



INSIGHTFUL WALL STREET RESEARCH



▶ **Current Price (CIIX)**

\$0.47

Company Description

Chineseinvestors.com, Inc. (OTCQB: CIIX) founded in 1999, is headquartered in San Gabriel, CA with offices in New York City and Shanghai, China. It is a relatively undiscovered company, but its niche is its large target market, the Chinese-speaking population.

Estimates (Dec.)	F2018A	F2019E	F2020E
Sales (\$Actual)	\$2,353,331	\$3,100,000	N/A
EPS	(\$0.58)	(\$0.10)	N/A
P/E (x)	N/A	N/A	N/A
Stock Data			
52-Week Range	\$0.37-\$1.25		
Shares Out (Thsds)	39,789		
Market Cap (Mil)	\$19.9		
Enterprise Value (Mil)	\$16.6		
Average Daily Volume	77,050		
Management			
Founder, Chairman and CEO	Warren Wang		
CFO	Patrick Leung		

Investment Highlights:

1. CIIX has a stable subscriber based (Chinese-speaking subscribers in North America) IR business which has allowed investment in other sectors that promise to unlock value for shareholders. CIIX recently launched two subsidiaries, ChineseHempOil.com and CBD Biotechnology Co. Ltd, which provide hemp oil and CBD consumer products including hemp-infused skin care products to China and the Chinese community in the United States.
2. Recently it was announced that in an effort to refocus its core IR business and unlock value, the CBD Biotechnology will be spun off.
3. In March 2018, the Company launched a wholly-owned subsidiary called Bitcoin Trading Academy, LLC, which is focused on cryptocurrency trading and education in the blockchain technology area. The Company creates daily video content targeted to its Chinese-speaking market at www.bta168.io.
4. High-Risk/High-Reward investment Opportunity in the microcap space, with potential for upside if the company can generate renewed traction with investor relations services and execute on the new cannabis and cryptocurrency initiatives.

Conclusion

As mentioned, CIIX is an undiscovered company, in our view. This company has a unique customer base, the Chinese speaking market. It has locked it up with a subscriber base for its financial media base and has tried to leverage it with its two new entrepreneurial ventures, ChineseHempOil.com and CBD Biotechnology. This is a high-risk/high-reward investment Opportunity in the microcap space.



Company Overview

CIIX was founded in 1999 (went public in January 2012) and is headquartered in San Gabriel, CA with offices in NYC, Shanghai and Vancouver. Traditionally the company has offered a range of consulting services, information products and web-based tools for investor education, including real time market commentary, analysis and education to the Chinese-speaking investor via the company's website, www.chinesefn.com.

Currently, with the traditional and founding (mentioned above) principles in mind, CIIX is undergoing a transformation. The legacy financial media business is expected to remain and continue to do well, but management (founder-led Warren Wang) is entrepreneurial and is savvy at recognizing new trends (high-growth potential) and capitalizing on them. One such example is the out sized potential of the nascent U.S. cannabis industry and specifically the growing demand of Cannabidiol-based (CBD) nutrition and health products. The companies two hemp based businesses operate under two subsidiaries:

ChineseHempOil.com, is responsible for the development and operation of the online and retail sales of hemp-based health products in the United States. The company's hemp oil product line, OptHemp, a premium, private label oil, made from full-spectrum, Colorado grown, GMO-Free, hemp, manufactured using a CO2 extraction process.

CBD Biotech operates in China, opening that population and potential revenue to the company. They offer a line of hemp-infused skincare products, Magic Hemp. Additionally, CBD Biotech obtained a wholesale alcohol license in November 2017 from Shanghai Wine Monopoly Bureau effective October 24, 2017 for a three-year term, which allows CBD Biotech to act as a liquor distributor. CBD Biotech entered into a wholesale agreement with China GuiZhou HanTai Wine, Inc. to distribute its liquor product - Yantai 1985.

Here the company is pursuing a multi-level selling strategy in China, selling Magic Hemp and Live Oxygen. Additionally, the company is establishing a community center in Shanghai, to increase customer awareness of the benefits of its products.

