

000 535/20


Registered number: FC024762

Guinness Atkinson Asset Management, Inc.

Annual report and financial statements

For the year ended 31 December 2018

WED
THURSDAY



A87IHHX7
A04 13/06/2019 #152
COMPANIES HOUSE

L851MJSH
LD3 08/05/2019 #47
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 Auditor 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 - 11
Statement of comprehensive income	12
Balance sheet	13
Statement of changes in equity	14
Statement of cash flows	15 - 16
Notes to the financial statements	16 - 26

Guinness Atkinson Asset Management, Inc.

Strategic report For the Year Ended 31 December 2018

Business review

During 2018 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 six years the funds under management have evolved as shown here:

Fund	31 Dec 13	31 Dec 14	31 Dec 15	31 Dec 16	31 Dec 17	31 Dec 18
\$m	\$m	\$m	\$m	\$m	\$m	\$m
GA Mutual Funds						
China & Hong Kong	110.1	86.2	66.1	58.3	78.2	56.7
Asia Focus	21.9	19.7	15.4	15.5	20.2	15.1
Asia Pacific Dividend	4.2	4.1	7.3	8.5	7.6	4.2
Renminbi Yuan & Bond	94.2	100.4	7.2	2.3	2.6	2.2
subtotal	230.4	210.4	96.0	84.6	108.6	78.2
Global Energy	72.3	62.9	44.3	49.0	32.0	19.6
Alternative Energy	23.7	15.2	13.6	10.2	10.7	7.9
Global Innovators	50.7	156.5	165.3	159.4	230.0	165.4
Dividend Builder	2.6	5.2	10.9	7.8	9.2	8.5
Total \$m	379.8	450.3	330.2	311.1	390.5	279.6
<i>Exchange rate</i>	<i>1.656</i>	<i>1.559</i>	<i>1.474</i>	<i>1.234</i>	<i>1.234</i>	<i>1.2757</i>
Total £m	229.3	288.8	224.1	252.0	289.0	219.2

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

	Value (\$m) 31 Dec 17	inflows	outflows	Net flows	market	Value (\$m) 31 Dec 18
Alternative Energy	10.7	2	-3	-1	-1.7	7.9
Asia Focus	20.2	1.8	-2.8	-1	-4.1	15.1
Asia Pacific Dividend	7.6	1.3	-3.7	-2.4	-1	4.2
China & Hong Kong	78.2	2.2	-8.6	-6.4	-15.1	56.7
Dividend Builder	9.2	1.5	-1.8	-0.3	-0.4	8.5
Global Energy	32	8	-15.5	-7.5	-4.9	19.6
Global Innovators	230	42.6	-70.1	-27.5	-37.1	165.4
Renminbi Yuan & Bond	2.6	1.6	-1.9	-0.3	-0.2	2.2
Total	390.5	61	-107.4	-46.4	-64.5	279.6

Guinness Atkinson Asset Management, Inc.

Strategic report (continued) For the Year Ended 31 December 2018

Business Environment

2018 was a mixed year for the Company on the assets under management (AUM) front. The average AUM over the year was up on 2017 but behind that was a story of assets peaking in January 2018 and declining over the rest of the year with a year end on year end decline of 28.3% in assets under management. Roughly 42% of the decline was from fund net outflows where over half represented outflows from our flagship Global Innovators Fund which gave back some of its outperformance in 2016 and 2017. It remains however a very strong performer over 5, 10 and 15 years.

It is, however, worth noting that the AUM numbers at year end 2018 were struck at a particularly low point in markets. The S&P500 for example having started the year at 2,674 and peaked at 2,930 in September weakened markedly in Q4 of the year and sat at 2,507 on Dec 31st. The last week of the year actually marked a low point and since then the S&P500 has recovered strongly.

The business environment was mixed. Trump tax cuts and continued US growth boosted S&P500 earnings growth significantly (S&P500 earnings 2017 (actual) 109.88 and 2018 (actual) 151.62 (est)) and unemployment generally continued to drop. Brexit; European sluggishness; trade tensions with China and China economic growth slowdown however were all negatives.

A major continuing headwind for our business is the continued growth in market share of passive ETFs. Additionally, as mentioned in previous reports, a further local obstacle for us remains a 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.

As regards six of our other funds - four focused on Asia and two on energy they are at the moment treading water until sentiment towards those areas picks up. And turning briefly to the last strategy - that of Dividend Builder - that 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 (which are great!).

