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Registered number FC024762

**GUINNESS ATKINSON ASSET MANAGEMENT INC**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2011**

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**GUINNESS ATKINSON ASSET MANAGEMENT INC**

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**COMPANY INFORMATION**

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**DIRECTORS**

J Atkinson  
T Guinness  
E Harriss

**COMPANY SECRETARY**

J Atkinson

**COMPANY NUMBER**

FC024762

**REGISTERED OFFICE**

Suite 750  
21550 Oxnard Street  
Woodland Hills  
U S A  
CA91367

**AUDITORS**

Reeves & Co LLP  
Chartered Accountants and Statutory Auditors  
Third Floor  
24 Chiswell Street  
London  
EC1Y 4YX

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**GUINNESS ATKINSON ASSET MANAGEMENT INC**

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# GUINNESS ATKINSON ASSET MANAGEMENT INC

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

The directors present their report and the financial statements for the year ended 31 December 2011

### 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 2011 the Company's principal clients remained the Guinness Atkinson Funds Inc ("GA") an SEC registered no load mutual fund series, and Apollo Tiger Fund, a Guernsey based offshore unit trust

Throughout the year it managed six funds for GA - the GA China & Hong Kong Fund (ICCHKX), the GA Asia Focus Fund (IASMX), the GA Global Innovators Fund (IWIRX) the GA Global Energy Fund (GAGEX), the GA Alternative Energy Fund (GAAEX), the GA Asia Pacific Dividend Fund (GAADX) and the new Renminbi Yuan & Bond Fund (GARBX) which was launched in June 2011

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

Fund	Apr-03	Dec-03	Dec-04	Dec-05	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11
\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>GA Mutual Funds</b>										
China & Hong Kong	62.3	116.5	112.3	111.1	142.9	293.5	123.5	240.9	243.0	153.2
Asia Focus	14.8	35.9	30.7	36.5	49.3	78.4	21.8	112.4	63.8	45.8
Global Innovators	44.9	49.9	42.2	36.4	39.4	72.6	29.7	36.9	38.2	32.4
Global Energy	-	-	1.6	99.2	65.1	69.7	30.2	74.8	117.5	145.4
Alternative Energy	-	-	-	-	15.6	159.5	47.3	62.1	36.2	17.6
Asia Pacific Dividend	-	-	-	-	1.1	31.8	5.3	11.3	6.7	4.5
Renminbi Yuan & Bond	-	-	-	-	-	-	-	-	-	92.6
Sub-total	122.0	202.4	186.9	283.3	313.4	705.5	257.7	538.4	505.3	491.5
Apollo Tiger	-	-	-	-	-	-	9.0	17.2	21.0	11.7
<b>Total</b>	<b>122.0</b>	<b>202.4</b>	<b>186.9</b>	<b>283.3</b>	<b>313.4</b>	<b>705.5</b>	<b>266.7</b>	<b>555.6</b>	<b>526.3</b>	<b>503.2</b>
Exchange rate	1.591	1.786	1.927	1.717	1.957	1.991	1.438	1.615	1.566	1.554
£m	<b>76.7</b>	<b>113.3</b>	<b>97.4</b>	<b>165.0</b>	<b>160.2</b>	<b>354.4</b>	<b>185.5</b>	<b>344.0</b>	<b>336.1</b>	<b>323.8</b>

It can be seen that in 2011 the size of these funds decreased by 4.4% in dollars (3.7% in sterling) from \$526.3m (£336.1m) to \$503.2m (£323.8m)

The net inflows over the period were c\$108m offset by market movement for the period of c\$131m

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## GUINNESS ATKINSON ASSET MANAGEMENT INC

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

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Performance in 2011 against indices was as set out in the following table

Fund	\$ Return 2011	Benchmark return	Benchmark
<b>GA Mutual Fund</b>			
GA Alternative Energy Fund	-42.5%	-39.6% -50.5%	Wilderhill New Energy Index Wilderhill Clean Energy Index
GA Global Energy Fund	-13.2%	0.8%	MSCI WORLD/ENERGY
GA Asia Focus Fund	-22.4%	-14.7%	MSCI Daily TR Gross AC Far East Ex Japan USD
GA Asia Pacific Dividend Fund	-14.0%	-13.2%	MSCI Daily TR Gross Pacific Ex Japan USD
GA China & Hong Kong Fund	-27.5%	-19.3%	HANG SENG COMPOSITE INDX
GA Renminbi Yuan & Bond Fund	0.2%	n/a	n/a
GA Global Innovators Fund	-6.5%	-0.8% 2.1%	NASDAQ COMPOSITE INDEX S&P 500 INDEX
Marlborough Tiger Fund GBP	-24.6%	-16.1%	MSCI Daily TR Gross Asia FR Ex Japan GBP

Although year end funds size was lower, average funds over the year were slightly higher than the previous year, resulting in a small increase in management fees to \$4.8m (2010: \$4.7m). Profit before staff remuneration was \$3.1m (2010: \$3.3m).

