

ChineseInvestors.COM, Inc. (OTCQB: CIIX, Target Price: \$2.05)

We initiate coverage on ChineseInvestors.COM, Inc. (OTCQB: CIIX, "CIIX") with a price target of \$2.05 per share. CIIX is a relatively undiscovered specialized investment services company with several intriguing business lines, high earnings power and a compelling valuation. With headquarters in Aurora, CO, the company offers a range of intriguing consulting services, information products, and web-based tools for investor education, including real time market commentary, analysis and education in Chinese language character sets. The company demonstrated impressive profit growth in 2014, a fact we believe has gone largely unnoticed on Wall Street. We see several upcoming catalysts ahead for the company, including growing its brand and breadth of financial service products, an outlook for continued profit generation, a possible public listing of its large investment holding Medicine Man Technologies, and several potential revenue-generating milestones for the company's growing portfolio of consulting clients.

INVESTMENT HIGHLIGHTS

Overlooked story offering sharp growth and a compelling valuation

From our perspective, CIIX appears to be an overlooked small company on Wall Street with significant potential. The company has a defined niche, with a long history of providing Chinese language market commentary and analysis, and a reputation for proving investor relations and other services to small and private companies. In particular the company has generated a nicely sized revenue line providing consultative services to smaller private companies as they pursue public listings in the United States, or seek to change their listing from an over-the-counter marketplace to a larger exchange. As of the end of its fiscal 2Q15, CIIX had ten private or small public companies engaged in these services, and we believe the company's success in this area will help drive future growth and margin expansion.

Medicine Man offers intriguing upside

We find CIIX undervalued on the fundamentals of its core web business and investor relations consulting business alone, however we see substantial potential for upside if the company's venture in Medicine Man Technologies develops as expected. CIIX's top executives have devoted a great deal of time and financial resources over the last year developing a joint venture with Colorado-based Medicine Man Production of Denver, an established cannabis industry cultivator and dispensary operator. The venture, Medicine Man Technologies, will house the intellectual property of Medicine Man Production and provide consulting services to the industry. In fact Medicine Man Technologies has already secured several licensing clients in multiple states for licenses of its experiences-based technology – and is expected to report strong profitability for its six months of operations ending in December 2014.

Medicine Man Technologies recently raised capital a \$1.00 per share valuation as part of a process to become a public company through either an S-1 or Form 10 filing. With CIIX controlling 2.8mn shares of Medicine Man Technologies as consideration for the business expertise and investor relations consulting services provided, the cannabis venture could have a meaningful impact on CIIX shares when incorporated into its financial statements. Assuming only the implied valuation of \$2.8mn at the last round of funding, CIIX's investment in Medicine Man could potentially represent a value equal to 42% of the company's market cap –any appreciation or income from this holding notwithstanding.

Initiate coverage with a price target of \$2.05

Our analysis indicates a fair value estimate of \$2.05 per share for CIIX (detailed on page 10), implying an upside of 184.7% from the recent price

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of \$0.72. We view CIIX as a high-risk/high-reward investment opportunity in the micro cap Internet information provider and financial media space.

Stock Details (01/21/2015)

OTCQB:	CIIX
Sector / Industry	Technology/ Internet Information
Price target	\$2.05
Recent share price	\$0.72
Shares o/s (mn)	9.2
Market cap (in \$mn)	\$6.6
52-week high/low	\$1.08 / 0.31

Source: Bloomberg, SeeThruEquity Research

Key Financials (\$000 unless specified)

	FY13A	FY14A	FY15E
Revenues	1,639.4	3,902.4	3,240.0
EBITDA	(963.7)	1,233.9	304.5
EBIT	(997.8)	1,201.9	281.2
Net Income	(1,118.0)	1,149.6	229.7
EPS (\$)	(0.21)	0.18	0.03

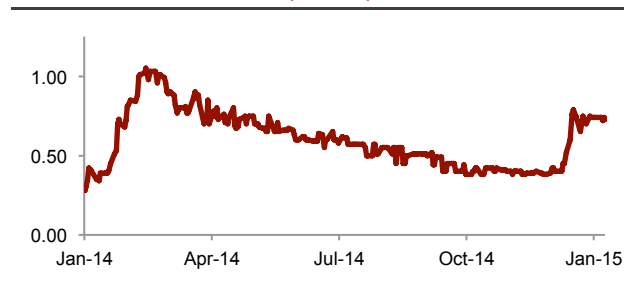
Source: SeeThruEquity Research

Key Ratios

	FY13A	FY14A	FY15E
Gross margin (%)	40.5	79.0	63.0
Operating Margin (%)	(60.9)	30.8	8.7
EBITDA margin (%)	(58.8)	31.6	9.4
Net margin (%)	(68.2)	29.5	7.1
P/Revenue (x)	4.0	1.7	2.0
EV/EBITDA (x)	NM	NM	0.0
EV/Revenue (x)	4.2	1.7	2.1

Source: SeeThruEquity Research

Share Price Performance (\$, LTM)



Source: Bloomberg

SUMMARY TABLE

Figure 1. Summary Table (As of January 21, 2015)

