

Registered number: FC024762

000534/20 .

27

Guinness Atkinson Asset Management, Inc.

Annual report and financial statements

For the year ended 31 December 2016

MO TUESDAY



A6ZPG2QO

A27 13/02/2018 #373
COMPANIES HOUSE

MO



L6ERMWH7

LD3 11/09/2017 #102
COMPANIES HOUSE

Guinness Atkinson Asset Management, Inc.

Company Information

Directors	J Atkinson T Guinness E Harriss
Company secretary	J Atkinson
Registered number	FC024762
Registered office	Suite 750 21550 Oxnard Street Woodland Hills California United States of America CA91367
Independent auditors	Kreston Reeves LLP Chartered Accountants & Statutory Auditors Third Floor 24 Chiswell Street London EC1Y 4YX

Guinness Atkinson Asset Management, Inc.

Contents

	Page
Strategic report	1 - 5
Directors' report	6 - 7
Independent auditors' report	8 - 9
Statement of comprehensive income	10
Balance sheet	11
Statement of changes in equity	12
Statement of cash flows	13
Notes to the financial statements	14 - 23

Guinness Atkinson Asset Management, Inc.

Strategic report For the Year Ended 31 December 2016

Business review

During 2016 the Company's principal client was the Guinness Atkinson funds ("GA") an SEC registered no load mutual fund series.

Throughout the year it managed eight funds for GA: the GA China & Hong Kong Fund (ICHKX), the GA Asia Focus Fund (IASMX), the GA Asia Pacific Dividend Builder Fund (GAADX), the GA Renminbi Yuan & Bond Fund (GARBX); the GA Global Energy Fund (GAGEX), the GA Alternative Energy Fund (GAAEX), the GA Global Innovators Fund (IWIRX), and the GA Dividend Builder Fund (GAINX).

Over the last five years the funds under management have evolved as set out in the following table:

Fund	31 Dec 12	31 Dec 13	31 Dec 14	31 Dec 15	31 Dec 16
\$m	\$m	\$m	\$m	\$m	\$m
GA Mutual Funds					
China & Hong Kong	152.5	110.1	86.2	66.1	58.3
Asia Focus	44.7	21.9	19.7	15.4	15.5
Asia Pacific Dividend	4.8	4.2	4.1	7.3	8.5
Renminbi Yuan & Bond	89.3	94.2	100.4	7.2	2.3
subtotal	291.3	230.4	210.4	96.0	84.6
Global Energy	90.6	72.3	62.9	44.3	49.0
.0Alternative Energy	13.1	23.7	15.2	13.6	10.2
Global Innovators	31.7	50.7	156.5	165.3	159.4
Dividend Builder	1.8	2.6	5.2	10.9	7.8
Total GA Mutual Funds	428.5	379.8	450.3	330.2	311.1
Apollo Tiger	11.8	-	-	-	-
Total \$m	440.3	379.8	450.3	330.2	311.1
<i>Exchange rate</i>	<i>1.626</i>	<i>1.656</i>	<i>1.559</i>	<i>1.474</i>	<i>1.234</i>
Total £m	270.8	229.3	288.8	224.1	252.0

Guinness Atkinson Asset Management, Inc.

**Strategic report
For the Year Ended 31 December 2016**

Net flows into and out of the funds during the year were as below (\$m):

	Value 31 Dec 15	inflows	outflows	market	Value 31 Dec 16
Alternative Energy	13.6	2.7	-3.7	-2.4	10.2
Asia Focus	15.4	2.3	-3.6	1.4	15.5
Asia Pacific Dividend	7.3	4.6	-4.1	0.6	8.5
China & Hong Kong	66.1	2.1	-11.3	1.4	58.3
Dividend Builder	10.9	3.4	-7.3	0.8	7.8
Global Energy	44.3	7.4	-13.9	11.2	49.0
Global Innovators	165.3	63.9	-83.8	14.0	159.4
Renminbi Yuan & Bond	7.2	0.2	-4.7	-0.3	2.3
Total	330.2	86.5	-132.3	26.8	311.1

Performance for 2016 against indices was as set out in the following table:

