

Registered number: FC024762

301144/20

Guinness Atkinson Asset Management, Inc.

Annual report and financial statements

For the year ended 31 December 2019



Guinness Atkinson Asset Management, Inc.

Company Information

Directors	J Atkinson T Guinness E Harriss
Company secretary	J Atkinson
Registered number	FC024762
Registered office	225 South lake Avenue Suits 216 Pasadena California United States of America 91101
Independent auditors	Kreston Reeves LLP Chartered Accountants & Statutory Auditor Third Floor 24 Chiswell Street London EC1Y 4YX

Guinness Atkinson Asset Management, Inc.

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Guinness Atkinson Asset Management, Inc.

Strategic report

For the year ended 31 December 2019

Business review

During 2019 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). At the end of the year a new ETF fund was launched.

Over the last six years the funds under management have evolved as shown here:

Fund	31-Dec-14	31-Dec-15	31 Dec 16	31 Dec 17	31 Dec 18	31 Dec 19
	\$m	\$m	\$m	\$m	\$m	\$m
China & Hong Kong	86.2	66.1	58.3	78.2	56.7	67.6
Asia Focus	19.7	15.4	15.5	20.2	15.1	17.5
Asia Pacific Dividend	4.1	7.3	8.5	7.6	4.2	4.7
Renminbi Yuan & Bond	100.4	7.2	2.3	2.6	2.2	1.5
subtotal	210.4	96	84.6	108.6	78.2	91.3
Global Energy	62.9	44.3	49	32	19.6	16.8
Alternative Energy	15.2	13.6	10.2	10.7	7.9	9.3
Global Innovators	156.5	165.3	159.4	230	165.4	181.0
Dividend Builder	5.2	10.9	7.8	9.2	8.5	12.9
MOTO						2.6
Total (\$m)	450.3	330.2	311.1	390.5	279.6	313.9
<i>Exchange rate</i>	<i>1.559</i>	<i>1.474</i>	<i>1.234</i>	<i>1.351</i>	<i>1.2757</i>	<i>1.3257</i>
Total (£m)	288.8	224.1	252	289	219.2	236.8

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

Fund	Value (\$m)				Value (\$m)	
	31-Dec-18	inflows	outflows	net flows	market	31-Dec-19
Alternative Energy	7.9	0.5	-1.4	-0.9	2.3	9.3
Asia Focus	15.1	0.6	-2.3	-1.7	4.1	17.5
Asia Pacific Dividend	4.2	0.9	-1.1	-0.2	0.8	4.7
China & Hong Kong	56.7	0.7	-5.7	-5.0	15.9	67.6
Dividend Builder	8.5	3.4	-1.5	1.9	2.6	12.9
Global Energy	19.6	1.4	-6.1	-4.8	1.9	16.8
Global Innovators	165.4	16.9	-54.7	-37.8	53.4	181.0
Renminbi Yuan & Bond	2.2	0.2	-1.1	-0.9	0.2	1.5
MOTO	0					2.6
Total	279.6	24.4	-73.9	-49.5	81.2	313.9

Guinness Atkinson Asset Management, Inc.

Strategic report (continued)

For the year ended 31 December 2019

Business Environment

2019 was a mixed year for the Company on the assets under management (AUM) front. The average AUM over the year was down by 18.7 % in 2019 however the asset under management was up by 12% at the year end. The reason behind this was that the assets peaked in January 2018 and declined over the rest of the year 2018 resulting in a higher average AUM figure in 2018 than in 2019 despite AUM being higher at the end of 2019 than at the end of 2018. Throughout the year there were net outflows from almost each fund however these negative outflows were compensated by a strong performance specifically for Global Innovator Fund and the China & Hong Kong Fund.

It is, also, worth noting that the AUM numbers at year end 2019 reflected a high point in markets. The S&P500 for example having started the year at 2,507 and has recovered strongly during the year and reached 3,231 at the end of the year.

A major continuing headwind for our business is the continued growth in market share of passive ETFs.