Share data		B/S data (As of fiscal 2Q15)		Key personnel:	
Recent price:	\$0.72	Total assets:	1.8mn	Chairman, President, CEO:	Warren Wang
Price target:	\$2.05	Total debt:	0.4mn	CFO:	Paul Dickman
52-week range:	1.08 / 0.31	Equity:	(0.1mn)	COO:	Brett Roper
Average volume:*	14,015	W/C:	(0.2mn)		
Market cap:	\$6.6mn	ROE '14	94%		
Book value/share:	(\$0.01)	ROA '14:	38%		
Cash/share	\$0.03	Current ratio:	0.9		
Dividend yield:	0.00%	Asset turnover:	1.2		
Risk profile:	High / Speculative	Debt/Cap:	135.4%		

* three month average volume (number of shares)

FY May	Estimates				Valuation	
	Rev (\$000)	EBITDA (\$000)	EPS (\$)	P/Rev (x)	EV/Rev (x)	P/E (x)
2012A	897.1	(1,682.7)	(0.44)	7.4x	7.6x	NM
2013A	1,639.4	(963.7)	-(.21)	4.0x	4.2x	NM
2014A	3,902.4	1,233.9	0.18	1.7x	1.7x	3.9x
1Q15A	644.8	(11.1)	-0.02	2.6x	2.6x	NM
2Q15A	519.4	(92.3)	-0.01	3.2x	3.3x	NM
3Q15E	786.3	78.6	0.01	2.1x	2.2x	15.4x
4Q15E	1,289.5	329.3	0.05	1.3x	1.3x	3.9x
2015E	3,240.0	304.5	0.03	2.0x	2.1x	22.9x
2016E	3,927.0	800.7	0.09	1.7x	1.7x	8.1x

Source: SeeThruEquity Research

INVESTMENT THESIS

We view ChineseInvestors.COM (OTCQB: CIIX, "CIIX") as a compelling microcap company building a intriguing portfolio of financial products and services. With offices in Shanghai, China, and Aurora, Colorado, CIIX provides real-time financial market information through a portfolio of free and paid subscription-based products delivered online through its websites (www.chinesefn.com and www.chineseinvestors.com). The company's primary market focus is on the segment of the Chinese population (both in the United States and abroad) that does not have English language reading skills but is interested in participating or following various financial markets that do not offer real time Chinese language information.

CIIX has a knowledgeable management team and a widespread and growing market presence across a variety of media including television, radio and web platforms. The company's web sites have over 126,000 unique visitors with an average session length of over twenty minutes. CIIX has established itself as a well-respected brand known for its education and information products. The company's subscription products typically cover the general range of US financial markets, including Chinese A shares, and the FOREX markets. With over 1,600 active paying subscribers, we expect CIIX to expand its subscription products in the future to attract more users. At present the company's best-known paid products include the VIP Golden Membership for personalized stock and market commentary; educational products on options, foreign exchange markets, and trading strategies; and Dark Horse subscription services, which produces content and fundamental analysis for small capitalization stocks.

Strong growth in investor relations consulting business

Over the last two years CIIX has generated strong revenue growth from a complementary business line that has emerged as a leading revenue-generator for the company. The segment, Investor Relations consulting services, leverages the company's experience and reputation for providing US market commentary and analysis to help attract corporate clients. This segment, which grew from \$0.4mn in revenue in fiscal 2013 to \$3.2mn in fiscal 2014, provides contract client support and sales services, consulting services, advertising, public and investor relations services to small and private companies.

In particular CIIX has achieved success building a business providing investor relations and consulting services to small and private businesses seeking to increase their exposure or initially list shares on a public market in the United States. The investor relations consulting services are legally contracted and payment can take the form of cash or equity. CIIX has worked with a growing list of private and public companies, including Biostar Pharmaceuticals, Inc. (BSPM), Integral Technologies, Inc. (ITKG), Nova Lifestyle, Inc. (NVFY), among others, to do promotion/IR service for specific period of time. Indeed, as of 2Q15, CIIX reported having a client roster of ten companies utilizing its services for investor relations consulting. This business has been highly profitable for CIIX, as it carries high incremental earnings leverage and helped the company achieve operating margins of approximately 30% in fiscal 2014. The company has experience working with companies listed on the NASDAQ, NYSE, and OTCQB, and we expect this business to continue to be a focus for CIIX. Further, given its experience in assisting others in their move to these exchanges, we see the company as having the potential to up-list to a larger exchange in the future.

Upside potential from investment in Medicine Man Technologies, Inc.

Over the last year CIIX has directed substantial time, financial resources and effort from its executive team to work with the ownership of Medicine Man Production of Denver, a cannabis industry cultivator / dispensary operator in Colorado, in the creation of a new company, Medicine Man Technologies, Inc. ("Medicine Man Technologies"). Medicine Man Technologies will "house" the intellectual property and proprietary know-how of Medicine Man Production of Denver and begin providing consulting services to the cannabis industry. Medicine Man Technologies has already secured several clients in multiple states for licenses of its experiences-based technology – and is expected to report

strong profitability for its six months of operations ending in December 2014. We view company's investment in Medicine Man Technologies as having high upside potential given the massive size and growth potential for the legal marijuana industry.

