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Company Registration No. FC024762 (England and Wales)

GUINNESS ATKINSON ASSET MANAGEMENT LLC
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004



GUINNESS ATKINSON ASSET MANAGEMENT LLC

COMPANY INFORMATION

Directors	J Atkinson T Guinness E Harriss
Secretary	J Atkinson
Company number	FC024762
Branch number	BR007242
Registered office	2020 East Financial Way Suite 100 Glendora U.S.A. CA91741
Auditors	FW Stephens 10 Charterhouse Square London EC1M 6LQ

GUINNESS ATKINSON ASSET MANAGEMENT LLC

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GUINNESS ATKINSON ASSET MANAGEMENT LLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2004

The directors who are also referred to as partners present their report and financial statements for the year ended 31 December 2004.

Principal activities and review of the business

The company's principal activity is investment management with a specialisation in Asian equities notably those giving exposure to China and Hong Kong and the Asian tiger economies and also in equities of companies that are at the forefront of their industries in their adoption of innovation and advances in communications technology. More recently the company has added a fund investing in energy related equities. The company's first clients were the Guinness Atkinson China and Hong Kong Fund, Asia Focus Fund and the Global Innovators Fund, all funds in the Guinness Atkinson Funds series (previously the Investec Funds Series). The company became the investment manager to these funds on 25th April 2003. At that date the aggregate value of the funds was \$122.0m. By 31st Dec 2003 they had risen to \$199.3m. In 2004 funds after peaking in the first quarter fell back with markets and modest net outflows to \$186.9m. One new fund was launched on 30th June 2004, the Guinness Atkinson Global Energy Fund.

As regards fund performances during 2004, generally these compared respectably with the performance of the benchmark indices for each of these markets with the Global Energy Fund well ahead of the MSCI World Energy Index; the Global Innovators Fund ahead of both the S&P500 Index and the NASDAQ Index while the China and Hongkong Fund was well ahead of the Hang Seng China Enterprise Index (although lagging the Hang Seng Index) and was also ahead of the larger peer group funds. The directors are pleased with the results achieved in the company's second period of operation. Turnover was £980,889 (\$1,888,777) and the company achieved a profit of £121,031 (\$244,243) after staff costs (including directors' remuneration) of £410,928 (\$791,694) and UK corporate and US state taxes. The directors believe that the prospects for the investment areas in which the company specialises are good and are confident that 2005 will see renewed progress for the company's business.

Results and dividends

The results for the year are set out on page 3.

The directors do not recommend payment of an ordinary dividend. (2003: £nil).

Directors

The following directors have held office since 1 January 2004:

J Atkinson
T Guinness
E Harriss

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of \$1 each	
	31 December 2004	1 January 2004
J Atkinson	162,500	162,500
T Guinness	162,500	162,500
E Harriss	-	-

E Harriss has options over 36,100 shares (2003: 36,100) in the company.

Auditors

FW Stephens were appointed auditors to the company and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

GUINNESS ATKINSON ASSET MANAGEMENT LLC

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

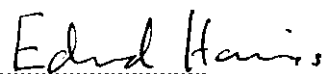
Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 proper accounting records which 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 1985. 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.

On behalf of the board



E Harriss
Director

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29 April 2005

GUINNESS ATKINSON ASSET MANAGEMENT LLC

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	2004 £	2003 £
Turnover	2	980,889	628,643
Cost of sales		(498,527)	(332,205)
Gross profit		482,362	296,438
Administrative expenses		(355,119)	(187,959)
Operating profit	3	127,243	108,479
Other interest receivable and similar income		3,579	2,144
Profit on ordinary activities before taxation		130,822	110,623
Tax on profit on ordinary activities	4	(9,791)	(7,158)
Profit on ordinary activities after taxation	10	121,031	103,465

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

GUINNESS ATKINSON ASSET MANAGEMENT LLC

BALANCE SHEET AS AT 31 DECEMBER 2004

	Notes	2004 £	£	2003 £	£
Fixed assets					
Tangible assets	5		12,642		4,057
Current assets					
Debtors	6	100,535		140,142	
Investments	7	81,238		-	
Cash at bank and in hand		245,012		230,484	
		
		426,785		370,626	
Creditors: amounts falling due within one year	8	(129,627)		(89,227)	
		
Net current assets			297,158		281,399
		
Total assets less current liabilities			309,800		285,456
		
Capital and reserves					
Called up share capital	9	168,691		181,991	
Other reserves	10	(83,387)		-	
Profit and loss account	10	224,496		103,465	
		
Shareholders' funds - equity interests	11	309,800		285,456	
		

The financial statements were approved by the Board on 29 April 2005

Edd Harriss

E Harriss
Director

GUINNESS ATKINSON ASSET MANAGEMENT LLC

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2004

	£	2004 £	£	2003 £
Net cash inflow from operating activities		202,545		51,570
Returns on investments and servicing of finance				
Interest received	3,579		2,144	
	
Net cash inflow for returns on investments and servicing of finance		3,579		2,144
Taxation		(7,675)		-
Capital expenditure				
Payments to acquire tangible assets	(13,130)		(5,221)	
	
Net cash outflow for capital expenditure		(13,130)		(5,221)
	
Net cash inflow before management of liquid resources and financing		185,319		48,493
Management of liquid resources				
Current asset investments	(81,238)		-	
	
		(81,238)		-
Payments on behalf of partners		(89,553)		-
Financing				
Issue of ordinary share capital	-		181,991	
Decrease in debt	-		-	
	