The two Global funds – Global Innovators and Dividend Builders face an obstacle in the preference by some US investors for “international” equity funds over “global” investment funds when investing outside the US. The high hopes we have had for several years for the Global Innovators fund - that it could become a blockbuster fund – are still there but not yet achieved – although we continue to believe that remains a real possibility. Dividend Builder, probably needs the current market cycle of US vs non-US and growth vs value outperformance to unwind before investors can be persuaded of its merits.

The four funds investing in Asian stocks and the two funds investing in energy stocks are not accumulating assets and will only be likely to do so when sentiment towards those areas picks up.

Profitability

GAAM's turnover, pretax profits and shareholder' funds over the last six years have been as follows.

We have a small loss in 2019 after a profitable year in 2018. This is due to a decline in the turnover and partly offset by the cost control measures implemented – mainly reduced sales and marketing spend. Furthermore we have adjusted the Guinness Atkinson / Guinness Asset Management London cost sharing agreement so that it is variable as Guinness Atkinson AUM fluctuates. This has the benefit that the US management team are much better able to control total costs and it is the objective that the Company does not slip back into loss.

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).

Standing back it is still believed that the opportunity for substantial growth in funds managed is worthwhile and can be achieved. For example the Global Innovators fund has an outstanding 10 and 15 year track record versus 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 we must continue to balance several other realities. In a very competitive environment smaller fund groups like GAAM have hurdles to contend with such as lower brand awareness; smaller funds may not be considered by many intermediaries and consultants until above certain size thresholds. This can best be addressed by differentiation of product and achieving scale.

Guinness Atkinson Asset Management, Inc.

Strategic report (continued)

For the year ended 31 December 2019

The second major challenge, alluded to above, is the growing acquisition of equity mutual fund market share by passive funds including ETFs. Our first initiative here has been the launch of a new active ETF in the transportation transition space to give investors a way to gain exposure to the rise in electric vehicles, autonomous cars; and transportation as a service. The second initiative is to convert a number of our mutual funds into ETFs. By being one of the first firms to convert from mutual funds to ETFs, we believe we will attract assets by providing the strategies offered by GAAM to investors in a lower cost, more attractive format.

The board of GAAM continue to 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.

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.

Strategic report (continued)
For the year ended 31 December 2019

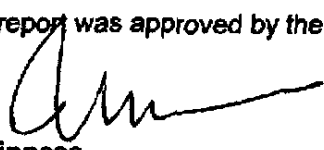
Covid-19

Management have considered the impact of the developing Covid-19 pandemic and its impact on the company's 2020 performance as well as the overall going concern of the business. We have concluded that it's likely there will be a downward trend across global markets during the period of the pandemic-stage of the virus and that this is likely to impact negatively on the company's revenues derived from the value of funds under management. Whether this will be a relatively short-term economic shock, lasting a period of months or one lasting years is uncertain. However, whichever is the outcome we consider that the financial position of the company is strong with sufficient net assets and cash reserves to continue to settle liabilities as they fall due during this volatile period.

Directors' statement of compliance with duty to promote the success of the Company

The directors of Guinness Atkinson Asset Management Inc must act in accordance with a set of general duties. These duties are detailed in the UK's Companies Act and include a duty to promote the success of the Company.

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



T Guinness
Director
Date: 24 April 2020

Guinness Atkinson Asset Management, Inc.

Directors' report For the year ended 31 December 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

Results

The loss for the year, after taxation, amounted to \$41,084 (2018: profit \$169,286).

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 to 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 director's report are set out in the strategic report, in accordance with s.414C(11) CA 2006.

Post balance sheet events

Early 2020 saw the outbreak of the Covid-19 pandemic. This has already resulted in significant global economic disruption and as the pandemic develops this disruption will continue and may worsen over the months to come. This is considered to be a non-adjusting event affecting the company since year end. The impact of the pandemic on the company's going concern is addressed in note 1.4.

Directors' report (continued)
For the year ended 31 December 2019

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 and signed on its behalf.



T Guinness
Director
Date: 24 April 2020

Guinness Atkinson Asset Management, Inc.