CIIX holds a substantial investment in Medicine Man Technologies of 2.8mn shares – and we believe the company will be able to fairly value the investment on its financial statements during calendar 2015, which could be a significant milestone. Although we have not included potential results from Medicine Man Technologies in our forecast for CIIX, we believe the investment has the potential to account for several million dollars of value, and possibly a non-operating future income stream. In exchange for its consulting services, CIIX was granted 2.8mn shares of Medicine Man Technologies common stock, which management believes will have substantial future value that more than offsets what otherwise appears to be a year-over-year slowing of the company's investor relations business segment. We see a catalyst for determining value for this investment in the short run, as we expect Medicine Man Technologies will seek to become a public company either by an S1 or Form 10 filing process with the SEC/ FINRA. Importantly, funds were raised at \$1 per share providing sufficient capital to cover the expected costs of pursuing a public company status, suggesting the investment of 2.8mn shares could add substantial value to CIIX's balance sheet. We note that using the simple math of just multiplying the price of the last raise by the shares owned by CIIX suggests that the investment could be worth an amount equal to more than 40% of CIIX's recent market capitalization. In our opinion, given public commentary that Medicine Man Technologies





has been generating healthy profits and reportedly signing an increasing number of license partners, it is possible this investment could be worth considerably more than what the “simple math” suggests. We will look forward to learning more about the ownership status and financial results of Medicine Man Technologies as calendar 2015 progresses

Experienced management team led by CEO Warren Wang

CIIX has a dedicated and highly experienced management team led by its Chief Executive Officer, Warren Wang. Born in Shanghai China, Warren Wang immigrated to the United States in 1989 and is the founder, chairman and CEO of ChineseInvestors.com, Inc. After majoring finance at Saint John's University and accumulating 16 years of investment and trading experience including stints at several US investment banks, Mr. Wang has become known and respected throughout the Chinese and US investment communities. Mr. Wang's reputation is an asset for CIIX, as he has hosted more than 100 investment seminars in the last eight years and is the finance presenter on *Wall Street Weekly* on Phoenix Satellite Television, and *Crazy Wall Street*, exclusively featured on www.chinesefn.com, a web property controlled by CIIX. In addition to Mr. Wang, CIIX is also led by Chief Operating Officer Brett Roper, a longtime senior executive for the company. Currently Roper is leading development of the company's Client Service Center in Shanghai, CH, and he has also played a critical role assisting with the development of Medicine Man Technologies, especially providing guidance as they in their pursuit of strategic licensing deals and a public markets listing.

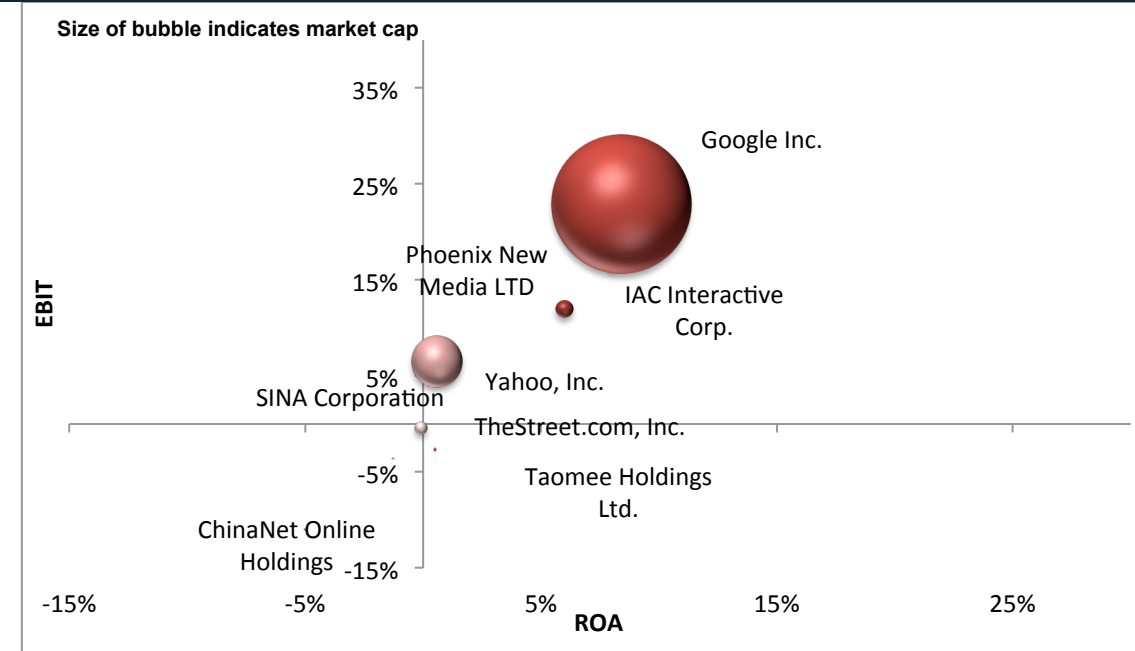
COMPETITIVE LANDSCAPE

ChineseInvestors.com manages businesses that operate in several highly competitive industries. In its core business of building compelling internet-based subscription businesses, the company faces competitors with substantially greater access to financial resources, more established brand names and customer bases, and more advanced technological tools. Indeed, with revenues of just under \$4mn in fiscal 2014, the company is a small player in the \$23Bn market for global financial data and analysis. Nevertheless CIIX seeks to compete in this market by pursuing a differentiation strategy. The company focuses on providing compelling web products and content employing Chinese language commentary, analysis and educational tools covering the financial markets. In its investor relations consulting business, CIIX leverages the reputation it has developed from its core business, as well as from online content with a small company focus like “dark Horse”, to attract small and private company clients. The investor relations consulting business is very competitive and is exposed to competitive forces including pricing, online products such as a hosted investor relations portal, and the breadth of potential investor contacts.

