welfare	$ 186,693	$ 879,452	$ 847,684
Accrued expenses	566,372	607,355	739,674
Accrued business and valued added taxes	240,125	237,418	182,429
Deferred revenue	750,432	340,198	362,689
Other current liabilities	485,739	580,318	409,407
Total accrued expenses and other current liabilities	$ 2,229,361	$ 2,644,741	$ 2,541,883

Other current liabilities represent payables for social insurance fees withheld from employees' payroll, sales commissions, and others.

6. INCOME TAXES

Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to taxes on income or capital gains. Additionally, upon payment of dividends by the Company, no Cayman Islands withholding tax will be imposed. However, the Corporate Income Tax law of the People's Republic of China (the "PRC tax law") effective on January 1, 2008 includes a provision specifying that legal entities organized outside of China will be considered residents for Chinese income tax purposes if their place of effective management or control is within China. If legal entities organized outside China were considered residents for Chinese income tax purpose, they would become subject to the PRC tax law on their worldwide income. This would cause any income for legal entities organized outside China to be subject to China's 25% income tax. The Implementation Rules to the PRC tax law provide that non-resident legal entities will be considered Chinese residents if substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. occur within China. Based on a review of surrounding facts and circumstances, the Company has not provided for any income tax liability in this regard. However, due to limited guidance and implementation history of the EIT Law, should the Company be treated as resident enterprises for PRC tax purposes, the Company will be subject to PRC tax on worldwide income at a uniform tax rate of 25% retrospective to January 1, 2008.

(Amounts expressed in US dollars, or otherwise noted)

6. INCOME TAX - continued

PRC tax

The PRC VIEs are governed by the PRC tax law and subject to an income tax rate of 25% effective from January 1, 2008 and 33% prior to this. However, as a foreign invested enterprise, BabyCare received a tax holiday for full exemption from income taxes for two years starting from the first profitable year and a 50% reduction in tax rates for the following three years. According to an additional guidance released by the PRC government on December 26, 2007, the tax holiday had started from 2008 since BabyCare did not have a profitable year yet. Therefore the applicable tax rates for BabyCare are 0%, 0% and 33%, for 2009, 2008 and 2007 respectively.

The tax effects of temporary differences that gave rise to deferred income tax assets consisted of the following:

	Year ended December 31		
	2009	2008	2007
Tax losses carried forward	$ 13,112,232	$ 16,150,838	$ 16,295,350
Total gross deferred income tax assets	3,278,058	4,037,710	4,073,838
Less: valuation allowance as at December 31	(3,278,058)	(4,037,710)	(4,073,838)
Net deferred income tax assets	$ —	$ —	$ —

The Company operates through two VIEs and the valuation allowance is considered on each individual VIE basis.

In assessing the realizability of deferred tax assets, the Company's management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company's management considers the projected future taxable income and tax planning strategies in making this assessment. As of December 31, 2009, the Group has tax losses to be carried forward of approximately $13.1 million, which will expire from 2010 to 2014. The Company's management believes that it is more likely than not that such deferred tax assets will not be realized as it does not expect to generate sufficient taxable income in the near future, or the amount involved is not significant.

6. INCOME TAX - continued

Reconciliation between the provision for income tax computed by applying the PRC income tax rates of 25% for 2009 and 2008 and 33% for 2007 to the actual provision of income taxes is as follows:

	Year ended December 31		
	2009	2008	2007
Loss before income tax expense	$ (3,537,215)	$ (5,030,894)	$ (3,966,128)
consisting of:			
- Cayman Islands operations	(923,660)	(2,370,094)	(1,214,308)
- PRC operations	(2,613,555)	(2,660,800)	(2,751,820)
Loss before income tax expense from PRC operations	(2,613,555)	(2,660,800)	(2,751,820)
PRC statutory tax rate	25%	25%	33%

(Amounts expressed in US dollars, or otherwise noted)

Income tax benefit at PRC statutory tax rate	653,389	665,200	908,101
Permanent differences	(192,847)	(143,845)	(64,000)
Valuation allowance for the year	(460,542)	(521,355)	(844,101)
Income tax expense	$ —	$ —	$ —

7. SHARE-BASED COMPENSATION

Certain of the Company's employees, directors and consultants were granted awards under share-based incentive plans established by Yaolan. Such share-based compensation expenses were recognized in the Company's consolidated statements of operations. Yaolan. adopted the 2003 Stock Incentive Plan, as amended (the "Yaolan Plan"), for the granting of share options to employees, directors and consultants of the Company to reward them for service to the Company and to provide incentives for future services. The Yaolan Plan expires on November 12, 2013, except with respect to share option grants then outstanding. Share options granted under the Yaolan Plan generally have a contractual term of ten years and vest over a three-year period.

