

**PINEBRIDGE HONG KONG EQUITY FUND**  
**(formerly known as AIG HONG KONG EQUITY FUND)**

**REPORTS AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 DECEMBER 2010**

# PineBridge Hong Kong Equity Fund

## Reports and Financial Statements For the year ended 31 December 2010

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## **PineBridge Hong Kong Equity Fund**

### **Management and Professional Service Details**

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#### **Manager**

PineBridge Investments Hong Kong Limited  
Level 31, Three Pacific Place, 1 Queen's Road East  
Hong Kong

#### **Trustee**

American International Assurance  
Company (Trustee) Limited  
2nd Floor, AIA Building, 1 Stubbs Road  
Hong Kong

#### **Administrator and Custodian**

HSBC Provident Fund Trustee (Hong Kong) Limited  
Level 13, 1 Queen's Road Central  
Hong Kong

#### **Auditor**

PricewaterhouseCoopers  
22nd Floor, Prince's Building  
Central  
Hong Kong

#### **Application and Redemption Agents**

HSBC Trustee (Hong Kong) Ltd.  
1 Queen's Road Central  
Hong Kong  
Tel: (852) 2288 6222  
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#### **Registered Office**

AIA Building  
1 Stubbs Road  
Hong Kong

#### **Legal Advisers**

Deacons  
5th Floor, Alexandra House  
18 Chater Road  
Central, Hong Kong

**PineBridge Hong Kong Equity Fund  
Investment Report  
For the year ended 31 December 2010**

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**Manager's Market Perspective**

**2010 Market Overview**

The performance of Hong Kong market was weak for the first quarter of 2010, during which we saw many profit-taking as investors started to be concerned with tightening or withdrawal measures by governments all over the world. Investors' concern was particularly significant in the Hong Kong/China market, where the index fell to a trough just before Chinese New Year on speculation of Chinese government tightening measures. For two weeks prior to Chinese New Year, news of policies for cooling down the real estate market came out almost every day, dampening sentiment on property related stocks as well as the physical property market. Another important event during the quarter was the annual Chinese governmental meetings that took place after the Chinese New Year, which was closely watched by investors looking for policy directions. During the quarter, there were also concerns on labour shortages post Chinese New Year. In terms of themes, RMB appreciation and China's internal consumption continue to be topics that are much talked about, with stocks relating to these themes doing fairly well. Towards the end of the quarter, the markets turned more active with the company reporting season.

The performance was again weak for the second quarter, largely driven by an overall weakness in global sentiment, caused by the ongoing debt crisis in Europe, as well as the continued clamp down on the property market in China. Investor concern was particularly significant in the Hong Kong/China market, where the index reached a 10-month low towards the end of May, only to recover slightly after the concerns on Europe eased, further helped by China agreeing to gradually appreciate the Renminbi. The property and commodity sectors continued to underperform during the quarter, as property transaction volumes declined and no signs of any policy easing. China finally allowed the Renminbi to appreciate in June, ending months of speculation and helped the market to recover slightly. Towards the end of the quarter, renewed concerns on Europe and weak global sentiment caused a decline in the final days of June.

Third quarter of the year was a strong one. Positive returns were mainly seen in July when worries of a double-dip recession and the European debt crisis began to recede and in September when expectations of a second round of quantitative easing by the US Federal Reserve brightened the outlook of the economy. During the quarter, policy tightening continued in China. The property market was particularly targeted as mortgage loan-to-value ratio was decreased and property tax was being considered. Regulators were also reportedly considering 15% capital adequacy ratio for the largest banks, which went much further than Basel III. That said, the economy was not experiencing "hard landing"- exports were still resilient as PMI saw its second consecutive rebound in September. Corporate earnings revision and yield curve were turning positive as well, indicating potentially further market outperformance. In Hong Kong, property market was buoyant on strong retail spending and benign job market & tourism. A recent land auction saw one piece of land sold at a valuation ahead of expectations. Equity markets also saw the launch of a large number of IPO deals, which was expected to continue well into the next quarter.

Fourth quarter of 2010 started on a slow pace following a strong September rally, as investors lowered expectations on the effects of the second round of quantitative easing by the Federal Reserve and China's unexpected rate hike. The buoyant mood in November gave way as sentiment turned sour after governments announced tightening plans to counter the inflow of money. In Asia, higher than expected CPI figures from China caused the government to announce plans for price controls. Further tightening on the credit front also caused substantial sell down in the banking and property sectors. Tensions in the Korean Peninsula caused a further correction on concerns of capital flight. Market activities were significantly slower during the month of December due to the holiday season. In Asia, overall market sentiment improved from November, despite the continued tensions in Korea. On the economic front, China held a Party congress meeting in October where the 12th Five-Year Plan (FYP) was approved. The general tone of the 12th FYP is that the government may tolerate a lower rate of growth but will aim to significantly improve the structure of the economy. In Hong Kong, retail sales continued to be strong, thanks to the influx of Chinese tourists.

**PineBridge Hong Kong Equity Fund**  
**Investment Report**  
**For the year ended 31 December 2010**

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**2010 Market Overview (continued)**

Global equity markets ended the first quarter of 2010 in positive territory. Markets were volatile throughout the quarter falling over 9% at one point as a result of fears related to European sovereign credit. Greece, in particular, was a main concern, as it became clear immediate action was necessary to reduce their budget deficit or potentially face a default. Fourth quarter results were generally positive with a majority of companies beating the bottom line, not only as a result of strong cost-cutting, but coupled with positive revenue growth as well. In fixed income, U.S. long-term bond yields moved in a broad range from 3.60% to 3.90% during the quarter. The quarter began with yields falling as U.S. employment and retail sales data disappointed, and pushed back market expectations for FOMC tightening. As we entered March, better than expected economic data boosted bond yields back to where we had started the year.

