

# Annual Report

December 31, 2004

# Annual

- Asia Focus Fund
- China & Hong Kong Fund
- Global Innovators Fund
- Global Energy Fund



# Guinness Atkinson Funds

## Annual Report

December 31, 2004

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Dear Guinness Atkinson Funds Shareholders,

It is with pleasure that we present to you this annual report for the Guinness Atkinson Funds for 2004. While 2004 was not as exciting as 2003, we are quite pleased to note that each of the Funds produced a double digit return for the year. Even the new Global Energy Fund, which launched June 30, 2004, got off to a strong start with a 22.00% return over its first six months. We are also pleased to note that the China & Hong Kong Fund celebrated its 10-year anniversary in June.

### Fund Performance

The table below provides average annualized returns for the periods ending December 31, 2004. The 2004 return is for one-year and the Global Energy Fund return is for six months and is the actual return not an annualized return.

Fund (inception date)	2004	3 year	5 year	10 year	From Inception
Asia Focus (April 29, 1996)	10.01%	19.18%	1.93%	N/A	-1.88%
China & Hong Kong (June 30, 1994)	12.16%	17.34%	2.84%	7.65%	6.45%
Global Energy Fund (June 30, 2004)	N/A	N/A	N/A	N/A	22.00%
Global Innovators Fund (December 15, 1998)	10.89%	1.26%	-9.32%	N/A	2.40%

*Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Funds may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by visiting [www.gafunds.com](http://www.gafunds.com).*

## **LETTER TO SHAREHOLDERS**

*The Asia Focus and the China & Hong Kong Funds impose a 2% redemption fee on shares held less than 90 days. The Global Energy and Global Innovators Funds impose a 1% redemption fee on shares held less than 30 days.* Total returns reflect a fee waiver in effect and in the absence of this waiver, the total returns would be lower.

We are pleased to note that the China & Hong Kong Fund has received a Four-Star Overall Morningstar Rating™ (derived from a weighted average of the Fund's 3, 5 and 10-year risk adjusted returns) in the Pacific/Asia ex-Japan category through December 31, 2004. There are a total of 68 funds in the category.

### **The Big Picture**

Each of the Guinness Atkinson Funds seek to capitalize on long term trends – perhaps mega-trends is a better phrase – that we believe present once in a generation investment opportunities.

The opportunity presented by China (as well as the rest of Asia) as the region transitions from emerging economy to economic superpower has been well chronicled in the news media. In fact, it seems that China receives so much coverage it sometimes seems that the story is already passé. The truth of the matter is that over one billion people in China – and over one-third of the world's population in Asia – are dramatically advancing their living standards. The power of this transition over such a large population is difficult to imagine, but the effects are increasingly being felt across the globe.

Dramatic technological, business and sociological change over the last 50 years has been both obvious and imperceptible. Obvious in the sense that we remember a world where nothing happened overnight; where there were fewer TV stations than family members; and, where not only did people not have mobile phones but some homes actually shared phone lines. Imperceptible in the sense that satellite TV, mobile camera phones and an exhaustive list of other products and services continue to permeate our lives one at a time. Success in the global economy requires a number of criteria, but not the least of which is innovation.

As to energy, we hold a view that focuses on the long-term: Oil is a finite resource, demand is rising and available supply is shrinking. We do not

believe the world will run out of oil any time soon, although the end is in sight. The more immediate practical point is that global demand for oil is growing (not in small part due to increasing demand from China) and that available supply is limited. Long before we run out of oil the year over year production will begin to decline. Once the peak year is reached, declining output will be faced with increasing demand. While it may be some time before this peak production year is reached, it is clear that current demands are placing a strain on the world's ability to find and produce low cost energy. As energy prices rise, the usage of alternative sources of energy will increase.

As always, we are cognizant of the confidence you have placed in us and the Guinness Atkinson Funds. We will maintain our efforts to continue to earn that confidence and look forward to serving you in the future.

Sincerely,



Timothy Guinness  
Chairman & CIO  
Guinness Atkinson  
Asset Management, LLC



James Atkinson  
President  
Guinness Atkinson Funds

### **Important Information**

©2005 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. **Past performance is no guarantee of future results.**

**The Funds invest in foreign securities which involves greater volatility and political, economic and currency risks and differences in accounting methods.**

For each fund with at least a three-year history, Morningstar calculates a Morningstar Rating™ based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's monthly performance

## **LETTER TO SHAREHOLDERS**

(including the effects of sales charges, loads, and redemption fees), placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. (Each share class is counted as a fraction of one fund within this scale and rated separately, which may cause slight variations in distribution percentages.) The China & Hong Kong Fund was rated against the following numbers of U.S.-domiciled Pacific/Asia ex-Japan funds over the following time periods: 68 funds in the last three years, 58 funds in the last five years, and 22 funds in the last 10 years. With respect to these Pacific/Asia ex-Japan funds, the China & Hong Kong Fund received a Morningstar Rating of 3 stars, 3 stars and 4 stars for the three-, five, and ten-year periods respectively.

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## **GUINNESS ATKINSON FUNDS**

### **Expense Examples (Unaudited)**

As a shareholder of the Funds, you incur two types of costs: (1) redemption fees; and (2) ongoing costs, including advisory fees; and other Fund expenses. The Examples below are intended to help you understand your ongoing costs (in dollars) of investing in the Funds and to compare these costs with the ongoing costs of investing in other mutual funds.

The examples are based on an investment of \$1,000 invested at the beginning of the period shown and held for the entire period from July 1, 2004 to December 31, 2004.

#### **Actual Expenses**

For each Fund, the first line of the table below provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled “Expenses Paid During Period” to estimate the expenses you paid on your account during this period.

#### **Hypothetical Example for Comparison Purposes**

For each Fund, the second line of the table below provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

*Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any redemption fees. Therefore, the second line for each Fund of the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning*

## GUINNESS ATKINSON FUNDS

*different funds. In addition, if these redemption fees were included, your costs would have been higher.*

	Beginning Account Value (07/01/04)	Ending Account Value (12/31/04)	Expenses Paid During Period* (07/01/04 to 12/31/04)	Expense Ratio During Period* (07/01/04 to 12/31/04)
Guinness Atkinson Asia Focus Fund Actual	\$1,000.00	\$1,176.80	\$11.44	1.98%†
Guinness Atkinson Asia Focus Fund Hypothetical (5% return before expenses)	\$1,000.00	\$1,015.79	\$10.58	1.98%†
Guinness Atkinson China & Hong Kong Fund Actual	\$1,000.00	\$1,168.90	\$9.38	1.72%
Guinness Atkinson China & Hong Kong Fund Hypothetical (5% return before expenses)	\$1,000.00	\$1,016.94	\$8.72	1.72%
Guinness Atkinson Global Innovators Fund Actual	\$1,000.00	\$1,076.30	\$9.13	1.75%
Guinness Atkinson Global Innovators Fund Hypothetical (5% return before expenses)	\$1,000.00	\$1,016.99	\$8.87	1.75%
Guinness Atkinson Global Energy Fund Actual	\$1,000.00	\$1,220.00	\$8.09	1.45%†
Guinness Atkinson Global Energy Fund Hypothetical (5% return before expenses)	\$1,000.00	\$1,017.85	\$7.35	1.45%†

*\*Expenses are equal to the Funds' annualized expense ratio as indicated, multiplied by the average account value over the period, multiplied by the number of days in most recent fiscal half-year period (184), then divided by the number of days in the fiscal year (366) (to reflect the one-half year period).*

*†Net of fee waivers and/or expense reimbursements. If those fee waivers and/or expense reimbursements had not been in effect, the Fund's actual expenses would have been higher.*

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## ASIA FOCUS FUND for the period ended December 31, 2004

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### 1. Performance

AVERAGE ANNUALIZED TOTAL RETURNS					
	6 Months (actual)	1 Year (actual)	3 Years	5 Years	Since Inception (04/29/96)
Fund	17.68%	10.01%	19.18%	1.93%	-1.88%
Benchmark Index:					
MSCI AC Far East					
Free Ex Japan	18.85%	17.60%	15.65%	-0.84%	-2.38%
S&P 500	7.18%	10.87%	3.58%	-2.30%	9.08%

*Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Funds may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by visiting [www.gafunds.com](http://www.gafunds.com).*

*The Fund imposes a 2% redemption fee on shares held less than 90 days. Total returns reflect a fee waiver in effect and in the absence of this waiver, the total returns would be lower.*

The Asia Focus Fund performed better in the second half of the year than in the first and generated a total return for the year of 10.01%. The main drag on performance in the first half of the year was the weakness in China-related shares. Investors took fright at news of government efforts to slow the rate of investment in China fearing this would lead to crash similar to those seen in the late 1980s and again in 1995/6. However, this did not materialize as export manufacturing and consumer spending continued, unaffected by government restraints, as was the intention. China shares recovered in the course of the second half.

Korea too made slow progress in 2004 with the market up 10%, lagging the overall index, as strong export growth failed to lift the domestic economy in the way it has done in the past. Reasons for this include the hangover from breakneck private borrowing and spending in 2001-3 as well as a shift in production by Korean companies over to China. In south-east Asia Indonesia, Malaysia and Singapore performed well with the latter two offering a more defensive profile than their northern neighbors. Thailand's

## **ASIA FOCUS FUND**

stock market had a weak year following the strong run in 2003 as economic growth and earnings' revisions slowed. Nevertheless, putting this into some perspective Thailand's economy still managed to grow 5.9% and earnings grew by 20%. The problem therefore, was one of digesting gains rather than fundamental weakness.

The year ended on a particularly sad note with the earthquake off the coast of Indonesia and the devastation wrought by the tsunami that hit the coasts of Indonesia, Thailand, India, Sri Lanka, a host of islands and caused damage as far away as East Africa. Aid has poured into the affected regions and reconstruction is already underway but the effects will linger for many years.

At the time of writing, 2005 has opened well with some solid market gains, particularly in Thailand and in China, Korea and in Taiwan. Asian currencies continue to strengthen against the Dollar. Macro-economic conditions are benign with low inflation, little upward pressure on interest rates, low debt levels and high liquidity in the region's banks.

### **2. Portfolio Position**

The portfolio remains positioned similarly to how it was at the mid-year point. The Fund has the bulk of its investments in China, Hong Kong, Korea, Taiwan and Thailand. The Fund has increased exposure to Singapore and Korea and reduced somewhat exposure to Taiwan and Thailand. The Fund is well diversified across a dozen sectors with the bulk of assets in the consumer, energy, industrial, materials and technology sectors. We remain focused on Asia's growth story which is presently being driven by exports but will increasingly become a consumer story. We are concentrating on those stocks that have generated improving returns on investment, are growing their earnings and offer value. Markets have settled after the volatility in the first half of 2004 and the companies themselves are continuing to report solid results.

### **3. Outlook & Strategy**

In the course of 2005 we expect the macroeconomic environment to remain steady. Asian economies are set for a slower year in 2005 but that still means growth of over 6% compared to 7.5% in 2004. There are unlikely to be any major economic policy changes; with low inflation, substantial liquidity and undervalued currencies there is little pressure on Central Banks to move interest rates aggressively. Earnings' expectations for Asia in 2005 are modest at present while opinion is still divided on the gravity and effects of slower economic growth in the US and China. However, signs

are that the global economic cycle is close to a trough, that China's growth will continue to be stronger than expected and energy prices look to be less volatile in coming months.

Further ahead we are expecting to see a recovery story in the region's domestic economies. From 2006 onward it seems likely that, assuming export growth continues even below a 10% rate, Asian companies are going to have to increase their levels of investment. A rising investment to the Gross Domestic Product ratio should spark broader domestic economic recovery.

Growth in Asia is likely to be close to 6% in 2005 (4% if we include Japan) and stocks are trading on an undemanding Price to Earnings multiple of 11.5 times estimated earnings. This compares with the US on over 16 times and Europe of 13.5 times with significantly lower growth. In short, we believe the Fund is fundamentally well positioned to outperform once investors' nerves settle and the outlook becomes a little clearer.

*Edmund Harriss*

Edmund Harriss

Portfolio Manager

The MSCI AC Far East Free Ex Japan Index is a market-capitalization weighted index of over 450 stocks traded in eight Asian markets, excluding Japan. The Standard & Poor's 500 Index is a market-capitalization weighted index composed of 500 widely held common stocks of U.S. companies. These indices are unmanaged, not available for investment and do not incur expenses.

**The Fund invests in foreign securities which involves greater volatility and political, economic and currency risks and differences in accounting methods.**

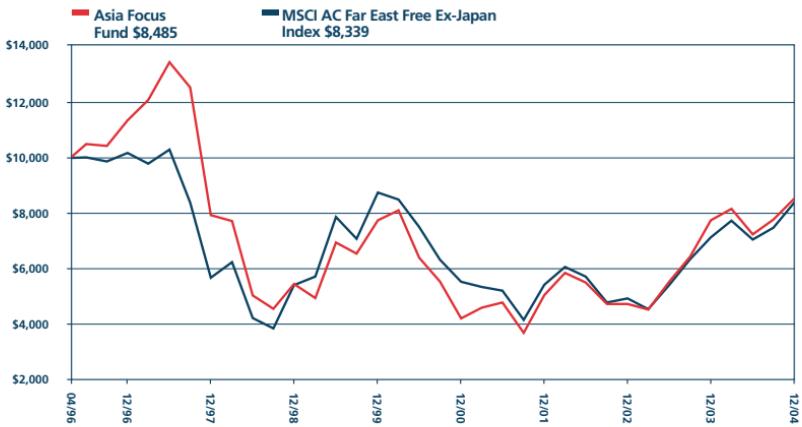
Price to earnings is calculated by dividing the current price of the stock by the company's months' earnings per share.