Options to employees

There were no options granted in 2007.

In 2008, Yaolan granted 366,528 stock options to directors, officers and employees of the Company at an exercise price of $4.00 per share. These options vest over three years. The fair value of the options is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	For the year ended December 31, 2008
Risk free interest rate (per annum)	3.21 %
Expected life (in years)	6
Expected dividend yield	—
Expected volatility	43.18 %
Fair value of each ordinary share of Yaolan on grant date	$ 4.00

In 2009, Yaolan granted 3,000 stock options to an employee of the Company at an exercise price of $4.00 per share. These options will be vested over three years. The fair value of the options is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	For the year ended December 31, 2009
Risk free interest rate (per annum)	2.51 %
Expected life (in years)	6
Expected dividend yield	—
Expected volatility	42.99 %
Fair value of each ordinary share of Yaolan on grant date	$ 6.78

7. SHARE-BASED COMPENSATION - continued

(1) Expected volatility

The volatility of the underlying ordinary shares during the life of the options was estimated based on the historical stock price volatility of comparable listed companies over a period comparable to the expected term of the options.

(2) Risk-free interest rate

(Amounts expressed in US dollars, or otherwise noted)

The risk-free interest rate was estimated based on the yield to maturity of treasury bonds of the United States with a maturity period close to the expected term of the options.

(3) Expected option life

The Company used the simplified method to estimate the expected life.

(4) Dividend yield

No dividend is expected to be paid in the foreseeable future or has been paid to date, and therefore a zero dividend yield assumption is used.

(5) Fair value of ordinary shares

For the options granted in 2008, the fair value of the ordinary share of Yaolan of $4.00 was determined with reference to an arms-length share transfer between shareholders of Yaolan, i.e. 622,730 ordinary shares from Orchid Asia II and Tredegar Investments to Foundation Capital in July 2008.

For the options granted in 2009, the fair value of the ordinary share of Yaolan of $6.78 was determined by a valuation performed by Yaolan.

7. SHARE-BASED COMPENSATION — continued

Options to non-employees

In 2009 and 2008, Yaolan granted 21,000 and 15,000 stock options respectively to a consultant of the Company for services rendered. The fair value of the non-employee options is estimated at the grant date using the Black-Scholes option pricing model. The fair value of the stock options is remeasured as of the end of each reporting period until the services are completed under the service contracts.

The following assumptions were used in the non-employee option pricing model:

	Year ended December 31	
	2009	2008
Weighted average risk free interest rate (per annum)	2.17%	1.44%
Weighted average expected life (in years)	4.80	4.47
Weighted average expected dividend yield	—	—
Weighted average expected volatility	44.62%	40.84%
Fair value of each ordinary share of Yaolan on grant date	$ 6.78	$ 4.00
Fair value of each ordinary share of Yaolan on December 31	$ 6.78	$ 4.00

Summary of share options to employees and non-employees is as follows:

	Number of shares	Weighted average exercise price
Outstanding as of January 1, 2007	1,197,869	$ 3.10
Granted	—	—
Forfeited	—	—
Outstanding as of December 31, 2007	1,197,869	$ 3.10
Granted	381,528	4.00
Forfeited	(12,000)	3.04
Outstanding as of December 31, 2008	1,567,397	$ 3.32
Granted	24,000	4.00
Forfeited	—	—
Outstanding as of December 31, 2009	1,591,397	$ 3.33

BABYCARE HOLDINGS, LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
(Amounts expressed in US dollars, or otherwise noted)