Global markets proved turbulent in the second quarter, playing to our belief that 2010 would give investors a rollercoaster ride of volatile trading within a range. Multiple extraneous events precipitated shocks to the market, causing investors to question whether the global recovery would remain on sound footing. A stock market “flash crash” in the United States, the ongoing European debt crisis, heightened tensions on the Korean peninsula, political turnover in the UK and Japan and a near miss in Germany have all given investors pause. But none of these events have a lasting impact on underlying investment fundamentals, which should form the basis of ongoing investment beliefs. In fixed income, U.S. long-term bond yields declined significantly in the quarter. In April and May, increasing concerns over Eurozone sovereign risk prompted higher investor risk aversion, in particular to Greece, while during June worse than expected U.S. housing data led to questioning of the U.S. recovery, prompting flows into government bonds as safe haven assets.

Global Equity markets experienced significant volatility in the third quarter of 2010. Investors were continuously digesting a wide array of economic data in an effort to determine the direction of the global economy. The job market remains an area of concern as we have yet to see any sustained improvement in the unemployment numbers. The lack of a convincing recovery in the job market leaves concern that consumers will be less inclined to spend money in light of an uncertain employment future. U.S. long-term bond yields declined significantly in the quarter. In August, a series of weak housing market data and disappointing employment data reignited concerns about a double dip recession risk in the U.S., prompting flows into government bonds as safe haven assets. In September, the FOMC alluded to the possibility of further Quantitative Easing (QE) in its statement, supporting bond yields across the yield curve. The U.S. 10 year government bond yield closed the quarter at 2.51%, 42 basis points below that at the end of previous quarter. The yield spread between U.S. 2 year and 10 year declined close to 20 basis points to 208 basis points.

Global equity markets experienced continued volatility in the fourth quarter of 2010 much as they did the entire year. Markets were able to finish with strong gains for the quarter due to a significant rally of nearly 7.5% in December. Positive manufacturing data and signs of an improving job market were enough to convince investors to buy equities. U.S. long-term bond yields rose significantly in the quarter. On November 3<sup>rd</sup> the FOMC announced additional QE measures, which included purchasing a further US \$600 billion of longer term U.S. Treasury bonds by the end of the second quarter of 2011. U.S. Treasury bonds, however responded poorly as investors had expected more aggressive QE measures. The rising trajectory for U.S. bond yields continued into December as economic indicators surprised to the upside going into 2011. The U.S. 10 year bond yield closed the quarter at 3.29%, 78 basis points above that at the end of the third quarter, with the yield spread between U.S. 2 year and 10 year notes widening 60 basis points to 269 basis points.

**PineBridge Hong Kong Equity Fund**  
**Investment Report**  
**For the year ended 31 December 2010**

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**2011 Market Outlook and Strategy**

2011 will be the third year post the credit crisis. We think that there are confirmation signs appearing with positive GDP growth outlook. A resumption of global industrial production momentum is likely to see the export-oriented sectors do well there. With interest rates relatively low and a weak USD, Hong Kong market looks poised for a liquidity driven rally. We expect RMB to continue its appreciation trend with China's strong foreign currency reserves and resilient growth prospects. This should lead to fund flows into the city and lend support to the equity market. We believe 2011 will also be a year when Chinese government strikes a balance between curbing inflation and the need to sustain strong growth. As real interest rates are expected to remain negative, authorities in both mainland China and Hong Kong are likely to control property speculation via regulatory tools. This may dampen demand for properties, yet liquidity may as a result flow into other asset classes such as equities. In addition, stock market should benefit from improving domestic consumption and rising wealth effects as well.

Economic data gives hope to a sustained recovery in the U.S. on the back of strong manufacturing data and relative improvement in the job market. Concerns around the sovereign debt crisis persist in Europe, and whether a permanent resolution can be met. The debt crisis will likely remain a key topic in 2011 for Europe along with their ability to maintain an economic recovery amid the implementation of austerity measures. While the FOMC's strong commitment to QE via U.S. Treasury bond purchases should cap the upper range for long dated yields, an improving U.S. economic outlook in 2011 and 2012 will work in the opposite direction. As a result, we expect the U.S. 10 year yield to range around 3.4% in the near term. With respect to FX strategy, we maintain overweights in the Asian currencies and commodity-related currencies versus the U.S. dollar and the euro. We expect the Polish zloty and Mexican peso to remain attractive as the combination of improving growth and an aggressive accommodative monetary policy in the U.S. supports these higher beta currencies.