Please refer to the Schedule of Investments for details on fund holdings. Fund holdings are subject to change at any time and are not recommendations to buy or sell any security.

**FUND HIGHLIGHTS at December 31, 2004**  
**GUINNESS ATKINSON ASIA FOCUS FUND**

		<b>Fund Managers:</b>	
# of Holdings in Portfolio:	47	Edmund Harriss;	
Portfolio Turnover:	32.4%	Timothy W.N. Guinness	
% of Stocks in Top 10:	43.3%		
<b>Top 10 Holdings (% of net assets)</b>			
Samsung Electronics	8.0%	Taiwan Semiconductor Manufacturing Co., Ltd.	3.9%
Esprit Holdings, Ltd.	5.1%	China Steel Corp.	3.8%
Techtronic Industries Co.	5.1%	Hyundai Mobis	3.2%
POSCO	4.5%	Neptune Orient Lines, Ltd.	2.9%
Yanzhou Coal Mining Co., Ltd.	4.3%	Advanced Info Service PCL	2.5%
<b>Asset Allocation (% of net assets)</b>			
China Plays	19.5%	Red Chips	18.3%
H Shares	23.7%	Hong Kong	35.9%
<b>Sector Breakdown (% of investments)</b>			
Iron/Steel	10.2%	Auto Parts & Equipment	3.2%
Electrical Components & Equipment	9.3%	Computers	2.8%
Oil & Gas	8.2%	Electronics	2.4%
Banks	7.5%	Building Materials	2.3%
Distribution/Wholesale	6.8%	Textiles	2.1%
Agriculture	6.2%	Engineering & Construction	2.0%
Telecommunications	5.9%	Miscellaneous Manufacturer	1.8%
Hand/Machine Tools	5.2%	Electric	1.6%
Semiconductors	5.1%	Biotechnology	1.5%
Chemicals	4.4%	Real Estate	1.0%
Coal	4.7%	Machinery-Diversified	1.0%
Transportation	3.9%	Home Furnishings	0.9%

## Growth of \$10,000



### Average Annual Total Return Periods Ended December 31, 2004

One Year	Five Years	Since Inception (04/29/96)
10.01%	1.93%	-1.88%

*Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Funds may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by visiting [www.gafunds.com](http://www.gafunds.com).*

Total returns reflect a fee waiver in effect and in the absence of this waiver, the total returns would be lower. *The Fund imposes a 2% redemption fee on shares held less than 90 days.*

The MSCI AC Far East Free Ex Japan Index is a market capitalization weighted index of over 450 stocks traded in eight Asian markets, excluding Japan. The index referenced in this chart is not available for investment and does not incur expenses.

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**SCHEDULE OF INVESTMENTS BY COUNTRY**  
at December 31, 2004

**GUINNESS ATKINSON ASIA FOCUS FUND**

Shares	COMMON STOCKS: 100.0%	Value
<b>China: 12.8%</b>		
342,000	China Shipping Development Co., Ltd.	\$ 303,535
2,076,000	China Telecom	761,036
1,288,000	PetroChina Co., Ltd.	687,539
1,420,000	Sinopec Shanghai Petrochemical	529,687
310,000	Sinopec Zhenhai Refining & Chemical Company, Ltd.	320,989
918,000	Yanzhou Coal Mining Co., Ltd.	<u>1,310,686</u>
		<u>3,913,472</u>
<b>Hong Kong: 22.9%</b>		
470,000	Chen Hsong Holdings, Ltd.	291,695
1,411,000	CNOOC, Ltd.	757,734
257,840	Esprit Holdings, Ltd.	1,558,767
766,700	Giant Wireless Technology	204,197
694,000	Global Bio-Chem Technology Group Co., Ltd.	455,263
114,250	Global Bio-Chem Technology Group Co., Ltd., warrants, Exp 5/31/07*	5,437
27,863	HSBC Holdings Plc	476,664
158,000	Kingboard Chemicals Holdings, Ltd.	334,315
540,000	Midland Realty Holdings, Ltd.	305,618
1,838,837	Skyworth Digital Holdings, Ltd.†^	269,638
322,000	Suface Mount Technology Holdings, Ltd.	146,874
48,300	Surface Mount Technology, warrants, Exp 8/29/09*	5,027
713,000	Techtronic Industries Co.	1,554,506
1,503,905	Victory City International Holdings, Ltd.	<u>633,527</u>
		<u>6,999,262</u>
<b>Indonesia: 2.1%</b>		
1,400,000	Bank Danamon Indonesia Tbk PT	<u>658,425</u>
<b>Malaysia: 3.8%</b>		
39,000	British American Tobacco (Malaysia) Berhad	474,671
280,000	IOI Corp. Berhad	<u>696,316</u>
		<u>1,170,987</u>

See accompanying Notes to Financial Statements.

Shares	COMMON STOCKS: 100.0% Continued	Value
<b>Singapore: 9.8%</b>		
630,000	First Engineering, Ltd.	\$ 536,154
91,000	High Tech Computer Corp.	438,658
76,669	Jardine Cycle & Carriage, Ltd.	497,576
478,000	Neptune Orient Lines, Ltd.	877,977
440,000	Singapore Telecommunications	<u>641,156</u>
		<u>2,991,521</u>
<b>South Korea: 26.0%</b>		
11,500	Daelim Industrial Co.*	597,749
22,000	Hana Bank*	548,379
10,000	Honam Petrochemical Corp.*	467,127
15,250	Hyundai Mobis*	965,050
38,000	INI Steel Co.*	495,628
23,420	Korea Tobacco & Ginseng Corp.*	700,303
5,500	LG Electronics, Inc.*	340,612
7,700	POSCO	1,391,141
5,660	Samsung Electronics Co. Ltd.	<u>2,463,485</u>
		<u>7,969,474</u>
<b>Taiwan: 13.9%</b>		
242,948	Acer, Inc.	401,852
1,043,616	China Steel Corp.	1,173,821
126,499	HON HAI Precision Industry	585,865
100,960	Novatek Microelectronics Corp., Ltd.	356,255
591,844	Taishin Financial Holdings Co., Ltd.	555,670
728,329	Taiwan Semiconductor Manufacturing Co., Ltd.	<u>1,181,756</u>
		<u>4,255,219</u>
<b>Thailand: 8.7%</b>		
282,000	Advanced Info Service Public Co., Ltd.	775,283
247,500	Electricity Generating Public Co., Ltd.	476,940
94,000	PTT Exploration & Production Public Co., Ltd.	700,411
99,000	Siam Cement Co., Ltd.	<u>702,056</u>
		<u>2,654,690</u>
<b>Total Common Stocks</b>		
	(cost \$21,094,155)	<u>30,613,050</u>
<b>Total Investments in Securities</b>		
	(cost \$21,094,155): 100.0%	<u>30,613,050</u>
	Liabilities in excess of Other Assets: (0.0)%	<u>(1,658)</u>
<b>Net Assets: 100.0%</b>		
		<u>\$30,611,392</u>

\* Non-income producing security.

† Fair valued under procedures established by Board of Trustees.

^ Illiquid Security.

See accompanying Notes to Financial Statements.

**SCHEDULE OF INVESTMENTS BY INDUSTRY**  
**at December 31, 2004**  
**ASIA FOCUS FUND**

Industry	% of Net Assets
Agricultural Biotech	1.5%
Agricultural Operations	2.3
Audio/Video Products	0.9
Auto/Truck Parts & Equipment	3.0
Building Products-Cement	2.3
Building-Heavy Construction	1.9
Cellular Telecom	2.5
Chemicals-Other	1.1
Coal	4.3
Commercial Banks	7.3
Computers	2.7
Distribution/Wholesale	6.7
Electric Products-Misc	9.2
Electric-Generation	1.6
Electronic Components-Misc	2.4
Machinery Tools & Related Products	5.1
Machinery-General Industry	1.0
Oil Company-Exploration & Production	4.8
Oil Company-Integrated	2.2
Oil Refining & Marketing	1.1
Petrochemicals	3.3
Real Estate Mgmt/Servic	1.0
Rubber/Plastic Products	1.7
Semiconductor Component-Integrated Circuit	5.0
Steel-Producers	10.0
Telecom Services	4.6
Textile-Products	2.1
Tobacco	3.8
Transport-Marine	3.9
Wireless Equipment	0.7
<b>Total Investments in Securities</b>	<b>100.0</b>
Other Assets less Liabilities	0.0
<b>Net Assets</b>	<b>100.0%</b>

See accompanying Notes to Financial Statements.

## CHINA & HONG KONG FUND for the period ended December 31, 2004

### 1. Performance

AVERAGE ANNUALIZED TOTAL RETURNS					
	6 Months (actual)	1 Year (actual)	3 Years	5 Years	10 Years
Fund	16.89%	12.16%	17.34%	2.84%	7.65%
Benchmark Index:					
Hang Seng Composite	18.71%	16.42%	14.98%	N/A	N/A
Hang Seng	17.86%	16.95%	11.84%	-0.32%	9.11%
S&P 500	7.18%	10.87%	3.58%	-2.30%	12.05%

*Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Funds may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by visiting [www.gafunds.com](http://www.gafunds.com).*

*The Fund imposes a 2% redemption fee on shares held less than 90 days. Total returns reflect a fee waiver in effect and in the absence of this waiver, the total returns would be lower.*

The past year has been a volatile one for China shares but importantly a markedly stable one for the Chinese economy. In the first half of the year we saw the Chinese government impose restrictions on investment in areas such as aluminium, cement and steel plants and urban redevelopment. Investment growth in these sectors was growing at a rate that could not be sustained and was also starving the power, transport and water sectors of much-needed capital. The government used administrative measures rather than market measures, which was appropriate for a developing economy. They sought to focus restraint on the overheated sectors while allowing free rein to the profitable export manufacturing and consumer sectors that are the main growth engine and job-creators in China.

The immediate result of these measures was to cause investors to take fright and pull out of China-related stocks, which duly fell heavily in

## **CHINA & HONG KONG FUND**

April and May, Hong Kong stocks performed much better during that period and this was the main cause of the Fund's relatively weaker performance during that period. In the second half of the year, China stocks recovered ground and yet China H shares only rose 10.49% compared to the Hong Kong dominated Hang Seng Index which rose 15.83%. Opinion remains divided on where China goes from here but we do not expect Hong Kong to continue to outperform China.

Investors were worried in the first half of 2004 that an engineered economic slowdown would result in a bust just as it did in the late 1980s and again in the mid-1990s. On both occasions growth was very unbalanced and depended entirely on investment growth. Inflation exceeded 20%. Fast forward to 2003 and we see again another period of rapid investment but we also see a much more balanced economy. Value-added industrial output has been growing strongly, consumption is buoyant with retail sales growing over 10% and we see an affluent middle class consumer sector that numbered around 18 million households in 1991 grow to 50 million households by 2002. Equally significantly, in this 'boom' inflation peaked at 5.3% and is now down below 2.5%.

Our position is that China's developing economy has moved into a new phase, where the wealth effect of mass-industrialization has put China onto a more balanced, sustainable and above all a profitable growth path.

### **2. Portfolio Position**

The portfolio remains heavily skewed toward China with a mix of H shares, red chips and China plays. We prefer to invest in companies traded on the Hong Kong Stock Exchange because of the broad range of choice. Hong Kong-listed stocks also trade more cheaply than those listed in Shanghai and Shenzhen as well as offering greater liquidity and transparency of information. Across sectors the portfolio is heavily exposed to industrial and consumer stocks as well as services, which includes both transportation and telecom. In keeping with our positive view on energy prices, the Fund also has positions in oil, refining and coal companies.

### **3. Outlook & Strategy**

Our long term view on China is that the economy, which has grown on average by 9% a year, should sustain a growth rate of around 8% for the

next 20 years. This view is based on the process that is now underway where years of infrastructure investment, deregulation and reform have given rise to a buoyant manufacturing sector. The effect has been to raise the standard of living for millions of people and is creating wealth. We have not seen anything on this scale since the early days of American industrialization at the end of the 19<sup>th</sup> and early 20<sup>th</sup> Centuries.

The middle class, as we have pointed out earlier, increased from 18 million households in 1991 to 50 million households in 2002. By 2010 that number is estimated to reach 100 million households, or 25-30% of the population. As a comparison, a middle class of 30% of the population equates to the position of America in the 1950s.

A more balanced economy with growing wealth and an expanding consumer society creates a more stable outlook in the short, medium and long term. There are still many challenges ahead, the most pressing being the reform of the financial system without which China's progression could run into the sand. The good news is that the problem is receiving immediate attention. Under the terms of China's entry into the World Trade Organization it must open the financial sector fully to foreign companies by 2007. So there is no vague plan – China is working to a schedule.

Our job at Guinness Atkinson is to navigate through this period of rapid growth. Not all sectors grow in the same way at the same time. Some sectors attract heavy investment and then need to take time to digest; during which time those share prices do not perform well. At present the mid-stream industrial sectors such as steel, cement, aluminium and some petrochemicals have seen too much investment. Extra capacity will lead to pricing pressures and we are cautious on those stocks. The auto manufacturers, both foreign and local, have also been very aggressive investors. By contrast the commodity producers still see strong structural demand that should support product prices. Similarly, manufacturers of finished goods for export as well as for domestic consumption are still doing well.