7. SHARE-BASED COMPENSATION - continued

The following table summarizes information with respect to stock options issued by Yaolan outstanding as of December 31, 2009, 2008, and 2007:

	Options outstanding as of December 31, 2009				Options exercisable as of December 31, 2009			
	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Aggregate intrinsic value	Number exercisable	Weighted average remaining contractual life	Weighted average exercise price	Aggregate intrinsic value
		Years				Years		
Range of exercise price								
$3.04	1,160,869	2.50			1,111,169	2.43		
$6.01	15,000	5.92			15,000	5.92		
$6.02	10,000	6.32			10,000	6.32		
$4.00	405,528	8.32			201,320	8.22		
	1,591,397	4.04	$ 3.33	$ 5,488,168	1,337,489	3.37	$ 3.24	$ 4,734,590

	Options outstanding as of December 31, 2008				Options exercisable as of December 31, 2008			
	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Aggregate intrinsic value	Number exercisable	Weighted average remaining contractual life	Weighted average exercise price	Aggregate intrinsic value
		Years				Years		
Range of exercise price								
$3.04	1,160,869	3.50			1,070,923	3.21		
$6.01	15,000	6.92			15,000	6.92		
$6.02	10,000	7.32			8,333	7.32		
$4.00	381,528	9.22			86,144	9.19		
	1,567,397	4.95	$ 3.32	$ 1,114,434	1,180,400	3.73	$ 3.17	$ 1,028,086

	Options outstanding as of December 31, 2007				Options exercisable as of December 31, 2007			
	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Aggregate intrinsic value	Number exercisable	Weighted average remaining contractual life	Weighted average exercise price	Aggregate intrinsic value
		Years				Years		
Range of exercise price								
$3.04	1,172,869	4.50			1,016,969	4.00		
$6.01	15,000	7.92			10,000	7.92		
$6.02	10,000	8.32			6,668	8.32		
	1,197,869	4.58	$ 3.10	$ 4,447,605	1,033,637	4.07	$ 3.09	$ 3,852,409

The weighted-average grant-date fair value of options granted by Yaolan during 2009 and 2008 were $4.03 and $1.84 respectively. There were no options granted in 2007.

Under the Yaolan Plan, the Company recognized share-based compensation charges of $461,965, $463,894 and $319,632 for the years ended December 31, 2009, 2008 and 2007, respectively. These charges are recorded in cost of revenues, selling expenses or general and administrative expenses depending on the functions of the departments in which grantee employee's work. As of December 31, 2009, total unrecognized compensation cost related to unvested share-based compensation arrangements granted under the plan was $396,760, which is expected to be recognized over a weighted-average period of 1.38 years. As of December 31, 2009, options to purchase 380,365 ordinary shares were available for future grants by Yaolan

BABYCARE HOLDINGS, LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
(Amounts expressed in US dollars, or otherwise noted)

8. RELATED PARTY TRANSACTIONS

Related party balances consist of the following:

(Amounts expressed in US dollars, or otherwise noted)

	As at 31 December		
	2009	2008	2007
Due from related parties-current			
Chengwei Ventures Management Ltd. (i)	$ —	$ —	$ 3,000,000
Due from related parties - non-current			
Beijing Century Yaolan Network Technology Co. ("Century Yaolan") (ii)	4,331,714	3,518,899	1,840,446
	$ 4,331,714	$ 3,518,899	$ 4,840,446
Due to related parties-current			
Chengwei Investment Advisory (Shanghai) Co., Ltd. (i)	$ —	$ —	$ 3,358,864

The transactions with related parties included:

(i) Transactions with Chengwei Ventures Management Ltd. and Chengwei Investment Advisory (Shanghai) Co., Ltd. (collectively "Chengwei")

During 2005, the Company loaned $3,000,000 to Chengwei Ventures Management Ltd., and Chengwei Investment Advisory (Shanghai) Co., Ltd. loaned an equivalent amount (i.e. $3,000,000) in RMB to BabyCare. Both loans are interest-free. Chengwei Ventures Management Ltd. and Chengwei Investment Advisory (Shanghai) Co., Ltd. are wholly owned subsidiaries of Chengwei Venture Fund I L.P. which is a shareholder of Yaolan. There is no legal right for the Company or Chengwei to offset the loans.