**PineBridge Hong Kong Equity Fund**  
**Investment Report**  
**As at 31 December 2010**

**INVESTMENT PORTFOLIO**

LISTED EQUITIES	Holding Shares	Market Value HK\$	% of Net Assets
<b>HONG KONG</b>			
AAC ACOUSTIC TECHNOLOGIES HLDGS INC	6,338,000	131,513,500	2.00%
ASM PACIFIC TECHNOLOGY LTD	1,203,000	118,495,500	1.80%
BANK OF CHINA LTD H SHS	84,515,200	344,822,016	5.24%
BANK OF EAST ASIA LTD	2,289,492	74,637,439	1.13%
BEIJING ENTERPRISES HOLDINGS LTD	1,324,000	63,485,800	0.96%
BOC HONG KONG HOLDINGS LTD	4,714,500	124,462,800	1.89%
CHANGSHA ZOOMLION HEAVY INDUSTRY H SHS	747,000	13,117,320	0.20%
CHEUNG KONG (HOLDINGS) LTD	1,776,000	212,942,400	3.24%
CHINA CONSTRUCTION BANK H SHS	47,347,500	329,538,600	5.01%
CHINA COSCO HOLDINGS CO LTD H SHS	8,552,500	70,472,600	1.07%
CHINA HIGH SPEED TRANSMISSION EQUIP	4,109,000	49,636,720	0.75%
CHINA LIFE INSURANCE CO LTD H SHS	8,137,000	257,536,050	3.91%
CHINA MERCHANTS BANK CO LTD H SHS	7,471,433	146,290,658	2.22%
CHINA MOBILE LTD H SHS	3,576,000	275,530,800	4.19%
CHINA OVERSEAS LAND & INVESTMENT LIMITED	4,230,720	60,330,067	0.92%
CHINA SHENHUA ENERGY CO LTD H SHS	5,799,000	188,757,450	2.87%
CHINA YURUN FOOD GROUP LIMITED	633,000	16,109,850	0.24%
CITIC PACIFIC LTD	3,633,000	72,660,000	1.10%
CLP HOLDINGS LTD	1,811,000	114,183,550	1.73%
CNOOC LTD	18,016,000	330,773,760	5.03%
DIGITAL CHINA HOLDINGS LTD	8,260,000	119,935,200	1.82%
ESPRIT HOLDINGS LTD	1,102,155	40,834,843	0.62%
HANG LUNG GROUP LTD	1,893,000	97,110,900	1.48%
HANG LUNG PROPERTIES LTD	2,271,000	82,550,850	1.25%
HANG SENG BANK LTD	510,800	65,280,240	0.99%
HENDERSON LAND DEVELOPMENT CO LTD	1,069,455	56,681,115	0.86%
HENGAN INTL GROUP CO LTD	1,674,500	112,275,225	1.71%
HONG KONG EXCHANGES AND CLEARING LTD	551,400	97,211,820	1.48%
HONGKONG ELECTRIC HOLDINGS LTD	923,000	45,273,150	0.69%
HSBC HOLDINGS PLC	6,778,368	539,897,011	8.20%
HUTCHISON WHAMPOA LTD	2,356,300	188,739,630	2.87%
INDUSTRIAL AND COMM BANK OF CHINA H SHS	57,371,545	331,033,815	5.03%
LEE & MAN PAPER MANUFACTURING LTD	20,537,000	120,757,560	1.83%
LENOVO GROUP LTD	17,120,000	85,257,600	1.30%
LI & FUNG LIMITED	3,715,110	168,294,483	2.56%
MTR CORP LTD	2,610,931	73,889,348	1.12%
PETROCHINA CO LTD H SHS	20,370,000	205,737,000	3.13%
PING AN INSURANCE (GRP) CO OF CHINA H SHS	1,327,000	114,918,200	1.75%
SHANGHAI INDUSTRIAL HOLDINGS LTD	674,000	22,579,000	0.34%
SHANGRI-LA ASIA LTD	3,558,000	75,073,800	1.14%
SINO LAND CO LTD	1,970,169	28,646,257	0.44%
SKYWORTH DIGITAL HOLDINGS LTD	20,441,659	93,827,215	1.43%
SUN HUNG KAI PROPERTIES LTD	1,612,558	207,213,703	3.15%
SWIRE PACIFIC LIMITED A	1,074,500	137,321,100	2.09%
TECHTRONIC INDUSTRIES CO LTD	8,800,000	89,232,000	1.36%
TENCENT HLDGS LTD	293,900	49,816,050	0.76%
VTECH HOLDINGS LTD	506,200	45,861,720	0.70%
WHARF (HOLDINGS) LTD.,THE	920,000	55,016,000	0.84%
ZHUZHOU CSR TIMES ELECTRIC CO LTD H SHS	2,952,000	89,740,800	1.36%
<b>TOTAL INVESTMENTS*</b>		<u>6,435,302,515</u>	<u>97.80%</u>
<b>TOTAL INVESTMENTS, AT COST*</b>		<u>5,063,815,588</u>	

\* Investments are accounted for on a trade date basis.