In Hong Kong, we expect to see stronger economic growth both as an indirect result of China's growth and also directly from the influx of tourists from Mainland China. Real estate prices have risen 50% from their lows but are still over 50% below peak levels.

## CHINA & HONG KONG FUND

Therefore, our strategy remains to stay focused on good quality companies generating steadily improving returns on investment, where the market is positive on earnings' prospects and most importantly to remember value and not to over-pay.



Edmund Harriss  
Portfolio Manager

The Hang Seng Composite Index is a market-capitalization weighted index that comprises the top 200 companies listed on the Hong Kong Stock Exchange, based on the average market-capitalization for the past twelve months. The Hang Seng Composite Index commenced on January 3, 2000 and therefore does not have five-year returns or returns since the Fund's inception. The Hang Seng Index is a barometer of the Hong Kong Stock Market which comprises 33 constituent stocks, whose aggregate market-capitalization accounts for about 70% of the total market-capitalization of the Stock Exchange of Hong Kong Limited. The Standard & Poor's 500 Index is a market-capitalization weighted index composed of 500 widely held common stocks of U.S. companies. These indices are unmanaged, not available for investment and do not incur expenses.

**The Fund invests in foreign securities which involves greater volatility and political, economic and currency risks and differences in accounting methods.**

Please refer to the Schedule of Investments for details on fund holdings. Fund holdings are subject to change at any time and are not recommendations to buy or sell any security.

**FUND HIGHLIGHTS at December 31, 2004**  
**GUINNESS ATKINSON CHINA & HONG KONG FUND**

		Fund Managers:
# of Holdings in Portfolio:	46	Edmund Harriss;
Portfolio Turnover:	15.4%	Timothy W.N. Guinness
% of Stocks in Top 10:	50.6%	

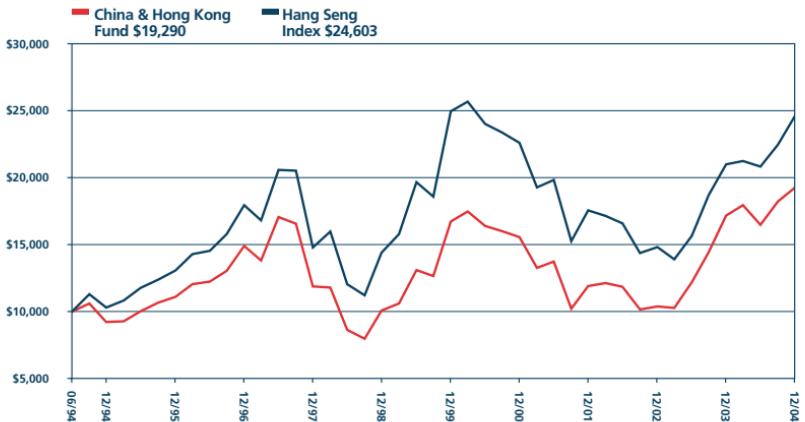
Top 10 Holdings (% of net assets)		
HSBC Holdings Plc	7.4%	Yanzhou Coal Mining Co., Ltd. 4.1%
Esprit Holdings, Ltd.	7.2%	China Mobile (Hong Kong), Ltd. 4.0%
Techtronic Industries Co.	7.1%	Swire Pacific, Ltd. 4.0%
CNOOC, Ltd.	5.2%	Petrochina Co., Ltd. 3.9%
CLP Holdings, Ltd.	4.5%	Denway Motors, Ltd. 3.2%

Top Country (% of net assets)		
Hong Kong	73.4%	Bermuda 1.6%
China	22.4%	Singapore 0.0%

Sector Breakdown (% of investments)		
Oil & Gas	13.9%	Transportation 2.2%
Banks	12.0%	Machinery-Diversified 2.0%
Holding Companies-Diversified	11.4%	Textiles 2.0%
Telecommunications	8.6%	Iron/Steel 1.7%
Distribution/Wholesale	7.4%	Biotechnology 1.6%
Electric	7.3%	Home Furnishings 1.2%
Hand/Machine Tools	7.3%	Electronics 1.0%
Chemicals	5.0%	Miscellaneous Manufacturer 0.4%
Coal	4.2%	Retail 0.3%
Real Estate	4.0%	Airlines 0.2%
Auto Manufacturers	3.3%	Computers 0.1%
Commercial Services	2.9%	Pharmaceuticals 0.0%

## CHINA & HONG KONG FUND

Growth of \$10,000



### Average Annual Total Return Periods Ended December 31, 2004

One Year	Five Years	Ten Years	Since Inception (06/30/94)
12.16%	2.84%	7.65%	6.45%

*Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Funds may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by visiting [www.gafunds.com](http://www.gafunds.com).*

Total returns reflect a fee waiver in effect and in the absence of this waiver, the total returns would be lower. *The Fund imposes a 2% redemption fee on shares held less than 90 days.*

The Hang Seng Composite Index is a market-capitalization weighted index that comprises the top 200 companies listed on the Hong Kong Stock Exchange, based on the average market capitalization for the past twelve months. The Fund changed its benchmark from the Hang Seng to the Hang Seng Composite Index to more accurately reflect the market sectors in which the Fund invests. The Hang Seng Composite Index commenced on 01/31/00. The index referenced in this chart is not available for investment and does not incur expenses.

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**SCHEDULE OF INVESTMENTS IN SECURITIES**  
at December 31, 2004

**GUINNESS ATKINSON CHINA & HONG KONG FUND**

Shares	COMMON STOCKS: 97.4%	Value
<b>Agricultural Biotechnology: 1.6%</b>		
2,700,000	Global Bio-Chem Technology Group Co., Ltd.	\$ 1,771,198
337,500	Global Bio-Chem Technology Group Co., Ltd., warrant, Exp 5/31/07*	16,062
		<u>1,787,260</u>
<b>Airlines: 0.2%</b>		
560,000	China Southern Airlines Co., Ltd.*	<u>221,496</u>
<b>Audio/Video Products: 1.1%</b>		
8,619,550	Skyworth Digital Holdings, Ltd.†^	<u>1,263,929</u>
<b>Auto – Cars/Light Trucks: 3.2%</b>		
10,214,000	Denway Motors, Ltd.	<u>3,645,793</u>
<b>Building – Heavy Construction: 2.4%</b>		
270,000	Cheung Kong	<u>2,691,526</u>
<b>Coal: 4.1%</b>		
3,222,000	Yanzhou Coal Mining Co., Ltd.	<u>4,600,252</u>
<b>Commercial Banks: 11.6%</b>		
50,770	Dah Sing Banking Group, Ltd.	105,140
253,850	Dah Sing Financial Holdings	1,967,285
485,477	HSBC Holdings Plc	8,305,264
379,400	Wing Hang Bank, Ltd.	<u>2,659,665</u>
		<u>13,037,354</u>
<b>Computers: 0.5%</b>		
6,900,000	Group Sense International, Ltd.	<u>550,268</u>
<b>Distribution/Wholesale: 7.2%</b>		
1,342,071	Esprit Holdings, Ltd.	<u>8,113,467</u>

See accompanying Notes to Financial Statements.

## CHINA & HONG KONG FUND

Shares	COMMON STOCKS: 97.4% Continued	Value
<b>Diversified Operations: 10.8%</b>		
1,288,000	China Merchants Holdings International Co., Ltd.	\$ 2,427,094
252,000	Hutchison Whampoa	2,358,124
412,000	Shanghai Industrial Holdings, Ltd.	879,708
536,500	Swire Pacific, Ltd.-Class A	4,485,555
579,000	Wharf Holdings, Ltd.	<u>2,025,725</u>
		<u>12,176,206</u>
<b>Electric - Generation: 1.3%</b>		
2,000,000	Beijing Datang Power Gen. Co., Ltd.	<u>1,504,939</u>
<b>Electric - Integrated: 5.8%</b>		
886,000	CLP Holdings, Ltd.	5,094,181
299,000	Hong Kong Electric Holdings	<u>1,365,314</u>
		<u>6,459,495</u>
<b>Electric Products: 0.2%</b>		
300,000	Gome Electric Appliances Holdings, Ltd.*	<u>272,047</u>
<b>Electric Products - Miscellaneous: 0.4%</b>		
2,200,000	IDT International, Ltd.	<u>427,300</u>
<b>Electronic Components - Miscellaneous: 1.0%</b>		
2,352,000	Suface Mount Technology Holdings, Ltd.	1,072,822
352,800	Suface Mount Technology Holdings, Ltd., warrants, Exp 8/29/09*	<u>36,721</u>
		<u>1,109,543</u>
<b>Electronics: 1.8%</b>		
950,000	Kingboard Chemicals Holdings, Ltd.	<u>2,010,123</u>
<b>Machinery - Diversified: 1.9%</b>		
3,510,000	Chen Hsong Holdings, Ltd.	<u>2,178,400</u>
<b>Machinery Tools &amp; Related Products: 7.1%</b>		
3,636,000	Techtronic Industries Co.	<u>7,927,326</u>
<b>Medical - Drugs: 0.0%</b>		
1,240,000	Far East Pharmaceutical Technology*	<u>10,846</u>

See accompanying Notes to Financial Statements.

Shares	COMMON STOCKS: 97.4% Continued	Value
<b>Oil &amp; Gas: 9.2%</b>		
10,957,000	CNOOC, Ltd.	\$ 5,884,116
8,256,000	PetroChina Co., Ltd.	<u>4,407,080</u>
		<u>10,291,196</u>
<b>Oil Refining: 3.1%</b>		
3,326,000	Sinopec Zhenhai Refining & Chemical Company, Ltd.	<u>3,443,906</u>
<b>Petrochemicals: 4.3%</b>		
3,570,000	China Petroleum & Chemical Corp.	1,469,438
3,840,000	Sinopec Beijing Yanhua Petrochemical Co., Ltd.	1,815,188
4,204,000	Sinopec Shanghai Petrochemical	<u>1,568,172</u>
		<u>4,852,798</u>
<b>Real Estate: 1.5%</b>		
200,000	Hopewell Holdings	513,223
20,000	Hopewell Holdings, warrants, Exp 8/5/06*	5,531
2,000,000	Midland Realty (Holdings), Ltd.	<u>1,131,920</u>
		<u>1,650,674</u>
<b>Rental Auto/Equipment: 2.8%</b>		
1,531,000	Cosco Pacific, Ltd.	<u>3,170,547</u>
<b>Retail: 0.3%</b>		
820,000	Glorious Sun Enterprises, Ltd.	<u>300,602</u>
<b>Steel Producers: 1.7%</b>		
4,880,000	Maanshan Iron & Steel	<u>1,883,103</u>
<b>Telecommunications: 8.3%</b>		
1,335,000	China Mobile (Hong Kong), Ltd.	4,524,754
9,200,000	China Telecom Corp., Ltd.	3,372,608
5,379,200	Giant Wireless Technology	<u>1,432,653</u>
		<u>9,330,015</u>
<b>Textiles: 1.9%</b>		
5,111,090	Victory City International Holdings, Ltd.	<u>2,153,069</u>

See accompanying Notes to Financial Statements.

## CHINA & HONG KONG FUND

Shares	COMMON STOCKS: 97.4% Continued	Value
<b>Transportation: 2.1%</b>		
921,000	China Shipping Container Lines Co., Ltd.*	\$ 370,205
2,276,000	China Shipping Development Co., Ltd.	<u>2,020,014</u>
		<u>2,390,219</u>
	<b>Total Common Stocks</b>	
	(cost \$65,761,175)	<u>109,453,699</u>
	<b>Total Investments in Securities</b>	
	(cost \$65,761,175): 97.4%	109,453,699
	Other Assets less Liabilities: 2.6%	<u>2,870,055</u>
	<b>Net Assets: 100.0%</b>	<u>\$112,323,754</u>

\* Non-income producing security.

† Fair valued under procedures established by Board of Trustees.

^ Illiquid Security.

See accompanying Notes to Financial Statements.

## GLOBAL INNOVATORS FUND for the period ended December 31, 2004

### 1. Performance

Average Annualized Total Returns				
	12 Months	3 Years	5 Years	Since Inception (12/15/98)
Fund	10.89%	1.26%	-9.32%	2.40%
Benchmark Indices				
S&P 500	10.87%	3.58%	-2.3%	2.19%
NASDAQ	9.15%	4.20%	-11.42%	0.88%

*Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Funds may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by visiting [www.gafunds.com](http://www.gafunds.com).*

*The Fund imposes a 1% redemption fee on shares held less than 30 days. Total returns reflect a fee waiver in effect and in the absence of this waiver, the total returns would be lower.*

The Fund's 10.89% performance in 2004 meant it just outpaced the broad market as measured by the S&P 500 Index and out performed the NASDAQ by over 1.5%.

	2004	2003	2002	2001	2000	1999
Fund	10.89%	35.97%	-31.13%	-29.05%	-16.78%	68.68%
Benchmark indices						
S&P 500	10.87%	28.67%	-22.09%	-11.88%	-9.10%	21.04%
Fund	above	above	below	below	below	above
NASDAQ	9.15%	50.77%	-31.23%	-20.8%	-39.18%	86.12%
Fund	above	below	above	below	above	below

## **GLOBAL INNOVATORS FUND**

If discrete calendar periods are considered, it can be seen that whereas in the five previous years, the Fund normally turned in a performance between that of the S&P 500 and the NASDAQ in 2004 it outperformed BOTH indices.