On December 10, 2008, the Company, BabyCare and Chengwei entered into a series of agreements. The Company waived repayment of the loan due from Chengwei in exchange for Chengwei's waiver of the loan repayable from BabyCare. Based on the waivers, BabyCare agrees to assume the responsibility and obligations to repay a loan of the same amount to the Company which is interest-free. This intercompany loan is eliminated upon consolidation.

(ii) Transactions with Century Yaolan

Through a financing agreement, an equity purchase agreement and a service support agreement, Yaolan has obtained the economic controlling interest over and is the primary beneficiary of Century Yaolan. The transactions between the Company and Century Yaolan mainly include advances and providing support services:

	2009	2008	2007
Advances to Century Yaolan	$ 761,623	$ 1,613,836	$ 731,544
Revenue for services from Century Yaolan	$ 59,917	$ 65,245	$ 32,791

8 RELATED PARTY TRANSACTIONS- continued

(iii) Transactions with Yaolan

Historically, Yaolan, as the sole shareholder of the Company, has been providing continuous financial support to the Company. There is no agreed maturity date or interest for such financial support. As of December 31, 2009, Yaolan does not intend to ask the Company for repayment and the Company has no legal obligation to make repayments. Accordingly, these transactions are considered as contributions from the shareholder and recorded as an increase in additional paid-in capital in shareholder's equity during 2009, 2008 and 2007. In addition, as disclosed in Note 2(b), the Group's consolidated statements of operations include allocation of interest expenses incurred by Yaolan.

On August 12, 2010, the Company decided to settle a sum of $5,050,000 to Yaolan, and $4,000,000 of which had been paid. Such subsequent transfer is accounted for as a distribution to the shareholder.

9. COMMITMENTS

As of December 31, 2009, the Group had the following operating lease commitments under non-cancelable leases (with initial or remaining lease terms greater than one year) for the factory and office in Beijing and some other retail locations.

Minimum lease payments

Year ending December 31,	
2010	$ 713,239

(Amounts expressed in US dollars, or otherwise noted)

2011	678,183
2012	453,660
2013	346,337
2014	234,389
2015	82,013
Total	$ 2,507,821

Lease expenses of the Group were $1,471,394, $1,713,569 and $1,593,842 for the years ended December 31, 2009, 2008 and 2007, respectively.

10. SUBSEQUENT EVENTS

On August 16, 2010, USANA acquired 100% of the equity interests in the Company from Yaolan at a consideration of approximately $63 million. The consideration consists of approximately $45 million payment in cash with the remaining settled by USANA's shares.

In accordance with ASC 855, the Company has performed an evaluation of subsequent events through September 21, 2010, which is the date on which these financial statements were available to be issued, with no other events or transactions needed to be recognized or disclosed.

Exhibit 99.3

Independent Auditors' Report

To the Board of Directors and Stockholder of Pet Lane, Inc.

We have audited the accompanying balance sheets of Pet Lane, Inc. (a Delaware corporation) (the "Company") as of December 31, 2009 and 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the balance sheets are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheets. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation. We believe that our audits of the balance sheets provide a reasonable basis for our opinion.

In our opinion, the balance sheets referred to above present fairly, in all material respects, the financial position of Pet Lane, Inc. as of December 31, 2009 and 2008, in conformity with accounting principles generally accepted in the United States of America.

/s/ Comyns, Smith, McCleary & Deaver, LLP
Lafayette, California

September 30, 2010

PET LANE, INC.
BALANCE SHEETS

	December 31, 2008	December 31, 2009
ASSETS		
Total Assets	$ —	$ —
LIABILITIES AND EQUITY		
Total Liabilities and Equity	$ —	$ —

See notes to balance sheets.

PET LANE, INC.

NOTES TO BALANCE SHEETS

1. DESCRIPTION OF BUSINESS

Pet Lane, Inc. (the "Company") is a Delaware corporation and has no assets, liabilities, or any operations for the periods presented as a result of a carve-out of its historical financial statements from its parent, Pet Lane International, Inc. (see Note 4). The Company is the record owner of BabyCare Ltd., a limited liability company incorporated in the People's Republic of China, by virtue of a trust agreement.