In the graphic below we have analyzed the profitability and relative size of a peer group we view to be comparable to CIIX’s. We selected a peer group for that includes internet information companies with competitive products covering the financial markets, such as Yahoo! (NASDAQ: YHOO), Google (NASDAQ: GOOG), Interactive Corporation (NASDAQ: IAC) and TheStreet.com (NYSE:TST). We have also considered a selection of companies with internet-based businesses that operate with a focus on China or another large emerging market. This group includes Phoenix New Media (NASDAQ: FENG), Sina Corporation (NASDAQ: SINA), Xunlei Limited (NASDAQ: XNET), and ChinaNet Online Holdings (NASDAQ: CNET), among others.

CIIX ranks at the lower end of the peer group in terms of its market capitalization as it is a small company with an emerging business. In fiscal 2Q15, CIIX slipped to negative capital returns as expenses exceeded revenues during that period. However, results from the company’s most recent full year, fiscal 2014, would rank the company in the upper quadrant of profitability and returns in its peer group.

Figure 2. ROA vs. EBIT– CIIX Peers across Internet Industry



Source: Bloomberg, Company filings, SeeThruEquity Research

FINANCIALS AND FUTURE OUTLOOK

Revenue/Drivers

CIIX revenue increased strongly in its fiscal 2014, ended in May 2014. Revenue grew by 138% from FY2013 to FY2014, reaching \$3.9mn. The company's performance was driven by strong growth in its investor relations and consulting business, which increased by 739% to \$3.2mn from \$0.4mn in FY2013. The company also experienced growth in its core Internet subscription business, which increased by 46% to reach \$0.7mn, up from \$0.5mn in FY13. We project a slight revenue decline slightly in fiscal 2015 as the company has directed a significant portion of its time and attention to developing Medicine Man Technologies, a Nevada C Corporation that is being positioned to become a leader in the cannabis industry consulting space. We have not forecast CIIX to consolidate results from Medicine Man Technologies into its top line in future periods.

Our forecast is driven on the assumption that CIIX will execute on its plans to expand its core Internet subscription products and expand its investor relations consulting business over the next several years. We have assumed 2015E revenues of \$3.2mn; we see the year as one in which the company digested growth in its consulting business and management dedicated significant time to developing Medicine Man Technologies – an investment which may reap rewards in the future. Our estimates assume moderately strong growth from 2016E and beyond, with revenue increasing to \$3.9mn in 2016E and \$4.6mn in 2017E. The following table outlines the assumptions of our revenue forecast by segment through fiscal 2018E.

Figure 3. CIIX Revenue trends by business segment

Revenue by Segment (\$)	2012	2013	2014	2015E	2016E	2017E	2018E
Subscriptions	552,327	495,154	722,887	725,000	906,250	1,087,500	1,283,250
Investor Relations	0	377,407	3,166,516	2,500,000	3,000,000	3,540,000	4,071,000
Other Sales	344,798	766,812	13,000	15,000	20,729	26,458	32,187
Total Revenue	897,125	1,639,373	3,902,403	3,240,000	3,926,979	4,653,958	5,386,437
Business Mix (%)	2012	2013	2014	2015E	2016E	2017E	2018E
Subscriptions	61.6%	30.2%	18.5%	22.4%	23.1%	23.4%	23.8%
Investor Relations	0.0%	23.0%	81.1%	77.2%	76.4%	76.1%	75.6%
Other Sales	38.4%	46.8%	0.3%	0.5%	0.5%	0.6%	0.6%
Total Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Bloomberg, Company filings, SeeThruEquity Research

Margins/Expenses

CIIX experienced powerful margin expansion in fiscal 2014, with operating margins slightly north of 30%. We see margins coming down in 2015E after first half results have demonstrated higher costs and lower investor relations consulting revenues. CIIX should be able to generate very high margins given the fee-based nature of its business model paired with the human capital costs. The company has high earnings leverage as demonstrated in the change in profitability from FY2013 to FY2014, we have modeled the company to perform at high margin levels, with operating margins increasing from 8.7% in fiscal 2015E to 19.8% in 2016E. We have modeled operating margins to peak in the low 30% range, and expect that the company should be able to average operating margins in the low-to-mid-20% range while still investing in growth and new ventures such as Medicine Man Technologies.

Balance Sheet & Financial Liquidity

We see the balance sheet as a notable risk for CIIX. The company ended the quarter with cash on hand of \$245,047, while available for sale investments of \$1.3mn in 2Q15 declined from \$2.8mn in 1Q15. CIIX had negative shareholder's equity at the end of the November quarter of (\$0.1mn), with the primary reason for the decline being the decline in value for available for sale investments.