Net cash (outflow)/inflow from financing		-		181,991
	
Increase in cash in the year		14,528		230,484
	

GUINNESS ATKINSON ASSET MANAGEMENT LLC

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2004

1	Reconciliation of operating profit to net cash inflow from operating activities	2004	2003		
		£	£		
	Operating profit	127,243	108,479		
	Depreciation of tangible assets	4,545	1,164		
	Decrease/(increase) in debtors	39,607	(140,142)		
	Increase in creditors within one year	38,284	82,069		
	Decrease of opening reserves due to foreign exchange movement for the year	(7,134)	-		
			
	Net cash inflow from operating activities	202,545	51,570		
			
2	Analysis of net funds	1 January 2004	Cash flow	Other non-cash changes	31 December 2004
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	230,484	14,528	-	245,012
	
	Liquid resources:				
	Current asset investments	-	81,238	-	81,238
	
	Net funds	230,484	95,766	-	326,250
	
3	Reconciliation of net cash flow to movement in net funds	2004	2003		
		£	£		
	Increase in cash in the year	14,528	230,484		
	Cash outflow from increase in liquid resources	81,238	-		
			
	Movement in net funds in the year	95,766	230,484		
	Opening net funds	230,484	-		
			
	Closing net funds	326,250	230,484		
			

GUINNESS ATKINSON ASSET MANAGEMENT LLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention. The results of the US branch are translated at the exchange rate ruling at the balance sheet date and included within the financial statements accordingly.

1.2 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Computers and office equipment	over 3 years
Fixtures, fittings & equipment	over 3 years

1.4 Investments

Current asset investments are stated at the lower of cost and net realisable value.

1.5 Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

1.6 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

2 Turnover

The total turnover of the company for the year has been derived from its principal activity undertaken within the United Kingdom and the United States of America.

3 Operating profit	2004 £	2003 £
Operating profit is stated after charging:		
Depreciation of tangible assets	4,545	1,164
Loss on foreign exchange transactions	1,129	-
Auditors' remuneration	4,500	3,800
Remuneration of auditors for non-audit work	888	5,500
Start up costs	-	105,977
and after crediting:		
Profit on foreign exchange transactions	-	(14,906)

Last year start up costs included professional fees, authorisation fees and marketing expenses.

GUINNESS ATKINSON ASSET MANAGEMENT LLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

4	Taxation	2004 £	2003 £
	Domestic current year tax		
	U.K. corporation tax and US tax charge	9,791	7,158
	
	Current tax charge	9,791	7,158
	
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	130,822	110,623
	
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.00% (2003: 19.00%)	24,856	21,018
	
	Effects of:		
	Non deductible expenses	768	-
	Capital allowances in excess of depreciation	(111)	(672)
	US branch profits not liable to UK corporation tax	(19,017)	(16,364)
	US California taxes	4,047	3,808
	Marginal relief	(752)	(632)
	
		(15,065)	(17,668)
	
	Current tax charge	9,791	7,158
	

5	Tangible fixed assets	Computers & office equipment £	Fixtures, fittings & equipment £	Total £
	Cost			
	At 1 January 2004	4,376	845	5,221
	Additions	10,444	2,686	13,130
	
	At 31 December 2004	14,820	3,531	18,351
	
	Depreciation			
	At 1 January 2004	1,094	70	1,164
	Charge for the year	3,735	810	4,545
	
	At 31 December 2004	4,829	880	5,709
	
	Net book value			
	At 31 December 2004	9,991	2,651	12,642
	
	At 31 December 2003	3,282	775	4,057
	

GUINNESS ATKINSON ASSET MANAGEMENT LLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

6	Debtors		2004 £	2003 £	
	Trade debtors		50,878	107,624	
	Other debtors		2,124	305	
	Prepayments and accrued income		47,533	32,213	
			
			100,535	140,142	
			
7	Current asset investments		2004 £	2003 £	
	Other unlisted investments		81,238	-	
			
8	Creditors: amounts falling due within one year		2004 £	2003 £	
	Trade creditors		39,651	28,012	
	Corporation tax		9,274	7,158	
	Other taxes and social security costs		9,943	50,257	
	Accruals and deferred income		70,759	3,800	
			
			129,627	89,227	
			
9	Share capital	2004 & 2003 No	2004 & 2003 \$	2004 £	2003 £
	Authorised				
	Ordinary shares of \$1 each	325,000	325,000	168,691	181,991
			
	Allotted, called up and fully paid				
	Ordinary shares of \$1 each	325,000	325,000	168,691	181,991
			

GUINNESS ATKINSON ASSET MANAGEMENT LLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

10 Statement of movements on reserves

	Other reserves (see below) £	Profit and loss account £
Balance at 1 January 2004	-	103,465
Retained profit for the year	-	121,031
Movement during the year	(83,387)	-
Balance at 31 December 2004	<u>(83,387)</u>	<u>224,496</u>

Other reserves

Partners' current account movement	<u>(83,387)</u>
Balance at 31 December 2004	<u>(83,387)</u>

11 Reconciliation of movements in shareholders' funds

	2004 £	2003 £
Profit for the financial year	121,031	103,465
Proceeds from issue of shares	-	181,991
Movements on other reserves	(83,387)	-
Net addition to shareholders' funds	<u>37,644</u>	<u>285,456</u>
Opening shareholders' funds	<u>285,456</u>	<u>-</u>
Closing shareholders' funds	<u>309,800</u>	<u>285,456</u>

GUINNESS ATKINSON ASSET MANAGEMENT LLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

12 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2004 Number	2003 Number
Fund management	3	3

Employment costs

	£	£
Wages and salaries	378,760	250,117
Social security costs	27,734	20,993
US employee costs	4,434	4,306

	410,928	275,416