2. BASIS OF PRESENTATION

The Company's balance sheets include the accounts of Pet Lane, Inc. While the Company is the record owner of BabyCare Ltd., the accounts of BabyCare Ltd. are included in the consolidated financial statements of BabyCare Holdings, Ltd., the sole beneficial owner. The accompanying balance sheets have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Separate statements of operations and comprehensive income, changes in equity and cash flows have not been presented because the Company has had no financial activity for the periods presented.

3. RECENT ACCOUNTING PRONOUNCEMENTS

In June 2009, the Financial Accounting Standards Board ("FASB") issued "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles" (the "Codification"). The Codification became the source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernment entities. It also modified the U.S. GAAP hierarchy to include only two levels of U.S. GAAP; authoritative and non-authoritative. The Codification is effective for financial statements issued for interim and annual periods ending after September 15, 2009. Therefore, the Company's management adopted the Codification for the reporting as of December 31, 2009. The adoption did not have a significant impact on the reporting of the Company's financial position.

4. SUBSEQUENT EVENTS

On August 10, 2010, the shareholders of the Company agreed to exchange their common shares for shares of Pet Lane International, Inc.

As part of a transaction that is integrated with the August 10, 2010 exchange of Pet Lane International, Inc. shares, on August 16, 2010, the Company's stockholder and board of directors entered into a Distribution, Assignment and Assumption Agreement under which all assets and liabilities of the Company were distributed to Pet Lane International, Inc. except for a Trust Agreement and Management Service Agreement with YaoLan Ltd. and BabyCare Holdings, Ltd., (the "Trust Agreement") which had no cost basis and therefore was not previously reported on the Company's balance sheets.

Immediately following the above described transactions, Pet Lane International, Inc. became the sole shareholder of the Company and in its carved-out financial statements, the Company's only asset is the aforementioned Trust Agreement. As a result of these transactions and for each balance sheet date presented, the Company had issued and outstanding 100 shares of common stock ($.001 par value). Because all assets and liabilities were distributed to Pet Lane International, Inc. except for the Trust Agreement, which had no cost basis, the Company's balance sheets reflect a net equity position of zero. The Company's financial statements have been accounted for in accordance with U.S. GAAP in a manner similar to a reverse spin off.

On August 16, 2010, the Company was acquired by USANA Health Sciences Inc. ("USANA"). As a result of USANA's acquisition of the Company and BabyCare Holdings, Ltd, USANA indirectly became both the record and beneficial owner of BabyCare Ltd.

For the purposes of the accompanying balance sheets, subsequent events have been reviewed through September 30, 2010, which represents the date the balance sheets were available to be issued.

USANA HEALTH SCIENCES, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The following unaudited pro forma condensed combined financial statements are based on the historical financial statements of USANA Health Sciences, Inc. ("USANA" or the "Company") and BabyCare Holdings, Ltd. ("BabyCare") after giving effect to USANA's acquisition of BabyCare on August 16, 2010 for $62.7 million (which consisted of $45 million in cash and 400,000 shares of USANA common stock @ $44.29 per share), and the assumptions, reclassifications and adjustments described in the accompanying notes to the unaudited pro forma condensed combined financial statements. BabyCare is an exempted company organized under the laws of the Cayman Islands and the beneficial owner of BabyCare Ltd., which is a limited liability company incorporated in the People's Republic of China.

The Company also acquired Pet Lane, Inc. ("Pet Lane"), which was the record owner of BabyCare Ltd., in a separate but simultaneous transaction. Pet Lane has no assets, liabilities, or profit and loss activity. As such, we have not included the Pet Lane financials in the unaudited pro forma condensed combined financial statements as they would not have had an impact to any period presented below.

The unaudited pro forma condensed combined balance sheet as of July 3, 2010 is presented as if our acquisition of BabyCare had occurred on July 3, 2010.

The unaudited pro forma condensed combined statements of operations for the six months ended July 3, 2010, and year ended January 2, 2010, are presented as if the acquisition of BabyCare had occurred on January 4, 2009 and was carried forward through each of the aforementioned periods presented.