Profitability

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

Funds under management \$m	2013	2014	2015	2016	2017	2018
Average for year	399	424	436	312	347	369
Year end	380	450	330	311	391	280
Financial results \$000s						
Turnover	3,219	3,381	3,495	2,606	2,905	3,040
Profit/loss before tax	47	-188	-493	-496	38	169
Shareholders' funds	2,030	1,838	1,344	848	886	1,055

A key point to note from the table is we are back in profitability mode. This is due in part to the cost control measures (reduced sales and marketing spend) foreshadowed last year having an effect. Furthermore we have *adjusted the Guinness Atkinson / Guinness Asset Management London cost sharing agreement going forward* so that it is more adjustable 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.

**Strategic report (continued)
For the Year Ended 31 December 2018**

Outlook

I repeat much of last year's commentary. 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 if we are patient. 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. 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. As regards 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 this will continue in 2019; 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 will be increased when the time is right.

As regards the passive ETFs threat. Our first initiative here is a project to launch 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 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 2018**

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.

The directors believe the effect of the UK leaving the EU should have limited impact on the company based on geographical diversity of its operations and cooperation agreements in the financial services sector that are in place to address the scenario of an exit without a deal. However due to the current uncertainty and any potential changes to UK business operations, the directors are continuing to monitor, review and adapt to the risk of forthcoming changes as result of the UK leaving the EU.

Business risk – Brexit (Currency)

The decision made in 2016 by the UK to leave the European Union has resulted in a fall in sterling. The fall in sterling has increased the company's revenue in sterling as the majority of the company's UCITS funds are invested in non sterling investments. There is a risk that an increase in sterling would negatively impact the revenues of the business in sterling terms.

Business Risk – Brexit (Investor Behaviour)

While the decision by the UK to leave the European union has been followed by a strong period of growth for the company, there is potential for investor behaviour to change such that European investors have a preference for non UK managers or that UK investors require UK domiciled funds. The first is mitigated by a diverse investor base with only a portion of investors in the Company's UCITS coming from EU domiciled investors. The second could be addressed by setting up additional vehicles to meet investor demands.

Business Risk – Brexit (Regulation)

There is a risk that changes to regulations by the UK or the EU makes it a more challenging business environment. The directors are monitoring and reviewing and will continue ensure they prepare for any changes in legalisation and working practises and adapt to any changes to mitigate any risk.

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

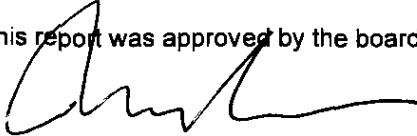
Market risk is the risk of changes to the value of assets held by the Company due to movements in foreign exchange rates or stock markets. The Company's exposure to foreign exchange rate fluctuations is due to income being earned in currencies other than sterling. Foreign exchange risk is monitored as 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.

Strategic report (continued)
For the Year Ended 31 December 2018

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.



T Guinness
Director

Date:

1/5/19

Guinness Atkinson Asset Management, Inc.

Directors' report For the Year Ended 31 December 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

Results

The profit for the year, after taxation, amounted to \$169,286 (2017 - \$37,327).

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.

**Directors' report (continued)
For the Year Ended 31 December 2018**

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.

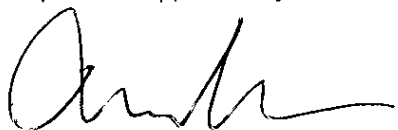
Auditors

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

11/5/19

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 2018, 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 2018 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.

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

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.

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.

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
Statutory Auditor
Chartered Accountants
London

2nd May, 2019.

Guinness Atkinson Asset Management, Inc.

**Statement of comprehensive income
For the Year Ended 31 December 2018**

	Note	2018 \$	2017 \$
Turnover	3	3,040,305	2,905,120
Cost of sales		(1,600,282)	(1,552,940)
Gross profit		1,440,023	1,352,180
Distribution costs		(376,998)	(423,577)
Administrative expenses		(829,258)	(979,821)
Other operating income and charges		(90,290)	84,785
Operating profit	6	143,477	33,567
Income from participating interests		25,662	3,523
Interest receivable and similar income	9	243	782
Interest payable and expenses	10	(96)	-
Profit before tax		169,286	37,872
Tax on profit	11	-	(545)
Profit for the financial year		169,286	37,327

There was no other comprehensive income for 2018 (2017:\$NIL).

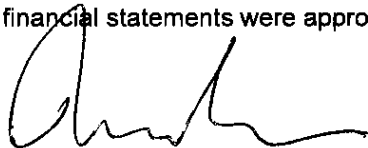
The notes on pages 16 to 26 form part of these financial statements.