### **2. Portfolio Construction and Activity**

As investors will be aware the raison d'etre of the Fund is to seek the value added capabilities which are created by companies around the world that are at the forefront of their industries in their adoption of innovation, their preparedness to embrace the communications revolution or technological advances and/or to exploit the opportunities these throw up globally.

For the first 4.5 years of its life it sought to do this by tracking the Wired Index, an index of such companies constructed by Wired magazine. Since end April 2003, it has been seeking to do this on an actively managed basis. Investors may be aware that the Wired Index is no longer maintained by Wired as an investable index.

As stated in last year's report "*it was not the intent with active management to depart radically from the type of company previously owned nor to immediately radically restructure the portfolio. Rather using the companies that had been surfaced by Wired magazine as encapsulating these characteristics as a starting point and a universe to select from, the principal actions of your manager have been to realise holdings that seemed overvalued in stock market terms and slim down the portfolio to its 30 "best picks".*"

In the first quarter, we effected a considerable reorganisation of the portfolio with a view to slimming down its size to 30 companies and improving its "value" profile. We sold AOL Time Warner; part of Schwab; Affymetrix; Cisco; Walt Disney; EMC; Incyte; JDS Uniphase; Millenium Pharmaceuticals; Monsanto; Qwest; and Flextronics and rebalanced all the remaining holdings to an equal 3.3% weight. We then bought Axiom; Aventis; L-3 Communications; Nucor; Cable & Wireless and Honda.

In the second quarter Wired added 10 new quoted stocks to the Wired 40 list. Ameritrade; Apple; Costco; Genentech; Genprobe; Pfizer; Pixar; SAP; Samsung and Toyota. We decided to review our list again against these and also with a view to reducing the number of titan stocks in the portfolio which by virtue of their size can never over the long run hope to much outperform the market (*here we were looking at AIG, Citigroup, Walmart, Intel, Microsoft*

*and Vodafone. All of these companies have market caps over \$150bn).* We ended up selling two titan stocks (Intel and Walmart); and two others (Schwab and Daimler Chrysler) and buying four of the new Wired 40 additions (Samsung; Costco Wholesale; Pfizer and Toyota Motor).

In portfolio balance terms it was possible to look at these as being a switch of Intel into Samsung; a switch of Walmart into Costco wholesaler; a switch of Daimler Chrysler into Toyota. The purchase of Pfizer was used by the sale of our remaining holding of Schwab and we intended to top it up further from selling our holding of Sanofi which we would be getting when it completes its takeover of Aventis.

Finally in the second quarter we made two further disposals of Fedex and Glaxo SmithKline.

The net result of all this reshaping of the Fund was a portfolio PER for 2004, which was in line with the market. Also by our discounted cash flow models the portfolio was 29% undervalued against the market and consisted of companies who on average over the 5 years 2001-2005 were projected to earn a cash flow return on gross assets of 13.4% which was well over the current overall US market return (for example as computed by CSFB Holt this was c7%).

During the balance of the year, activity was kept to a minimum.

Most of the restructuring changes worked for the Fund. Glaring exceptions were the sales of Monsanto, Glaxo SmithKline and Fedex. Also our decision to not own EBay, Yahoo and Google (after it IPO'd) were costly. The purchases of Nucor, L-3 Communications, Costco, Samsung, Honda and Toyota were good positive contributors as were the sales of Cisco, JDS Uniphase, Millenium Pharmaceuticals, Qwest, Flextronics, Walmart, Intel, and Daimler Chrysler.

The best performing stocks in the full year 2004 were Nucor (+86.9%), Check Point Software (+46.43%), and L3 Communications (+42.6%). The worst performing stocks in the full year 2004 were Nokia (-7.8%) and Taiwan Semiconductors (-17.09%).

## GLOBAL INNOVATORS FUND

The sector allocation at the beginning and end of the year; and for comparison at the end of 2002 was as follows:

Sector (%)	31 Dec 2004	31 Dec 2003	31 Dec 2002	2004 vs 2003
Telecommunications	14.4	17.8	15.3	-
I T Hardware	16.8	15.9	11.8	=
Financial	10.0	13.3	13.2	-
I T Software	14.8	13.3	13.6	=
Media/Entertainment	15.1	12.3	12.5	+
Services	5.5	7.8	11.0	-
Healthcare	1.0	4.9	4.3	-
Consumer	7.9	3.7	2.9	+
Retail	4.0	3.5	3.9	=
I T Internet	0.0	3.5	9.2	-
Basic Materials	10.0	2.9	2.5	++
	99.5	98.9	100.3	

Note: = means change less than 1%; — or ++ means change over 5%.

At the end of the year the portfolio had 27 holdings.

### 3. Outlook & Strategy

The PER of the Fund at year end was 17.5X (2004), which was below the S&P 500's PER of 18.25X. Earnings of the companies were projected to grow by 11% in 2005. By comparison, consensus earnings growth for the S&P 500 was around 7%.

By our discounted cash flow model the portfolio was 22.7% undervalued against the market and consists of companies who on average over 2001-2005 are projected to earn a cash flow return on gross assets of 12.72% which is nearly double the current overall US market return of c7%.

It is an objective to increasingly focus on companies that are mid or large small cap in size where they are still at a stage in their life cycle where very sizeable growth is a possibility. On the other hand, given our value philosophy, these companies will only be held where their valuations are not too demanding. As investors can hopefully gather from this discussion the paramount objective is to make money for our investors. We will seek

to do this by owning what we feel are great and innovative companies that are reasonably valued. We believe that the market turmoil of the last 4 years makes that a feasible proposition provided we approach the companies that are our targets with great self-discipline.

We continue to focus on the following strategic issues

- Reducing the number of very large cap holdings – some or all of Citigroup; AIG; Pfizer; Microsoft and Vodafone when the timing is right
- Working out a way to better play the internet
- How to source new companies that exhibit the characteristics we seek – involvement with cutting edge use of communications; technology; global approach; innovation or are involved with a new type of innovation
- Improving the application of our investment process to the Wired universe

While we feel many things are going right for us – we can nonetheless always strive to do better.



Tim Guinness  
Portfolio Manager

The S&P 500 Index is a broad based unmanaged index of 500 stocks, which is widely recognized as representative of the equity market in general. The NASDAQ Composite Index is a market capitalization weighted index that is designed to represent the performance of the National Market System which includes over 5,000 stocks traded only over-the-counter and not on an exchange. These indices are unmanaged, not available for investment and do not incur expenses.

PER – Price to Earnings ratio is calculated by dividing current price of the stock by the company's trailing months' earnings per share.

**The Fund invests in foreign securities which will involve greater volatility, political, economic and currency risks and differences in accounting methods.**

Please refer to the Schedule of Investments for details on fund holdings. Fund holdings and sector allocations are subject to change at any time and are not recommendations to buy or sell any security.

**FUND HIGHLIGHTS at December 31, 2004**  
**GUINNESS ATKINSON GLOBAL INNOVATORS FUND**

		<b>Fund Managers:</b>
# of Holdings in Portfolio:	28	Timothy W.N. Guinness;
Portfolio Turnover:	50.6%	Edmund Harriss
% of Stocks in Top 10:	44.1%	

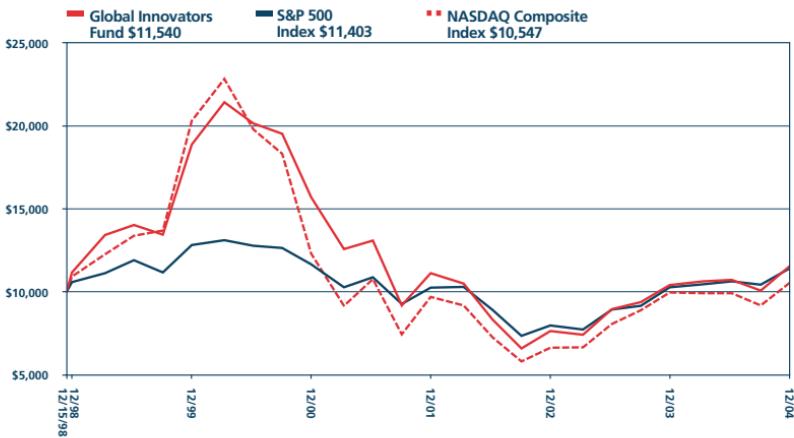
<b>Top 10 Holdings (% of net assets)</b>			
Nucor Corp.	5.2%	Honda Motor, Ltd.	4.2%
Cemex SA de CV	4.8%	Vodafone Group Plc	4.1%
Sun Microsystems, Inc.	4.7%	Samsung Electronics	4.1%
Dell, Inc.	4.6%	Costco Wholesale Corp.	4.1%
Oracle Corp.	4.3%	L-3 Communications Holdings, Inc.	4.0%

<b>Top 5 Countries (% of net assets)</b>			
United States	69.9%	South Korea	4.1%
United Kingdom	8.0%	Japan	3.5%
Mexico	4.8%		

<b>Sector Breakdown (% of investments)</b>			
Software	15.2%	Media	4.0%
Telecommunications	10.5%	Advertising	3.8%
Computers	9.3%	Home Furnishings	3.5%
Auto Manufacturers	7.9%	Diversified Financial Services	3.4%
Semiconductors	7.2%	Internet	3.4%
Iron/Steel	5.2%	Banks	3.4%
Building Materials	4.8%	Insurance	3.3%
Electronics	4.1%	Leisure Time	1.8%
Retail	4.1%	Pharmaceuticals	1.1%
Aerospace/Defense	4.0%		

## GLOBAL INNOVATORS FUND

Growth of \$10,000



**Average Annual Total Return  
Periods Ended December 31, 2004**

One Year	Five Years	Since Inception (12/15/98)
10.89%	-9.32%	2.40%

*Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Funds may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by visiting [www.gafunds.com](http://www.gafunds.com).*

Total returns reflect a fee waiver in effect and in the absence of this waiver, the total returns would be lower. *The Fund imposes a 1% redemption fee on shares held less than 30 days.*

The Standard & Poor's 500 Index is an unmanaged index which is widely regarded as the standard for measuring large cap U.S. Stock market performance. The NASDAQ Composite Index is a market capitalization weighted index that is designed to represent the performance of the National Market System which includes over 5,000 stocks traded only over-the-counter and not on an exchange. The indices referenced in this chart are not available for investment and do not incur expenses.

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**SCHEDULE OF INVESTMENTS IN SECURITIES**  
at December 31, 2004

**GUINNESS ATKINSON GLOBAL INNOVATORS FUND**

Shares	COMMON STOCKS: 99.8%	Value
<b>Advertising Agencies: 3.8%</b>		
29,470	WPP Group Plc	\$ 1,610,535
<b>Aerospace/Defense: 4.0%</b>		
23,000	L-3 Communications Holdings, Inc.	1,684,520
<b>Auto Manufacturers: 7.9%</b>		
68,300	Honda Motor Company ADR	1,779,898
18,800	Toyota Motor Corp.	1,539,156
		3,319,054
<b>Blast Furn/Mill: 5.2%</b>		
41,800	Nucor Corp.	2,187,812
<b>Commercial Banks: 6.8%</b>		
29,800	Citigroup, Inc.	1,435,764
28,574	State Street Corp.	1,403,555
		2,839,319
<b>Communications Equipment: 2.7%</b>		
73,542	Nokia Corp.	1,152,403
<b>Computer Integrated Systems Design: 4.7%</b>		
368,090	Sun Microsystems, Inc.*	1,980,324
<b>Computer Related Services: 3.7%</b>		
59,400	Acxiom Corp.	1,562,220
<b>Data Processing and Preparation: 3.7%</b>		
36,264	First Data Corp.	1,542,670
<b>Electrical Components &amp; Equipment: 4.1%</b>		
7,900	Samsung Electronics Co., Ltd.	1,730,100

See accompanying Notes to Financial Statements.

Shares	COMMON STOCKS: 99.8% Continued	Value
<b>Electronic Computers: 4.6%</b>		
45,700	Dell, Inc.*	\$ 1,925,798
<b>Fire, Marine, and Casualty Insurance: 3.2%</b>		
20,795	American International Group, Inc.	1,365,608
<b>Newspaper Publication: 4.0%</b>		
86,684	News Corp.-Class B	1,664,333
<b>Passenger Transportation Arrangement: 1.8%</b>		
33,490	Sabre Holdings Corp.	742,138
<b>Pharmaceuticals: 1.1%</b>		
17,600	Pfizer, Inc.	473,264
<b>Prepackaged Software: 11.1%</b>		
58,200	Check Point Software Technologies, Ltd.*	1,433,466
54,028	Microsoft Corp.	1,443,088
131,930	Oracle Corp.*	1,810,080
		4,686,634
<b>Radio &amp; TV Communications Equipment: 3.5%</b>		
37,808	Sony Corp.	1,473,000
<b>Radiotelephone Communications: 4.3%</b>		
29,460	Lucent Technologies, warrants, Exp 12/10/07*	46,547
63,648	Vodafone Group Plc.	1,742,682
		1,789,229
<b>Ready-Mixed Concrete: 4.8%</b>		
55,263	Cemex SA de CV	2,012,126
<b>Semiconductors: 7.2%</b>		
68,200	Nvidia Corp.*	1,606,792
167,912	Taiwan Semiconductor Manufacturing Co. Ltd.	1,425,573
		3,032,365
<b>Telecommunication Services: 3.5%</b>		
215,500	Cable & Wireless PLC	1,474,020

## GLOBAL INNOVATORS FUND

Shares	COMMON STOCKS: 99.8% Continued	Value
<b>Variety Store: 4.1%</b>		
35,300	Costco Wholesale Corp.	\$ 1,708,873
	<b>Total Common Stocks</b>	
	(cost \$37,128,117)	<u>41,956,345</u>
	<b>Total Investments in Securities</b>	
	(cost \$37,128,117): 99.8%	41,956,345
	Other Assets less Liabilities: 0.2%	<u>98,533</u>
	<b>Net Assets: 100.0%</b>	<u>\$42,054,878</u>

\* Non-income producing security.