Independent auditors' report to the members of Guinness Atkinson Asset Management, Inc.

Opinion

We have audited the financial statements of Guinness Atkinson Asset Management, Inc. (the 'Company') for the year ended 31 December 2019, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of cash flows, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters 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 the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the 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 or the Directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Guinness Atkinson Asset Management, Inc.

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

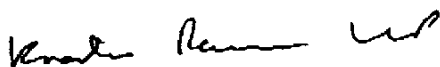
As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

This report is made solely to the Company's members 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 for our audit work, for this report, or for the opinions we have formed.



Stephen Tanner BSc (Econ) FCA (Senior statutory auditor)
for and on behalf of
Kreston Reeves LLP
Chartered Accountants
Statutory Auditor
London
Date: 24th April 2020

Guinness Atkinson Asset Management, Inc.

**Statement of comprehensive income
For the year ended 31 December 2019**

	Note	2019 \$	2018 \$
Turnover	3	2,436,326	3,040,305
Cost of sales		(1,088,813)	(1,600,282)
Gross profit		1,347,513	1,440,023
Distribution costs		(312,560)	(376,998)
Administrative expenses		(1,153,493)	(829,258)
Other operating income		64,674	(90,290)
Operating (loss)/profit	6	(53,866)	143,477
Income from participating interests		12,735	25,662
Interest receivable and similar income	9	103	243
Interest payable and expenses	10	(56)	(96)
(Loss)/profit before tax		(41,084)	169,286
(Loss)/profit for the financial year		(41,084)	169,286

There was no other comprehensive income for 2019 (2018: \$NIL).

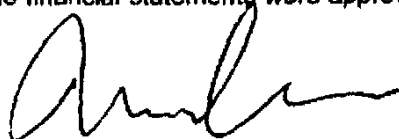
The notes on pages 14 to 23 form part of these financial statements.

Guinness Atkinson Asset Management, Inc.
Registered number: FC024762

Balance sheet
As at 31 December 2019

	Note	2019 \$	2018 \$
Fixed assets			
Tangible assets	12	4,716	8,449
		<u>4,716</u>	<u>8,449</u>
Current assets			
Debtors: amounts falling due within one year	13	248,150	190,611
Current asset investments	14	609,951	545,856
Cash at bank and in hand	15	463,266	668,026
		<u>1,321,367</u>	<u>1,404,493</u>
Creditors: amounts falling due within one year	16	(312,331)	(358,106)
		<u>1,009,036</u>	<u>1,046,387</u>
Net current assets			
		<u>1,013,752</u>	<u>1,054,836</u>
Total assets less current liabilities			
		<u>1,013,752</u>	<u>1,054,836</u>
Net assets			
		<u>1,013,752</u>	<u>1,054,836</u>
Capital and reserves			
Called up share capital	19	42	42
Share premium account	18	656,909	656,909
Profit and loss account	18	356,801	397,885
		<u>1,013,752</u>	<u>1,054,836</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 24 April 2020



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 2019**

	Called up share capital	Share premium account	Profit and loss account	Total equity
	\$	\$	\$	\$
At 1 January 2019	42	656,909	397,885	1,054,836
Comprehensive income for the year				
Loss for the year	-	-	(41,084)	(41,084)
At 31 December 2019	42	656,909	356,801	1,013,752

**Statement of changes in equity
For the year ended 31 December 2018**

	Called up share capital	Share premium account	Profit and loss account	Total equity
	\$	\$	\$	\$
At 1 January 2018	41	656,875	228,599	885,515
Comprehensive income for the year				
Profit for the year	-	-	169,286	169,286
Shares issued during the year	1	34	-	35
At 31 December 2018	42	656,909	397,885	1,054,836