As can be seen 2011 was a disappointing year, as all the funds with a full year track record produced negative total returns during the period. The newly launched fund GA Renminbi Yuan & Bond Funds managed to produce positive returns during its first six months which ended 31 December 2011. Notwithstanding the performance of the Guinness Atkinson Funds, we're still optimistic about the themes that underlie our fund range.

### RESULTS

The profit for the year, after taxation, amounted to £103,339 (2010: £157,703).

### DIRECTORS

The directors who served during the year were

J Atkinson  
T Guinness  
E Harriss

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## GUINNESS ATKINSON ASSET MANAGEMENT INC

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

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#### DIRECTORS' RESPONSIBILITIES STATEMENT

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

The company is a Delaware incorporated company. The directors have elected (in order to comply with requirements of the UK Financial Services Authority) to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). For this purpose the directors must not approve the financial statements unless they are satisfied that they 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 have elected 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company. The directors have also elected to ensure that the financial statements comply with requirements for similar UK companies set out in the Companies Act 2006 and to be 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 11 May 2012

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## **GUINNESS ATKINSON ASSET MANAGEMENT INC**

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

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We have audited the financial statements of Guinness Atkinson Asset Management Inc for the year ended 31 December 2011, set out on pages 6 to 20. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body. 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**

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

#### **OPINION ON FINANCIAL STATEMENTS**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

#### **OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006**

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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**GUINNESS ATKINSON ASSET MANAGEMENT INC**

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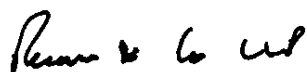
**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GUINNESS ATKINSON ASSET  
MANAGEMENT INC**

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**MATTERS ON WHICH WE REPORT BY EXCEPTION**

We have nothing to report in respect of the following matters if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- the normal disclosures of directors' remuneration specified by UK law are not made, or
- we have not received all the information and explanations we require for our audit



Stephen Tanner BSc (Econ) FCA (Senior Statutory Auditor)  
for and on behalf of

**REEVES & CO LLP**

Chartered Accountants and Statutory Auditors

Third Floor

24 Chiswell Street

London

EC1Y 4YX

Date *29<sup>th</sup> May, 2012*



**GUINNESS ATKINSON ASSET MANAGEMENT INC**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2011**

	Note	2011 £	\$	2010 £	\$
<b>TURNOVER</b>	1,2	<b>3,014,358</b>	<b>4,857,335</b>	3,069,533	4,742,528
Cost of sales		<u>(2,157,020)</u>	<u>(3,468,774)</u>	<u>(2,308,621)</u>	<u>(3,569,145)</u>
<b>GROSS PROFIT</b>		<b>857,338</b>	<b>1,388,561</b>	760,912	1,173,383
Distribution expenses		(415,586)	(666,040)	(266,736)	(412,108)
Difference on foreign exchange		20,273	5,744	41,801	20,829
Administrative expenses		<u>(317,431)</u>	<u>(509,218)</u>	<u>(307,279)</u>	<u>(474,124)</u>
<b>OPERATING PROFIT</b>	3	<b>144,594</b>	<b>219,047</b>	228,698	307,980
Other income		50	80	37	58
Interest receivable		2,844	4,579	2,980	4,650
Interest payable		—	—	—	—
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>147,488</b>	<b>223,706</b>	231,715	312,688
Tax on profit on ordinary activities	7	<u>(44,149)</u>	<u>(75,245)</u>	<u>(74,012)</u>	<u>(113,780)</u>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>	13	<b><u>103,339</u></b>	<b><u>148,461</u></b>	<u>157,703</u>	<u>198,908</u>

All amounts relate to continuing operations

There were no recognised gains and losses for 2011 or 2010 other than those included in the Profit and loss account