The preliminary allocation of the purchase price used in the unaudited pro forma condensed combined financial statements is based upon preliminary estimates. These preliminary estimates and assumptions are subject to change during the measurement period as we finalize the valuations of the net tangible and intangible assets acquired in connection with our acquisition of BabyCare.

The unaudited pro forma condensed combined financial statements are not intended to represent or be indicative of our consolidated results of operations or financial position that we would have reported had the acquisition been completed as of the dates presented, and should not be taken as a representation of our future consolidated results of operations or financial position. The unaudited pro forma condensed combined financial statements do not reflect any operating efficiencies and/or cost savings that we may achieve with respect to the combined companies.

The unaudited pro forma condensed combined financial statements should be read in conjunction with the historical consolidated financial statements and accompanying notes of USANA included in the respective Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q.

USANA HEALTH SCIENCES, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
As of July 3, 2010
(in thousands)

	Historical				
	July 3, 2010 USANA	June 30, 2010 BabyCare	Pro Forma Adjustments		Pro Forma Combined
ASSETS					
Current assets					
Cash and cash equivalents	$ 28,427	$ 3,334	$ (28,500)	**A**	$ 3,261
Inventories	30,789	1,325	—		32,114
Other current assets	11,910	627	—		12,537
Total current assets	71,126	5,286	(28,500)		47,912
Property and equipment, net	56,035	1,576	(61)	**D**	57,550
Goodwill	5,690	—	10,240	**F**	15,930
Other assets	10,821	7,942	42,168	**C,G**	60,931
	$ 143,672	$ 14,804	$ 23,847		$ 182,323
LIABILITIES AND EQUITY					
Current liabilities					
Accounts payable	$ 7,121	$ 353	$ —		$ 7,474
Other current liabilities	36,523	1,864	1,090	**E,G**	39,477
Line of credit	—	—	16,500	**A**	16,500
Total current liabilities	43,644	2,217	17,590		63,451
Long-term liabilities	1,470	—	—		1,470

Stockholders' equity					
Common Stock	15	—	1	**B**	16
Members' equity	—	12,587	(12,587)	**H**	—
Additional paid-in capital	20,662	—	17,715	**B**	38,377
Retained earnings	76,821	—	1,128	**G**	77,949
Accumulated other comprehensive income	1,060	—	—		1,060
Total equity	98,558	12,587	6,257		117,402
	$ 143,672	$ 14,804	$ 23,847		$ 182,323

See notes to unaudited pro forma condensed combined financial statements.

USANA HEALTH SCIENCES, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF EARNINGS
For the Six Months Ended July 3, 2010
(in thousands, except per share data)

	Historical				
	Six Months Ended				
	July 3, 2010 USANA	June 30, 2010 BabyCare	Pro Forma Adjustments		Pro Forma Combined
Net sales	$ 245,098	$ 8,036	$ —		$ 253,134
Cost of sales	45,755	1,424	—		47,179
Gross profit	199,343	6,612	—		205,955
Operating expenses:					
Associate incentives	111,183	950	—		112,133
Selling, general and administrative	56,607	6,223	2,440	**J,K**	65,270
Total operating expenses	167,790	7,173	2,440		177,403
Earnings from operations	31,553	(561)	(2,440)		28,552
Other income (expense):					
Interest income	34	48	—		82
Interest expense	(26)	—	(227)	**I**	(253)
Other, net	(256)	(1)	—		(257)
Other income (expense), net	(248)	47	(227)		(428)
Earnings before income taxes	31,305	(514)	(2,667)		28,124
Income taxes	10,894	—	(1,214)	**L**	9,680
Net earnings (loss)	20,411	(514)	(1,453)		18,444
Earnings per common share					
Basic	$ 1.33				$ 1.17
Diluted	$ 1.31				$ 1.15
Weighted-average common shares outstanding					
Basic	15,315		400	**B**	15,715
Diluted	15,609		455	**B,M**	16,064

See notes to unaudited pro forma condensed combined financial statements.