Additionally the company's expanded subscription services and educational products to include cryptocurrency products:

- www.newcoins168.com: Free portal providing news and investment education in the Chinese language for the global Chinese community covering cryptocurrency basics, trading guidelines, market commentary and analysis regarding cryptocurrency, blockchain technology and mining, sector-related stock trends and ETFs and strategies and opportunities to capitalize on the cryptocurrency market.
- Daily Cryptocurrency Chinese Video Newscast from the NYSE: In 1Q18, the Company began working with Wall Street Multimedia, an independent news agency located at the NYSE, to produce a daily cryptocurrency video newscast in Chinese providing information and analysis regarding the digital currency world, including specific cryptocurrencies, such as Bitcoin and Ethereum; industry trends; price movement; blockchain technology; sector-related stocks and ETFs; etc.
- Bitcoin Millionaire VIP Livestream: In April 2018, the Company launched a new paid cryptocurrency subscription service modeled after the Company's core business providing one of the world's first live Chinese cryptocurrency broadcasts streaming 6.5 hours/day and featuring analysts providing live trading demonstrations.
- Bitcoin Trading Academy LLC: In July 2018, the Company began offering, a paid, in person and on-line courses on cryptocurrency investment and trading.

Additionally, the newsletter, First Pot of Gold, is targeted towards equity investors, specifically the Chinese-speaking population in the U.S. and Canada. According to the 2011 census for both of those countries, that population is around 3.6 million people. The goal of this newsletter is to educate and penetrate that market and ultimately grow the company's subscriber base. We expect further announcements to be made in regards to this third pillar of growth.

CIIX will continue to be a first mover in nascent businesses and will continue to focus on investment on both the R&D in these spaces, all the while growing its current subscriber base from about the current 100,000+.

Key Highlights

- Financial Media Company for Chinese-speaking audience
- Transforming company to leverage growth of the nascent and growing global medical marijuana industry as well as cryptocurrency

Industry Analysis

Market is Large – According to the CBD Report published by The Hemp Business Journal, Cannabidiol is one of the fastest growing market categories in the U.S. hemp and legal marijuana industries. In 2015, the CBD industry grew from a nearly invisible market a few years ago to \$202 million in consumer sales, and it further expected to grow to \$2.1 billion in consumer sales by 2020E, representing an underlying CAGR of about 80.0%.

Regulations make market complex – While marijuana use is illegal in China, the growing of industrial hemp is legal. However, in the United States, the Drug Enforcement Agency (DEA) considers it illegal and yet remains available online and in retail stores around the country; a change in the Federal view would be a large growth driver for this space. Meanwhile, CBD laws vary from state to state and while the DEA considers it illegal under federal law, CBD products remain available. In the 30 states and District of Columbia, where medical marijuana is legal, CBD products are covered by those same medical marijuana protections.

Comparable Analysis

At Consilium Global Research (CGR) we believe that a comparable analysis is essential to a thorough analysis of a company, as a way of perspective. We believe that CIIX is firstly a financial media company serving native Chinese speakers in the U.S. and abroad.

Although each is a little different, we believe the comps chosen are fair representation of the market and CIIX's potential. A snapshot on each cannabis comp we chose: **CBIS**: together with its subsidiaries, develops, produces and commercializes phytocannabinoid-based pharmaceutical products primarily in the U.S. **GWPH**: is a developer for plant-derived cannabinoid therapeutics that has successfully developed the world's first prescription medicine made from the cannabis plant, Sativex (nabiximols), for the treatment of spasticity due to multiple sclerosis. **INSY**: a specialty pharmaceutical company, which is also developing Cannabidiol Oral Solution, a synthetic cannabidiol for childhood catastrophic epilepsy syndromes; and other product candidates, including other dronabinol line extensions and sublingual spray product candidates. **MJNA**: an investment holding company that operates in the medical marijuana and industrial hemp markets.

A snapshot of the financial media comp we chose: **TST**: a digital financial media company, which provides business and financial news, investing ideas, and analysis to personal and institutional investors worldwide.

<u>Company</u>	<u>Ticker</u>	<u>Price (4/9/19)</u>	<u>Market Cap (\$ Mlns)</u>	<u>Sales2018A (\$ Mlns)</u>
ChineseInvestors.com	CIIX	\$ 0.50	\$ 19.9	\$ 2.4
<u>Cannabis</u>				
Cannabis Science, Inc.	CBIS	\$ 0.04	\$ 96.1	\$ 9.2
GW Pharmaceuticals plc	GWPH	\$ 168.60	\$ 5,200.0	\$ 26.6
Insys Therapeutics Inc.	INSY	\$ 4.70	\$ 349.8	\$ 82.1
Medical Marijuana, Inc.	MJNA	\$ 0.07	\$ 238.3	\$ 26.5
<u>Financial Media</u>				
TheStreet, Inc.	TST	\$ 2.31	\$ 119.1	\$ 54.8

