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Registered number: FC024762

GUINNESS ATKINSON ASSET MANAGEMENT INC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

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GUINNESS ATKINSON ASSET MANAGEMENT INC

COMPANY INFORMATION

DIRECTORS	J Atkinson T Guinness E Harriss
COMPANY SECRETARY	J Atkinson
COMPANY NUMBER	FC024762
BRANCH NUMBER	BR007242
REGISTERED OFFICE	Suite 750 21550 Oxnard Street Woodland Hills U.S.A. CA91367
AUDITORS	FW Stephens Chartered Accountants and Registered Auditors Third Floor 24 Chiswell Street London EC1Y 4YX

GUINNESS ATKINSON ASSET MANAGEMENT INC

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GUINNESS ATKINSON ASSET MANAGEMENT INC

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2008**

The directors present their report and the financial statements for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The company's principal activity is investment management with a specialisation in investing in (a) companies active in Asia, (b) companies involved in innovation, and (c) companies involved in energy.

BUSINESS REVIEW

During 2008 the Company's principal client remained the Guinness Atkinson Funds Inc ("GA") an SEC registered no load mutual fund series. However, in July 2008 an Asia ex Japan sub advisory mandate for Apollo Tiger Fund, a Guernsey based offshore unit trust was won.

Throughout the year it managed six funds for GA - the GA China & Hong Kong Fund (ICHKX), the GA Asia Focus Fund (IASMX), the GA Global Innovators Fund (IWIRX) the GA Global Energy Fund (GAGEX), the GA Alternative Energy Fund (GAAEX) and the GA Asia Pacific Dividend Fund (GAADX).

Funds under management since the company started business in April 2003 have evolved as set out in the following table:

Fund	25 April	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec
\$m	2009	2003	2004	2005	2006	2007	2008
\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
GA Mutual Fund							
China & Hong Kong	62.3	116.5	112.3	111.1	142.9	293.5	123.5
Asia Focus	14.8	35.9	30.7	36.5	49.3	78.4	21.8
Global Innovators	44.9	49.9	42.2	36.4	39.4	72.6	29.7
Global Energy	-	-	1.6	99.2	65.1	69.7	30.2
Alternative Energy	-	-	-	-	15.6	159.5	47.3
Asia Pacific Dividend	-	-	-	-	1.1	31.8	5.3
Sub-total	122	202.4	186.9	283.3	313.4	705.5	257.7
Apollo Tiger	-	-	-	-	-	-	9.0
Total	122	202.4	186.9	283.3	313.4	705.5	266.7
<i>Exchange rate</i>	<i>1.5915</i>	<i>1.7858</i>	<i>1.9181</i>	<i>1.7170</i>	<i>1.9570</i>	<i>1.991</i>	<i>1.438</i>
£m	76.7	113.3	97.4	165.0	160.2	354.4	185.5

It can be seen that in 2008 the size of these funds decreased by 62% in dollars (48% in sterling) from \$705.5m (£354.4m) to \$266.7m (£185.5m).

The declines seen in 2008 principally reflect the falls seen across global markets during the year. These in turn were a result of the banking crisis and economic recession triggered initially by problems in securitized pools of sub prime mortgage. The fall in funds from decline in value was \$343m versus net flows over the period from the GA funds of c \$96m.

GUINNESS ATKINSON ASSET MANAGEMENT INC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

Performance in 2008 against indices was as set out in the following table:

Fund	\$ Return 2008	Benchmark return	Benchmark
GA Mutual Fund			
China & Hong Kong	-54.5%	-47.3%	Hang Seng Composite
Asia Focus	-57.4%	-50.6%	MSCI FE Ex Japan
Global Innovators	-45.4%	-37.0%	S&P500
		-40.0%	NASDAQ
Global Energy	-48.6%	-37.9%	MSCI World Energy
Alternative Energy	-66.1%	-69.9%	Wilderhill Clean Energy
		-60.5%	Wilderhill New Energy
Asia Pacific Dividend	-51.7%	-50.4%	MSCI Pacific Ex Japan