The notes on pages 9 to 20 form part of these financial statements

**GUINNESS ATKINSON ASSET MANAGEMENT INC**

**BALANCE SHEET  
AS AT 31 DECEMBER 2011**

	Note	2011 £	\$	2010 £	\$
<b>FIXED ASSETS</b>					
Tangible fixed assets	8	9,802	16,766	11,309	17,713
Investments	9	321,750	500,000	-	-
<b>CURRENT ASSETS</b>					
Debtors	10	403,985	637,284	314,848	493,055
Cash at bank and in hand		<u>982,509</u>	<u>1,526,817</u>	<u>1,454,431</u>	<u>2,277,642</u>
		1,386,494	2,164,101	1,769,279	2,770,697
<b>CREDITORS:</b> amounts falling due within one year	11	<u>(430,184)</u>	<u>(677,997)</u>	<u>(641,997)</u>	<u>(1,005,367)</u>
<b>NET CURRENT ASSETS</b>		<u>956,310</u>	<u>1,486,104</u>	<u>1,127,282</u>	<u>1,765,330</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,287,862	2,002,870	1,138,591	1,783,043
<b>NET ASSETS</b>		<u>1,287,862</u>	<u>2,002,870</u>	<u>1,138,591</u>	<u>1,783,043</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	12	22	38	21	36
Share premium account	13	276,193	529,794	230,185	458,296
Profit and loss account	13	<u>1,011,647</u>	<u>1,473,038</u>	<u>908,385</u>	<u>1,324,711</u>
<b>SHAREHOLDERS' FUNDS</b>	14	<u>1,287,862</u>	<u>2,002,870</u>	<u>1,138,591</u>	<u>1,783,043</u>

The notes on pages 9 to 20 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 11 May 2012

**GUINNESS ATKINSON ASSET MANAGEMENT INC**

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2011**

	Note	2011 £	\$	2010 £	\$
Net cash flow from operating activities	15	(145,561)	(237,187)	347,399	482,648
Returns on investments and servicing of finance	16	2,894	4,659	3,017	4,708
Taxation		(44,149)	(75,245)	(74,139)	(112,649)
Capital expenditure and financial investment	16	(331,115)	(514,552)	(4,454)	(6,975)
<b>CASH INFLOW/(OUTFLOW) BEFORE FINANCING</b>		<b>(517,931)</b>	<b>(822,325)</b>	<b>271,823</b>	<b>367,732</b>
Financing	16	<u>46,009</u>	<u>71,500</u>	<u>-</u>	<u>-</u>
<b>INCREASE/(DECREASE) IN CASH IN THE YEAR</b>		<b><u>(471,922)</u></b>	<b><u>(750,825)</u></b>	<b><u>271,823</u></b>	<b><u>367,732</u></b>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT  
FOR THE YEAR ENDED 31 DECEMBER 2011**

	2011 £	\$	2010 £	\$
Increase/(decrease) in cash in the year	(471,922)	(750,825)	271,823	367,732
<b>MOVEMENT IN NET DEBT IN THE YEAR</b>	<b>(471,922)</b>	<b>(750,825)</b>	<b>271,823</b>	<b>367,732</b>
Net funds at 1 January 2011	1,454,431	2,277,642	1,182,608	1,909,910
<b>NET FUNDS AT 31 DECEMBER 2011</b>	<b><u>982,509</u></b>	<b><u>1,526,817</u></b>	<b><u>1,454,431</u></b>	<b><u>2,277,642</u></b>

The notes on pages 9 to 20 form part of these financial statements

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## GUINNESS ATKINSON ASSET MANAGEMENT INC

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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#### 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 United Kingdom Generally Accepted Accounting Practice

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 appropriate to have two functional currencies

##### 1.2 TURNOVER

Turnover comprises revenue recognised by the company in respect of investment 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

##### 1.3 INVESTMENTS

Investments held as fixed assets are shown at cost less provision for impairment

##### 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

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**GUINNESS ATKINSON ASSET MANAGEMENT INC**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

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**1 5 FOREIGN CURRENCIES**

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

Transactions in foreign currencies are translated into the reporting currency 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

**3. OPERATING PROFIT**

The operating profit is stated after charging/(crediting)

	2011 £	\$	2010 £	\$
Depreciation of tangible fixed assets				
- owned by the company	10,822	15,895	13,951	21,530
Difference on foreign exchange	<u>(20,273)</u>	<u>(5,744)</u>	<u>(41,801)</u>	<u>(20,829)</u>

**4. AUDITORS' REMUNERATION**

	2011 £	\$	2010 £	\$
Fees payable to the company's auditor for the audit of the company's annual accounts	5,000	8,049	4,600	7,103
Fees payable to the company's auditor and its associates in respect of Remuneration of auditors for non audit work	<u>2,000</u>	<u>3,222</u>	<u>2,150</u>	<u>3,322</u>