Source: Consilium Global Research and Yahoo.com

SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> • Seasoned, proven and entrepreneurial management team with vision and ability to execute • First Mover on many fronts • Well engrained with native Chinese speakers in U.S. and abroad 	<ul style="list-style-type: none"> • Nascent market means it will take a lot to stand out • Financials – may have to continue to raise \$ to keep growing to compete • Enough and appropriate resources to figure out ever evolving legality of hemp/CBD market (U.S. and abroad)
Opportunities	Threats
<ul style="list-style-type: none"> • Strategic and International expansion • Chinese demand and populations • Large addressable market • Growing demand and acceptance • Successful leverage of legal cannabis market and cryptocurrency will drive growth at CIIX for years to come 	<ul style="list-style-type: none"> • Execution • No brand leaders • Nascent market means lots of entrants into new market • International Federal Laws

Update- Press Releases

April 2, 2019: ChineseInvestors.com Inc. (CIIX) Subsidiary Launches High-End, Full-Spectrum Luxury Brand CBD Oil

March 25, 2019: ChineseInvestors.com Inc. (CIIX) Capitalizing on Growing Demand for CBD-Infused Health and Wellness Product Lines

March 4, 2019: ChineseInvestors.com Inc. Appoints Patrick Leung as CFO

January 22, 2019: ChineseInvestors.com, Inc. Improves Revenues for Q2 Fiscal Year 2019

January 16, 2019: Just in Time for Chinese New Year, ChineseInvestors.com Inc. Announces CBD Biotechnology Co. Ltd.'s Sales Kickoff of Hemp Wine In China

CIIX's, Annual Income Statement (F2017A-F2020E)

<i>(fiscal year ends May 31)</i>			
<i>(\$ Actual, except EPS)</i>	F2017A	F2018A	F2019E
Total Revenues	\$1,667,977	\$2,353,331	\$6,500,000
Total Cost of Revenues	1,211,354	1,400,058	2,103,556
Gross Profit	<u>456,623</u>	<u>953,273</u>	<u>4,396,444</u>
Operating Expenses			
General and Administrative Expenses	4,735,029	6,998,171	9,156,930
% of sales	283.9%	297.4%	140.9%
Advertising Expense	636,128	1,169,968	1,358,268
% of sales	<u>38.1%</u>	<u>49.7%</u>	<u>20.9%</u>
Total Operating Expenses	5,371,157	8,168,139	10,515,198
% of sales	322.0%	347.1%	161.8%
Income (loss) From Operations	(4,914,534.0)	(7,214,866.0)	(6,118,754.0)
Other Income (Expense)	0	(5,013)	38,338
Interest Expense	(92,062)	(103,809)	(97,822)
Net Realized (Loss) Gain On Investment	1,669,835	(7,148)	(400,000)
Equity In Loss From Equity Method Investments	0	(60,000)	3,000,000
Unrealized (Loss) Gain On Cryptocurrency	0	(14,768)	(70,000)
Total Other Income/(Expense)	<u>1,577,773</u>	<u>(190,738)</u>	<u>2,470,516</u>
Loss Before Income Taxes	<u>(3,336,761)</u>	<u>(7,405,604)</u>	<u>(3,648,238)</u>
Income Taxes	0	0	0
Net Loss	<u>(3,336,761)</u>	<u>(7,405,604)</u>	<u>(3,648,238)</u>
Deemed Dividend For Beneficial Conversion Of Convertible Preferred Stock	(3,685,520)	(5,178,065)	(1,943,420)
Preferred Stock Dividends	(228,794)	(335,014)	(450,000)
Net Attributable Loss To Common Shareholders	<u>(7,251,075)</u>	<u>(12,918,683)</u>	<u>(6,041,658)</u>
Net Unrealized Loss For Available For Sale Securities	(2,321,062)	(279,895)	0
Foreign Currency Translation Loss	0	(8,399)	7,000
Comprehensive Loss Attributable To Common Shareholders	\$ (9,572,137)	\$ (13,206,977)	\$ (6,034,658)
EPS - diluted	(\$0.86)	(\$0.58)	(\$0.10)
Shares - diluted	8,433,127	22,427,427	58,000,000
% Change:			
Total Revenue	NA	41%	176%
EPS - operating	NA	33%	82%

E=Consilium Global Research

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