	1 year	3 year annualised	5 year annualised
Alternative Energy	-17.2%	-14.3%	-2.9%
<i>Wilderhill Clean Energy Index</i>	-22.1%	-16.6%	-5.4%
China & Hong Kong	3.0%	-2.3%	2.6%
<i>Hang Seng Composite Index</i>	3.1%	0.9%	7.1%
Global Energy	27.0%	-9.3%	-0.8%
<i>MSCI World Energy Index</i>	27.6%	-4.0%	1.5%
Dividend Builder	6.8%	2.6%	n/a
Global Innovators	9.5%	9.3%	15.8%
<i>MSCI World Index</i>	8.2%	4.4%	11.1%
<i>MSCI World Index (ex US)</i>	3.4%	-1.0%	6.7%
<i>S&P 500 Index</i>	12.0%	8.9%	14.7%
<i>NASDAQ Composite Index</i>	9.0%	10.3%	17.2%
Asia Pacific Dividend Builder	8.8%	4.2%	6.5%
<i>MSCI Pacific ex Japan Index</i>	7.8%	0.1%	5.2%
Asia Focus	9.2%	-0.5%	0.4%
<i>MSCI Far East ex Japan Index</i>	6.1%	-0.1%	4.9%
GA Renminbi Yuan & Bond	-3.5%	-2.8%	0.1%

In the 2016 calendar year four of the funds beat their benchmarks (Alternative Energy; Global Innovators; Asia Pacific Dividend Builder; and Asia Focus). Two were very close – Global Energy and China and Hong Kong; and the Renminbi Bond performed fine vs the Renminbi Currency. The only slightly weak performer was Dividend Builder.

In absolute terms Global Energy was strongest performer up 27.0%. Next in a bunch came Global Innovators (+9.5%); Dividend Builder (+6.8%); Asia Focus (+9.2%) and Asia Pacific Dividend Builder (+8.8%).

The weaker three, Alternative Energy, Renminbi Bond and China & Hong Kong reflected the weakness of their sectors.

Guinness Atkinson Asset Management, Inc.

Strategic report For the Year Ended 31 December 2016

Business Environment

The business environment in some respects improved usefully during the year. Appetite for equity investment exposure after a dip early in the year recovered as economic activity remained alright notwithstanding the global political backdrop of the Brexit referendum and the US presidential election.

Additionally GAAM's investment management of energy and Asian funds was positively impacted by the oil price recovering from a low in January 2016 and fears about the ability of China's economy to transition from investment led growth to consumption led growth diminishing.

On the other hand two headwinds were the continued growth in market share of passives; and the strength of the US markets which outshone international markets (our focus). Additionally further local obstacle for us was a preference by some US investors for international over global where investing outside the US found favour. So the high hopes with which 2015 was entered for the Global Innovators fund - that it could become a blockbuster fund - had to be deferred for a second year running.

Profitability

GAAM's turnover, pretax profits and shareholder' funds have developed as follows

Funds under management \$m	2010	2011	2012	2013	2014	2015	2016
Average for year	507	554	490	399	424	436	312
Year end	526	503	428	380	450	330	311
Financial results \$000s							
Turnover	4,743	4,857	4,114	3,219	3,381	3,495	2,606
Profit/loss before tax	313	224	-58	47	-188	-493	-496
Shareholders' funds	1,783	2,003	1,964	2,030	1,838	1,344	848

Although the absolute level of funds under management moved broadly sideways (as outflows were matched by rising values) the fall in average assets for 2016 versus 2015 was painful. Revenues fell \$889k and despite an energetic push to reduce costs particularly in non RIA channel sales and marketing spend the effect was do no more than keep the "loss" rate level at c\$500k for a second year. Further steps are being taken to bring the company back towards breakeven in 2017.

**Strategic report
For the Year Ended 31 December 2016**

Outlook

We have a range of funds that offer investors good ways to get exposure to four opportunities: (1) China successfully playing catch up in GDP per capita to the developed economies (four funds – China & Hong Kong; Asia Focus; Asia Pacific Dividend Builder; Renminbi Yuan & Bond); (2) the revival in the fortunes of the global energy industry (two funds – Global Energy and Alternative Energy); (3) the attractive long run growth in value available from investing in quality innovative companies (Global Innovators); (4) and lastly the growth and income opportunity available from quality global companies defined as companies with a ten year history of above average cash flow return on investment (Dividend Builder).

As alluded to above while 2016 was a year of much improved market conditions for the first two opportunities and Global Innovators and Dividend Builder did what was on the tin none of this turned into strong inflows.