The first four of these funds struggled to match the benchmarks shown against them. Whilst at first blush this was disappointing these results represent a snap shot taken at a moment when the Company's investment style was particularly out of favour and many of the indices performance reflected the outperformance of their largest companies which made their performance impossible to match without taking positions in single companies that we try to avoid. Since the year end we have seen remarkable recoveries in each of these fund's relative performance. For example by 23 April 2009 on a YTD basis the China & Hongkong fund was 4.9% ahead of the HSCI Index; the Global Energy fund was 15.7% ahead of the MSCI world energy index; Global Innovators was 13.3% ahead of the S&P500 index and Asia Focus was 1.4% ahead of the MSCI FE ex Japan index.

A result of the decrease in total funds under management was a decrease in management fees to \$4.60m (2007: \$4.71m), down 2%, and profit before staff remuneration down 18% to \$2.81m (2007: \$3.42m).

RESULTS

The profit for the year, after taxation, amounted to £458,184 (2007 - £138,490).

DIRECTORS

The directors who served during the year were:

J Atkinson
T Guinness
E Harriss

AUDITORS

The auditors, FW Stephens, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial

GUINNESS ATKINSON ASSET MANAGEMENT INC

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2008**

statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

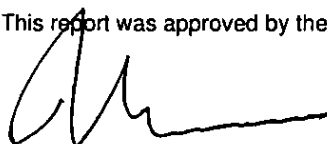
The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PROVISION OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

This report was approved by the board and signed on its behalf.



T Guinness
Director

Date: 30 April 2009

GUINNESS ATKINSON ASSET MANAGEMENT INC

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GUINNESS ATKINSON ASSET MANAGEMENT INC

We have audited the financial statements of Guinness Atkinson Asset Management Inc for the year ended 31 December 2008, set out on pages 6 to 18. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with applicable accounting standards. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

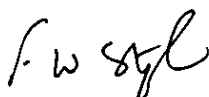
GUINNESS ATKINSON ASSET MANAGEMENT INC

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GUINNESS ATKINSON ASSET
MANAGEMENT INC**

OPINION

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended; and
- the information given in the Directors' report is consistent with the financial statements.



FW STEPHENS

Chartered Accountants and Registered Auditors

Third Floor
24 Chiswell Street
London
EC1Y 4YX

Date: 1st May, 2009.

GUINNESS ATKINSON ASSET MANAGEMENT INC

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2008**

	Note	2008 £	\$	2007 £	\$
TURNOVER	1,2	2,478,692	4,658,975	2,414,784	4,865,671
Cost of sales		<u>(1,377,071)</u>	<u>(2,534,391)</u>	<u>(1,714,052)</u>	<u>(3,430,905)</u>
GROSS PROFIT		1,101,621	2,124,584	700,732	1,434,766
Distribution expenses		(452,330)	(867,034)	(370,585)	(746,358)
Administrative expenses		(315,726)	(569,009)	(131,787)	(261,055)
Difference on foreign exchange		<u>308,045</u>	<u>5,258</u>	<u>16,487</u>	<u>2,980</u>
OPERATING PROFIT	3	641,610	693,799	214,847	430,333
Other income		51	99	93	187
Interest receivable		21,619	40,705	22,998	46,353
Interest payable		<u>(6,085)</u>	<u>(8,750)</u>	<u>(4,395)</u>	<u>(8,750)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		657,195	725,853	233,543	468,123
Tax on profit on ordinary activities	7	<u>(199,011)</u>	<u>(310,771)</u>	<u>(95,053)</u>	<u>(192,401)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	13	<u>458,184</u>	<u>415,082</u>	<u>138,490</u>	<u>275,722</u>

All amounts relate to continuing operations.

There were no recognised gains and losses for 2008 or 2007 other than those included in the Profit and loss account.

The notes on pages 9 to 18 form part of these financial statements.