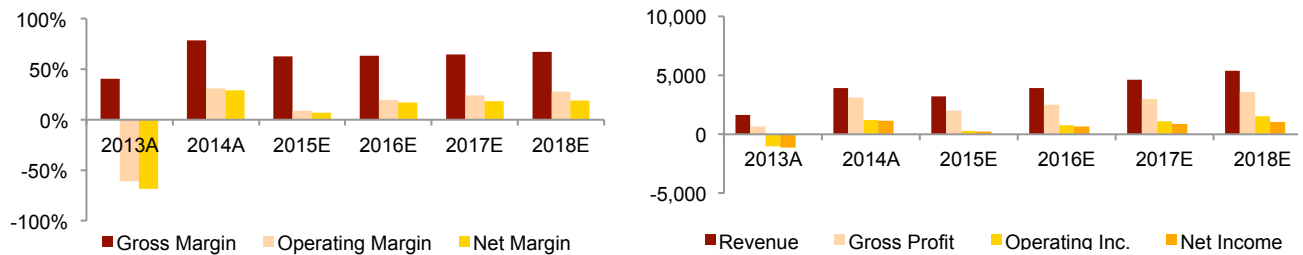
CIIX has accepted payment in the form of stock from several clients in its consulting investor relations business segment, and there is risk to the company's balance sheet as the prices of these securities can be volatile. In particular, about 74% of CIIX's total assets are represented by the available for sale investments, which are often used as a source of liquidity. Should the value of these investments decline further CIIX may need to raise capital to execute its growth plan. Similarly, the company's cash flow does not follow net income when it is paid for investor services with stock, as there can be restrictions on the company's ability to liquidate shares issued to it for services. This trend has the potential to affect cash flows available to fund the business and can make it more difficult to predict cash flows accurately.

We should note that CIIX has dedicated substantial time and resources to the development of a new company, Medicine Man Technologies. CIIX held a substantial ownership share of 2.8mn shares of Medicine Man Technologies as of the end of the November quarter, fiscal 2Q15. According to SEC filings, management expects the value to be fully reflected in upcoming filings, and that this investment will more than offset the declines experienced in fiscal 2Q15.

Recent Results

CIIX reported strong results in fiscal 2014 generating earnings per share of \$0.18 for the year. The company has experienced less revenue thus far in fiscal 2015E, though we note that the 10% share of the growth in fiscal 2014 came during the second half of the year. The company reported \$1.2mn in revenue in the first half of 2015E versus \$1.3mn during the first half of 2014. Reported EPS for the first half of 2015E has totaled (0.03), versus \$0.05 in the first half of 2014. The biggest swing factor in the two periods is lower recognized investor relations consulting revenue, which carried high gross margins in 2014.

Figure 4. Key Performance Indicators of CIIX, FY15E–18E



Source: Company filings, SeeThruEquity Research

VALUATION

We utilized a discounted cash flow (DCF) analysis and peer group multiples to value CIIX. Our blended valuation, which combines these two methodologies, yields a fair value of \$2.05 per share. Relative to the recent price of \$0.72 on January 21, 2015 this represents upside potential of 184.7%. Our analysis does not include the potential impact of the company's investment in Medicine Man Technologies – an investment that, as we indicated earlier in the report, we believe has multi-million dollar potential for CIIX

DCF

CIIX demonstrated significant earnings power in fiscal 2014, and we expect the company to have profitable yearly operations throughout our forecast period. We have modeled operating income to increase from \$0.3mn in 2015E to reach \$0.8mn in fiscal 2016E, before growing to \$1.5mn in fiscal 2018E. We have not included any potential income derived from the company's investment in Medicine Man Technologies at this time, however, we believe this investment could contribute a significant non-operating income stream in the future. We have assumed relatively low capital spending and depreciation levels, in line with the low rates of investment exhibited thus far by the company in its core business.

We discounted cash flows at a weighted average cost of capital of 13.7% and assumed a terminal growth rate of 3% at the end of FY2020E to arrive at an enterprise value of \$12.5mn. Adjusting for the cash balance of \$0.2mn and \$0.4mn in short term debt, no debt as of 2Q15, we arrived at a fair value of \$1.36 per share, representing potential upside of 89.2% from the recent price of \$0.72.

Figure 5. Discounted Cash Flow Analysis

\$' 000	FY15E	FY16E	FY17E	FY18E	FY19E	FY20E
EBIT	281,200	779,919	1,116,950	1,508,202	1,834,165	2,176,489
Less: Tax	0	84,458	222,312	467,543	660,299	783,536
NOPLAT	281,200	695,461	894,638	1,040,660	1,173,866	1,392,953
Changes in working capital	-237,806	191,669	191,322	252,017	274,506	354,942
Depreciation & Amortization	23,322	20,825	33,320	41,650	62,475	83,300
Capex	-28,901	-25,000	-40,000	-50,000	-75,000	-100,000
FCFF	37,815	882,955	1,079,280	1,284,327	1,435,847	1,731,195
Discount factor	0.96	0.84	0.74	0.65	0.57	0.50
PV of FCFE	36,151	742,482	798,302	835,592	821,699	871,437
Sum of PV of FCFE						4,105,663
Terminal cash flow						16,683,600
PV of terminal cash flow						8,398,078
Enterprise value						12,503,741
Less: Debt						440,000
Add: Cash						245,000
Equity value						12,308,788
Outstanding shares (mn)						9.2
Fair value per share (\$)						1.34
Summary conclusions	Key assumptions					
DCF FV (\$ per share)		1.36	Beta			1.5
Recent price (\$ per share)		0.72	Cost of equity			14.0%
Upside (downside)		89.2%	Cost of debt (post tax)			9.0%
WACC		13.7%	Terminal Growth Rate			3.0%