ADR American Depository Receipt.

See accompanying Notes to Financial Statements.

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## GLOBAL ENERGY FUND for the period ended December 31, 2004

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### Performance

		<b>6 Months Since launch (June 30, 2004)</b>
Fund		22.00%
<b>Benchmark Indices</b>		
S&P 500		7.18%
MSCI World Energy		15.98%

*Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Funds may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by visiting [www.gafunds.com](http://www.gafunds.com).*

*The Fund imposes a 1% redemption fee on shares held less than 30 days. Total returns reflect a fee waiver in effect and in the absence of this waiver, the total returns would be lower.*

The Fund's 22.00% performance in the six months since it was launched at the end of June 2004 was an encouraging first six months. It was comfortably ahead of the MSCI World Energy Index its benchmark and way outpaced the broad market as measured by the S&P500 index.

### Portfolio Construction and activity

As investors will be aware the raison d'etre of the Fund is to seek the value added capabilities which is created by companies around the world that are actively involved in developing and producing energy resources such as oil and gas, or coal, (or uranium); or in its distribution and marketing; or in obtaining energy from alternative sources such as solar or wind.

Your fund manager believes this is best achieved by managing a portfolio that is reasonably concentrated and comprised of 22-30 equally weighted holdings.

Our philosophy is to give equal weighting (i) to macro factors and (ii) to stock specific factors in identifying stocks for purchase or sale. By macro,

## **GLOBAL ENERGY FUND**

we mean we try to study the underlying forces or influences that may be moving energy prices. For example trends in exploration costs in different parts of the world (e.g. in West Africa or in the Gulf of Mexico); or factors affecting demand for energy (population growth; stage of economic growth e.g. in China) or technological trends affecting how much energy we use and how we use it (fuel efficiency; fuel cells; solar; wind). Then, importantly, we look at the stock market valuation level for sectors and sub sectors.

When it comes to stock selection, we consider ourselves value investors. We prefer stocks with long life reserves or lower than average stock market ratings. We have a discipline we call the four factor discipline that we use in a weekly computer based screening process to surface possible candidates for purchase. This attempts to find companies that are earning above average returns; but which are lowly rated by the stock market; and where analysts earnings estimates are trending up and the stock price itself is trending up. An important element of our approach as to whether a company is good value involves an analysis of the long run discounted cash flow valuation of the company concerned.

The sector allocation evolved over the six months since launch as follows:

%\$	30 June 2004	30 Sept 2004	31 Dec 2004	June-Dec change
Integrated	14.3	21.7	23.5	+9.2
E&P Refining	7.7	7.4	7.3	-0.4
<b>Sub total integrated</b>	<b>22.0</b>	<b>29.1</b>	<b>30.8</b>	<b>+8.8</b>
Emerging Markets	18.9	18.7	16.4	-2.5
<b>Emerging Markets</b>	<b>18.9</b>	<b>18.7</b>	<b>16.4</b>	<b>-2.5</b>
E&P Oil Sands	17.9	19.4	19.7	+1.8
E&P	29.3	25.4	25.2	-4.1
<b>Sub total E&amp;P</b>	<b>47.2</b>	<b>44.8</b>	<b>44.3</b>	<b>-2.9</b>
Oil Services & Eqt	3.7	3.5	4.0	+0.3
Refining	3.9	—	—	-3.9
Other	4.0	3.8	4.5	+0.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

The Fund was positioned by your manager to benefit from the strong trend he believes is in place for oil prices to rise from the \$20-30 range of the 1986-2002 period back to the \$50-60 levels seen in the 1975-1985 period. To do this, there is a strong weighting towards exploration and production companies or Canadian Oil sands companies; and integrated companies, where owned, have tended to be the midcap ones or in emerging markets on valuation grounds.

Generally energy stocks with very long reserve lives performed particularly well over the period, notably coal producer Peabody, which also benefited from higher coal prices dragged up by oil. And the Canadian oil sands producers, such as Suncor and Canadian Oil Sands Trust, which have 40 to 50 years of reserves. They benefited from improved sentiment as higher oil prices strengthened the economic viability of these projects.

## **GLOBAL ENERGY FUND**

Among its investment in integrated stocks, OMV, an Austrian based mid cap, did well. It is well placed to benefit from rising living standards in European Union accession states leading to higher energy spending. Petrobras which has a near monopoly position in a geologically prospective exploration region and a growing home market also did well.

Among exploration and production companies Devon, Burlington, Canadian Natural Resources and Venture Production did well in the strong oil price and rising, albeit volatile, gas prices environment.

The least successful holdings were Amerada Hess, Marathon, Nexen and Newfield. In the first few weeks of January 2005 all of these have all usefully recovered in price.

As far as purchases and sales the Russian holdings (a basket of Gazprom, Lukoil, and Yukos making up a unit), CNOOC, Valero and Penn West were sold. The Russian and CNOOC holdings after we became increasingly cautious about their prospects and Valero and Penn West after strong performance led us to take profits.

In their place we acquired Petrocanada, Chevron Texaco and Sasol. In part this reflected a view that the downstream businesses of integrated companies were improving as refining margins were stronger than they had been for some years. This had done us well in Valero and we hoped that the market was not fully factoring it in to some of these companies valuations. Sasol is a leading company in the coal and gas to liquids area. This has good prospects in a higher oil price world. The company is however on a modest valuation rating.

The portfolio now has 28 holdings.

**The Fund at 31<sup>st</sup> December 2004 was on a PER (2004) of 10.4X (43% below the S&P500 which is on 18.25X(2004) if earnings are 66.35(Zacks) and the S&P 500 is 1211 (31<sup>st</sup> December 2004)).**

Despite the good moves in oil share prices the portfolio remains modestly priced, particularly if oil prices maintain or exceed the \$41 WTI of 2004.

## **Outlook & Strategy**

Looking forward we continue to hold the view that medium to long term Organization of Petroleum Exporting Countries (“OPEC”) can, and likely

will, pursue policies which mean oil will trade considerably above the old \$22-28 target range.

We believe the impending difficulty of growing non-OPEC supply is still underestimated. We have seen a good case made that Russia production growth could end as soon as 2006. Meanwhile, we are increasingly convinced that the increase in Chinese, Asian and Middle Eastern (and also possibly Russian) demand over the next decade will be much stronger than anyone is really imagining (maybe 2m barrels per day every year).

Consequently I remain ever more convinced that the medium term outlook is for a decisive break with the \$25 oil of the 1986-2000 period and a shift back to the \$55+ world of 1975-1985. Meanwhile, the odds on a sizeable dip are reducing as OPEC starts taking the necessary action.

But....the current rate of OPEC production that is easing the current supply tightness could still inadvertently drive prices considerably lower. Small amounts of over or undersupply can cause large price swings and one must recognise that a sharp tumble in oil prices potentially comes with the territory. OPEC must follow up with further cuts in production at the March and subsequent meetings to support the price.

Notwithstanding this risk the Fund still seeks to be well placed to benefit from the rising share prices of energy stocks that should occur if oil prices play out as the medium term analysis indicates they will. Oil company shares still discount a long term oil price in the low \$30s. If Oil were to average considerably more oil shares have still have the potential to more than double in value from current levels. The Fund will be managed to participate in this. Of course none of this will transpire if the oil price falls back below \$30 and investors must not overlook that possibility.



Tim Guinness  
Portfolio Manager

**Short-term performance, in particular, is not a good indication of the Fund's future performance and an investment should not be made based solely on returns.**

## **GLOBAL ENERGY FUND**

The MSCI World Index is an unmanaged index composed of more than 1,400 stocks listed on exchanges in the U.S., Europe, Canada, Australia, New Zealand and the Far East. The S&P 500 Index is a broad based unmanaged index of 500 stocks, which is widely recognized as representative of the equity market in general. These indices are unmanaged, not available for investment and do not incur expenses.

PER – Price to Earnings ratio is calculated by dividing current price of the stock by the company's trailing months' earnings per share.

**The Fund invests in foreign securities which will involve greater volatility, political, economic and currency risks and differences in accounting methods.**

Please refer to the Schedule of Investments for details on fund holdings. Fund holdings and sector allocations are subject to change at any time and are not recommendations to buy or sell any security.

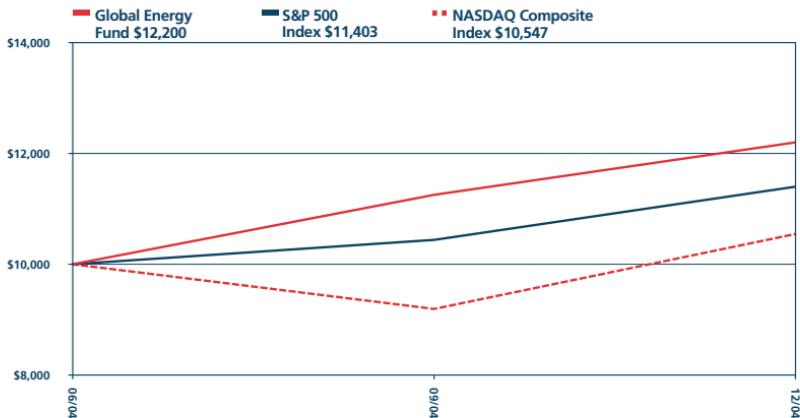
**FUND HIGHLIGHTS at December 31, 2004**  
**GUINNESS ATKINSON GLOBAL ENERGY FUND**

		<b>Fund Managers:</b>
# of Holdings in Portfolio:	28	Timothy W.N. Guinness;
Portfolio Turnover:	10.0%	Edmund Harriss
% of Stocks in Top 10:	39.0%	

<b>Top 10 Holdings (% of net assets)</b>		
Canadian Oil Sands Trust	4.2%	Shell Canada, Ltd.
Sasol, Ltd.	3.9%	Burlington Resources, Inc.
Venture Production PLC	3.9%	Andarko Petroleum Corp.
Marathon Oil Co.	3.9%	Petro-Canada
OMV AG	3.9%	Apache Corp.

<b>Sector Breakdown (% of investments)</b>		<b>Top 5 Countries (% of net assets)</b>
Oil&Gas	92.4%	United States
Coal	3.8%	Canada
Miscellaneous Manufacturer	3.8%	United Kingdom
		Austria
		Saudi Arabia

## GUINNESS ATKINSON GLOBAL ENERGY FUND



### Total Return Period Ended December 31, 2004

Since Inception  
(06/30/04)  
22.00%

*Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Funds may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by visiting [www.gafunds.com](http://www.gafunds.com).*

Total returns reflect a fee waiver in effect and in the absence of this waiver, the total returns would be lower. *The Fund imposes a 1% redemption fee on shares held less than 30 days.*

The Standard & Poor's 500 Index is an unmanaged index which is widely regarded as the standard for measuring large cap U.S. Stock market performance. The NASDAQ Composite Index is a market capitalization weighted index that is designed to represent the performance of the National Market System which includes over 5,000 stocks traded only over-the-counter and not on an exchange. The indices referenced in this chart are not available for investment and do not incur expenses.

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**SCHEDULE OF INVESTMENTS IN SECURITIES**  
at December 31, 2004

**GUINNESS ATKINSON GLOBAL ENERGY FUND**

Shares	COMMON STOCKS: 99.9%	Value
<b>Coal: 3.8%</b>		
770	Peabody Energy Corp.	\$ 62,301
<b>Diversified Manufacturing Operations: 3.8%</b>		
15,075	Abbot Group Plc	61,752
<b>Energy: 0.1%</b>		
600	Imperial Energy Corp.*	2,489
<b>Oil &amp; Gas: 11.6%</b>		
1,450	Burlington Resources, Inc.	63,075
1,190	ChevronTexaco Corp.	62,487
1,690	Marathon Oil Corp.	63,561
		189,123
<b>Oil &amp; Gas - Field Services: 3.8%</b>		
1,720	Petroleo Brasileiro S.A., ADR	62,281
<b>Oil &amp; Gas Exploration &amp; Production: 30.9%</b>		
970	Anadarko Petroleum Corp.	62,866
1,460	Canadian Natural Resources	62,212
1,209	Canadian Oil Sands Trust	67,959
1,610	Devon Energy Corp.	62,661
1,060	Newfield Exploration Co.*	62,593
1,501	Nexen, Inc.	60,776
1,771	Suncor Energy, Inc.	62,432
14,175	Venture Production, Plc*	63,566
		505,065
<b>Oil &amp; Gas Producers: 42.1%</b>		
760	Amerada Hess Corp.	62,609
3,740	Chesapeake Energy Corp.	61,710
720	ConocoPhillips	62,517
1,070	Occidental Petroleum Corp.	62,445

See accompanying Notes to Financial Statements.