GUINNESS ATKINSON ASSET MANAGEMENT INC

**BALANCE SHEET
AS AT 31 DECEMBER 2008**

	Note	2008 £	\$	2007 £	\$
FIXED ASSETS					
Tangible fixed assets	8	30,034	43,189	16,422	32,699
CURRENT ASSETS					
Debtors	9	168,857	242,816	329,022	655,080
Cash at bank and in hand		1,424,957	2,049,086	1,328,157	2,644,366
		1,593,814	2,291,902	1,657,179	3,299,446
CREDITORS: amounts falling due within one year	10	(724,355)	(1,041,625)	(1,144,396)	(2,278,761)
NET CURRENT ASSETS		869,459	1,250,277	512,783	1,020,685
TOTAL ASSETS LESS CURRENT LIABILITIES		899,493	1,293,466	529,205	1,053,384
CREDITORS: amounts falling due after more than one year	11	-	-	(87,896)	(175,000)
NET ASSETS		899,493	1,293,466	441,309	878,384
CAPITAL AND RESERVES					
Called up share capital	12	21	36	21	36
Share premium account	13	230,185	458,296	230,185	458,296
Profit and loss account	13	669,287	835,134	211,103	420,052
SHAREHOLDERS' FUNDS	14	899,493	1,293,466	441,309	878,384

The notes on pages 9 to 18 form part of these financial statements.

The financial statements were approved and authorised for issue by the board and were signed on its behalf


T Guinness
Director

Date: 30 April 2009

GUINNESS ATKINSON ASSET MANAGEMENT INC

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008**

	Note	2008 £	\$	2007 £	\$
Net cash flow from operating activities	15	215,341	(393,531)	867,150	1,735,905
Returns on investments and servicing of finance	16	15,585	32,054	18,696	37,790
Taxation		(106,244)	(193,711)	(55,216)	(113,333)
Capital expenditure and financial investment	16	(27,882)	(40,093)	(11,824)	(23,599)
CASH INFLOW BEFORE FINANCING		96,800	(595,281)	818,806	1,636,763
Financing	16	-	-	62,608	133,328
INCREASE IN CASH IN THE YEAR		96,800	(595,281)	881,414	1,770,091

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT
FOR THE YEAR ENDED 31 DECEMBER 2008**

	2008 £	\$	2007 £	\$
Increase/(decrease) in cash in the year	96,800	(595,281)	881,414	1,770,091
Exchange movement on preference shares treated as debt	(33,800)	-	-	-
CHANGE IN NET CASH RESULTING FROM CASH FLOWS	63,000	(595,281)	881,414	1,770,091
Current asset investments	-	-	(1,622)	(3,174)
MOVEMENT IN NET DEBT IN THE YEAR	63,000	(595,281)	879,792	1,766,917
Net funds at 1 January 2007	1,240,261	2,469,367	360,459	702,450
NET FUNDS AT 31 DECEMBER 2008	1,303,261	1,874,086	1,240,261	2,469,367

The notes on pages 9 to 18 form part of these financial statements.

GUINNESS ATKINSON ASSET MANAGEMENT INC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

1. ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

These financial statements have been prepared as dual currency accounts on the basis that the company operates equally in the United Kingdom and the United States of America, and management therefore consider it to have two functional currencies.

1.2 TURNOVER

Turnover comprises revenue recognised by the company in respect of management and performance fees, exclusive of Value Added Tax.

1.3 TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Plant & machinery	-	33%	straight line
Fixtures, fittings and equipment	-	33%	straight line

1.4 DEFERRED TAXATION

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.5 FOREIGN CURRENCIES

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Profit and loss account.

2. TURNOVER

The total turnover of the company for the year has been derived from its principal activity undertaken within the United Kingdom and the United States of America.