Source: SeeThruEquity Research

Figure 6. Sensitivity of Valuation – WACC vs. Terminal Growth Rate

		WACC (%)				
		10.9%	11.4%	11.9%	12.4%	12.9%
Terminal growth rate (%)	4.00%	1.47	1.36	1.27	1.18	1.11
	4.50%	1.57	1.45	1.34	1.25	1.16
	5.00%	1.69	1.55	1.42	1.32	1.23
	5.50%	1.83	1.66	1.52	1.40	1.30
	6.00%	2.05	1.80	1.63	1.50	1.38
	6.50%	2.20	1.96	1.77	1.61	1.47

Source: SeeThruEquity Research

Peer Group Valuation

We compared CIIX with a peer group comprised primarily of competitors and peers in the internet information services group. We felt this was appropriate given the company's long history in its core business of providing Chinese language commentary, analysis, and subscription products covering the financial markets in the United States, A shares, and the foreign exchange market. Like many internet-based businesses, CIIX has leveraged its web presence and reputation to layer on complementary commerce and services businesses. In the case of CIIX, the complimentary business is primarily its investor relations consulting business. We chose our peer group to include global web companies with competitive products, such as Yahoo! (NASDAQ:YHOO), Google (NASDAQ: GOOG) and TheStreet.com (NYSE: TST) as well as internet-based companies with a focus either on China or another large emerging market. The group of peers includes Sohu.com (NASDAQ: SOHU), Phoenix New Media Ltd. (NASDAQ: FENG), Taomee Holdings, Inc. (NASDAQ: TAOM) and Rediff.com (NASDAQ: REDF), among others.

We analyzed CIIX by considering the P/E ratios of its peers, using fiscal 2014 earnings per share and estimated fiscal 2015E earnings per share, incorporating or estimates for CIIX. We also compared the company to the peer group using P/S as a metric of comparison examining the group of comparable companies for fiscal 2014 and fiscal 2015. Per the table on the following page, CIIX appears steeply discounted when compared to the peer group, despite the company's strong growth in 2013 and 2014.

While we have forecast a decline in results in fiscal 2015E, we note that our estimates do not include any income from Medicine Man Technologies, which has the potential to make a significant impact on fiscal 2015E earnings given CIIX's large ownership in the company. In its 10-Q for fiscal 2Q15, CIIX indicated that it controlled 2.8mn shares of Medicine Man, and that funds were recently raised for Medicine Man at a level of \$1.00 per share. Considering CIIX's market value of \$6.6mn and total assets listed on its balance sheet of \$1.8mn, we expect this investment to be significant for CIIX.

Comparing CIIX to the peer group, we determined a fair range of valuation from \$1.58 on a relative P/S basis and \$2.88 on a relative P/E basis. Our valuation of \$2.88 on considers a P/E ratio of 15.7x 2014 earnings per share and implies potential upside of 299% versus the recent price of \$0.72 on January 21, 2015. The multiple of 15.7x is steeply discounted to the peer group average of 31.4x; however, we felt a discount was appropriate considering the large impact of consulting revenue on 2014 results and the likelihood that fiscal 2015E earnings will be affected by a shift of focus away from investor relations consulting towards the development of Medicine Man Technologies. Our price to sales valuation of \$1.58 considers a valuation of 3.7x revenues from 2014, a moderate discount to the group average. The price to sales fair vale of 1.58 suggests potential upside of 119.7% form the recent price of 0.72.

Figure 7. Comparable Valuation (Data as of 1/21/15)

Company	Mkt cap (US\$ mn)	Price/ Earnings(x)		Price/Revenue(x)	
		FY14	FY15E	FY14	FY15E
IAC Interactive Corp.	5,220	25.7x	18.1x	1.7x	1.6x
Phoenix New Media Limited	632	2.1x	1.8x	0.4x	0.3x
ChinaNet Online Holdings	42	NA	NA	N/A	N/A
Google Inc.	344,000	19.6x	17.2x	6.5x	5.5x
Taomee Holdings Ltd.	132	NA	53.0x	3.1x	3.0x
Rediff.com India Ltd.	61	NA	NA	N/A	N/A
Yahoo, Inc.	45,120	29.9x	43.7x	10.2x	10.0x
Xunlei Limited	487	62.5x	27.8x	2.7x	2.2x
SINA Corporation	2,360	48.4x	38.2x	3.1x	2.7x
Sohu.com	2,100	NA	NA	1.3x	1.0x
TheStreet.com, Inc.	75	NA	NA	1.3x	1.0x
Average		31.4x	28.5x	4.0x	3.6x
ChineseInvestors.com, Inc.	7	3.9x	22.9x	1.7x	2.0x
<i>Premium (discount)</i>		<i>(87.5%)</i>	<i>(19.8%)</i>	<i>(57.4%)</i>	<i>(43.5%)</i>

Source: Bloomberg, SeeThruEquity Research

RISK CONSIDERATIONS

Financial solvency and cash flow

CIIX ended its second fiscal quarter of 2015 with cash on hand of just \$245,047. The company has available for sale investments of \$1.3mn, which it can potentially draw on as a source of liquidity going forward. The company had negative shareholder's equity of (\$0.1mn) at the end of 2Q15, and experienced decline in its current ratio from 1.8x in 1Q15 to 0.9x in 2Q15. Given its plans for growth, and the investment of time and resources in the development of Medicine Man Technologies, CIIX may require additional capital the issuance of debt or equity to execute its plan.