**PineBridge Hong Kong Equity Fund**  
**Investment Report**  
**For the year ended 31 December 2010**

**STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO**

	Holdings			31 December 2010 Shares
	1 January 2010 Shares	Additions Shares	Deductions Shares	
<b>LISTED EQUITIES</b>				
<b>HONG KONG</b>				
AAC ACOUSTIC TECHNOLOGIES HLDGS INC	5,810,000	528,000	-	6,338,000
ANGANG STEEL CO LTD H SHS	4,596,000	-	(4,596,000)	-
ASM PACIFIC TECHNOLOGY LTD	910,700	522,400	(230,100)	1,203,000
BANK OF CHINA LTD H SHS	56,860,000	41,916,200	(14,261,000)	84,515,200
BANK OF CHINA LTD H SHS RTS (NOV2010)	-	7,683,200	(7,683,200)	-
BANK OF COMMUNICATIONS CO LTD H SHS	6,910,000	-	(6,910,000)	-
BANK OF EAST ASIA LTD	2,289,492	-	-	2,289,492
BEIJING ENTERPRISES HOLDINGS LTD	1,324,000	-	-	1,324,000
BELLE INTERNATIONAL HOLDINGS LTD	2,890,000	4,357,000	(7,247,000)	-
BOC HONG KONG HOLDINGS LTD	2,421,500	2,293,000	-	4,714,500
CHANGSHA ZOOMLION HEAVY INDUSTRY H SHS	-	747,000	-	747,000
CHEUNG KONG (HOLDINGS) LTD	1,620,000	156,000	-	1,776,000
CHINA CONSTRUCTION BANK H SHS	53,177,000	3,097,500	(8,927,000)	47,347,500
CHINA CONSTRUCTION BANK-H RTS (NOV2010)	-	3,097,500	(3,097,500)	-
CHINA COSCO HOLDINGS CO LTD H SHS	5,337,000	3,215,500	-	8,552,500
CHINA HIGH SPEED TRANSMISSION EQUIP	2,210,000	1,899,000	-	4,109,000
CHINA LIFE INSURANCE CO LTD H SHS	7,935,000	1,465,000	(1,263,000)	8,137,000
CHINA MENGNIU DAIRY CO LTD	3,063,000	606,000	(3,669,000)	-
CHINA MERCHANTS BANK CO LTD H SHS	4,272,950	3,198,483	-	7,471,433
CHINA MERCHANTS BANK CO-H RTS (MAR2010)	-	555,483	(555,483)	-
CHINA MOBILE LTD H SHS	3,850,000	2,252,000	(2,526,000)	3,576,000
CHINA OVERSEAS LAND & INVESTMENT LIMITED	4,230,720	-	-	4,230,720
CHINA PETROLEUM & CHEMICAL CORP H SHS	11,940,000	-	(11,940,000)	-
CHINA RESOURCES ENTERPRISE LIMITED	1,000,000	1,162,000	(2,162,000)	-
CHINA SHENHUA ENERGY CO LTD H SHS	3,891,000	2,393,500	(485,500)	5,799,000
CHINA UNICOM HONG KONG LTD	4,650,160	-	(4,650,160)	-
CHINA YURUN FOOD GROUP LIMITED	-	633,000	-	633,000
CITIC PACIFIC LTD	-	3,633,000	-	3,633,000
CLP HOLDINGS LTD	1,521,500	289,500	-	1,811,000
CNOOC LTD	20,584,000	1,995,000	(4,563,000)	18,016,000
DATANG INTL POWER GENERATION CO LTD H SHS	4,570,000	-	(4,570,000)	-
DIGITAL CHINA HOLDINGS LTD	-	8,260,000	-	8,260,000
ESPRIT HOLDINGS LTD	-	1,102,155	-	1,102,155
EVERGREEN INTERNATIONAL HOLDINGS LTD	-	445,000	(445,000)	-
FOXCONN INTL HLDGS	3,280,000	-	(3,280,000)	-
HANG LUNG GROUP LTD	1,893,000	-	-	1,893,000
HANG LUNG PROPERTIES LTD	2,271,000	-	-	2,271,000
HANG SENG BANK LTD	658,900	-	(148,100)	510,800
HENDERSON LAND DEV CO LTD WTS 1JUN2011	-	212,600	(212,600)	-
HENDERSON LAND DEVELOPMENT CO LTD	1,376,000	6,455	(313,000)	1,069,455
HENGAN INTL GROUP CO LTD	1,912,000	563,000	(800,500)	1,674,500
HONG KONG & CHINA GAS CO LTD	673,800	-	(673,800)	-
HONG KONG EXCHANGES AND CLEARING LTD	357,000	194,400	-	551,400
HONGKONG ELECTRIC HOLDINGS LTD	547,000	376,000	-	923,000
HSBC HOLDINGS PLC	5,594,517	1,474,651	(290,800)	6,778,368
HUABAO INTL HOLDINGS LTD	5,805,000	564,000	(6,369,000)	-
HUTCHISON WHAMPOA LTD	1,983,300	373,000	-	2,356,300

**PineBridge Hong Kong Equity Fund**  
**Investment Report**  
**For the year ended 31 December 2010**

**STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (CONTINUED)**

	Holdings			31 December 2010 Shares
	1 January 2010 Shares	Additions Shares	Deductions Shares	
<b>LISTED EQUITIES</b>				
<b>HONG KONG (CONTINUED)</b>				
INDL & COMM BK OF CHINA-H RTS (NOV2010)	-	2,470,545	(2,470,545)	-
INDUSTRIAL AND COMM BANK OF CHINA H SHS	41,719,000	26,577,545	(10,925,000)	57,371,545
INTEGRATED DISTRIBUTION SVCS GROUP LTD	1,686,000	-	(1,686,000)	-
LEE & MAN PAPER MANUFACTURING LTD	-	20,537,000	-	20,537,000
LEE & MAN PAPER MANUFACTURING LTD-NEW	6,380,800	2,275,200	(8,656,000)	-
LENOVO GROUP LTD	-	17,120,000	-	17,120,000
LI & FUNG LIMITED	2,266,800	1,588,310	(140,000)	3,715,110
LI NING CO LTD	1,813,000	-	(1,813,000)	-
MTR CORP LTD	2,269,701	774,230	(433,000)	2,610,931
PARKSON RETAIL GROUP LTD	2,896,000	1,397,500	(4,293,500)	-
PETROCHINA CO LTD H SHS	18,018,000	4,208,000	(1,856,000)	20,370,000
PING AN INSURANCE (GRP) CO OF CHINA H SHS	1,519,000	168,000	(360,000)	1,327,000
SHANGHAI INDUSTRIAL HOLDINGS LTD	-	674,000	-	674,000
SHANGRI-LA ASIA LTD	-	3,558,000	-	3,558,000
SHUI ON LAND LTD	10,392,400	-	(10,392,400)	-
SHUN TAK HOLDINGS LIMITED	8,450,000	-	(8,450,000)	-
SINO LAND CO LTD	1,956,814	13,355	-	1,970,169
SKYWORTH DIGITAL HOLDINGS LTD	-	20,441,659	-	20,441,659
SUN HUNG KAI PROPERTIES LTD	1,601,000	11,558	-	1,612,558
SWIRE PACIFIC LIMITED A	792,000	282,500	-	1,074,500
TECHTRONIC INDUSTRIES CO LTD	7,800,000	1,000,000	-	8,800,000
TENCENT HLDGS LTD	424,500	34,300	(164,900)	293,900
VTECH HOLDINGS LTD	-	506,200	-	506,200
WHARF (HOLDINGS) LTD.,THE	-	920,000	-	920,000
YANZHOU COAL MINING CO LTD H SHS	3,400,000	-	(3,400,000)	-
ZHUZHOU CSR TIMES ELECTRIC CO LTD H SHS	2,501,000	1,774,000	(1,323,000)	2,952,000
ZTE CORP H SHS	1,552,000	598,600	(2,150,600)	-