GUINNESS ATKINSON ASSET MANAGEMENT INC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

3. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2008 £	\$	2007 £	\$
Depreciation of tangible fixed assets:				
- owned by the company	14,722	26,841	11,523	23,099
Difference on foreign exchange	<u>(308,045)</u>	<u>(5,258)</u>	<u>(16,487)</u>	<u>(2,980)</u>

4. AUDITORS' REMUNERATION

	2008 £	\$	2007 £	\$
Fees payable to the company's auditor for the audit of the company's annual accounts	4,874	9,550	5,400	10,814
Fees payable to the company's auditor and its associates in respect of:				
Remuneration of auditors for non audit work	<u>2,100</u>	<u>3,884</u>	<u>2,000</u>	<u>4,005</u>

5. STAFF COSTS

Staff costs, including directors' remuneration, were as follows:

	2008 £	\$	2007 £	\$
Wages and salaries	970,201	1,780,032	1,354,068	2,707,908
Social security costs	<u>106,214</u>	<u>196,880</u>	<u>115,727</u>	<u>231,664</u>
	<u>1,076,415</u>	<u>1,976,912</u>	<u>1,469,795</u>	<u>2,939,572</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2008 No.	2007 No.
	<u>12</u>	<u>13</u>

6. DIRECTORS' REMUNERATION

	2008 £	\$	2007 £	\$
Emoluments	<u>549,254</u>	<u>1,059,832</u>	<u>1,095,572</u>	<u>2,190,443</u>

The highest paid director received remuneration of £241,268, \$454,667 (2007 - £414,560, \$828,855).

GUINNESS ATKINSON ASSET MANAGEMENT INC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

7. TAXATION

	2008 £	\$	2007 £	\$
UK & US taxation on profit for the year	193,822	303,309	95,053	192,401
Adjustments in respect of prior periods	5,189	7,462	-	-
	<u>199,011</u>	<u>310,771</u>	<u>95,053</u>	<u>192,401</u>

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

As a US corporation with a registered office in California and a branch in the UK, the Company is subject to US Federal, California State and UK corporation taxes. UK corporation tax is chargeable only on profits arising in the UK branch. In 2008 the UK branch made a loss before tax of £74,830 (2007 – profit of £118,936).

	2008 £	\$	2007 £	\$
Profit on ordinary activities before tax	657,195	727,030	233,543	468,123
Effective overall tax charge	30.3%	42.7%	40.7%	41.1%

TAX CHARGES:

	2008 £	\$	2007 £	\$
US Federal corporation tax	190,862	293,265	66,372	134,500
California corporation tax	21,073	35,506	7,205	14,600
UK corporation tax	(12,924)	(18,000)	21,476	43,301
CURRENT TAX CHARGE FOR THE YEAR (see note above)	<u>199,011</u>	<u>310,771</u>	<u>95,053</u>	<u>192,401</u>

Factors affecting UK tax charge:

UK corporation tax on UK branch profits at 20%	(14,966)	(20,844)	21,671	43,694
Expenses not deductible for tax purposes	189	351	2,983	5,979
Accelerated capital allowances for the year	(3,411)	(6,327)	(1,617)	(3,241)
Other tax adjustments	5,264	8,820	(1,561)	(3,131)
UK corporation tax	<u>(12,924)</u>	<u>(18,000)</u>	<u>21,476</u>	<u>43,301</u>

GUINNESS ATKINSON ASSET MANAGEMENT INC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

8. TANGIBLE FIXED ASSETS (£)

	Plant and machinery £	Furniture, fittings and equipment £	Total £
COST			
At 1 January 2008	48,349	5,093	53,442
Additions	27,882	-	27,882
Foreign exchange movement	3,115	957	4,072
At 31 December 2008	<u>79,346</u>	<u>6,050</u>	<u>85,396</u>
DEPRECIATION			
At 1 January 2008	33,374	3,646	37,020
Charge for the year	14,158	564	14,722
Foreign exchange movement	2,663	957	3,620
At 31 December 2008	<u>50,195</u>	<u>5,167</u>	<u>55,362</u>
NET BOOK VALUE			
At 31 December 2008	<u>29,151</u>	<u>883</u>	<u>30,034</u>
At 31 December 2007	<u>14,975</u>	<u>1,447</u>	<u>16,422</u>

GUINNESS ATKINSON ASSET MANAGEMENT INC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