Competition

CIIX operates in several extremely competitive market, including the market for online information and investor relations consulting services. Particularly in the internet information market, the company competes against numerous, well-funded companies, many of whom have more recognized brands, access to more advanced technology, and deeper financial resources. On the investor relations consulting and public relations services side of the business, CIIX also faces numerous competitors, many of whom have access to a larger contact network of potential investors, more established brand reputations, or better product offerings.

Investor relations consulting business

CIIX recently began generating revenue by offering investor relations and public relations consulting services to companies seeking to improve their visibility in US markets, as well as small or private companies seeking to list on a major publicly traded exchange. This business segment has met with initial success and represented 81% of revenue in fiscal 2014. The segment has many unique risks, however, which make it difficult to forecast cash flow for CIIX. Specifically CIIX receives payment for a significant amount of these services in the form of publically traded stock. In some cases the value of this stock is subject to certain selling restrictions, which can cause cash flow to lag net income. More importantly, because the company specializing in working with small and private companies, the valuation of the companies in which it holds an investment has he potential to be volatile and more sensitive to market fluctuations.

Medicine Man Technologies

CIIX has dedicated significant time, resources and energy during to the development of Medicine Man Technologies, a corporation attempting to become a leader in the cannabis industry consulting space; specifically related to general business operations and cultivation technologies as garnered over the past two years Medicine Man Production Corporation. CIIX management has high hopes for this investment, which should begin to realize value during calendar 2015E. However, the other operations of CIIX have experienced some deterioration thus far in 2015E, and if the Medicine Man Technologies venture is unsuccessful or meets unexpected challenges, CIIX may find have difficulty recovering to 2014 performance levels.

Liquidity risk

CIIX shares are thinly traded on the OTCQB market. As a result, it may be difficult for investors to accumulate or dispose of positions in CIIX, and the act of doing so may have a significant impact on the quoted price of the shares. The average daily CIIX share volume traded from the time period November 1, 2014 through January 21, 2015, was 17,823 shares. At a recent price of \$0.72, this suggests an average daily value traded of \$12,833.

Management Team

Warren Wang, – Chairman, Chief Executive Officer and Founder

Warren Wang is the founder, chairman and CEO of ChineseInvestors.com, Inc.: Mr. Wang was born in Shanghai China and in 1989 immigrated to the United States. Mr. Wang attended Saint John's University where he majored in Finance. Mr. Wang has 16 years of investment and trading experience, working at several US Investment Banks. In 2003 and 2004 Mr. Wang won the World Real Money Trading Championship with an impressive single month return above 400%. In the past 8 years Mr. Wang hosted more than 100 investment seminars throughout China and North America, maintaining a very respectful reputation throughout the Chinese and US investment communities.

Brett Roper, Chief Operating Officer, Secretary of Board of Directors

Brett Roper, COO and Secretary of the Board of Directors: Mr. Roper currently resides in Aurora, Colorado (Corporate HQ) and provides for a wide variety of support services including oversight of our professional contract service providers (legal, audit, accounting, etc.), SEC filings management, and business development. He was primarily responsible for our securing clearance from the SEC (Form 10-12G filing) in becoming a public company; including drafting (Form 10-12G), SEC attorney and PCAOB Auditor selection and management, managing our 15c2-11 and DTC eligibility efforts, and selection of our Market Maker and Transfer agent. He is currently working on the development of our Client Service Center in Shanghai, CH as well as providing support for our corporate consulting services efforts. Mr. Roper's involvement with CIIX began in late 2001 as the representative of one of our past majority shareholders, Hollingsworth LLC and has been associated with the Company in a number of capacities since that date.

Paul Dickman, Chief Financial Officer

Paul Dickman is the company's Chief Financial Officer and oversees accounting and finance roles at Chineseinvestors.com, Inc. Mr. Dickman serves clients in a variety of industries both domestically and abroad. He has successfully overseen the financial process of transitioning companies from private ownership to being a publicly traded entity. Prior to his involvement with Chineseinvestors.com, Inc. he worked as an auditor with two large regional accounting firms, with a special emphasis working with small publicly traded companies. He has also worked for several years with a private equity investment firm in various capacities. Paul received a Bachelors of Science degree in finance and accounting from Bob Jones University and has been a licensed CPA since 2005. In his spare time Paul volunteers extensively with several faith based not-for-profit organizations.