**PineBridge Hong Kong Equity Fund**  
**Investment Report**  
**For the year ended 31 December 2010**

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PineBridge Hong Kong Equity Fund (formerly known as AIG Hong Kong Equity Fund) (the "Fund"), is a unit trust governed by its Trust Deed dated 10 August 1998, as amended. The Fund is managed in accordance with the distinct investment policy. There have been no changes to the investment policy during the year.

**Investment objectives and policies**

The Fund seeks to provide capital appreciation through a managed portfolio of shares in companies listed on The Stock Exchange of Hong Kong Limited. Hong Kong is in the Manager's view well placed to prosper directly from economic activities in the Asian region and the economic emergence of People's Republic of China.

	2010 HK\$	2009 HK\$	2008 HK\$
<b>Investments and investment income</b>			
Total value of investments	6,435,302,515	5,490,962,803	2,827,652,572
Interest on bank deposits	285,790	154,242	2,712,108
Dividend income (net of withholding tax)	140,272,883	109,496,587	115,663,930
Net foreign currency (losses)/gains	(486)	(209)	9
Net income excluding capital appreciation/(depreciation)	132,059,063	100,758,597	106,671,198
Net appreciation/(depreciation) of investments - realized and unrealized	396,788,075	1,970,358,268	(2,642,707,652)

**Performance table**

**Net asset value**

	Total net asset value HK\$	Net asset value per unit HK\$
2010 - Standard units	513,086,223	31.17
2010 - Provident Fund units	6,066,966,282	33.89
2009 - Standard units	492,272,812	29.14
2009 - Provident Fund units	5,220,059,828	30.90
2008 - Standard units	273,904,068	17.99
2008 - Provident Fund units	2,786,775,921	19.46

**PineBridge Hong Kong Equity Fund  
Investment Report  
For the year ended 31 December 2010**

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Performance table (continued)

Performance record for the past 10 years

	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$	Annualized investment return (Note 1) %
2010 - Standard units	33.51	25.28	6.98
2010 - Provident Fund units	36.29	27.07	9.68
2009 - Standard units	30.11	14.81	61.99
2009 - Provident Fund units	31.82	16.32	58.79
2008 - Standard units	35.51	13.71	(49.54)
2008 - Provident Fund units	36.67	15.15	(47.11)
2007 - Standard units	40.41	21.94	51.16
2007 - Provident Fund units	41.48	22.79	50.97
2006 - Standard units	23.59	15.73	50.86
2006 - Provident Fund units	24.38	16.29	50.54
2005 - Standard units	15.80	13.10	12.20
2005 - Provident Fund units	16.35	13.49	13.11
2004 - Standard units	13.94	10.18	17.98
2004 - Provident Fund units	14.32	10.46	18.91
2003 - Standard units	11.81	7.37	46.19
2003 - Provident Fund units	12.04	7.52	47.03
2002 - Standard units	10.19	7.68	(15.21)
2002 - Provident Fund units	10.23	7.76	(14.23)
2001 - Standard units	11.29	7.49	(11.34)
2001 - Provident Fund units	11.31	7.51	(11.28)

Note 1: The annualized investment return is calculated by comparing the net asset value per unit at the year end against the net asset value per unit at the beginning of the year.

**PineBridge Hong Kong Equity Fund  
Trustee's Report  
For the year ended 31 December 2010**

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We hereby confirm that, in our opinion, the Manager of the Fund has, in all material respects, managed the Fund for the year ended 31 December 2010 in accordance with the provisions of the Trust Deed dated 10 August 1998, as amended.

On behalf of  
American International Assurance Company (Trustee) Limited

X  
Director | BT

X *Chun King Shing*  
Director | JK

**INDEPENDENT AUDITOR'S REPORT  
TO THE TRUSTEE OF PINEBRIDGE HONG KONG EQUITY FUND  
(FORMERLY KNOWN AS AIG HONG KONG EQUITY FUND) (THE "FUND")**

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**Report on the Financial Statements**

We have audited the financial statements of the Fund set out on pages 13 to 28, which comprise the statement of net assets as at 31 December 2010, and the statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

The Trustee and the Manager (the "Management") of the Fund are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and are responsible for ensuring that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed dated 10 August 1998, as amended (the "Trust Deed"), the relevant financial statements disclosure provisions specified in Appendix E of the Code on Unit Trusts and Mutual Funds established by the Securities and Futures Commission of Hong Kong (the "SFC Code"), the Hong Kong Mandatory Provident Fund Schemes Ordinance (the "Ordinance"), the Hong Kong Mandatory Provident Fund Schemes (General) Regulation (the "General Regulation"), the Code on MPF Investment Funds (the "MPF Code"), and Guideline II.5 issued by the Mandatory Provident Fund Schemes Authority (the "MPF Guideline"), and for such internal control as the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**INDEPENDENT AUDITOR'S REPORT  
TO THE TRUSTEE OF PINEBRIDGE HONG KONG EQUITY FUND  
(FORMERLY KNOWN AS AIG HONG KONG EQUITY FUND) (THE "FUND")  
(CONTINUED)**