8. TANGIBLE FIXED ASSETS (\$)

	Plant and machinery \$	Furniture, fittings and equipment \$	Total \$
COST			
At 1 January 2008	96,271	10,134	106,405
Additions	40,093	-	40,093
Foreign exchange movement	(22,265)	(1,434)	(23,699)
	<u>114,099</u>	<u>8,700</u>	<u>122,799</u>
At 31 December 2008			
	<u>114,099</u>	<u>8,700</u>	<u>122,799</u>
DEPRECIATION			
At 1 January 2008	66,453	7,254	73,707
Charge for the year	25,803	1,038	26,841
Foreign exchange movement	(20,076)	(862)	(20,938)
	<u>72,180</u>	<u>7,430</u>	<u>79,610</u>
At 31 December 2008			
	<u>72,180</u>	<u>7,430</u>	<u>79,610</u>
NET BOOK VALUE			
At 31 December 2008	<u>41,919</u>	<u>1,270</u>	<u>43,189</u>
At 31 December 2007	<u>29,818</u>	<u>2,881</u>	<u>32,699</u>

9. DEBTORS

	2008 £	\$	2007 £	\$
Trade debtors	122,821	176,616	311,954	621,099
Other debtors	18,260	26,257	1,953	3,887
Prepayments and accrued income	<u>27,776</u>	<u>39,943</u>	<u>15,115</u>	<u>30,094</u>
	<u>168,857</u>	<u>242,816</u>	<u>329,022</u>	<u>655,080</u>

GUINNESS ATKINSON ASSET MANAGEMENT INC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

**10. CREDITORS:
AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2008	\$	2007	\$
	£		£	
Trade creditors	34,426	49,505	43,753	87,112
Corporation tax	135,648	195,062	28,881	57,870
Social security and other taxes	8,907	12,808	16,583	33,016
Other creditors	148,046	212,890	49	97
Accruals and deferred income	275,632	396,360	1,055,130	2,100,666
Share capital treated as debt (Note 12)	5	9	-	-
Share premium treated as debt	121,691	174,991	-	-
	<u>724,355</u>	<u>1,041,625</u>	<u>1,144,396</u>	<u>2,278,761</u>

**11. CREDITORS:
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2008	\$	2007	\$
	£		£	
Share capital treated as debt (note 12)	-	-	5	9
Share premium treated as debt	-	-	87,891	174,991
	<u>-</u>	<u>-</u>	<u>87,896</u>	<u>175,000</u>

12. SHARE CAPITAL

	2008	\$	2007	\$
	£		£	
AUTHORISED				
4,000- Ordinary shares of \$0.01 each	24	40	24	40
1,000- Preference shares of \$0.01 each	6	10	6	10
	<u>30</u>	<u>50</u>	<u>30</u>	<u>50</u>
ALLOTTED, CALLED UP AND FULLY PAID				
3,611 - Ordinary shares of \$0.01 each	21	36	21	36
875- Preference shares of \$0.01 each	5	9	5	9
	<u>26</u>	<u>45</u>	<u>26</u>	<u>45</u>

GUINNESS ATKINSON ASSET MANAGEMENT INC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

The \$0.01 preference shares were issued on 3rd January 2006. They are redeemable at the option of the holder at a price equal to the per share Liquidation Preference of \$200, plus declared and unpaid dividends, 3 years after issuance and annually thereafter.

13. RESERVES

	Share premium account £	\$	Profit and loss account £	\$
At 1 January 2008	230,185	458,296	211,103	420,052
Profit for the year	-	-	458,184	415,082
	<u>230,185</u>	<u>458,296</u>	<u>669,287</u>	<u>835,134</u>
At 31 December 2008				

14. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2008 £	\$	2007 £	\$
Opening shareholders' funds	441,309	878,384	240,211	467,105
Profit for the year	458,184	415,082	138,490	275,722
Shares issued during the year	-	-	2	4
Share premium on shares issued (net of expenses)	-	-	62,606	133,328
Foreign exchange movement on opening shareholders' funds	-	-	-	2,225
Closing shareholders' funds	<u>899,493</u>	<u>1,293,466</u>	<u>441,309</u>	<u>878,384</u>

