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SunnyLife Global, Inc.

(Other OTC: SNYL.PK)

June 23, 2006 | TARGET PRICE: \$ 4.87 | RATING: STRONG BUY

VISIBILITY

QUARTERLY UPDATE

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AT A GLANCE

TICKER..... SNYL
RATING..... STRONG BUY
SECTOR..... HEALTHCARE
RECENT PRICE..... \$ 1.16
TARGET PRICE..... \$ 4.87
REPORT DATE..... 06/23/06
SHARES OUTSTANDING... \$ 63.30M

MARKET CAP..... \$ 73.43M
52-WEEK HIGH..... \$ 2.25
52-WEEK LOW..... \$ 0.90
PRICE/EARNINGS..... N/A
AVERAGE DAILY VOLUME 209K
FLOAT..... \$ 13.5M
INSIDER SHAREHOLDERS .. 69.25%

Chairman Bruce Barren

HIGHLIGHTS

- The Hunan Provincial People's Government had an official Turnover Ceremony for SunnyLife's first hospital renaming it the XaingTan World Friendship Hospital on May 12.
- SNYL signed an agreement for an addition five hospitals, two of which will replace smaller hospitals, bringing the total number of hospital contracts to eleven. The Company has agreements for 10 additional hospitals, for a total of 21 hospitals.
- All 27 independent retail stores are two months ahead of schedule and will be opening this month.
- SNYL's current hospitals and assisted care facilities exceed \$200 million in potential revenue for an estimated net profit of \$45 million, once fully developed.
- Government Officials from Hunan Province hosted a dinner in appreciation of the Central Government's assistance in facilitating the joint venture agreements between SNYL and XiangTan World Friendship Hospital where Mr. Barren was presented with a Certificate of Honor.

Mr. Bruce Barren, chairman of SNYL's executive committee, and Richard Lo, President, took a delegation representing SunnyLife Global to China in May. The trip encompassed several important developments for SNYL as well as official ceremonies with the Chinese government, including formalizing the first Sino-American joint venture in over 100 years.



COMPANY OVERVIEW

SunnyLife Global is the first American company to be granted a Business License by the Chinese Government to operate in the Peoples Republic of China. It is working with the Chinese government to improve the overall health status in China and bring the healthcare system up to international standards.

SNYL has developed a modern healthcare program based on a social-cultural-economic partnership. It combines and integrates the best of Western medicine and management systems with the tradition and philosophies of Eastern medicine. The Company's business model is based on three separate complementary segments: management of hospitals and health care management system (HSMC), assisted care homes, and nutritional supplements. The three segments provide both near term and long term revenue growth. To date, SNYL has 21 hospital contracts and agreements, 27 retail stores, and 3 assisted-care living facilities.



WORLD FRIENDSHIP LEVEL 2 HOSPITALS

SNYL is upgrading China's level 2 hospitals (300- 500 beds) to international standards and implementing the first pre-paid member program in China under The World Friendship Hospitals name. Each hospital will initially have an averaged pre-paid, membership base of 50,000 enrollees. Membership is \$375 per patient paid annually at the beginning of the program. SNYL's first hospital to be upgraded is in XiangTan, in the Hunan Province.

The SNYL delegation made history when they went to the Hunan Province where the first Sino-US joint venture in mainland China was formalized. The delegation met with the Governor and Vice Governor of the Hunan Provincial People's Government for the official Turnover Ceremony which was hosted by Mr. Zhou Bohua, Governor, and other members of the Provincial Government of Hunan, the Minister of Health, and the Minister of Commerce of the People's Republic of China. At the ceremony, Sunnylife was presented with the first Sino-American joint venture ownership approval certificates in over 100 years. The event formally establishes the joint venture between the Province of Hunan and Sunnylife Global, with the approval of the Central Government.

Following the ceremony, SNYL signed agreements to add another five hospitals to the SNYL system. Previously, SNYL had mandates for eight Level 2 fully staffed, profitable hospitals. Two hospitals already in SNYL's system are being replaced, thus the number of hospitals in SNYL system has increased from eight to eleven. SNYL also has additional agreements for 10 more hospitals for a total of 21 hospitals to be upgraded by SNYL.



The hospital agreements are with facilities located in the following Provinces and Special Regions: 9 in Hunan; 3 in Inner Mongolia; 2 in Henan; 1 each in Hebei, Shandong, Jiagsu, ShanXi, Hubei, Liaoning, and Tiajin.

All of SNYL's hospitals are ready for upgrades to international standards and implementation of a member program. Once the memberships are fully developed annual revenues are estimated to be \$18.75 million per hospital for net income of \$3.9 million.

ASSISTED CARE LIVING

SunnyLife's assisted care project is called Garden of the Silver. The Garden of the Silver offers single and double occupancy units for China's seniors with standard living equipment that meets all international safety requirements. The first project is in Boatou, Inner Mongolia.