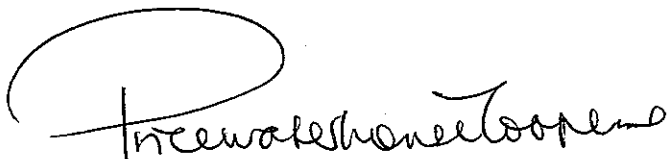
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**Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31 December 2010, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

**Report on Other Legal and Regulatory Disclosure Requirements**

We report that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed, the relevant financial statements disclosure provisions specified in the SFC Code, the Ordinance, the General Regulation, the MPF Code and the MPF Guideline.



**PricewaterhouseCoopers**  
Certified Public Accountants


Hong Kong, 26 April 2011

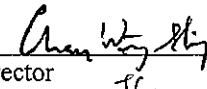
**PineBridge Hong Kong Equity Fund**  
**Statement of Net Assets**  
**As at 31 December 2010**


	Note	2010 HK\$	2009 HK\$
<b>Assets</b>			
<b>Current assets</b>			
Investments	4(b)	6,435,302,515	5,490,962,803
Dividends receivable		5,228,142	3,470,950
Interest receivable		826	293
Amounts receivable on subscription		10,420,146	5,715,741
Cash and cash equivalents		<u>125,640,869</u>	<u>214,256,646</u>
<b>Total assets</b>		<u><u>6,576,592,498</u></u>	<u><u>5,714,406,433</u></u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Amounts payable on redemption		6,237,174	7,135,197
Accounts payable and accrued expenses		<u>1,381,269</u>	<u>1,304,535</u>
<b>Liabilities (excluding net assets attributable to unitholders)</b>		<u><u>7,618,443</u></u>	<u><u>8,439,732</u></u>
<b>Net assets attributable to unitholders (at bid market prices)</b>		6,568,974,055	5,705,966,701
Adjustment from bid market prices to last traded market prices	3	<u>11,078,450</u>	<u>6,365,939</u>
<b>Net assets attributable to unitholders (at last traded market prices)</b>	3	<u><u>6,580,052,505</u></u>	<u><u>5,712,332,640</u></u>

On behalf of  
American International Assurance  
Company (Trustee) Limited

On behalf of  
PineBridge Investments  
Hong Kong Limited

x   
\_\_\_\_\_  
Director *BJ*

x   
\_\_\_\_\_  
Director *JC*

  
\_\_\_\_\_  
Director

The notes on pages 17 to 28 are an integral part of these financial statements.

**PineBridge Hong Kong Equity Fund**  
**Statement of Comprehensive Income**  
**For the year ended 31 December 2010**

	Note	2010 HK\$	2009 HK\$
<b>Income</b>			
Interest on bank deposits		285,790	154,242
Dividend income		147,056,281	116,070,347
Net gains on investments	6	396,788,075	1,970,358,268
Net foreign currency losses		(486)	(209)
Other income		-	4,363
<b>Total investment income</b>		<u>544,129,660</u>	<u>2,086,587,011</u>
<b>Expenses</b>			
Management fee	8(a)	6,110,768	4,757,518
Trustee's fee	8(b)	2,844,138	2,201,994
Custodian and administration fees	8(c)	4,026,580	3,296,657
Audit fee		100,714	189,413
Bank charges		-	22
Legal and professional fee		30,379	-
Other expenses		99,056	121,473
<b>Total operating expenses</b>		<u>13,211,635</u>	<u>10,567,077</u>
<b>Net profit before tax</b>		530,918,025	2,076,019,934
Withholding tax	7(c)	<u>(6,783,398)</u>	<u>(6,573,760)</u>
<b>Net profit after tax</b>		524,134,627	2,069,446,174
Adjustments from bid market prices to last traded market prices	3	<u>4,712,511</u>	<u>1,670,691</u>
<b>Increase in net assets attributable to unitholders from operations</b>		<u>528,847,138</u>	<u>2,071,116,865</u>

The notes on pages 17 to 28 are an integral part of these financial statements.

**PineBridge Hong Kong Equity Fund**  
**Statement of Changes in Net Assets Attributable to Unitholders**  
**For the year ended 31 December 2010**

	Note	2010 HK\$	2009 HK\$
Net assets attributable to unitholders at 1 January (at last traded market prices)		<u>5,712,332,640</u>	<u>3,060,679,989</u>
Issue of units	3	1,278,788,431	1,126,777,504
Redemption of units	3	<u>(939,915,704)</u>	<u>(546,241,718)</u>
Net increase from unit transactions		<u>338,872,727</u>	<u>580,535,786</u>
Increase in net assets attributable to unitholders from operations		<u>528,847,138</u>	<u>2,071,116,865</u>
Net assets attributable to unitholders at 31 December (at last traded market prices)		<u>6,580,052,505</u>	<u>5,712,332,640</u>

The notes on pages 17 to 28 are an integral part of these financial statements.