USANA HEALTH SCIENCES, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF EARNINGS
For the Year Ended January 2, 2010
(in thousands, except per share data)

	Historical Year Ended January 2, 2010 USANA	Historical Year Ended December 31, 2009 BabyCare	Pro Forma Adjustments		Pro Forma Combined
Net sales	$ 436,940	$ 14,413	$ —		$ 451,353
Cost of sales	89,803	3,097	—		92,900
Gross profit	347,137	11,316	—		358,453
Operating expenses:					
Associate incentives	196,363	—	—		196,363
Selling, general and administrative	99,983	15,571	4,059	J,K	119,613
Total operating expenses	296,346	15,571	4,059		315,976
Earnings from operations	50,791	(4,255)	(4,059)		42,477
Other income (expense):					
Interest income	82	329	—		411
Interest expense	(609)	(298)	(454)	I	(1,361)
Other, net	714	687	—		1,401
Other income (expense), net	187	718	(454)		451
Earnings before income taxes	50,978	(3,537)	(4,513)		42,928
Income taxes	17,422	—	(2,820)	L	14,602
Net earnings (loss)	33,556	(3,537)	(1,693)		28,326
Earnings per common share					
Basic	$ 2.19				$ 1.80
Diluted	$ 2.17				$ 1.79
Weighted-average common shares outstanding					
Basic	15,340		400	B	15,740
Diluted	15,432		421	B,M	15,853

See notes to unaudited pro forma condensed combined financial statements.

USANA HEALTH SCIENCES, INC.
NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

1. BASIS OF PRO FORMA PRESENTATION

The unaudited pro forma condensed combined balance sheet as of July 3, 2010, and the unaudited pro forma condensed combined statements of operations for the six months ended July 3, 2010, and for the year ended January 2, 2010, are based on the historical financial statements of USANA Health Sciences, Inc. (“USANA”) and BabyCare Holdings Ltd. (“BabyCare”) after giving effect to USANA’s acquisition of BabyCare on August 16, 2010 for $62.7 million (which consisted of $45 million in cash and 400,000 shares of USANA common stock at $44.29), and the assumptions, reclassifications and adjustments described in the accompanying notes to the unaudited pro forma condensed combined financial statements.

We account for business combinations pursuant to Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 805, *Business Combinations*. In accordance with ASC 805, we recognize separately from goodwill, the identifiable assets acquired, the liabilities assumed, and any noncontrolling interests in an acquiree, generally at the acquisition date fair value as defined by ASC 820, *Fair Value Measurements and Disclosures*. Goodwill as of the acquisition date is measured as the excess of consideration transferred, which is also generally measured at fair value, and the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

We have made significant assumptions and estimates in determining the preliminary estimated purchase price and the preliminary allocation of the estimated purchase price in the unaudited pro forma condensed combined financial statements. These preliminary estimates and assumptions are subject to change during the measurement period as we finalize the valuations of the net tangible assets, intangible assets and resultant goodwill. In particular, the final valuations of identifiable intangible and net tangible assets may change significantly from our preliminary estimates. These changes could result in material variances between our future financial results and the amounts presented in these unaudited pro forma condensed combined financial statements, including variances in fair values recorded, as well as expenses and cash flows associated with these items.

The unaudited pro forma condensed combined financial statements are not intended to represent or be indicative of our consolidated results of operations or financial position that would have been reported had the acquisition been completed as of the dates presented, and should not be taken as a representation of our future consolidated results of operations or financial position. The unaudited pro forma condensed combined financial statements do not reflect any operating efficiencies and associated cost savings that we may achieve with respect to the combined companies.

The unaudited pro forma condensed combined financial statements should be read in conjunction with USANA's historical consolidated financial statements and accompanying notes included in its Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q.

Accounting Periods Presented

BabyCare's historical fiscal year ended on December 31 and, for purposes of these unaudited pro forma condensed combined financial statements, its historical results have been aligned to more closely conform to USANA's January 2 fiscal year end as explained below.

The unaudited pro forma condensed combined balance sheet as of July 3, 2010 is presented as if the acquisition had occurred on July 3, 2010, and due to the slightly different fiscal period ends, combines the historical balance sheet of USANA at July 3, 2010 and the historical balance sheet of BabyCare at June 30, 2010.