15. NET CASH FLOW FROM OPERATING ACTIVITIES

	2008 £	\$	2007 £	\$
Operating profit	641,610	693,799	214,847	430,333
Depreciation of tangible fixed assets	14,722	26,841	11,523	23,099
Decrease/(Increase) in debtors	173,713	435,157	(181,378)	(365,930)
(Decrease)/increase in creditors	(614,704)	(1,549,328)	822,158	1,646,791
Exchange rate movement on opening reserves	-	-	-	1,612

GUINNESS ATKINSON ASSET MANAGEMENT INC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

NET CASH INFLOW FROM OPERATIONS	215,341	(393,531)	867,150	1,735,905
16. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT				
	2008		2007	
	£	\$	£	\$
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest received	21,619	40,705	22,998	46,353
Non-equity dividends paid	(6,085)	(8,750)	(4,395)	(8,750)
Income from investments in related companies	51	99	93	187
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	15,585	32,054	18,696	37,790
	2008		2007	
	£	\$	£	\$
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT				
Purchase of tangible fixed assets	(27,882)	(40,093)	(13,446)	(26,773)
Sale of short term unlisted investments	-	-	1,622	3,174
NET CASH (OUTFLOW)/INFLOW FROM CAPITAL EXPENDITURE	(27,882)	(40,093)	(11,824)	(23,599)
	2008		2007	
	£	\$	£	\$
FINANCING				
Issue of ordinary shares	-	-	62,608	133,328
NET CASH INFLOW FROM FINANCING	-	-	62,608	133,328

GUINNESS ATKINSON ASSET MANAGEMENT INC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

17. ANALYSIS OF CHANGES IN NET DEBT (£)

	1 January 2008 £	Cash flow £	Other non-cash changes £	31 December 2008 £
Cash at bank and in hand:	1,328,157	96,800	-	1,424,957
Debts due within one year	-	-	(121,696)	(121,696)
Debts falling due after more than one year	(87,896)	-	87,896	-
NET FUNDS	1,240,261	96,800	(33,800)	1,303,261

17. ANALYSIS OF CHANGES IN NET DEBT (\$)

	1 January 2008 \$	Cash flow \$	Other non-cash changes \$	31 December 2008 \$
Cash at bank and in hand:	2,644,367	(595,281)	-	2,049,086
Debts due within one year	-	-	(175,000)	(175,000)
Debts falling due after more than one year	(175,000)	-	175,000	-
NET FUNDS	2,469,367	(595,281)	-	1,874,086

18. RELATED PARTY TRANSACTIONS

During the year the company transacted with Guinness Asset Management Limited, a company under common control. The total recharges from Guinness Asset Management Limited in regard to salaries and office rental was £124,675 (2007: £19,880) and at the year end a balance of £13,611 (2007: £12,890) remained outstanding and is included within trade creditors. The total recharges to Guinness Asset Management Limited in regard to salaries and administrative expenses was £17,863 (2007: £63,528) and at the year end a balance of £835 (2007: £28,665) remained outstanding and is included within trade debtors.

During the year, the company charged Orbis Marketing, a company controlled by Jim Atkinson, a director of the company, £13,122 (2007: £14,293) for administration expenses incurred by the company on Orbis Marketing's behalf.

GUINNESS ATKINSON ASSET MANAGEMENT INC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

19. CONTROLLING PARTY

The company is under the control of T Guinness and J Atkinson, both directors of the company, who between them own 90% of the issued share capital.

