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Registered number: FC024762

Guinness Atkinson Asset Management, Inc.

Annual report and financial statements

For the year ended 31 December 2017

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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 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 2017

Business review

During 2017 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	31 Dec	31 Dec	31 Dec	31 Dec
\$m	13	14	15	16	17
	\$m	\$m	\$m	\$m	\$m
GA Mutual Funds					
China & Hong Kong	110.1	86.2	66.1	58.3	78.2
Asia Focus	21.9	19.7	15.4	15.5	20.2
Asia Pacific Dividend	4.2	4.1	7.3	8.5	7.6
Renminbi Yuan & Bond	94.2	100.4	7.2	2.3	2.6
subtotal	230.4	210.4	96.0	84.6	108.6
Global Energy	72.3	62.9	44.3	49.0	32.0
Alternative Energy	23.7	15.2	13.6	10.2	10.7
Global Innovators	50.7	156.5	165.3	159.4	230.0
Dividend Builder	2.6	5.2	10.9	7.8	9.2
Total \$m	379.8	450.3	330.2	311.1	390.5
<i>Exchange rate</i>	<i>1.656</i>	<i>1.559</i>	<i>1.474</i>	<i>1.234</i>	<i>1.234</i>
Total £m	229.3	288.8	224.1	252.0	289.0

Guinness Atkinson Asset Management, Inc.

**Strategic report (continued)
For the Year Ended 31 December 2017**

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

	Value 31 Dec 16	inflows	outflows	market	Value 31 Dec 17
Alternative Energy	10.2	1.6	-3.2	2.1	10.7
Asia Focus	15.5	1.2	-3.2	6.7	20.2
Asia Pacific Dividend	8.5	3.8	-6.7	2.0	7.6
China & Hong Kong	58.3	3.5	-10.3	26.7	78.2
Dividend Builder	7.8	1.7	-2.1	1.8	9.2
Global Energy	49.0	6.5	-21.9	-1.6	32.0
Global Innovators	159.4	58.0	-43.6	56.2	230.0
Renminbi Yuan & Bond	2.3	0.5	-0.4	0.2	2.6
Total	311.1	76.8	-91.4	94.1	390.5

Performance for 2017 against indices was as set out in the following table:

	1 year	3 year annualised	5 year annualised
Alternative Energy	20.7%	-4.0%	4.2%
<i>Wilderhill Clean Energy Index</i>	39.8%	-0.8%	5.2%
China & Hong Kong	48.9%	12.3%	8.1%
<i>Hang Seng Composite Index</i>	41.9%	10.5%	8.7%
Global Energy	-1.1%	-2.8%	-1.7%
<i>MSCI World Energy Index</i>	5.9%	1.8%	2.2%
Dividend Builder	21.3%	7.7%	11.2%
Global Innovators	34.8%	12.7%	18.5%
<i>MSCI World Index</i>	23.1%	9.9%	12.3%
<i>MSCI World Index (ex US)</i>	24.9%	8.0%	8.1%
<i>S&P 500 Index</i>	21.8%	11.4%	15.8%
<i>NASDAQ Composite Index</i>	29.7%	14.8%	19.5%
Asia Pacific Dividend Builder	36.7%	12.4%	8.7%
<i>MSCI Pacific ex Japan Index</i>	37.5%	10.6%	7.6%
Asia Focus	47.1%	12.4%	5.4%
<i>MSCI Far East ex Japan Index</i>	42.2%	11.2%	8.2%
GA Renminbi Yuan & Bond	9.8%	0.5%	1.2%
<i>Exchange Rate Rmb vs USD</i>	6.8%	-1.6%	-0.9%

In the 2017 calendar year three of the funds beat their benchmarks (China & Hong Kong; Global Innovators; and Asia Focus) and the Renminbi Bond Fund performed well ahead of the Renminbi Currency. Two other funds were reasonably close to their benchmarks taking into account expenses – Asia Pacific Dividend Builder and Dividend Builder. The only relatively weak performers vs benchmarks were the Energy Funds. Here however benchmark construction issues make their benchmarks a poor measure of good relative performance (for example over 50% of the MSCI World Energy Index comprises the five largest super-majors whereas an equal weight portfolio will only hold 16.7% of them and in a period when the super-majors outperform other energy companies it is not surprising for the benchmark to outperform) and the performance vs peer energy or

Guinness Atkinson Asset Management, Inc.

Strategic report (continued)

For the Year Ended 31 December 2017

renewable energy funds respectively was perfectly satisfactory.

In absolute terms China & Hong Kong and Asia Focus were strongest performers up 48.5% and 47.1% respectively. Next came Global Innovators (+34.8%) and Asia Pacific Dividend Builder (+36.7%); and following them Dividend Builder (+21.3%) and Alternative Energy (+20.7%).