Guinness Atkinson Asset Management, Inc.
Registered number: FC024762

Balance sheet
As at 31 December 2018

	Note	2018 \$	2017 \$
Fixed assets			
Tangible fixed assets		<u>8,449</u>	<u>2,242</u>
		8,449	2,242
Current assets			
Debtors: amounts falling due within one year	13	190,611	210,074
Current asset investments	14	545,856	148,303
Cash at bank and in hand	15	<u>668,026</u>	<u>804,469</u>
		1,404,493	1,162,846
Creditors: amounts falling due within one year	16	<u>(358,106)</u>	<u>(279,573)</u>
Net current assets		1,046,387	883,273
Total assets less current liabilities		1,054,836	885,515
Net assets		1,054,836	885,515
Capital and reserves			
Called up share capital	19	42	41
Share premium account	18	656,909	656,875
Profit and loss account	18	<u>397,885</u>	<u>228,599</u>
		1,054,836	885,515

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



T Guinness
Director

Date: 1/5/19

The notes on pages 16 to 26 form part of these financial statements.

Guinness Atkinson Asset Management, Inc.

**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
Total comprehensive income for the year	-	-	169,286	169,286
Shares issued during the year	1	34	-	35
Total transactions with owners	1	34	-	35
At 31 December 2018	42	656,909	397,885	1,054,836

The notes on pages 16 to 26 form part of these financial statements.

**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
Comprehensive income for the year				
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

The notes on pages 16 to 26 form part of these financial statements.

Guinness Atkinson Asset Management, Inc.

**Statement of cash flows
For the Year Ended 31 December 2018**

	2018 \$	2017 \$
Cash flows from operating activities		
Profit for the financial year	169,286	37,327
Adjustments for:		
Depreciation of tangible assets	2,557	276
Interest paid	96	-
Interest received	(25,905)	(4,305)
Decrease/(increase) in debtors	19,463	(76,091)
Increase in creditors	78,533	111,058
Net cash generated from operating activities	<u>244,030</u>	<u>68,265</u>
Cash flows from investing activities		
Purchase of tangible fixed assets	(8,764)	(2,518)
Interest received	243	782
Income from investments in related companies	25,662	3,523
Net cash from investing activities	<u>17,141</u>	<u>1,787</u>
Cash flows from financing activities		
Issue of ordinary shares	35	-
Interest paid	(96)	-
Net cash used in financing activities	<u>(61)</u>	<u>-</u>
Net increase in cash and cash equivalents	261,110	70,052
Cash and cash equivalents at beginning of year	804,469	772,912
Current asset investments at the beginning of the year	148,303	109,808
Cash and cash equivalents at the end of year	<u>1,213,882</u>	<u>952,772</u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	668,026	804,469
Current asset investments	545,856	148,303
	<u>1,213,882</u>	<u>952,772</u>

The notes on pages 16 to 26 form part of these financial statements.

**Notes to the financial statements
For the Year Ended 31 December 2018**

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 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.

**Notes to the financial statements
For the Year Ended 31 December 2018**

1. Accounting policies (continued)

1.6 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.

1.7 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.

1.8 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 2018**

1. Accounting policies (continued)

1.9 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.

1.10 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 Interest income

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

**Notes to the financial statements
For the Year Ended 31 December 2018**

1. Accounting policies (continued)

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.

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:

	2018	2017
	\$	\$
Management fees	2,997,354	2,829,541
Expense recharges	42,951	75,579
	<u>3,040,305</u>	<u>2,905,120</u>

Analysis of turnover by country of destination:

	2018	2017
	\$	\$
United Kingdom	1,241,894	1,208,144
USA	1,798,411	1,696,976
	<u>3,040,305</u>	<u>2,905,120</u>

Guinness Atkinson Asset Management, Inc.

**Notes to the financial statements
For the Year Ended 31 December 2018**

4. Directors' remuneration

	2018	2017
	\$	\$
Directors' emoluments	364,492	347,296
	364,492	347,296

The highest paid director received remuneration of \$267,000 (2017 - \$267,000).

5. Other operating income and charges

	2018	2017
	\$	\$
Gain/(loss) on foreign exchange	(12,181)	49,813
Unrealised and realised gain/(loss) on investments	(78,109)	34,972
	(90,290)	84,785

6. Operating profit

The operating profit is stated after charging:

	2018	2017
	\$	\$
Depreciation of tangible fixed assets	2,557	276
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	8,950	9,920
Exchange differences	(9,239)	13,448

Guinness Atkinson Asset Management, Inc.