Nonetheless it is still believed that the opportunity for substantial growth in funds managed is significant. For example the Global Innovators fund has an outstanding 10 year track record vs the MSCI World Index ; and a strong team and process. And most of the other funds in the GAAM range have interesting stories that give them the potential to stand out and likewise attract new investors. Against this opportunity must be balanced several other realities. One is the growing acquisition of equity mutual fund market share by passive funds including ETFs. And then the fact that in a very competitive environment smaller fund groups like GAAM have hurdles to contend with such as lower brand awareness; and the fact that smaller funds may not be considered by many intermediaries and consultants until above certain size thresholds.

The board of GAAM have as their major objective the growing of funds under management to \$1billion and then to \$5 billion over the next 5 years.

Principal risks and uncertainties

The Firm's main categories of risk and its management objectives and policies for these categories are as follows:

Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, people and systems or from external events, including legal risk. The directors are responsible for the day to day running of the business and have instituted procedures for monitoring and mitigating operational risk that are appropriate to the size and complexity of the business.

Business risk

The firm's risk appetite and its willingness to accept business risk is evaluated and documented by the directors. The risk management function is discussed at meetings of the Board of Directors. Business strategy is managed and updated on a day to day basis by the firm's directors.

Credit risk

Credit risk is the risk that losses may arise as a result of the Company's clients failing to meet their obligations to settle debts. A list of the firm's exposure to counterparties is maintained as part of the accounting function and monthly management accounts detail the firm's exposure to credit risk which is judged not to be material.

Market risk

Market risk is the risk of changes to the value of assets held by the Company due to movements in foreign exchange rates or stock markets. The Company's exposure to foreign exchange rate fluctuations is due to income being earned in currencies other than sterling. Foreign exchange risk is monitored as part of the accounting function and currency balances are reviewed weekly. If a material foreign currency exposure were to arise then foreign currency hedges would be entered into if deemed appropriate. The Company's exposure to stock market movements is due to investments in funds which invest in equities and are therefore subject to changes in values of those equities.

Guinness Atkinson Asset Management, Inc.

**Strategic report
For the Year Ended 31 December 2016**

Financial risk

Financial risk is the risk of the firm breaching regulatory capital requirements or falling short of its cash flow obligations. This is monitored as part of the accounting function and reviewed by the directors and where necessary external advice is sought from compliance consultants and/or accountants. Internal reporting to the Board of Directors is on a monthly basis and Regulatory reporting to the FCA is on a biannual basis. A potential deficit would be identified at an early stage and appropriate action taken.

This report was approved by the board on 24 May 2017 and signed on its behalf.


T Guinness
Director

Guinness Atkinson Asset Management, Inc.

Directors' report For the Year Ended 31 December 2016

The directors present their report and the financial statements for the year ended 31 December 2016.

Results

The loss for the year, after taxation, amounted to \$495,611 (2015 - loss \$493,727).

Directors

The directors who served during the year were:

J Atkinson
T Guinness
E Harriss

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law 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 are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting 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 and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Matters covered in the strategic report

Items required under Schedule 7 to be disclosed in the directors' report are set out in the strategic report, in accordance with s.414C(11) CA 2006.

Guinness Atkinson Asset Management, Inc.

**Directors' report (continued)
For the Year Ended 31 December 2016**

Disclosure of information to auditors

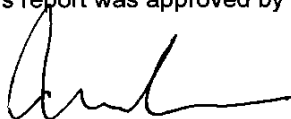
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

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

Auditors

The auditors, Kreston Reeves LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 24 May 2017 and signed on its behalf.



T Guinness
Director

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 2016, set out on pages 10 to 23. The relevant financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 Directors' responsibilities statement on page 6, 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB'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. In addition, we read all the financial and non-financial information in the Strategic report and the Directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2016 and of its profit or loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with those financial statements and such reports have been prepared in accordance with applicable legal requirements.

Guinness Atkinson Asset Management, Inc.

**Independent auditors' report to the shareholders of Guinness Atkinson Asset Management, Inc.
(continued)**

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and the Directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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
- certain disclosures of directors' remuneration specified by 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

Kreston Reeves LLP

Chartered Accountants

Statutory Auditors

Third Floor

24 Chiswell Street

London

EC1Y 4YX

25/5/17

Guinness Atkinson Asset Management, Inc.