**GUINNESS ATKINSON ASSET MANAGEMENT INC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**5. STAFF COSTS**

Staff costs, including directors' remuneration, were as follows

	2011 £	\$	2010 £	\$
Wages and salaries	1,622,368	2,607,414	1,740,778	2,691,618
Social security costs	<u>156,270</u>	<u>252,157</u>	<u>176,765</u>	<u>273,440</u>
	<u>1,778,638</u>	<u>2,859,571</u>	<u>1,917,543</u>	<u>2,965,058</u>

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

	2011 No	2010 No
	<u>14</u>	<u>12</u>

**6. DIRECTORS' REMUNERATION**

	2011 £	\$	2010 £	\$
Emoluments	<u>930,903</u>	<u>1,496,719</u>	<u>1,107,942</u>	<u>1,608,061</u>

The highest paid director received remuneration of £430,711, \$670,054 (2010 - £378,583, \$585,532)

**7. TAXATION**

	2011 £	\$	2010 £	\$
UK & US taxation on profit for the year	44,149	75,245	71,364	111,744
Adjustments in respect of prior periods	<u>-</u>	<u>-</u>	<u>2,648</u>	<u>2,036</u>
	<u>44,149</u>	<u>75,245</u>	<u>74,012</u>	<u>113,780</u>

**GUINNESS ATKINSON ASSET MANAGEMENT INC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**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 2011 the UK branch made a loss before tax of £73,047 (2010 – profit before tax of £442,320)

	2011 £	\$	2010 £	\$
Profit on ordinary activities before tax	<u>147,488</u>	<u>223,706</u>	<u>231,715</u>	<u>312,688</u>
<b>TAX CHARGES:</b>				
	2011 £	\$	2010 £	\$
US Federal corporation tax	38,905	66,449	66,381	102,065
California corporation tax	5,244	8,796	7,631	11,715
UK corporation tax	—	—	—	—
<b>CURRENT TAX CHARGE FOR THE YEAR</b> (see note above)	<u>44,149</u>	<u>75,245</u>	<u>74,012</u>	<u>113,780</u>
<b>Factors affecting UK tax charge:</b>				
UK corporation tax on UK branch profits at 20%	14,609	23,160	88,464	140,383
Expenses not deductible for tax purposes	1,822	2,888	2,405	3,816
Accelerated capital allowances for the year	(1,678)	(2,660)	(1,212)	(1,923)
Non-taxable income	—	—	(161,220)	(255,839)
Other tax adjustments	<u>(14,753)</u>	<u>(23,388)</u>	<u>71,563</u>	<u>113,563</u>
UK corporation tax	—	—	—	—

**GUINNESS ATKINSON ASSET MANAGEMENT INC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**8. TANGIBLE FIXED ASSETS (£)**

	Plant and machinery £	Furniture, fittings and equipment £	Total £
<b>COST</b>			
At 1 January 2011	89,816	5,768	95,584
Additions	9,365	-	9,365
Disposal	(6,354)	-	(6,354)
Foreign exchange movement	109	24	133
	<u>92,936</u>	<u>5,792</u>	<u>98,728</u>
At 31 December 2011			
<b>DEPRECIATION</b>			
At 1 January 2011	78,507	5,768	84,275
Charge for the year	10,882	-	10,882
Disposal	(6,354)	-	(6,354)
Foreign exchange movement	99	24	123
	<u>83,134</u>	<u>5,792</u>	<u>88,926</u>
At 31 December 2011			
<b>NET BOOK VALUE</b>			
At 31 December 2011	<u>9,802</u>	<u>-</u>	<u>9,802</u>
At 31 December 2010	<u>11,309</u>	<u>-</u>	<u>11,309</u>



**GUINNESS ATKINSON ASSET MANAGEMENT INC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**8 TANGIBLE FIXED ASSETS (\$)**

	Plant and machinery \$	Furniture, fittings and equipment \$	Total \$
<b>COST</b>			
At 1 January 2011	140,652	9,033	149,685
Additions	14,552	-	14,552
Disposal	(9,875)	-	(9,875)
Foreign exchange movement	(908)	(32)	(941)
At 31 December 2011	<u>144,421</u>	<u>9,001</u>	<u>153,422</u>
<b>DEPRECIATION</b>			
At 1 January 2011	122,939	9,033	131,972
Charge for the year	15,895	-	15,895
Disposal	(9,875)	-	(9,875)
Foreign exchange movement	(1,304)	(32)	(1,336)
At 31 December 2011	<u>127,655</u>	<u>9,001</u>	<u>136,656</u>
<b>NET BOOK VALUE</b>			
At 31 December 2011	<u>16,766</u>	<u>-</u>	<u>16,766</u>
At 31 December 2010	<u>17,713</u>	<u>-</u>	<u>17,713</u>