**Notes to the financial statements
For the Year Ended 31 December 2018**

7. Auditors' remuneration

	2018	2017
	\$	\$
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	8,950	9,920
Fees payable to the Company's auditor and its associates in respect of:		
Non-audit services	1,250	514
	1,250	514

8. Employees

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

	2018	2017
	\$	\$
Wages and salaries	1,071,082	1,043,146
Social security costs	82,414	99,955
	1,153,496	1,143,101

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

	2018	2017
	No.	No.
Employees	7	5

9. Interest receivable

	2018	2017
	\$	\$
Other interest receivable	243	782
	243	782

Guinness Atkinson Asset Management, Inc.

**Notes to the financial statements
For the Year Ended 31 December 2018**

10. Interest payable and similar expenses

	2018	2017
	\$	\$
Bank interest payable	96	-
	96	-

11. Taxation

	2018	2017
	\$	\$
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 (2017 - lower than) the standard rate of corporation tax in the UK of 19% (2017 - 19.25%). The differences are explained below:

	2018	2017
	\$	\$
Profit on ordinary activities before tax	169,286	37,872
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	32,164	14,536
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	-	204
Capital allowances for year in excess of depreciation	(58)	(72)
Foreign tax	-	545
Utilisation of tax losses	(32,106)	(14,668)
Total tax charge for the year	-	545

The company has UK trade losses of £658,985 (2017: £835,866) carried forward to utilise against future profits.

Guinness Atkinson Asset Management, Inc.

**Notes to the financial statements
For the Year Ended 31 December 2018**

11. Taxation (continued)

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%.

12. Tangible fixed assets

	Plant and machinery \$	Fixtures, fittings and equipment \$	Total \$
Cost or valuation			
At 1 January 2018	176,901	17,006	193,907
Additions	6,612	2,152	8,764
At 31 December 2018	183,513	19,158	202,671
Depreciation			
At 1 January 2018	174,659	17,006	191,665
Charge for the year on owned assets	2,197	360	2,557
At 31 December 2018	176,856	17,366	194,222
Net book value			
At 31 December 2018	6,657	1,792	8,449
At 31 December 2017	2,242	-	2,242

13. Debtors

	2018 \$	2017 \$
Trade debtors	156,145	188,662
Other debtors	4,891	1,111
Prepayments and accrued income	29,575	20,301
	190,611	210,074

Guinness Atkinson Asset Management, Inc.

**Notes to the financial statements
For the Year Ended 31 December 2018**

14. Current asset investments

	2018	2017
	\$	\$
Investments brought forward	148,303	109,808
Investment additions	475,662	3,523
Investment gains/(losses)	(78,109)	34,972
	<u>545,856</u>	<u>148,303</u>

15. Cash

	2018	2017
	\$	\$
Cash at bank and in hand	668,026	804,469
	<u>668,026</u>	<u>804,469</u>

16. Creditors: Amounts falling due within one year

	2018	2017
	\$	\$
Trade creditors	39,215	38,166
Taxation and social security	60,814	69,417
Other creditors	11,781	11,491
Accruals and deferred income	246,296	160,499
	<u>358,106</u>	<u>279,573</u>

**Notes to the financial statements
For the Year Ended 31 December 2018**

17. Financial instruments

	2018	2017
	\$	\$
Financial assets		
Financial assets measured at fair value through profit or loss	545,856	148,303
Financial assets that are debt instruments measured at amortised cost	156,145	188,662
	<u>702,001</u>	<u>336,965</u>
Financial liabilities		
Financial liabilities that are debt instruments measured at amortised cost	<u>(297,292)</u>	<u>(210,990)</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 2018

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

	2018 \$	2017 \$
Allotted, called up and fully paid		
3,600 (2017 - 3,600) Ordinary shares of \$0.01 each	36	36
	<hr/>	<hr/>
Allotted, called up and partly paid		
574 (2017 - 500) Ordinary shares of \$0.01 each	6	5
	<hr/>	<hr/>

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 \$51,806 (2017: \$49,310) and the company paid \$50,686 (2017: \$48,471) during the year. The total recharges from Guinness Asset Management Limited in regard to salaries and administrative expenses were \$2,277,252 (2017: \$1,214,743) and the company paid \$2,279,216 to Guinness Asset Management Limited (2017: \$1,210,702) during the year. At the balance sheet date the company owed \$2,117 (2017: \$1,111). 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.