James S. Toreson, Director and Former Company CEO

James S. Toreson serves as a Director for the company and formerly served as Chief executive Officer for CIIX. Mr. Toreson has over 30 years of experience as key executive, leading high-tech companies through their start-up, turn around, and growth phases. He was instrumental in providing them with strategic planning, capital transactions and strategic partnerships, including IPOs; secondary offerings; private placements; acquisitions; divestitures; and far-east joint ventures with major companies in Japan, Korea, Taiwan, and the People's Republic of China. He is a "hands on" serial entrepreneur with a broad range of expertise in product development, marketing, manufacturing, quality system such as ISO 9000 and Six Sigma, flexible automation, and is the author of several patents in computer hardware technology. In the early part of his career, he made leading edge technical contributions in the fields of integrated circuits; computer design; computer peripherals, hard disk development, including, thin film heads, thin film media and computer aided manufacturing at world class companies including Xebec, Hewlett-Packard, Spectra-Physics, and Bell Telephone Laboratories. His current activities are in the design and deployment of utility-scale solar PV power plants. He is an honors graduate of the University of Michigan with a BSEE and MSEE, and was awarded a Doctorate from the University of Nevada, and has done post-graduate work in computer engineering at the University of Pennsylvania and the University of Santa Clara.

FINANCIAL SUMMARY

Figure 8. Income Statement

Figures in \$000 unless specified	FY12A	FY13A	FY14A	FY15E	FY16E	FY17E
Revenue	897.1	1,639.4	3,902.4	3,240.0	3,927.0	4,654.0
YoY growth	NM	82.7%	138.0%	(17.0%)	21.2%	18.5%
Cost of sales	686.9	975.0	821.2	1198.8	1433.3	1628.9
Gross Profit	210.3	664.4	3,081.2	2,041.2	2,493.6	3,025.1
Margin	23.4%	40.5%	79.0%	63.0%	63.5%	65.0%
Operating expenses	1892.9	1662.2	1879.3	1760.0	1713.7	1908.1
EBIT	(1,682.7)	(997.8)	1,201.9	281.2	779.9	1,116.9
Margin	(187.6%)	(60.9%)	30.8%	8.7%	19.9%	24.0%
EBITDA	(1,682.7)	(963.7)	1,233.9	304.5	800.7	1,150.3
Margin	(187.6%)	(58.8%)	31.6%	9.4%	20.4%	24.7%
Other income/ (expense)	(36.2)	(120.2)	(52.3)	(51.5)	(32.5)	(32.5)
Profit before tax	(1,718.9)	(1,118.0)	1,149.6	229.7	747.4	1,084.4
Tax	0.0	0.0	0.0	0.0	84.5	222.3
Net income	(2,206.1)	(1,118.0)	1,149.6	229.7	663.0	862.1
Margin	(245.9%)	(68.2%)	29.5%	7.1%	16.9%	18.5%
EPS (\$ per share)	(0.44)	(0.21)	0.18	0.03	0.09	0.11

Source: SeeThruEquity Research

Figure 9. Balance Sheet

Figures in \$000, unless specified	FY12A	FY13A	FY14A	FY15E	FY16E	FY17E
Current assets	1,176	901	2,881	2,108	3,050	3,782
Intangibles	0	0	0	0	0	0
Other assets	73	100	117	123	127	134
Total assets	1,249	1,001	2,998	2,231	3,177	3,915
Current liabilities	301	818	1,692	1,835	2,061	1,879
Other liabilities	4	7	81	68	75	82
Shareholders' equity	944	176	1,225	329	1,041	1,954
Total liab and shareholder equity	1,249	1,001	2,998	2,231	3,177	3,915

Source: SeeThruEquity Research

Figure 10. Cash Flow Statement

Figures in \$000, unless specified	FY12A	FY13A	FY14A	FY15E	FY16E	FY17E
Cash from operating activities	(1,511.2)	(1,068.4)	(749.3)	(270.7)	675.5	886.8
Cash from investing activities	(15.8)	(60.7)	527.0	415.0	(25.0)	(40.0)
Cash from financing activities	2,340.3	275.0	440.0	0.0	0.0	(440.0)
Net inc/(dec) in cash	813.3	(854.1)	217.8	348.0	650.5	406.8
Cash at beginning of the year	252.3	1,065.6	211.4	340.6	688.6	1,339.1
Cash at the end of the year	1,065.6	211.4	429.2	688.6	1,339.1	1,745.8

Source: SeeThruEquity Research



About Chineseinvestors.com, Inc.

ChineseInvestors.COM, Inc. (CIIX), founded in 1999 became a public company in early 2011 and endeavors to maintain its innovative stance by providing (a) real-time market commentary, analysis, and educational related services related to the various equity and globally positioned markets in Chinese language character sets (traditional and simplified), (b) delivery of support and back of the house related services to our various partners, (c) consultative services to smaller private companies considering their public company options, (d) advertising and public company related support services (IR Lite), (e) participating in the formation and initial launch of Medicine Man Technologies, a successful consulting and licensing business venture in the cannabis industry space, and (f) other services we may identify having the potential to create value or partnership opportunity that blend efficiently with our existing skills and services. Our subscriber base (free and pay member) is primarily located in the US and Canada (95%) noting these services as described are generally delivered to US public and private companies as well as US residents and citizens.

For further information please contact us at info@chinesefn.com or visit our website at (www.chinesefn.com).



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