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 2019

	2019 \$	2018 \$
Cash flows from operating activities		
(Loss)/profit for the financial year	(41,084)	169,286
Adjustments for:		
Depreciation of tangible assets	3,732	2,557
Interest paid	56	96
Interest received	(12,838)	(25,905)
(Increase)/decrease in debtors	(57,539)	19,463
(Decrease)/increase in creditors	(46,353)	78,533
Foreign exchange movement on US branch reserves	15,578	-
Net cash generated from operating activities	(138,448)	244,030
Cash flows from investing activities		
Purchase of intangible fixed assets	-	(8,764)
Purchase of short term listed investments	(639,999)	-
Sale of short term listed investments	625,000	-
Interest received	103	243
Income from investments	12,735	25,662
Net cash from investing activities	(2,161)	17,141
Cash flows from financing activities		
Issue of ordinary shares	-	35
Interest paid	(56)	(96)
Net cash used in financing activities	(56)	(61)
Net (decrease)/increase in cash and cash equivalents	(140,665)	261,110
Cash and cash equivalents at beginning of year	668,026	804,469
Current assets investments at the beginning of year	545,856	148,303
Cash and cash equivalents at the end of year	1,073,217	1,213,882
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	463,266	668,026
Current asset investments	609,951	545,856
	1,073,217	1,213,882

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

**Notes to the financial statements
For the year ended 31 December 2019**

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. The principal activity of the company is the provision of investment management services.

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 Going concern

The financial statements of the company have been prepared on a going concern basis. This conclusion that going concern is the most appropriate basis follows the consideration of the company's future trading prospects, its working capital requirements and cashflows, as well as the on-going economic impact of the Covid-19 global pandemic.

1.5 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.

**Notes to the financial statements
For the year ended 31 December 2019**

1. Accounting policies (continued)

1.5 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Plant and machinery	-	33% straight line
Fixtures and fittings	-	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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

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 instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in 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 debtors and creditors, 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 in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Investments in non-derivative instruments that are equity to the issuer are measured:

- at fair value with changes recognised in the Profit and loss account, if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

**Notes to the financial statements
For the year ended 31 December 2019**

1. Accounting policies (continued)

1.8 Financial instruments (continued)

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.

1.10 Finance costs

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.11 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.

1.12 Interest income

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

Guinness Atkinson Asset Management, Inc.

**Notes to the financial statements
For the year ended 31 December 2019**

1. Accounting policies (continued)

1.13 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.

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:

	2019 \$	2018 \$
Management fees	2,436,326	2,997,354
Expense recharges	-	42,951
	<u>2,436,326</u>	<u>3,040,305</u>

Analysis of turnover by country of destination:

	2019 \$	2018 \$
United Kingdom	973,521	1,241,894
USA	1,462,805	1,798,411
	<u>2,436,326</u>	<u>3,040,305</u>

Notes to the financial statements
For the year ended 31 December 2019

4. Directors' remuneration

	2019	2018
	\$	\$
Directors' emoluments	258,990	364,492
	258,990	364,492

The highest paid director received remuneration of \$258,990 (2018 - \$267,000).

5. Other operating income and charges

	2019	2018
	\$	\$
Other operating income and charges	64,674	(90,290)
	64,674	(90,290)

6. Operating (loss)/profit

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

	2019	2018
	\$	\$
Depreciation of tangible fixed assets	720	2,557
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	14,140	14,240
Exchange differences in the year	8,805	(9,239)

7. Auditors' remuneration

	2019	2018
	\$	\$
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	11,790	11,870

Fees payable to the Company's auditor and its associates in respect of:

	2019	2018
	\$	\$
Taxation compliance services	645	660
FCA Compliance	970	995
	1,615	1,655

Guinness Atkinson Asset Management, Inc.

**Notes to the financial statements
For the year ended 31 December 2019**

8. Employees

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

	2019	2018
	\$	\$
Wages and salaries	429,014	1,071,082
Social security costs	22,832	82,414
	451,846	1,153,496

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

	2019	2018
	No.	No.
Employees	7	7

9. Interest receivable

	2019	2018
	\$	\$
Other interest receivable	103	243
	103	243

10. Interest payable and similar expenses

	2019	2018
	\$	\$
Bank interest payable	56	96
	56	96

11. Taxation

	2019	2018
	\$	\$
Total current tax	-	-
Taxation on profit on ordinary activities	-	-