The Renminbi Bond (+9.8%) was an excellent substitute for US dollar cash and Global Energy (-1.1%) – the only negative returner - reflected the weakness of the energy sector.

Business Environment

As a big picture generalization 2017 was a good year for investors in our global or China/Asia focused funds and the main driver behind the 25.5% growth in assets under management.

The business environment improved usefully during the year. European economic recovery; China continuing to grow at over 5% pa; and Trump tax cuts and continued US growth boosting S&P500 earnings growth estimates significantly (S&P500 earnings 2017 (actual) 109.88, 2018 (consensus forecast) 153.90) were all positives for equity markets.

The main continuing headwind is the continued growth in market share of passives. Additionally, as mentioned last year, a further local obstacle for us was a preference by some US investors for international over global 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 unrealised but we continue to believe that remains a real possibility.

Profitability

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

Funds under management \$m	2013	2014	2015	2016	2017
Average for year	399	424	436	312	347
Year end	380	450	330	311	391
Financial results \$000s					
Turnover	3,219	3,381	3,495	2,606	2,905
Profit/loss before tax	47	-188	-493	-496	38
 Shareholders' funds	 2,030	 1,838	 1,344	 848	 886

The recovery in assets under management and the cost control measures foreshadowed last year moved the company back into profitability.

Guinness Atkinson Asset Management, Inc.

Strategic report (continued) For the Year Ended 31 December 2017

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).

2017 was a year of continued much improved market conditions for the China/Asia funds and the two Global funds (especially Innovators which had a great year); signs of the long awaited turn around (for the positive) in the fortunes of our renewable energy fund; and a year of treading water for our energy fund. The first 3 months of 2018 has seen significant market volatility but there are signs that 2018 could see a turn-around from outflows into inflows into the China/Asia funds and an acceleration in 2018 of the positive level of flows into Global Innovators seen in 2017.

Standing back 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 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. One, alluded to above, 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. We are actively addressing these headwinds however. What might be the best channels for distribution are constantly being re-evaluated and the emphasis of our sales effort is constantly evolving. We have changed our Registered Investment Advisor (RIA) and Broker-Dealer strategy putting more emphasis on the latter in 2018; and changed our third party marketer while at the same time we have recruited new staff in our Los Angeles office to address targeted RIAs; and our direct marketing spend is being increased.

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.

**Strategic report (continued)
For the Year Ended 31 December 2017**

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.

This report was approved on 24 April 2018 by


T Guinness
Director

Guinness Atkinson Asset Management, Inc.

Directors' report For the Year Ended 31 December 2017

The directors present their report and the financial statements for the year ended 31 December 2017.

Results

The profit for the year, after taxation, amounted to \$37,327 (2016 - loss \$495,611).

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 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 2017**

Disclosure of information to auditors

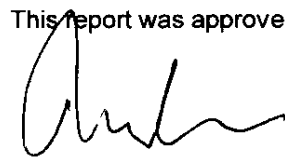
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- 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 24th April 2018 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.

Opinion

We have audited the financial statements of Guinness Atkinson Asset Management, Inc. (the 'Company') for the year ended 31 December 2017, 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 2017 and of its profit 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.

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.

Guinness Atkinson Asset Management, Inc.

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

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 6, 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' report.

Guinness Atkinson Asset Management, Inc.

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

Use of our report

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.



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

Kreston Reeves LLP
Chartered Accountants
Statutory Auditor
Third Floor
24 Chiswell Street
London
EC1Y 4YX

24th April 2018

Guinness Atkinson Asset Management, Inc.

**Statement of comprehensive income
For the Year Ended 31 December 2017**

	Note	2017 \$	2016 \$
Turnover	3	2,905,120	2,605,682
Cost of sales		(1,552,940)	(1,664,568)
Gross profit		1,352,180	941,114
Distribution costs		(423,577)	(429,281)
Administrative expenses		(979,821)	(944,017)
Exceptional administrative expenses	11	-	(30,683)
Other operating income and charges	5	84,785	(35,310)
Operating profit/(loss)	6	33,567	(498,177)
Income from participating interests		3,523	1,107
Interest receivable and similar income	9	782	1,459
Profit/(loss) before tax		37,872	(495,611)
Tax on profit/(loss)	10	(545)	-
Profit/(loss) for the financial year		37,327	(495,611)

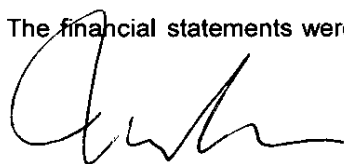
There was no other comprehensive income for 2017 (2016:\$NIL).