## GLOBAL ENERGY FUND

Shares	COMMON STOCKS: 99.9% Continued	Value
<b>Oil &amp; Gas Producers: 42.1% Continued</b>		
211	OMV AG	\$ 63,345
1,235	Petro-Canada	62,810
115,000	Petrochina Co., Ltd.	61,400
2,380	Repsol SA	61,753
1,080	Royal Dutch Petroleum Co.	61,938
3,010	Sasol, Ltd.	64,334
950	Shell Canada, Ltd.	<u>63,181</u>
		<u>688,042</u>
<b>Oil – Exploration &amp; Production: 3.8%</b>		
1,240	Apache Corp.	<u>62,707</u>
<b>Total Common Stocks</b>		
(cost \$1,502,453)		<u>1,633,760</u>

Principal Amount	BOND: 0.4%
<b>Corporate Bond: 0.4%</b>	
\$14	OMV AG, 1.500%, due 12/01/08
<b>Total Bond</b>	
(cost \$5,706)	
<b>Total Investments in Securities</b>	
(cost \$1,508,159): 100.3%	
Liabilities in excess of Other Assets: (0.3)%	
<b>Net Assets: 100.0%</b>	
	<u>1,639,573</u>
	<u>(4,834)</u>
	<u><u>\$1,634,739</u></u>

\* Non-income producing security.

ADR American Depository Receipt.

See accompanying Notes to Financial Statements.

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## STATEMENTS OF ASSETS AND LIABILITIES

**at December 31, 2004**

	Asia Focus Fund	China & Hong Kong Fund	Global Innovators Fund	Global Energy Fund
<b>Assets</b>				
Investments in securities, at cost	<u>\$ 21,094,155</u>	<u>\$ 65,761,175</u>	<u>\$ 37,128,117</u>	<u>\$ 1,508,159</u>
Investments in securities, at value	<u>\$ 30,613,050</u>	<u>\$ 109,453,699</u>	<u>\$ 41,956,345</u>	<u>\$ 1,639,573</u>
Cash	—	2,926,397	—	287,476
Cash denominated in foreign currency (cost of \$9,376, \$0, \$0, \$0, respectively)	9,499	—	—	—
Receivables:				
Securities sold	439,284	—	441,702	—
Fund shares sold	8,000	130,100	—	2,500
Due to advisor	—	—	—	13,894
Dividends and interest	20,243	148,146	33,885	2,045
Tax Reclaim	—	—	6,802	31
Prepaid expenses	<u>5,812</u>	<u>5,596</u>	<u>6,417</u>	<u>10,004</u>
Total assets	<u>31,095,888</u>	<u>112,663,938</u>	<u>42,445,151</u>	<u>1,955,523</u>
<b>Liabilities</b>				
Cash overdraft	263,046	—	134,186	—
Payables:				
Securities purchased	—	—	—	287,654
Unrealized loss on forward foreign currency contracts	86	—	—	45
Fund shares redeemed	119,103	94,360	102,783	—
Due to advisor	19,228	93,730	32,058	19,246
Accrued administration expense	6,429	23,433	1,781	1,391
Accrued expenses	63,355	98,282	92,860	11,698
Deferred trustees' compensation	<u>13,249</u>	<u>30,379</u>	<u>26,605</u>	<u>750</u>
Total liabilities	<u>484,496</u>	<u>340,184</u>	<u>390,273</u>	<u>320,784</u>
<b>Net Assets</b>	<u>\$ 30,611,392</u>	<u>\$ 112,323,754</u>	<u>\$ 42,054,878</u>	<u>\$ 1,634,739</u>
<b>Number of shares issued and outstanding</b> (unlimited shares authorized no par value)	<u>2,943,198</u>	<u>6,049,380</u>	<u>3,106,380</u>	<u>107,166</u>
<b>Net asset value per share</b>	<u>\$ 10.40</u>	<u>\$ 18.57</u>	<u>\$ 13.54</u>	<u>\$ 15.25</u>
<b>Components of Net Assets</b>				
Paid-in capital	\$107,799,245	\$113,722,449	\$ 86,590,431	\$1,498,899
Undistributed net investment income	—	632,287	—	—
Accumulated net realized gain (loss) on investments and foreign currency	(86,708,994)	(45,723,542)	(49,363,781)	5,114
Net unrealized appreciation (depreciation) on:				
Investments	9,518,895	43,692,524	4,828,228	131,414
Foreign Currency	<u>2,246</u>	<u>36</u>	<u>—</u>	<u>(688)</u>
<b>Net Assets</b>	<u>\$ 30,611,392</u>	<u>\$ 112,323,754</u>	<u>\$ 42,054,878</u>	<u>\$ 1,634,739</u>

See accompanying Notes to Financial Statements.

## STATEMENTS OF OPERATIONS

For the year ended December 31, 2004

	Asia Focus Fund	China & Hong Kong Fund	Global Innovators Fund	Global Energy Fund
<b>Investment Income</b>				
<b>Income</b>				
Dividends*	\$ 836,292	\$ 3,181,851	\$ 657,960	\$ 5,588
Interest	2,047	10,398	6,324	189
Total income	<u>838,339</u>	<u>3,192,249</u>	<u>664,284</u>	<u>5,777</u>
<b>Expenses</b>				
Advisory fees (Note 3)	329,341	1,088,676	396,864	3,426
Administration fees (Note 3)	82,335	272,169	22,048	3,405
Transfer agent fees	72,208	125,157	112,950	7,033
Custody fees	28,536	50,776	6,671	6,031
Fund accounting fees	31,373	57,941	31,704	16,590
Audit fees	19,869	19,873	19,880	9,954
Legal fees	26,180	63,922	33,419	1,005
Trustees' fees	15,654	30,792	17,725	4,625
Reports to shareholders	28,235	51,363	65,323	2,263
Registration expense	19,187	23,478	17,463	9,767
Interest expense	6,711	6,600	3,850	2
Insurance expense	6,438	20,677	8,843	252
Miscellaneous	<u>4,213</u>	<u>8,713</u>	<u>4,213</u>	<u>1,754</u>
Total expenses	<u>670,280</u>	<u>1,820,137</u>	<u>740,953</u>	<u>66,107</u>
Less: Fees waived and expenses absorbed (Note 3)	<u>(18,000)</u>	<u>—</u>	<u>—</u>	<u>(60,587)</u>
Net expenses	<u>652,280</u>	<u>1,820,137</u>	<u>740,953</u>	<u>5,520</u>
Net investment income (loss)	<u>186,059</u>	<u>1,372,112</u>	<u>(76,669)</u>	<u>257</u>
<b>Realized and unrealized gain (loss) on investments and foreign currency</b>				
Net realized gain (loss) on:				
Investments	2,349,444	1,995,959	(1,351,843)	6,917
Foreign currency	(30,192)	(1,991)	—	(2,060)
Net unrealized gain (loss) on:				
Investments	(136,100)	7,462,797	5,745,903	131,414
Foreign currency	2,026	35	—	(688)
Net realized and unrealized gain on investments and foreign currency	<u>2,185,178</u>	<u>9,456,800</u>	<u>4,394,060</u>	<u>135,583</u>
Net increase in net assets resulting from operations	<u>\$2,371,237</u>	<u>\$10,828,912</u>	<u>\$ 4,317,391</u>	<u>\$135,840</u>

\* Net of foreign tax withheld of \$108,262 for Asia Focus Fund, \$39,365 for Global Innovators Fund and \$186 for the Global Energy Fund.

See accompanying Notes to Financial Statements.

## STATEMENTS OF CHANGES IN NET ASSETS

	<b>Asia Focus Fund</b>	
	<b>Year Ended December 31, 2004</b>	<b>Year Ended December 31, 2003</b>
<b>Increase (decrease) in net assets from:</b>		
<b>Operations</b>		
Net investment income (loss)	\$ 186,059	\$ 244,712
Net realized gain (loss) on:		
Investments	2,349,444	2,508,291
Foreign currency	(30,192)	(232,309)
Net unrealized gain (loss) on:		
Investments	(136,100)	10,250,784
Foreign currency	2,026	(4,228)
<b>Net increase in net assets resulting from operations</b>	<u>2,371,237</u>	<u>12,767,250</u>
<b>Distributions to shareholders</b>		
From net investment income	(172,805)	—
<b>Decrease in net assets from distributions</b>	<u>(172,805)</u>	<u>—</u>
<b>Capital share transactions</b>		
Proceeds from shares sold	12,640,796	44,459,406
Proceeds from shares reinvested	167,123	—
Proceeds from shares transferred due to mergers	—	—
Cost of shares redeemed	(20,567,670)	(37,677,486)
Redemption fee proceeds (Note 3)	11,759	137,499
<b>Net increase (decrease) from capital share transactions</b>	<u>(7,747,992)</u>	<u>6,919,419</u>
Total increase (decrease) in net assets	(5,549,560)	19,686,669
<b>Net assets</b>		
Beginning of period	36,160,952	16,474,283
End of period	<u>\$ 30,611,392</u>	<u>\$ 36,160,952</u>
Accumulated net investment income	\$ —	\$ —
<b>Capital share activity</b>		
Shares sold	1,291,009	6,115,337
Shares issued on reinvestment	17,158	—
Shares issued on merger	—	—
Shares redeemed	(2,167,957)	(5,152,897)
<b>Net increase (decrease) in shares outstanding</b>	<u>(859,790)</u>	<u>962,440</u>

\* Commencement of operations.

See accompanying Notes to Financial Statements.

China & Hong Kong Fund		Global Innovators Fund		Global Energy Fund
Year Ended December 31, 2004	Year Ended December 31, 2003	Year Ended December 31, 2004	Year Ended December 31, 2003	June 30, 2004* Through December 31, 2004
\$ 1,372,112	\$ 1,564,186	\$ (76,669)	\$ (334,301)	\$ 257
1,995,959 (1,991)	(1,926,993) (7,754)	(1,351,843) —	(1,236,492) —	6,917 (2,060)
7,462,797 <u>35</u>	42,612,213 <u>1</u>	5,745,903 —	16,126,769 —	131,414 (688)
<u>10,828,912</u>	<u>42,241,653</u>	<u>4,317,391</u>	<u>14,555,976</u>	<u>135,840</u>
(1,625,722)	—	—	—	—
<u>(1,625,722)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
22,166,286 1,584,631	36,949,642 9,581,080	1,300,643 —	1,724,346 —	2,199,078 —
(37,199,616) 28,630	(29,161,486) 16,771	(13,341,802) 772	(12,406,081) 811	(705,921) 5,742
<u>(13,420,069)</u>	<u>17,386,007</u>	<u>(12,040,387)</u>	<u>(10,680,924)</u>	<u>1,498,899</u>
<u>(4,216,879)</u>	<u>59,627,660</u>	<u>(7,722,996)</u>	<u>3,875,052</u>	<u>1,634,739</u>
<u>116,540,633</u>	<u>56,912,973</u>	<u>49,777,874</u>	<u>45,902,822</u>	<u>—</u>
<u>\$112,323,754</u>	<u>\$116,540,633</u>	<u>\$42,054,878</u>	<u>\$49,777,874</u>	<u>\$1,634,739</u>
\$ 632,287	\$ 845,996	\$ —	\$ —	\$ —
1,250,352 89,124	2,840,447 —	104,942 —	164,601 —	157,815 —
<u>—</u>	<u>968,053</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>(2,222,373)</u>	<u>(2,469,845)</u>	<u>(1,076,691)</u>	<u>(1,199,022)</u>	<u>(50,649)</u>
<u>(882,897)</u>	<u>1,338,655</u>	<u>(971,749)</u>	<u>(1,034,421)</u>	<u>107,166</u>

## FINANCIAL HIGHLIGHTS

For a capital share outstanding throughout the year

Asia Focus Fund	Year Ended December 31,				
	2004	2003	2002	2001	2000
Net asset value, beginning of year	\$9.51	\$5.80	\$6.18	\$5.16	\$9.51
<b>Income from investment operations:</b>					
Net investment income (loss)	0.06	0.06	(0.05)	0.01	—
Net realized and unrealized gain (loss) on investments and foreign currency	0.89	3.61	(0.37)	1.01	(4.35)
Total from investment operations	0.95	3.67	(0.42)	1.02	(4.35)
<b>Less distributions:</b>					
From net investment income	(0.06)	—	—	—	—
Total distributions	(0.06)	—	—	—	—
Redemption Fee Proceeds	— <sup>(1)</sup>	0.04	0.04	—	—
Net asset value, end of year	\$10.40	\$9.51	\$5.80	\$6.18	\$5.16
Total return	10.01%	63.97%	(6.15)%	19.77%	(45.74)%
<b>Ratios/supplemental data:</b>					
Net assets, end of year (millions)	\$30.6	\$36.2	\$16.5	\$17.1	\$14.2
<b>Ratio of expenses to average net assets:</b>					
Before fees waived	2.04%	2.16%	2.62%	3.08%	2.67%
After fees waived	1.98%	1.95%	1.98%	1.98%	1.98%
<b>Ratio of net investment income (loss) to average net assets:</b>					
Before fees waived	0.51%	0.75%	(1.26)%	(0.89)%	(0.71)%
After fees waived	0.57%	0.96%	(0.62)%	0.21%	(0.02)%
Portfolio turnover rate	32.41%	114.90%	188.96%	43.91%	61.77%

<sup>(1)</sup>Amount represents less than \$0.01 per share.