**Statement of comprehensive income
For the Year Ended 31 December 2016**

	Note	2016 \$	2015 \$
Turnover	3	2,605,682	3,495,190
Cost of sales		(1,664,568)	(2,566,257)
Gross profit		941,114	928,933
Distribution costs		(429,281)	(771,535)
Administrative expenses		(1,005,383)	(649,516)
Exceptional administrative expenses		30,683	(665)
Other operating income	5	8,701	-
Other operating charges		(44,011)	(11,184)
Operating loss	6	(498,177)	(503,967)
Income from participating interests		1,107	10,436
Interest receivable and similar income	9	1,459	604
Loss before tax		(495,611)	(492,927)
Tax on loss	10	-	(800)
Loss for the year		(495,611)	(493,727)

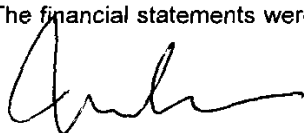
There was no other comprehensive income for 2016 (2015:\$NIL).

Guinness Atkinson Asset Management, Inc.
Registered number: FC024762

Balance sheet
As at 31 December 2016

	Note	2016 \$	2015 \$
Fixed assets			
Tangible fixed assets		-	2,595
Fixed asset investments		-	874,409
		-	877,004
Current assets			
Debtors: amounts falling due within one year	14	133,983	244,303
Current asset investments	15	109,808	-
Cash at bank and in hand	16	772,912	548,899
		1,016,703	793,202
Creditors: amounts falling due within one year	17	(168,515)	(326,407)
Net current assets		848,188	466,795
Total assets less current liabilities		848,188	1,343,799
Net assets		848,188	1,343,799
Capital and reserves			
Called up share capital	20	41	41
Share premium account	19	656,875	656,875
Profit and loss account	19	191,272	686,883
		848,188	1,343,799

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



24 May 2017

T Guinness
Director

The notes on pages 14 to 23 form part of these financial statements.

Guinness Atkinson Asset Management, Inc.

**Statement of changes in equity
For the Year Ended 31 December 2016**

	Called up share capital	Share premium account	Profit and loss account	Total equity
	\$	\$	\$	\$
At 1 January 2016	41	656,875	686,883	1,343,799
Loss for the year	-	-	(495,611)	(495,611)
Total comprehensive income for the year	-	-	(495,611)	(495,611)
At 31 December 2016	41	656,875	191,272	848,188

**Statement of changes in equity
For the Year Ended 31 December 2015**

	Called up share capital	Share premium account	Profit and loss account	Total equity
	\$	\$	\$	\$
At 1 January 2015	41	656,875	1,180,610	1,837,526
Loss for the year	-	-	(493,727)	(493,727)
Total comprehensive income for the year	-	-	(493,727)	(493,727)
Total transactions with owners	-	-	-	-
At 31 December 2015	41	656,875	686,883	1,343,799

The notes on pages 14 to 23 form part of these financial statements.

Guinness Atkinson Asset Management, Inc.

**Statement of cash flows
For the Year Ended 31 December 2016**

	2016 \$	2015 \$
Cash flows from operating activities		
Loss for the financial year	(495,611)	(493,727)
Adjustments for:		
Depreciation of tangible assets	2,595	5,434
Interest received	(11,895)	(11,040)
Decrease in debtors	110,320	402,412
(Decrease)/increase in creditors	(157,892)	21,691
Net cash generated from operating activities	<u>(552,483)</u>	<u>(75,230)</u>
Cash flows from investing activities		
Purchase of unlisted and other investments	-	(203,996)
Sale of unlisted and other investments	774,409	100,000
Transfer into current asset investments	100,000	-
Interest received	1,459	604
Dividends received	10,436	10,436
Other adjustments	-	441
Net cash from investing activities	<u>886,304</u>	<u>(92,515)</u>
Net increase/(decrease) in cash and cash equivalents	<u>333,821</u>	<u>(167,745)</u>
Cash and cash equivalents at beginning of year	548,899	611,402
Current asset investments at beginning of year	-	105,242
Cash and cash equivalents at the end of year	<u>882,720</u>	<u>548,899</u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	772,912	548,899
Current asset investments	109,808	-
	<u>882,720</u>	<u>548,899</u>

**Notes to the financial statements
For the Year Ended 31 December 2016**

1. Accounting policies

1.1 Legal form

Guinness Atkinson Asset Management Inc. (the company) is a limited liability company incorporated under the state law of Delaware, United States of America. The address of its registered office and principal place of business are disclosed on the company information page, at the front of these financial statements.