Guinness Atkinson Asset Management, Inc.
Registered number: FC024762

Balance sheet
As at 31 December 2017

	Note	2017 \$	2016 \$
Fixed assets			
Tangible fixed assets	12	<u>2,242</u>	<u>-</u>
		2,242	-
Current assets			
Debtors: amounts falling due within one year	13	210,074	133,983
Current asset investments	14	148,303	109,808
Cash at bank and in hand	15	<u>804,469</u>	<u>772,912</u>
		1,162,846	1,016,703
Creditors: amounts falling due within one year	16	<u>(279,573)</u>	<u>(168,515)</u>
Net current assets		<u>883,273</u>	<u>848,188</u>
Total assets less current liabilities		<u>885,515</u>	<u>848,188</u>
Net assets		<u><u>885,515</u></u>	<u><u>848,188</u></u>
Capital and reserves			
Called up share capital	19	41	41
Share premium account	18	656,875	656,875
Profit and loss account	18	<u>228,599</u>	<u>191,272</u>
		<u>885,515</u>	<u>848,188</u>

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



T Guinness

Director

The notes on pages 15 to 24 form part of these financial statements.

Guinness Atkinson Asset Management, Inc.

**Statement of changes in equity
For the Year Ended 31 December 2017**

	Called up share capital	Share premium account	Profit and loss account	Total equity
	\$	\$	\$	\$
At 1 January 2017	41	656,875	191,272	848,188
Profit for the year	-	-	37,327	37,327
Total comprehensive income for the year	-	-	37,327	37,327
At 31 December 2017	41	656,875	228,599	885,515

**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

The notes on pages 15 to 24 form part of these financial statements.

Guinness Atkinson Asset Management, Inc.

**Statement of cash flows
For the Year Ended 31 December 2017**

	2017	2016
	\$	\$
Cash flows from operating activities		
Profit/(loss) for the financial year	37,327	(495,611)
Adjustments for:		
Depreciation of tangible assets	276	2,595
Interest received	(4,305)	(11,895)
(Increase)/decrease in debtors	(76,091)	110,320
Increase/(decrease) in creditors	111,058	(157,892)
Net cash generated from operating activities	68,265	(552,483)
Cash flows from investing activities		
Purchase of tangible fixed assets	(2,518)	-
Sale of unlisted and other investments	-	774,409
Transfer into current asset investments	-	100,000
Interest received	782	1,459
Dividends received	-	10,436
Income from investments in related companies	3,523	-
Net cash from investing activities	1,787	886,304
Net increase in cash and cash equivalents	70,052	333,821
Cash at bank and in hand at beginning of year	772,912	548,899
Current asset investments at the beginning of the year	109,808	-
Cash and cash equivalents at the end of year	952,772	882,720
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	804,469	772,912
Current asset investments	148,303	109,808
	952,772	882,720

Guinness Atkinson Asset Management, Inc.

Notes to the financial statements For the Year Ended 31 December 2017

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.

**Notes to the financial statements
For the Year Ended 31 December 2017**

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 2017**

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 2017**

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:

	2017 \$	2016 \$
Management fees	2,829,541	2,538,571
Expense recharges	75,579	67,111
	<u>2,905,120</u>	<u>2,605,682</u>

Analysis of turnover by branch:

	2017 \$	2016 \$
United Kingdom	1,208,144	1,080,363
USA	1,696,976	1,525,319
	<u>2,905,120</u>	<u>2,605,682</u>

4. Directors' remuneration

	2017 \$	2016 \$
Directors' emoluments	347,296	365,179
	<u>347,296</u>	<u>365,179</u>

The highest paid director received remuneration of \$267,000 (2016 - \$267,000).

5. Other operating income and charges

	2017 \$	2016 \$
Gain/(loss) on foreign exchange	49,813	8,701
Unrealised and realised gain/(loss) on investments	34,972	(44,011)
	<u>84,785</u>	<u>(35,310)</u>

Guinness Atkinson Asset Management, Inc.

**Notes to the financial statements
For the Year Ended 31 December 2017**

6. Operating profit/(loss)

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

	2017	2016
	\$	\$
Depreciation of tangible fixed assets	276	2,595
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	9,920	11,260
Exchange differences	13,448	(9,669)
	<u>13,448</u>	<u>(9,669)</u>

7. Auditors' remuneration

	2017	2016
	\$	\$
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	9,920	11,260
Fees payable to the Company's auditor and its associates in respect of:		
Non-audit services	514	514
	<u>514</u>	<u>514</u>

8. Employees

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

	2017	2016
	\$	\$
Wages and salaries	1,043,146	1,157,817
Social security costs	99,955	100,397
	<u>1,143,101</u>	<u>1,258,214</u>

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

	2017	2016
	No.	No.
Employees	<u>5</u>	<u>7</u>

Guinness Atkinson Asset Management, Inc.