Registered number: FC024762

GUINNESS ATKINSON ASSET MANAGEMENT INC

DETAILED ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2008

GUINNESS ATKINSON ASSET MANAGEMENT INC

**DETAILED TRADING AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2008**

	2008 £	\$	2007 £	\$
Turnover	2,478,692	4,658,975	2,414,784	4,865,671
Cost of sales	(1,377,071)	(2,534,391)	(1,714,052)	(3,430,905)
Gross profit	1,101,621	2,124,584	700,732	1,434,766
Less: Overheads				
Distribution expenses	(452,330)	(867,034)	(370,585)	(746,358)
Administrative expenses	(315,726)	(569,009)	(131,787)	(261,055)
Difference on foreign exchange	308,045	5,258	16,487	2,980
Operating profit	641,610	693,799	214,847	430,333
Interest receivable	21,619	40,705	22,998	46,353
Interest payable	(6,085)	(8,750)	(4,395)	(8,750)
Investment income	51	99	93	187
Profit for the year	657,195	725,853	233,543	468,123

GUINNESS ATKINSON ASSET MANAGEMENT INC

**SCHEDULE TO THE DETAILED ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

	2008 £	\$	2007 £	\$
Turnover				
Management and performance fees	2,447,298	4,599,354	2,336,283	4,708,757
Other income	31,394	59,621	78,501	156,914
	<u>2,478,692</u>	<u>4,658,975</u>	<u>2,414,784</u>	<u>4,865,671</u>
	2008 £	\$	2007 £	\$
Cost of sales				
Direct costs	90,273	163,581	48,190	96,200
Wages and salaries	420,947	773,052	258,496	517,465
National insurance	106,214	196,880	115,727	231,664
Directors' remuneration	549,254	1,006,980	1,095,572	2,190,443
NTF fees	210,383	393,898	196,067	395,133
	<u>1,377,071</u>	<u>2,534,391</u>	<u>1,714,052</u>	<u>3,430,905</u>
	2008 £	\$	2007 £	\$
Distribution expenses				
Advertising and marketing	<u>452,330</u>	<u>867,034</u>	<u>370,585</u>	<u>746,358</u>

GUINNESS ATKINSON ASSET MANAGEMENT INC

**SCHEDULE TO THE DETAILED ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

	2008		2007	
	£	\$	£	\$
Administrative expenses				
Staff training	3,931	7,457	3,441	6,882
Entertainment	2,017	3,564	2,502	4,998
Hotels, travel and subsistence	29,683	56,104	34,269	68,545
Printing and stationery	10,917	20,189	10,460	20,586
Telephone and fax	12,970	23,984	10,611	21,309
Computer costs	14,464	26,546	14,538	29,182
Legal and professional	61,723	113,686	40,472	81,031
Auditors' remuneration	4,874	9,550	5,400	10,814
Auditors' remuneration - non-audit	2,100	3,884	2,000	4,005
Bank charges	579	1,065	570	1,142
Discounts allowed	-	-	(49)	(98)
Sundry expenses	380	738	120	240
Insurances	17,035	28,191	5,839	11,670
Depreciation - computer equipment	14,158	25,803	11,032	22,148
Depreciation - fixtures & fittings	564	1,038	473	951
Recruitment costs	-	-	2,155	4,342
Other staff costs	-	-	985	1,985
Office facilities	107,956	195,462	37,765	76,593
Expense reimbursements	32,375	51,748	(50,796)	(105,270)
	<u>315,726</u>	<u>569,009</u>	<u>131,787</u>	<u>261,055</u>

	2008		2007	
	£	\$	£	\$
Interest receivable				
Bank interest receivable	<u>21,619</u>	<u>40,705</u>	<u>22,998</u>	<u>46,353</u>

	2008		2007	
	£	\$	£	\$
Interest payable				
Dividends on non-equity shares treated as debt	<u>6,085</u>	<u>8,750</u>	<u>4,395</u>	<u>8,750</u>
	<u>6,085</u>	<u>8,750</u>	<u>4,395</u>	<u>8,750</u>

GUINNESS ATKINSON ASSET MANAGEMENT INC

**SCHEDULE TO THE DETAILED ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

	2008		2007	
	£	\$	£	\$
Investment Income				
Income from other participating interests	<u>51</u>	<u>99</u>	<u>93</u>	<u>187</u>