See accompanying Notes to Financial Statements.

## FINANCIAL HIGHLIGHTS

For a capital share outstanding throughout the year

China & Hong Kong Fund	Year Ended December 31,				
	2004	2003	2002	2001	2000
Net asset value, beginning of year	\$16.81	\$10.17	\$11.67	\$15.75	\$17.65
<b>Income from investment operations:</b>					
Net investment income	0.25	0.20	0.13	0.09	0.05
Net realized and unrealized gain (loss) on investments and foreign currency	1.78	6.44	(1.66)	(3.79)	(1.28)
Total from investment operations	2.03	6.64	(1.53)	(3.70)	(1.23)
<b>Less distributions:</b>					
From net investment income	(0.27)	—	—	(0.38)	(0.67)
Total distributions	(0.27)	—	—	(0.38)	(0.67)
Redemption Fee Proceeds	— <sup>(1)</sup>	— <sup>(1)</sup>	0.03	—	—
Net asset value, end of year	\$18.57	\$16.81	\$10.17	\$11.67	\$15.75
Total return	12.16%	65.29%	(12.85)%	(23.45)%	(6.97)%
<b>Ratios/supplemental data:</b>					
Net assets, end of year (millions)	\$112.3	\$116.5	\$56.9	\$76.8	\$118.5
<b>Ratio of expenses to average net assets</b>	1.67%	1.81%	2.02%	1.85%	1.76%
<b>Ratio of net investment income to average net assets</b>	1.26%	2.01%	1.08%	0.56%	0.13%
Portfolio turnover rate	15.37%	28.57%	60.95%	31.54%	38.83%

<sup>(1)</sup>Amount represents less than \$0.01 per share.

See accompanying Notes to Financial Statements.

## FINANCIAL HIGHLIGHTS

For a capital share outstanding throughout the year

Global Innovators Fund	Year Ended December 31,				
	2004	2003	2002	2001	2000
Net asset value, beginning of year	\$12.21	\$8.98	\$13.04	\$18.38	\$23.52
<b>Income from investment operations:</b>					
Net investment loss	(0.02)	(0.08)	(0.08)	(0.14)	(0.19)
Net realized and unrealized gain (loss) on investments	1.35	3.31	(3.98)	(5.20)	(3.45)
Total from investment operations	1.33	3.23	(4.06)	(5.34)	(3.64)
<b>Less distributions:</b>					
From net realized gains	—	—	—	—	(1.50)
Total distributions	—	—	—	—	(1.50)
Redemption Fee Proceeds	— <sup>(1)</sup>	— <sup>(1)</sup>	— <sup>(1)</sup>	—	—
Net asset value, end of year	\$13.54	\$12.21	\$8.98	\$13.04	\$18.38
Total return	10.89%	35.97%	(31.13)%	(29.05)%	(16.78)%
<b>Ratios/supplemental data:</b>					
Net assets, end of year (millions)	\$42.1	\$49.8	\$45.9	\$79.3	\$153.0
<b>Ratio of expenses to average net assets:</b>					
Before fees waived	1.68%	1.76%	2.03%	1.46%	1.23%
After fees waived	1.68%	1.56%	1.35%	1.35%	1.24%
<b>Ratio of net investment loss to average net assets:</b>					
Before fees waived	(0.17)%	(0.90)%	(1.34)%	(0.89)%	(0.79)%
After fees waived	(0.17)%	(0.70)%	(0.66)%	(0.78)%	(0.80)%
Portfolio turnover rate	50.57%	0.00%	54.15%	50.03%	27.41%

<sup>(1)</sup>Amount represents less than \$0.01 per share.

See accompanying Notes to Financial Statements.

## **FINANCIAL HIGHLIGHTS**

### **For a capital share outstanding throughout the period**

	<b>June 30, 2004<sup>(1)</sup></b> <b>Through</b> <b>December 31, 2004</b>
<b>Global Energy Fund</b>	
Net asset value, beginning of period	\$12.50
<b>Income from investment operations:</b>	
Net investment income	— <sup>(2)</sup>
Net realized and unrealized gain on investments and foreign currency	2.70
Total from investment operations	2.70
Redemption Fee Proceeds	0.05
Net asset value, end of period	<u>\$15.25</u>
Total return	22.00% <sup>(3)</sup>
<b>Ratios/supplemental data:</b>	
Net assets, end of period (millions)	\$1.6
<b>Ratio of expenses to average net assets:</b>	
Before fees waived	17.36% <sup>(4)</sup>
After fees waived	1.45% <sup>(4)</sup>
<b>Ratio of net investment loss to average net assets:</b>	
Before fees waived	(15.84)% <sup>(4)</sup>
After fees waived	0.07% <sup>(4)</sup>
Portfolio turnover rate	9.96% <sup>(3)</sup>

<sup>(1)</sup>Commencement of Operations.

<sup>(2)</sup>Amount represents less than \$0.01 per share.

<sup>(3)</sup>Not annualized.

<sup>(4)</sup>Annualized.

See accompanying Notes to Financial Statements.

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## NOTES TO FINANCIAL STATEMENTS

### Note 1

#### Organization

Guinness Atkinson Funds (the “Trust”), formerly the Investec Funds, was organized on April 28, 1997 as a Delaware business trust and registered under the Investment Company Act of 1940 as a non-diversified, open-end management investment company. Currently, the Trust offers four separate series all of whose long-term objective is capital appreciation: Guinness Atkinson Asia Focus Fund (the “Asia Focus Fund”), formerly Investec Asia Focus Fund, Guinness Atkinson China & Hong Kong Fund (the “China & Hong Kong Fund”), formerly Investec China & Hong Kong Fund, and Guinness Atkinson Global Innovators Fund (the “Global Innovators Fund”), formerly Investec Wired® Index Fund, and Guinness Atkinson Global Energy Fund (“the Global Energy Fund”). The first four of which (each a “Fund” and collectively, the “Funds”) are covered by this report. The China & Hong Kong Fund began operations on June 30, 1994, the Asia Focus Fund began operations on April 29, 1996, the Global Innovators Fund began operations on December 15, 1998, and the Global Energy Fund began operations on June 30, 2004.

### Note 2

#### Significant accounting policies

The following is a summary of significant accounting policies consistently followed by the Funds. These policies are in conformity with accounting principles generally accepted in the United States of America.

- A. Security Valuation.** Investments in securities traded on a principal exchange (U.S. or foreign) or Nasdaq are valued at the official closing price on each day that the exchanges are open for trading; securities traded on an exchange or Nasdaq for which there have been no sales, and other over-the-counter securities are valued at the mean between the bid and asked prices. Securities for which quotations are not readily available are valued at their respective fair values as determined in good faith by, or under procedures established by, the Board of Trustees. Due to the inherent uncertainty of valuation, those estimated values of not readily marketable securities may differ significantly from the values that would have been used had a ready market for the securities existed. The differences could be material. Short-term investments are stated at cost, which when combined with accrued interest, approximates market value. Realized gains and losses from securities transactions are calculated using the identified cost method.

Foreign securities are recorded in the financial statements after translation to U.S. dollars based on the applicable exchange rate at the end of the period. The Funds do not isolate that portion of the results of operations resulting from changes in the currency exchange rate from the fluctuations resulting from changes in the market prices of investments.

Foreign dividend income is translated using the exchange rate in existence on the date the income is accrued. Exchange gains and losses related to the translation of interest income are included in dividend income on the accompanying Statement of Operations.

**B. Forward Foreign Currency Exchange Contracts.** The Funds may utilize forward foreign currency exchange contracts (“forward contracts”) to hedge against foreign exchange fluctuations on foreign denominated investments under which they are obligated to exchange currencies at specific future dates and at specified rates. All commitments are “marked-to-market” daily and any resulting unrealized gains or losses are included as unrealized appreciation (depreciation) on foreign currency denominated assets and liabilities. The Funds record realized gains or losses at the time the forward contract is settled. Risks may arise upon entering these contracts from the potential inability of a counter party to meet the terms of their contracts and from unanticipated movements in the value of a foreign currency relative to the U.S. dollar or other currencies. Counterparties to these contracts are major U.S. financial institutions.

**C. Security Transactions, Dividend Income and Distributions.** Security transactions are accounted for on the trade date. Dividend income and distributions to shareholders are recorded on the ex-dividend date.

**D. Federal Income Taxes.** The Funds intend to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies, and to distribute all of their taxable income to their shareholders. Therefore, no federal income tax provision is required.

**E. Concentration of Risk.** Asia Focus Fund invests substantially all of its assets in the Asian continent. The China & Hong Kong Fund invests substantially all of its assets in securities that are traded in China or Hong Kong or that are issued by companies that do a substantial part of their business in China. The consequences of political, social, or economic changes in the countries or business sectors in which the securities are offered or the issuers conduct their operations may affect the market prices of the Funds’ investments and any income generated, as well as the Funds’ ability to repatriate such amounts.

**F. Use of Estimates.** The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure

of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

**G. Reclassification of Capital Accounts.** Accounting principals generally accepted in the United States of America require that certain components of net assets relating to permanent differences be reclassified between financial and tax reporting. These reclassifications have no effect on net assets or net asset value per share. For the year ended December 31, 2004, each Fund recorded the following reclassifications to the accounts listed below:

	Increase (Decrease)		
	Paid-in-Capital	Accumulated Net Investment Gain / Loss	Accumulated Net Realized Gain / Loss
Asia Focus	399,169	(13,254)	(385,915)
China & Hong Kong Fund	(2,658,714)	2,618,813	39,901
Global Innovators Fund	1,252,409	76,669	(1,329,078)
Global Energy Fund	—	(257)	257

## Note 3

### Commitments and other related party transactions

The Trust, on behalf of each Fund, entered into an Investment Advisory Agreement with Guinness Atkinson Asset Management, LLC (the "Advisor") on April 26, 2003, which provided the Funds with investment management services under an investment advisory agreement. Prior to April 26, 2003, Investec Asset Management U.S. Limited ("Investec") served as the Trust's investment advisor. The Advisor furnishes all investment advice, office space, facilities, and most of the personnel needed by the Funds. As compensation for its services, the Advisor is entitled to a monthly fee at the following annual rates based upon the average daily net assets of the Funds:

Asia Focus Fund	1.00%
China & Hong Kong Fund	1.00%
Global Innovators Fund	0.90% on the first \$100 million 0.75% on the next \$100 to \$500 million and 0.60% on assets over \$500 million
Global Energy Fund	0.90%

The Funds are responsible for their own operating expenses. Effective April 26, 2003, the Advisor has contractually agreed to limit the Funds' total operating expenses by reducing all or a portion of its fees and reimbursing the Funds for expenses so that each Fund's ratio of expenses to average daily net assets will not exceed the following levels:

Asia Focus Fund	1.98%
China & Hong Kong Fund	1.98%
Global Innovators Fund	1.88%
Global Energy Fund	1.45%

Prior to April 26, 2003, the operating expense limit for the Global Innovators Fund was 1.35% and there was no operating expense limit for the China & Hong Kong Fund.

Expenses reimbursed by the Advisor are subject to recoupment, but such recoupment by the Advisor will be limited to three years from the year of the reimbursement, and are subject to the Funds' ability to effect such reimbursement and still remain in compliance with applicable expense limitations.

For the year ended December 31, 2004, the Advisor waived fees and absorbed expenses as follows:

Asia Focus Fund	\$18,000
Global Energy Fund	\$60,587

At December 31, 2004, the Advisor may recapture a portion of the following amounts no later than the date as stated below:

<b>Funds:</b>	<b>December 31, 2007</b>
Asia Focus Fund	\$18,000
Global Energy Fund	\$60,587

At December 31, 2004, the amounts available for recoupment that has been paid and/or waived by the Advisor on the behalf of the Funds are as follows:

Asia Focus Fund	\$18,000
Global Energy Fund	\$60,587

Under certain circumstances, a redemption fee of 1-2% will be charged to shareholders of the Funds who redeem shares purchased less than 30 or 90 days prior to redemption.

U.S. Bancorp Fund Services, LLC (the "Administrator") acts as the Funds' administrator under an administration agreement. The Administrator prepares various federal and state regulatory filings, reports and returns for the Funds; prepares reports and materials to be supplied to the Trustees; monitors the activities of the Funds' custodian, transfer agent and accountants; coordinates the preparation and payment of the Funds' expenses and reviews the Funds' expense accruals. For its services, the Administrator receives a monthly fee from each Fund at the following annual rates with a minimum of \$20,000 (excluding the China & Hong Kong Fund):

Fund	Asset Based Fee
China & Hong Kong Fund	0.25% of average daily net assets subject to \$40,000 annual minimum.
Asia Focus Fund	0.25% of average daily net assets
Global Innovators Fund	0.05% of average daily net assets
Global Energy Fund	0.05% of average daily net assets

For the year ended December 31, 2004, the following Administration fees were incurred:

Asia Focus Fund	\$ 82,335
China & Hong Kong Fund	272,169
Global Innovators Fund	22,048
Global Energy Fund	3,405

Quasar Distributors, LLC (the “Distributor”) acts as the Funds’ principal underwriter in a continuous public offering of the Funds’ shares. The Distributor is an affiliate of the Administrator.