**Notes to the financial statements
For the Year Ended 31 December 2017**

9. Interest receivable

	2017	2016
	\$	\$
Other interest receivable	782	1,459
	782	1,459

10. Taxation

	2017	2016
	\$	\$
Foreign tax		
Foreign tax on income for the year	545	-
Total current tax	545	-

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2016 - lower than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

	2017	2016
	\$	\$
Profit/(loss) on ordinary activities before tax	37,872	(495,611)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	14,536	62,316
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	204	-
Capital allowances for year in excess of depreciation	(72)	261
Net effect of Non-trading loan relationships	-	(28,027)
Foreign tax	545	-
Utilisation of tax losses	(14,668)	(34,550)
Total tax charge for the year	545	-

The company has UK trade losses of £835,886 (2016: £1,125,993) carried forward to utilise against future profits.

Factors that may affect future tax charges

On 6 September 2016 the Finance Act 2016 was substantively enacted, reducing the rate of corporation tax that companies will apply for the financial year 2018 to 19% and financial year 2020 and onwards to 17%.

Guinness Atkinson Asset Management, Inc.

**Notes to the financial statements
For the Year Ended 31 December 2017**

11. Exceptional items

	2017 \$	2016 \$
EFT launch write off costs net of discounts	-	30,683
	<u>-</u>	<u>30,683</u>

12. Tangible fixed assets

	Plant and machinery \$	Fixtures, fittings and equipment \$	Total \$
Cost or valuation			
At 1 January 2017	174,383	17,006	191,389
Additions	2,518	-	2,518
	<u>176,901</u>	<u>17,006</u>	<u>193,907</u>
At 31 December 2017			
Depreciation			
At 1 January 2017	174,383	17,006	191,389
Charge for the year	276	-	276
	<u>174,659</u>	<u>17,006</u>	<u>191,665</u>
At 31 December 2017			
Net book value			
At 31 December 2017	<u>2,242</u>	<u>-</u>	<u>2,242</u>
At 31 December 2016	<u>-</u>	<u>-</u>	<u>-</u>

13. Debtors

	2017 \$	2016 \$
Trade debtors	188,662	100,633
Other debtors	1,111	3,391
Prepayments and accrued income	20,301	29,959
	<u>210,074</u>	<u>133,983</u>

Guinness Atkinson Asset Management, Inc.

**Notes to the financial statements
For the Year Ended 31 December 2017**

14. Current asset investments

	2017	2016
	\$	\$
Investments b/f	109,808	-
Investments class transfer	-	100,000
Investment additions	3,523	-
Investment gains/(losses)	34,972	9,808
	<u>148,303</u>	<u>109,808</u>

15. Cash

	2017	2016
	\$	\$
Cash at bank and in hand	804,469	772,912
	<u>804,469</u>	<u>772,912</u>

16. Creditors: Amounts falling due within one year

	2017	2016
	\$	\$
Trade creditors	38,166	32,361
Taxation and social security	69,417	65,448
Other creditors	11,491	-
Accruals and deferred income	160,499	70,706
	<u>279,573</u>	<u>168,515</u>

Guinness Atkinson Asset Management, Inc.

**Notes to the financial statements
For the Year Ended 31 December 2017**

17. Financial instruments

	2017	2016
	\$	\$
Financial assets		
Financial assets measured at fair value through profit or loss	148,303	109,808
Financial assets that are debt instruments measured at amortised cost	188,662	104,024
	<u>336,965</u>	<u>213,832</u>
Financial liabilities		
Financial liabilities that are debt instruments measured at amortised cost	(210,990)	(103,067)
	<u>(210,990)</u>	<u>(103,067)</u>

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 amounts owed by associated undertakings.

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 2017

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

	2017 \$	2016 \$
Allotted, called up and fully paid		
3,690 Ordinary shares of \$0.01 each	<u>36</u>	<u>36</u>
Allotted, called up and partly paid		
540 Ordinary shares of \$0.01 each	<u>5</u>	<u>5</u>

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 \$49,310 (2016: \$81,629) and the company paid \$48,471 (2016: \$78,839) during the year. The total recharges from Guinness Asset Management Limited in regard to salaries and administrative expenses were \$1,210,702 (2016: \$1,039,174) and the company paid \$1,074,843 to Guinness Asset Management Limited (2016: \$1,074,843) during the year. At the balance sheet date Guinness Asset Management Limited owed \$1,111 to Guinness Atkinson Asset Management (2016: \$3,391). This balance has been included within 'Debtors' in note 13 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.