**PineBridge Hong Kong Equity Fund**  
**Statement of Cash Flows**  
**For the year ended 31 December 2010**

	2010 HK\$	2009 HK\$
<b>Cash flows from operating activities</b>		
Increase in net assets attributable to unitholders from operations	528,847,138	2,071,116,865
Adjustment for:		
Dividend income	(147,056,281)	(116,070,347)
Interest on bank deposits	(285,790)	(154,242)
Withholding tax	6,783,398	6,573,760
Adjustments from bid market prices to last traded market prices	<u>(4,712,511)</u>	<u>(1,670,691)</u>
Operating profit before working capital changes	383,575,954	1,959,795,345
Net increase in investments	(944,339,712)	(2,663,310,231)
Net increase in accounts payable and accrued expenses	<u>76,734</u>	<u>535,037</u>
Cash used in operations	(560,687,024)	(702,979,849)
Dividend income received	138,515,691	109,913,996
Interest on bank deposits received	<u>285,257</u>	<u>155,417</u>
<b>Net cash used in operating activities</b>	<u>(421,886,076)</u>	<u>(592,910,436)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of units	1,274,084,026	1,128,288,569
Payments on redemption of units	<u>(940,813,727)</u>	<u>(542,157,588)</u>
<b>Net cash generated from financing activities</b>	<u>333,270,299</u>	<u>586,130,981</u>
<b>Net decrease in cash and cash equivalents</b>	(88,615,777)	(6,779,455)
Cash and cash equivalents at the beginning of the year	<u>214,256,646</u>	<u>221,036,101</u>
<b>Cash and cash equivalents at the end of the year</b>	<u>125,640,869</u>	<u>214,256,646</u>
<b>Analysis of balance of cash and cash equivalents</b>		
Cash at banks	<u>125,640,869</u>	<u>214,256,646</u>

The notes on pages 17 to 28 are an integral part of these financial statements.

**PineBridge Hong Kong Equity Fund**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2010**

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**1. The Fund**

PineBridge Hong Kong Equity Fund (formerly known as AIG Hong Kong Equity Fund) (the “Fund”) is a unit trust governed by its Trust Deed dated 10 August 1998, as amended. The Fund has been authorized by the Securities and Futures Commission of Hong Kong and approved by the Mandatory Provident Fund Schemes Authority of Hong Kong.

**2. Summary of significant accounting policies**

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**(a) Basis of preparation**

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities held at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires the Trustee and Manager to exercise its judgment in the process of applying the Fund’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 5.

New standards and amendments to standards that are relevant to the Fund but are not yet effective and have not been early adopted by the Fund

HKFRS 9, “Financial instruments part 1: Classification and measurement”. HKFRS 9 was issued in November 2009 and replaces those parts of HKAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortized cost. The decision is to be made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

An instrument is subsequently measured at amortized cost only if it is a debt instrument and both the objective of the entity’s business model is to hold the asset to collect the contractual cash flows, and the asset’s contractual cash flows represent only payments of principal and interest (that is, it has only ‘basic loan features’). All other debt instruments are to be measured at fair value through profit or loss.

All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity instruments, an irrevocable election can be made at initial recognition, to recognise unrealized and realized fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit and loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit and loss, as long as they represent a return on investment.

The Fund will apply the standard from 1 January 2013. However, it is not expected to have a significant impact on the Fund’s financial statements.

**PineBridge Hong Kong Equity Fund**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2010**

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**2. Summary of significant accounting policies (continued)**

**(b) Investments**

All investments are classified as “financial assets at fair value through profit or loss”. These financial assets are classified as held for trading or designated by the Trustee at fair value through profit or loss at inception. Purchases and sales of investments are accounted for on a trade date basis. Investments are initially recognized at fair value, excluding transaction costs which are expensed as incurred in the statement of comprehensive income, and are subsequently re-measured at fair value. Realized and unrealized gains and losses on investments are recognized in the statement of comprehensive income within “net gains/(losses) on investments” in the period in which they arise. Investments are derecognized when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

The following represent the basis of valuation for financial reporting purposes:

- (i) Investments that are listed or traded on an exchange are fair valued based on quoted “bid” prices.
- (ii) Investments which are not listed on an exchange or are thinly traded are valued by using quotes from brokers.

**(c) Income**

Dividends on equities are recognized in the statement of comprehensive income when the Fund’s right to receive payments is established. The corresponding withholding taxes are recorded as a separate item in the statement of comprehensive income.

Interest income is recognized on a time proportion basis using the effective interest method. Other income is accounted for on an accruals basis.

**2. Summary of significant accounting policies (continued)**

**(d) Translation of foreign currencies**

**(i) Functional and presentation currencies**

Items included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). The financial statements are presented in Hong Kong dollar, which is the Fund's functional and presentation currency.

**(ii) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the year end date.

Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income.

Foreign exchange gains and losses relating to cash and cash equivalents are presented in the statement of comprehensive income within "net foreign currency gains/(losses)".

Foreign exchange gains and losses relating to the financial assets and liabilities carried at fair value through profit or loss are presented in the statement of comprehensive income within "net gains/(losses) on investments".

**(e) Expenses**

Expenses are accounted for on an accruals basis.

**(f) Subscription and redemption of units**

Proceeds and payments on the subscription and redemption of units recorded in the statement of changes in net assets attributable to unitholders exclude any entry or exit fees payable with respect to the subscription and redemption of units in the Fund. Entry and exit fees, if any, are paid directly to the Manager and are therefore not reflected in the financial statements. Redemptions from the Fund are recorded gross of any exit fees payable after the redemption of units. The price at which units are subscribed or redeemed is calculated by reference to the net asset value per unit as at the close of business on the relevant dealing day. The basis adopted by the Fund in arriving at the net asset value per unit for subscription and redemption purposes during the year may not be the same as the accounting principles adopted for the preparation of these financial statements.