On August 14, 1998, the Trust approved a Deferred Compensation Plan for Trustees (the “Plan”). Trustees can elect to receive payment in cash or defer payments provided for in the Plan. If a trustee elects to defer payment, the Plan provides for the creation of a deferred payment account (Phantom Share Account). This account accumulates the deferred fees earned, and the value of the account is adjusted at the end of each quarter to reflect the value that would have been earned if the account had been invested in designated investments. The Funds recognize as trustee expense amounts accrued as meetings are attended plus the change in value of the Phantom Share Account.

For the year ended December 31, 2004, the change in the value of the phantom share account included unrealized appreciation (depreciation) were as follows:

Asia Focus Fund	\$(1,339)
China & Hong Kong Fund	\$ 1,929
Global Innovators Fund	\$ 1,445
Global Energy Fund	\$ 114

Certain officers of the Funds are also officers and/or Directors of the Advisor and Administrator.

## Note 4

### Investment Transactions

The following table presents purchases and sales of securities during the year ended December 31, 2004, excluding short-term investments, to indicate the volume of transactions in each Fund.

Fund	Purchases	Sales
Asia Focus Fund	\$10,575,786	\$17,481,572
China & Hong Kong Fund	16,526,243	29,491,067
Global Innovators Fund	21,887,519	33,637,436
Global Energy Fund	1,591,438	90,196

## Note 5

### Forward foreign currency contracts

In order to hedge their portfolio and to protect them against possible fluctuations in foreign exchange rates pending the settlement of securities transactions, the Funds may enter into forward currency contracts which obligate them to exchange currencies at specified future dates. At the maturity of a forward contract, the Funds may either make delivery of the foreign currency from currency held, if any, or from the proceeds of the portfolio securities sold. It may also terminate its obligation to deliver the foreign currency at any time by purchasing an offsetting contract. The forward value of amounts due are netted against the forward value of the currency to be delivered, and the net amount is shown as a receivable or payable in the financial statements. Open forward contracts at December 31, 2004 were as follows:

Funds	Currency	Amount	Currency Deliverable	Delivery Date	Unrealized Loss
Asia Focus Fund	US\$	\$145,259	Hong Kong Dollar 1,129,969	01/03/05	\$(86)
Global Energy Fund	US\$	\$71,822	Canadian Dollar 86,330	01/04/05	\$(45)

## Note 6

### Tax Matters

As of December 31, 2004, the tax basis of investments were as follows:

	<b>Asia Focus Fund</b>	<b>China &amp; Hong Kong Fund</b>	<b>Global Innovators Fund</b>	<b>Global Energy Fund</b>
Cost of investment for tax purposes	\$ 21,094,155	\$68,129,778	\$ 37,128,117	\$1,508,159
Gross tax unrealized appreciation	9,664,375	45,056,466	6,868,984	133,438
Gross tax unrealized (depreciation)	(145,480)	(3,732,545)	(2,040,756)	(2,024)
Net tax unrealized appreciation (depreciation) on investment	9,518,895	41,323,921	4,828,228	131,414
Net tax appreciation on derivatives and foreign-currency denominated assets and liabilities	2,246	36	—	(688)
Net tax unrealized appreciation (depreciation)	9,521,141	41,323,957	4,828,228	130,726
<b>Undistributed net ordinary income</b>	—	<b>2,868,660</b>	—	<b>6,226</b>
Post October currency losses	—	—	—	(1,112)
Deferred compensation	—	(20,632)	—	—
Total distributable earnings	9,521,141	44,171,985	4,828,228	135,840
Capital loss carryforward	(86,708,994)	(45,570,680)	(49,363,781)	—
Post October capital losses	—	—	—	—
Total accumulated earnings (losses)	<b>\$(77,187,853)</b>	<b>\$(1,357,431)</b>	<b>\$(44,535,553)</b>	<b>\$ 135,840</b>

As of December 31, 2004, the following funds have capital loss carryforwards available to offset future realized capital gains:

<b>Capital losses expiring in:</b>	<b>Asia Focus Fund</b>	<b>China &amp; Hong Kong Fund</b>	<b>Global Innovators Fund</b>	<b>Global Energy</b>
2005	\$ (12,822,714)	\$ —	\$ —	\$ —
2006	(62,854,581)	(31,801,345)	—	—
2007	(7,599,516)	—	—	—
2008	—	—	(1,603,620)	—
2009	(2,794,130)	—	(17,621,884)	—
2010	(638,053)	(3,556,242)	(19,915,748)	—
2011	—	(10,213,093)	(8,376,172)	—
2012	—	—	(1,846,357)	—
Total	(86,708,994)	(45,570,680)	(49,363,781)	—

For the China & Hong Kong Fund (\$3,332,384) of the (\$10,213,093) capital loss carryforward expiring in 2011 was acquired in the reorganization with the Mainland China Fund.

The tax composition of dividends for the year ended December 31, 2004 were as follows:

	<b>2004</b>	
	<b>Ordinary Income</b>	<b>Long-term Capital Gain</b>
Asia Focus Fund	\$ 172,805	—
China & Hong Kong Fund	\$ 1,625,722	—

## Note 7

### Fund Reorganization

On April 25, 2003, China & Hong Kong Fund (the “Acquiring Fund”) acquired the assets and assumed the liabilities of Mainland China Fund (the “Acquired Fund”) in a tax-free reorganization in exchange for shares of the Acquiring Fund, pursuant to a plan of reorganization approved by the Acquired Fund’s shareholders. The number and value of shares issued by the Acquiring Fund are presented in the Schedules of Changes in Net

Assets. Net assets and unrealized depreciation as of the reorganization date were as follow:

Total net assets of Acquired Fund	Total net assets of Acquiring Fund	Total net assets of Acquiring Fund after acquisition	Acquired Fund unrealized depreciation
\$9,296,766	\$53,077,636	\$62,374,402	\$287,235

## Additional Information

### Proxy Voting Procedures (Unaudited)

The Advisor of the Funds vote proxies relating to portfolio securities in accordance with procedures that have been approved by the Board of Trustees of the Funds. You may obtain a description of these procedures, free of charge, by calling "toll-free" 1-800-915-6565. This information is also available through the Securities and Exchange Commission's website at <http://www.sec.gov>.

### Proxy Voting Records (Unaudited)

Information regarding how the sub-advisors of the Funds voted proxies relating to portfolio securities during the 12-month period ended June 30, 2004 is available, without charge, by calling toll-free, 1-800-915-6565. This information is also available through the Securities and Exchange Commission's website at <http://www.sec.gov>.

### Form N-Q Disclosure (Unaudited)

The Funds file their complete schedule of portfolio holdings with the Securities and Exchange Commission for the first and third quarters of each fiscal year on Form N-Q. The Funds' Form N-Q is available on the Securities and Exchange Commission's website at <http://www.sec.gov>. The Funds' Form N-Q may be reviewed and copied at the Commission's Public Reference Room in Washington, DC, and information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330. This information is also available, without charge, by calling toll-free, 1-800-915-6565.

### Tax Notice (Unaudited)

The percentage of dividend income distributed for the year ended December 31, 2004, which is designated as qualified dividend income under the Jobs and Growth Tax Relief Reconciliation Act of 2003, is 100% for the Asia Focus Fund and 64.22% for the China & Hong Kong Fund. For the year ended December 31, 2004, Guinness Atkinson Asia Focus Fund paid foreign taxes of \$108,262 which it intends to pass through to its shareholders pursuant to Section 853 of the Internal Revenue Code.

## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Shareholders of and Board of Trustees  
Guinness Atkinson Funds  
Glendora, California

We have audited the accompanying statements of assets and liabilities, including the schedules of investments, of the Asia Focus Fund, China & Hong Kong Fund, Global Innovators Fund and Global Energy Fund, each a series of shares of the Guinness Atkinson Funds, as of December 31, 2004, the related statements of operations for the year then ended (with respect to the Global Energy Fund for the period June 30, 2004 to December 31, 2004), the statements of changes in net assets and the financial highlights for each of the two years in the period then ended (with respect to the Global Energy Fund for the period June 30, 2004 to December 31, 2004). These financial statements and financial highlights are the responsibility of the Funds' management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. The financial highlights for the three years in the period then ended December 31, 2002 were audited by other auditors whose report dated February 21, 2003 expressed an unqualified opinion on such financial highlights.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2004, by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly in all material respects, the financial position of the above mentioned Funds as of December 31, 2004, the results of their operations for the year then ended (with respect to the Global Energy Fund for the period June 30, 2004 to December 31, 2004), the changes in their net assets and the financial highlights for each of the two years in the period then ended (with respect to the Global Energy Fund for the period June 30, 2004 to December 31, 2004), in conformity with accounting principles generally accepted in the United States of America.



Philadelphia, Pennsylvania  
February 11, 2005



## TRUSTEE AND OFFICER INFORMATION (Unaudited)

Name, Address, and Age	Position(s) Held with Trusts	Date Elected†	Principal Occupation(s) During the Past 5 Years	Number of Portfolios In Fund Complex Overseen by Trustee	Other Directorships Held by Trustee
Timothy W.N. Guinness 19 Lord North Street London, SW1P 3LD U.K. (58)	Trustee	August 1998	Chairman of Guinness Asset Management Ltd., investment adviser in London, since 2003. Chairman/CIO of Guinness Atkinson, since November 2002. Joint Chairman of Investec Asset Management Ltd. September 1998 to March 2003.	4 Guinness Atkinson Funds	Investec Global Strategy Fund Limited, Investec International Accumulation Fund Limited, Investec Select Funds Plc, Investec High Income Trust Plc, SR Europe Investment Trust Plc, Atlantis Japan Growth Fund Ltd., New Boathouse Capital Ltd. Guinness Asset Management Ltd.
James I. Fordwood* 21550 Oxnard Street, Suite 750 Woodland Hills, CA 91367 (58)	Trustee	April 1994	CFO and Managing Member of Prima Marketing LLC (network of convenience stores)	4 Guinness Atkinson Funds	J.L. Energy, Inc., Intoil, Inc., Fior D'Italia.
Dr. Gunter Dufey* 21550 Oxnard Street, Suite 750 Woodland Hills, CA 91367 (65)	Trustee	April 1994	Pacific International Business Associates, a consulting firm in Singapore since 2002. Professor (em.) of MBS at The University of Michigan, where he served from 1968-2002.	4 Guinness Atkinson Funds	Independent director, four subsidiaries of GMAC in the United States and Canada.
Dr. Bret A. Herscher* 21550 Oxnard Street, Suite 750 Woodland Hills, CA 91367 (45)	Trustee	April 1994	President of Pacific Consultants, a technical and technology management consulting company serving the Electronic industry and venture capital community that he co-founded.	4 Guinness Atkinson Funds	Strawberry Tree Inc.

\* Not an "interested person", as that is defined by the 1940 Act.

† Trustees and officers of the Fund serve until their resignation, removal or retirement.

Name, Address, and Age	Position(s) Held with Trusts	Date Elected†	Principal Occupation(s) During the Past 5 Years	Number of Portfolios In Fund Complex Overseen by Trustee	Other Directorships Held by Trustee
J. Brooks Reece, Jr.* 21550 Oxnard Street, Suite 750 Woodland Hills, CA 91367 (58)	Trustee	April 1994	Vice President of Adcole Corp. a manufacturer of precision measuring machines and sun angle sensors for space satellites.	4 Guinness Atkinson Funds	Adcole Far East Ltd.
Jim Atkinson 21550 Oxnard Street, Suite 750 Woodland Hills, CA 91367 (47)	President	April 2003	Chief Executive Officer and Director of Guinness Atkinson since November 2002. Principal of ORBIS Marketing, a mutual fund marketing and advertising firm since November 2001. President of MAXfunds.com from September 2000 to March 2001. Managing Director of Guinness Flight Global Asset Management US (1993-2000).	N/A	N/A
Rita Dam 2020 E. Financial Way, Suite 100 Glendora, CA 91741 (38)	Treasurer and Secretary	November 2004	Vice President, U.S. Bancorp Fund Services, LLC, since July 2001. Vice President of the Investment Company Administration LLC (1994-July 2001).	N/A	N/A

\* Not an "interested person", as that is defined by the 1940 Act.

† Trustees and officers of the Fund serve until their resignation, removal or retirement.

## **Privacy Notice**

Guinness Atkinson Funds and Guinness Atkinson Asset Management, LLC may collect non-public information about you from the following sources:

- Information we receive about you on applications or other forms;
- Information you give us orally; and
- Information about your transactions with us.

We do not disclose any non-public personal information about our shareholders or former shareholders without the shareholder's authorization, except as required by law or in response to inquiries from governmental authorities. We restrict access to your personal and account information to those employees who need to know that information to provide products and services to you. We also may disclose that information to unaffiliated third parties (such as to brokers or custodians) only as permitted by law and only as needed for us to provide agreed services to you. We maintain physical, electronic and procedural safeguards to guard your non-public personal information.

## Guinness Atkinson Funds Information

### Board of Trustees

J. Brooks Reece, Jr., Chairman  
Dr. Gunter Dufey  
James I. Fordwood  
Timothy W.N. Guinness  
Dr. Bret A. Herscher

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Guinness Atkinson Funds			
Fund	Cusip	Ticker	Fund#
Asia Focus Fund	402031 10 8	IASMX	1096
China & Hong Kong Fund	402031 20 7	ICHKX	1094
Global Innovators Fund	402031 30 6	IWIRX	1095
Global Energy Fund	402031 40 5	GAGEX	1098

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