The unaudited pro forma condensed combined statements of operations of USANA and BabyCare for the six months ended July 3, 2010 and year ended January 2, 2010 are presented as if the acquisition had taken place on January 4, 2009 (the first day of USANA's 2009 fiscal year). Due to different fiscal period ends, the pro forma statement of operations for the six months ended July 3, 2010 combines the historical results of USANA for the six months ended July 3, 2010 and the historical results of BabyCare for the six months ended June 30, 2010.

The pro forma statement of operations of USANA and BabyCare for the year ended January 2, 2010, due to different fiscal period ends, combines the historical results of USANA for the year ended January 2, 2010 and the historical results of BabyCare for the year ended December 31, 2009.

Reclassifications

Certain reclassification adjustments have been made to conform BabyCare's historical amounts to USANA's presentation. The adjustments primarily relate to reclassifying term deposits to cash and cash equivalents, reclassifying accounts receivable to prepaid expenses and other current assets, reclassifying rental deposits to other assets, reclassifying restricted cash to other assets, reclassifying amount due from related parties to other assets, and reclassifying a portion of selling expenses to associate incentives.

Preliminary Purchase Price

The estimated purchase price of and purchase price allocation for BabyCare, as presented below, represents our best estimates. These estimates are preliminary as we are still in the process of finalizing the majority of the amounts presented.

The total preliminary purchase price for BabyCare was $62.7 million and was comprised of $45.0 million in cash and $17.7 million in USANA stock (400,000 shares at $44.29). The Company incurred costs of $1.4 million directly related to the acquisition of BabyCare, which were expensed as incurred.

The total preliminary purchase price for BabyCare was allocated to the preliminary net tangible and intangible assets based upon their preliminary fair values as of August 16, 2010 as set forth below. The excess of the preliminary purchase price over the preliminary net tangible assets and preliminary intangible assets was recorded as goodwill. The preliminary allocation of the purchase price was based upon a preliminary valuation and our estimates and assumptions are subject to change within the measurement period. We expect to continue to obtain information to assist us in determining the fair value of the net assets acquired at the acquisition date during the measurement period. Our preliminary purchase price allocation for BabyCare is as follows:

(in thousands)	
Fair value of net assets acquired	$ 11,476
Goodwill	10,240
Intangible assets	41,000
Total	$ 62,716

2. PRO FORMA FINANCIAL STATEMENT ADJUSTMENTS

Pro forma adjustments reflect only those adjustments that are factually determinable. The unaudited pro forma condensed combined financial statements reflect the effect of the following pro forma adjustments:

(A) To record the amount of cash paid at closing ($45 million) including the amount drawn on USANA's line of credit.

(B) To record the issuance of 400,000 shares of USANA common stock and their fair value as of the acquisition date and the effect on basic and diluted weighted-average common shares outstanding.

(C) To record the estimated fair value of identifiable intangible assets acquired.

(D) To record adjustments to state the related assets at fair value.

(E) To record the value ($1.05 million) of certain related party liabilities with the former owners that existed as of the acquisition date.

(F) To adjust goodwill as the excess of the purchase price paid over the estimated fair value of the identified net assets acquired.

(G) To record preliminary tax adjustments related to the acquisition. The preliminary net increase in current deferred tax assets (contained within Other assets) is primarily attributable to the tax effect of equity awards

issued at closing and transaction costs incurred which were partially offset by deferred tax liabilities associated with intangible assets acquired.

(H) To remove the historical equity of BabyCare.

(I) To record interest expense for the amount drawn on USANA's line of credit to fund cash payment at closing.

(J) To adjust for the estimated difference in equity compensation expense resulting from equity awards granted as of the acquisition date. Equity awards were granted to certain BabyCare management and consisted of 395,000 stock-settled stock appreciation rights and 100,000 restricted shares of the Company's common stock.

(K) To adjust amortization expense for identifiable intangible assets based on the preliminary allocation of the purchase price and amortized on a straight-line basis over the weighted average useful lives ranging from three to ten years.

(L) To record the tax benefit related to the pro forma adjustments included in the unaudited pro forma condensed combined financial statements and the tax benefit related to BabyCare's historical net loss, at a 35% statutory rate.

(M) To reflect the dilutive effect of the equity awards issued as of the acquisition date.