Notes to the financial statements
For the year ended 31 December 2019

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019	2018
	\$	\$
(Loss)/profit on ordinary activities before tax	(41,084)	169,286
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	(7,806)	32,164
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	171	-
Capital allowances for year in excess of depreciation	(58)	(58)
Utilisation of tax losses	7,693	(32,106)
Total tax charge for the year	-	-

Factors that may affect future tax charges

The budget delivered on 11 March 2020 announced the Government's intention to reverse the previously enacted reduction in the corporation tax rate from 19% to 17%. The rate is expected to remain at a rate of 19% for the remaining life of the current parliament and will be enacted into law shortly as part of the Finance Act 2020. The company has UK trade losses of £190,193 (2018: £658,985) carried forward to utilise against future profits.

Guinness Atkinson Asset Management, Inc.

**Notes to the financial statements
For the year ended 31 December 2019**

12. Tangible fixed assets

	Plant and machinery \$	Fixtures and fittings \$	Total \$
Cost			
At 1 January 2019	183,513	19,158	202,671
Disposals	(174,744)	(16,646)	(191,390)
At 31 December 2019	<u>8,769</u>	<u>2,512</u>	<u>11,281</u>
Depreciation			
At 1 January 2019	176,856	17,366	194,222
Charge for the year	3,012	720	3,732
Disposals	(174,383)	(17,006)	(191,389)
At 31 December 2019	<u>5,485</u>	<u>1,080</u>	<u>6,565</u>
Net book value			
At 31 December 2019	<u>3,284</u>	<u>1,432</u>	<u>4,716</u>
At 31 December 2018	<u>6,657</u>	<u>1,792</u>	<u>8,449</u>

13. Debtors

	2019 \$	2018 \$
Trade debtors	183,997	156,145
Other debtors	49,669	4,891
Prepayments and accrued income	14,484	29,575
	<u>248,150</u>	<u>190,611</u>

14. Current asset investments

	2019 \$	2018 \$
Investments brought forward	545,856	148,303
Investment additions	639,999	475,662
Investment sales	(625,000)	-
Investment gain/(losses)	49,096	(78,109)
	<u>609,951</u>	<u>545,856</u>

Guinness Atkinson Asset Management, Inc.

**Notes to the financial statements
For the year ended 31 December 2019**

15. Cash and cash equivalents

	2019	2018
	\$	\$
Cash at bank and in hand	463,266	668,026
	463,266	668,026

16. Creditors: Amounts falling due within one year

	2019	2018
	\$	\$
Trade creditors	46,041	39,215
Other taxation and social security	74,797	60,814
Other creditors	48,569	11,781
Accruals and deferred income	142,924	246,296
	312,331	358,106

17. Financial instruments

	2019	2018
	\$	\$
Financial assets		
Financial assets measured at fair value through profit or loss	609,951	545,856
Financial assets that are debt instruments measured at amortised cost	187,777	156,145
	797,728	702,001
Financial liabilities		
Financial liabilities that are debt instruments measured at amortised cost	(237,534)	(297,292)

Financial assets measured at fair value through profit or loss comprise seed capital investments held.

Financial assets measured at amortised cost comprise trade debtors and other debtors.

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

Guinness Atkinson Asset Management, Inc.

Notes to the financial statements For the year ended 31 December 2019

18. 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.

19. Share capital

	2019 \$	2018 \$
Allotted, called up and fully paid		
3,600 (2018 - 3,600) Ordinary shares of \$0.01 each	36	36
Allotted, called up and partly paid		
574 (2018 - 574) Ordinary shares of \$0.01 each	6	6

20. 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 \$69,190 (2018: \$51,806) and the company paid \$73,441 (2018: \$50,686) during the year. The total recharges from Guinness Asset Management Limited in regard to salaries and administrative expenses were \$3,261,444 (2018: \$2,277,252) and the company paid \$3,226,126 (2018: \$2,279,216) to Guinness Asset Management Limited during the year. At the balance sheet date the company owed \$43,061 (2018: \$2,117). This balance has been included within 'Creditors' in note 16 to the financial statements.

21. 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.