1.2 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 2).

The following principal accounting policies have been applied:

1.3 Revenue

Revenue is comprised of income recognised by the company in respect of investment management and performance fees, exclusive of Value Added Tax.

1.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charges so as to allocate the cost of assets less their residual values over their useful lives.

Depreciation is provided on the following basis:

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

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

1.5 Valuation of investments

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

Current asset investments are held at fair value with revaluation being taken to the profit and loss account. Fair value has been determined as the stock market value at the balance sheet date.

Guinness Atkinson Asset Management, Inc.

**Notes to the financial statements
For the Year Ended 31 December 2016**

1. Accounting policies (continued)

1.6 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

1.7 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

1.8 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and loss account.

1.9 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

**Notes to the financial statements
For the Year Ended 31 December 2016**

1. Accounting policies (continued)

1.10 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is US Dollars.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

1.11 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

1.12 Taxation

Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

1.13 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

Guinness Atkinson Asset Management, Inc.

**Notes to the financial statements
For the Year Ended 31 December 2016**

2. Judgments in applying accounting policies and key sources of estimation uncertainty

No significant judgements have had to be made by management in preparing these financial statements.

3. Turnover

An analysis of turnover by class of business is as follows:

	2016	2015
	\$	\$
Management fees	2,538,571	3,445,651
Other income	67,111	49,539
	<u>2,605,682</u>	<u>3,495,190</u>

Analysis of turnover by country of destination:

	2016	2015
	\$	\$
United Kingdom	1,080,363	1,427,794
USA	1,525,319	2,067,396
	<u>2,605,682</u>	<u>3,495,190</u>

4. Directors' remuneration

	2016	2015
	\$	\$
Directors' emoluments	365,179	665,803
	<u>365,179</u>	<u>665,803</u>

The highest paid director received remuneration of \$267,000 (2015 - \$258,577).

5. Other operating income

	2016	2015
	\$	\$
Other operating income	8,701	-
	<u>8,701</u>	<u>-</u>

Guinness Atkinson Asset Management, Inc.

**Notes to the financial statements
For the Year Ended 31 December 2016**

6. Operating loss

The operating loss is stated after charging:

	2016	2015
	\$	\$
Depreciation of tangible fixed assets	2,595	5,434
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	11,260	12,853
Exchange differences	34,342	7,030
	<u> </u>	<u> </u>

7. Auditors' remuneration

	2016	2015
	\$	\$
Fees payable to the Company's auditor and its associates in respect of:		
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	11,260	12,853
	<u>11,260</u>	<u>12,853</u>
Non-audit services	514	514
	<u>514</u>	<u>514</u>

8. Employees

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

	2016	2015
	\$	\$
Wages and salaries	1,157,817	1,906,921
Social security costs	100,397	187,707
	<u>1,258,214</u>	<u>2,094,628</u>

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

	2016	2015
	No.	No.
Employees	7	9
	<u> </u>	<u> </u>

Guinness Atkinson Asset Management, Inc.

**Notes to the financial statements
For the Year Ended 31 December 2016**

9. Interest receivable

	2016	2015
	\$	\$
Other interest receivable	1,459	604
	1,459	604

10. Taxation

	2016	2015
	\$	\$
Foreign tax		
Foreign tax on income for the year	-	800
Total current tax	-	800

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2015 - higher than) the standard rate of corporation tax in the UK of 20% (2015 - 20%). The differences are explained below:

	2016	2015
	\$	\$
Loss on ordinary activities before tax	(495,611)	(492,927)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20%)	62,316	(17,591)
Effects of:		
Capital allowances for year in excess of depreciation	261	623
US federal and California corporation tax on income for the year	-	800
Net effect of Non-trading loan relationships	(28,027)	-
Unrelieved tax losses carried forward	-	16,968
Utilisation of tax losses	(34,550)	-
Total tax charge for the year	-	800

Factors that may affect future tax charges

The company has UK trade losses of £1,061,635 (2014: £1,234,388) carried forward to utilise against future profits.

Guinness Atkinson Asset Management, Inc.