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**GUINNESS ATKINSON ASSET MANAGEMENT INC**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

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**9. FIXED ASSET INVESTMENTS (£)**

	<b>Listed investments £</b>
<b>COST</b>	
At 1 January 2011	-
Additions	<b>321,750</b>
Foreign exchange movement	-
	<hr/>
At 31 December 2011	<b>321,750</b>
	<hr/>
<b>NET BOOK VALUE</b>	
At 31 December 2011	<b>321,750</b>
	<hr/>
At 31 December 2010	<hr/> -

Listed investments comprise of capital invested in the following funds

	<b>Book Cost £</b>	<b>Market Value £</b>
	<hr/>	<hr/>
GA Renminbi Yuan & Bond Fund	<b>321,750</b>	<b>322,265</b>
	<hr/>	<hr/>

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**GUINNESS ATKINSON ASSET MANAGEMENT INC**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

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**9 FIXED ASSET INVESTMENTS (\$)**

	<b>Listed investments \$</b>
<b>COST</b>	
At 1 January 2011	-
Additions	<b>500,000</b>
Foreign exchange movement	-
	<hr/>
At 31 December 2011	<b>500,000</b> <hr/>
<b>NET BOOK VALUE</b>	
At 31 December 2011	<b>500,000</b> <hr/>
At 31 December 2010	<hr/> <hr/> -

Listed investments comprise of capital invested in the following funds

	<b>Book Cost</b>	<i>Market Value</i>
	<b>\$</b>	<b>\$</b>
	<hr/>	<hr/>
GA Renminbi Yuan & Bond Fund	<b>500,000</b>	<i>500,800</i>
	<hr/> <hr/>	<hr/> <hr/>

**GUINNESS ATKINSON ASSET MANAGEMENT INC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**10. DEBTORS**

	2011		2010	
	£	\$	£	\$
Trade debtors	221,145	346,171	272,181	426,235
Other debtors	161,604	258,112	4,672	7,320
Prepayments and accrued income	<u>21,236</u>	<u>33,001</u>	<u>37,995</u>	<u>59,500</u>
	<u><b>403,985</b></u>	<u><b>637,284</b></u>	<u><b>314,848</b></u>	<u><b>493,055</b></u>

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

	2011		2010	
	£	\$	£	\$
Trade creditors	35,506	64,668	50,450	79,005
Social security and other taxes	29,370	45,641	18,526	29,012
Other creditors	-	-	140,259	219,645
Accruals and deferred income	365,308	567,688	432,762	677,705
	<u><b>430,184</b></u>	<u><b>677,997</b></u>	<u><b>641,997</b></u>	<u><b>1,005,367</b></u>

**12. SHARE CAPITAL**

	2011		2010	
	£	\$	£	\$
<b>AUTHORISED</b>				
4,000 - Ordinary A shares of \$0.01 each	24	40	24	40
190 - Ordinary B shares of \$0.01 each	1	2	-	-
1,000 - Preference shares of \$0.01 each	6	10	6	10
	<u><b>31</b></u>	<u><b>52</b></u>	<u><b>30</b></u>	<u><b>50</b></u>

**ALLOTTED, CALLED UP AND FULLY  
PAID**

3,611 - Ordinary A shares of \$0.01 each	21	36	21	36
190 - Ordinary B shares of \$0.01 each	<u>1</u>	<u>2</u>		
	<u><b>22</b></u>	<u><b>38</b></u>	<u><b>21</b></u>	<u><b>36</b></u>

During the year, the company allotted 190 Ordinary B shares with a par value of \$0.01, for \$2,200 each

**GUINNESS ATKINSON ASSET MANAGEMENT INC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**13. RESERVES**

	Share premium account		Profit and loss account	
	£	\$	£	\$
At 1 January 2011	230,185	458,296	908,385	1,324,711
Profit for the year	46,008	71,498	103,339	148,461
Foreign exchange movement on opening shareholders' funds	-	-	(77)	(134)
At 31 December 2011	<u>276,193</u>	<u>529,794</u>	<u>1,011,647</u>	<u>1,473,038</u>

During the year the Company issued 37,300 B Ordinary Shares of \$0.01 under the terms of The Guinness Atkinson Asset Management Deferred Share Purchase Plan ("DSPP"). Under the terms of the DSPP, the subscription price was \$2,200 per share. Participants paid \$0.01 per share on the issue of the shares and the uncalled balance is payable in accordance with the terms of the DSPP agreement.