The SNYL delegation visited Baotou City, Inner Mongolia for the "Baotou Garden of Silvers" contract signing ceremony. While in Baotou, the delegation received a list of 50,000 fully, pre-approved applicants for the initial 2 parcels of land which has been designed for 300 units each. The demand has been so overwhelming that SNYL and its joint venture partner, Grandfield Development, are contemplating expanding the initial senior housing community for an additional 600 units.

SUNNYLIFE GLOBAL'S NATURAL SUPPLEMENTS

The third part of SNYL's business plan is the establishment of independent OEM retail outlets for its proprietary formulas for health food supplements, drinks, personal care products and infant care products. Each retail outlet will exclusively carry Sunnylife Global's products. Under the agreement, Sunnylife Global receives a one-time fee of \$18,000 for each outlet store constructed and 30% royalty on the cost of goods sold at the point of manufacture. The stores average 3,500 feet and are two to three levels in design. To date, SNYL has 27 signed independent OEM retail agreements, an increase from 9 retail outlets when we initiate coverage in March. The 27 retail stores are to be located in: Heilongjiang, Jilin, and Liaoning plus Hunan Provinces. By the September 2007, SNYL expects to have 210 OEM retail outlets.

DINNER PARTY WITH CHINESE GOVERNMENT OFFICIALS

The trip was concluded with a dinner party hosted by Government Officials from Hunan Province in appreciation of the Central Government assistance with the SunnyLife joint venture with XiangTan World Friendship Hospital. The dinner, held at the Wanfujing Grand Hotel in Beijing, was attended by Gu, Lian Cun, President of the Hospital; Zheng Hai Lun, Secretary of Ministry of Commerce of the PRC; Sun Peng, Vice Deputy of Ministry of Commerce of the PRC; and fourteen other high level officials of both Hunan Province and Central Government. At the dinner, Mr. Barren was presented with very a Certificate of Honor on behalf of the Central Government and State Owned Asset and Supervisory Ministry.



FINANCIAL OUTLOOK

We are adjusting our previous projections to reflect SNYL's recognition of revenue from its hospitals and assisted care facilities starting in the fiscal year-end 2006 (September 30th 2007). Our updated guidance from management for fiscal year-end 2005 (September 30th 2006) is for royalties from the Company's supplement business of \$11 million for a net profit of \$8 million and EPS of \$.13. This is slightly ahead of the Company's earnings announcement in April for \$7.5 million.

In fiscal 2006, Sunnlylife Global expects royalties from nutritional supplements to increase to \$14 million yielding a net profit of \$10 million. While SNYL has several hospitals in its pipeline, we are projecting revenues for one fully functional Level 2 hospital of \$18.75 million for a net profit of \$2.075 million. We are also projecting two fully functional assisted care living facilities generating total revenues of \$27 million at a profit margin of 15.17%, for a net profit of \$4 million. Combined revenues for fiscal 2006, are \$59.987 million for a net profit of \$16.575 million and EPS of \$.26. Mr. Bruce Barren stated that while the Company has 210 OEM retail stores projected for Sept. 2007 and 21 contracts and agreements for hospitals, "it is SNYL's policy to estimate earnings conservatively and follow a strong fiscal discipline." We are therefore keeping our original twelve month target price of \$4.87.

CONCLUSION

Sunnlylife is executing exactly as the Company had indicated to us when we first met with management this spring. The Company has laid out an aggressive five year plan to have 100 hospitals, 26 assisted care facilities, and generate \$22 million in net profit from its nutraceutical business. Each hospital is expected to add \$3.9 million to net profit and each assisted care facility is expected to add \$2 million to net profit. If SNYL stays on track it can generate \$464 million in net profit in five years. With the current contacts in place, SNYL is positioned to generate over \$200 million in revenue for \$48.9 million in net profit from its hospitals and assisted care facilities once they are fully developed. We feel that SNYL is a very compelling investment opportunity. Management has proven that they have the knowledge and key relationships within the Chinese government necessary to meet their long-term goal of building a multi-billion healthcare company while raising the quality of healthcare available in China.





Projected Income		Sunnylife Global				
(Amounts in thousands, except per share data)						
	Y/E04A*		Y/E05E		Y/E06E	
Net sales:						
Supplements	\$1,780		\$10,951		\$14,237	
Hospitals	0				18,750	
Assisted Living Care Facilities	0				27,000	
Total sales	1,780		10,951		59,987	
		Margin		Margin		Margin
Operating income:						
Supplements	673	37.80%	8,003	73.10%	10,405	73.10%
Hospitals	0			0.00%	2,075	11.10%
Assisted Living Care Facilities	0			0.00%	4,095	15.20%
Total net profit	673	37.80%	8,003	73.10%	16,575	27.60%
Average Shares Outstanding	63,170		63,170		63,170	
Earnings Per Share	\$0.01		\$0.13		\$0.26	
*Sept 30, 2005						

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