**Notes to the financial statements
For the Year Ended 31 December 2016**

11. Exceptional items

	2016 \$	2015 \$
EFT launch write off costs net of discounts	(30,683)	665
	<u>(30,683)</u>	<u>665</u>

12. Tangible fixed assets

	Plant and machinery \$	Fixtures, fittings and equipment \$	Total \$
Cost or valuation			
At 1 January 2016	174,383	17,006	191,389
At 31 December 2016	<u>174,383</u>	<u>17,006</u>	<u>191,389</u>
Depreciation			
At 1 January 2016	172,902	15,892	188,794
Charge for the period on owned assets	1,481	1,114	2,595
At 31 December 2016	<u>174,383</u>	<u>17,006</u>	<u>191,389</u>
Net book value			
At 31 December 2016	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2015	<u>1,481</u>	<u>1,114</u>	<u>2,595</u>

13. Fixed asset investments

	Unlisted investments \$
At 1 January 2016	874,409
Disposals	(774,409)
Transfer between classes	(100,000)
At 31 December 2016	<u>-</u>
At 31 December 2015	<u>874,409</u>

Guinness Atkinson Asset Management, Inc.

**Notes to the financial statements
For the Year Ended 31 December 2016**

14. Debtors

	2016	2015
	\$	\$
Trade debtors	100,633	220,207
Other debtors	3,391	6,735
Prepayments and accrued income	29,959	17,361
	<u>133,983</u>	<u>244,303</u>

15. Current asset investments

	2016	2015
	\$	\$
Listed investments	109,808	-
	<u>109,808</u>	<u>-</u>

16. Cash

	2016	2015
	\$	\$
Cash at bank and in hand	772,912	548,899
	<u>772,912</u>	<u>548,899</u>

17. Creditors: Amounts falling due within one year

	2016	2015
	\$	\$
Trade creditors	32,361	102,219
Taxation and social security	65,448	61,161
Other creditors	-	38,882
Accruals and deferred income	70,706	124,145
	<u>168,515</u>	<u>326,407</u>

**Notes to the financial statements
For the Year Ended 31 December 2016**

18. Financial instruments

	2016	2015
	\$	\$
Financial assets		
Financial assets measured at fair value through profit or loss	882,720	1,423,308
Financial assets that are debt instruments measured at amortised cost	104,024	226,942
	<u>986,744</u>	<u>1,650,250</u>
Financial liabilities		
	<u>(103,067)</u>	<u>(265,246)</u>
	<u>(103,067)</u>	<u>(265,246)</u>

(i) Risk management

The company's activities expose it to a variety of financial risks, including foreign exchange risk:

Foreign exchange risk

The company operates internationally and is exposed to foreign exchange risk with respect to the pounds sterling. Market risk arising from movements in foreign exchange rates is identified and monitored on a daily basis. Such risks are managed by operating bank accounts in foreign currencies.

(ii) Fair value

The company's financial assets and liabilities comprise investments in seed capital, debtors, creditors and cash at bank. The book values and fair values of the company's financial assets and liabilities are identical and are disclosed on the balance sheet and related notes.

Financial assets measured at amortised cost comprise trade debtors and VAT recoverable.

Financial liabilities measured at amortised cost comprise trade creditors and accrued expenses.

Guinness Atkinson Asset Management, Inc.

**Notes to the financial statements
For the Year Ended 31 December 2016**

19. Reserves

Share capital

This represents the nominal value of shares that have been issued by the company.

Share premium account

This represents the amount paid in excess of the nominal value of shares that have been issued by the company.

Profit and loss account

This reserve comprises all current and prior period retained profits and losses after deducting any distributions made to the company's shareholders.

20. Share capital

	2016 \$	2015 \$
Shares classified as equity		
Allotted, called up and fully paid		
3,690 (2014: 3,636) Ordinary shares of \$0.01 each	<u>36</u>	<u>36</u>
Allotted, called up and partly paid		
540 (2015 - 476) Ordinary shares of \$0.01 each	<u>5</u>	<u>5</u>

21. 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 were \$81,629 (2015: \$128,731) and the company paid \$78,839 (2015: \$95,561) during the year. The total recharges from Guinness Asset Management Limited in regard to salaries and administrative expenses were \$1,039,174 (2015: \$631,157 recharged to Guinness Asset Management Limited) and the company paid \$1,074,843 to Guinness Asset Management Limited (2015: received \$622,155 from Guinness Asset Management Limited) during the year. At the balance sheet date Guinness Asset Management Limited owed \$3,391 to Guinness Atkinson Asset Management (2015: \$37,932 owed to Guinness Asset Management Limited). This balance has been included within 'Debtors' in note 14 to the financial statements.

22. 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.