**14. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	2011		2010	
	£	\$	£	\$
Opening shareholders' funds	1,138,591	1,783,043	980,888	1,584,135
Profit for the year	103,339	148,461	157,703	198,908
Shares issued during the year	1	2	-	-
Share premium on shares issued (net of expenses)	46,008	71,498	-	-
Foreign exchange movement on opening shareholders' funds	(77)	(134)	-	-
Closing shareholders' funds	<u>1,287,862</u>	<u>2,002,870</u>	<u>1,138,591</u>	<u>1,783,043</u>

**15. NET CASH FLOW FROM OPERATING ACTIVITIES**

	2011		2010	
	£	\$	£	\$
Operating profit	144,594	219,047	228,698	307,980
Depreciation of tangible fixed assets	10,822	15,895	13,951	21,530
(Increase) in debtors	(89,164)	(144,229)	(17,362)	(12,615)
(Decrease)/Increase in creditors	<u>(211,813)</u>	<u>(327,900)</u>	<u>122,112</u>	<u>165,753</u>
<b>NET CASH INFLOW FROM OPERATIONS</b>	<u>(145,561)</u>	<u>(237,187)</u>	<u>347,399</u>	<u>482,648</u>

**GUINNESS ATKINSON ASSET MANAGEMENT INC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**16 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT**

	2011 £	\$	2010 £	\$
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>				
Interest received	2,844	4,579	2,980	4,650
Income from investments in related companies	50	80	37	58
<b>NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>	<u>2,894</u>	<u>4,659</u>	<u>3,017</u>	<u>4,708</u>
	2011 £	\$	2010 £	\$
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>				
Purchase of tangible fixed assets	(9,365)	(14,552)	(4,454)	(6,975)
Purchase of unlisted and other investments	(321,750)	(500,000)	-	-
<b>NET CASH OUTFLOW FROM CAPITAL EXPENDITURE</b>	<u>(331,115)</u>	<u>(514,552)</u>	<u>(4,454)</u>	<u>(6,975)</u>
	2011 £	\$	2010 £	\$
<b>FINANCING</b>				
Issue of ordinary shares	46,009	71,500	-	-
<b>NET CASH INFLOW FROM FINANCING</b>	<u>46,009</u>	<u>71,500</u>	<u>-</u>	<u>-</u>

**GUINNESS ATKINSON ASSET MANAGEMENT INC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**17. ANALYSIS OF CHANGES IN NET DEBT (£)**

	1 January 2011 £	Cash flow £	Other non-cash changes £	31 December 2011 £
Cash at bank and in hand	1,454,431	(471,922)	-	982,509
<b>NET FUNDS</b>	<b>1,454,431</b>	<b>(471,922)</b>	<b>-</b>	<b>982,509</b>

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

	1 January 2011 \$	Cash flow \$	Other non-cash changes \$	31 December 2011 \$
Cash at bank and in hand	2,277,642	(750,825)	-	1,526,817
<b>NET FUNDS</b>	<b>2,277,642</b>	<b>(750,825)</b>	<b>-</b>	<b>1,526,817</b>

**18. RELATED PARTY TRANSACTIONS**

During the year, the company transacted with Guinness Asset Management Ltd, a company under common control. The total recharges from Guinness Asset Management Ltd in regard to office rental were £24,592 (2010 £104,839) and the company repaid £331,882 (2010 £102,002) during the year. The total recharges to Guinness Asset Management Ltd in regard to salaries and administrative expenses were £56,648 (2010 £9,933) and the company received £787,354 (2010 £9,732) from Guinness Asset Management Ltd during the year. At the balance sheet date Guinness Asset Management Ltd owed the company £152,384 (2010 was due £10,612 from the company). This balance has been included within 'Debtors, Other Debtors' in note 10 to the financial statements.

During the year, the company charged Orbis Marketing, a company controlled by Jim Atkinson, a director of the company, £6,435 (2010 £Nil) for administration expenses incurred by the company on Orbis Marketing's behalf.

**19. CONTROLLING PARTY**

The company is under the control of T Guinness and J Atkinson, both directors of the company, who between them own 85% of the issued share capital.