**(g) Cash and cash equivalents**

Cash and cash equivalents includes cash at banks, deposits held with banks with original maturities of three months or less and bank overdrafts, if any.

**3. Number of units in issue and net assets attributable to unitholders per unit**

The Fund's capital is represented by the units in the Fund, and shown as "net assets attributable to unitholders" in the statement of net assets. The Fund has no restrictions on the subscriptions and redemptions of units. Subscriptions and redemptions of units during the year are shown in the statement of changes in net assets attributable to unitholders. In order to achieve the investment objectives, the Fund endeavors to invest its capital in accordance with the investment policies as outlined in note 4, whilst maintaining sufficient liquidity to meet redemption requests. Such liquidity is augmented by the holding of liquid investments.

**PineBridge Hong Kong Equity Fund**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2010**

**3. Number of units in issue and net assets attributable to unitholders per unit (continued)**

In accordance with the provisions of the Fund's Trust Deed dated 10 August 1998, as amended, listed investments and investments with prices quoted in over the counter markets or by market makers are stated at the last traded price on the valuation day for the purpose of determining net asset value per unit for subscriptions and redemptions and for various fee calculation. However, as stated in note 2(b), the accounting policy of the Fund for the purpose of financial statements preparation in compliance with HKAS 39 is to value investments at the relevant bid market prices on the year end date. As at 31 December 2010, the valuation of investments in accordance with HKAS 39 as shown in the financial statements results in a decrease in value of investments by HK\$11,078,450 (2009: HK\$6,365,939), compared with using the valuation methodology indicated in the Fund's Trust Deed.

Net assets attributable to unitholders represent a liability in the statement of net assets, carried at the redemption amount that would be payable at the year end date if the unitholder exercised the right to redeem the units in the Fund. Consequently, the amount of HK\$4,712,511 (2009: HK\$1,670,691) adjusts the carrying amount of the net assets attributable to unitholders and is recognized in the statement of comprehensive income. The cumulative differences are included as "adjustment from bid market prices to last traded market prices" in the statement of net assets.

	2010 Units	2009 Units
Number of Standard units in issue	16,458,851	16,893,142
Number of Provident Fund units in issue	179,027,584	168,942,807
	HK\$	HK\$
Net asset value per Standard unit	31.17	29.14
Net asset value per Provident Fund unit	33.89	30.90

	2010 Standard Units	2010 Provident Fund Units	2009 Standard Units	2009 Provident Fund Units
Balance brought forward	16,893,142	168,942,807	15,226,061	143,216,742
Total issues	4,132,640	37,191,075	5,842,218	44,207,984
Total redemptions	(4,566,931)	(27,106,298)	(4,175,137)	(18,481,919)
Balance carried forward	16,458,851	179,027,584	16,893,142	168,942,807

The Fund offers two classes of units. Provident Fund units are offered to provident fund schemes approved by the Mandatory Provident Fund Schemes Authority. Standard units are offered to all investors other than the provident fund schemes approved by the Mandatory Provident Fund Schemes Authority.

**PineBridge Hong Kong Equity Fund**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2010**

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**4. Financial risk management**

**(a) Financial risk factors**

The investment objective of the Fund is to achieve capital appreciation. The Fund seeks to achieve its investment objective through a managed portfolio of shares in large and well established companies quoted on The Stock Exchange of Hong Kong Limited.

The Fund is expected to provide a return in excess of the relevant benchmark index, which is the Hang Seng Total Return Index Series.

The Fund is exposed to market price risk, cash flow interest rate risk, credit and custody risk, liquidity risk and currency risk.

The risks and the respective risk management policies employed by the Fund to manage these risks are discussed below.

**(b) Market price risk**

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

All investments present a risk of loss of capital. The Fund's market price risk is managed through (i) deliberate securities selection, and (ii) diversification of the investment portfolio.

As at year end, the overall market exposures were as follows:

	2010			2009		
	Fair value HK\$	Cost HK\$	% of net assets	Fair value HK\$	Cost HK\$	% of net assets
Held for trading:						
Listed equities	<u>6,435,302,515</u>	<u>5,063,815,588</u>	<u>97.80</u>	<u>5,490,962,803</u>	<u>4,151,251,833</u>	<u>96.12</u>

**Net market exposures**

The following table shows the net market exposure the Fund has to various markets, incorporating the underlying market risk through all financial assets and liabilities held by the Fund.

	2010 HK\$ equivalent	2009 HK\$ equivalent
Markets exposed to		
Hong Kong	<u>6,435,302,515</u>	<u>5,490,962,803</u>

**PineBridge Hong Kong Equity Fund**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2010**

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**4. Financial risk management (continued)**

**(b) Market price risk (continued)**

The following table shows net exposures to sectors as at 31 December 2010 and 2009:

	2010 %	2009 %
Sectors exposed to		
Basic Materials	3	3
Communications	6	9
Consumer, Cyclical	8	3
Consumer, Non-cyclical	2	4
Diversified	6	4
Energy	11	13
Financial	49	53
Industrial	8	6
Technology	3	1
Utilities	4	4
	<u>100</u>	<u>100</u>

There were no individual investments with market value exceeding 10% of the Fund's net asset value at 31 December 2010 and 2009.

The table below summarizes the impact on net assets attributable to unitholders as a result of increases/decreases of the key index to which the Fund is exposed. The analysis is based on the assumption that the index had increased/decreased by the respective percentage with all other variables held constant and the Fund's investments moved according to the historical correlation with the index.

	2010		2009	
	Change in market index % +/-	Impact HK\$ +/-	Change in market index % +/-	Impact HK\$ +/-
Hang Seng Total				
Return Index Series	9%	564,550,058	10%	543,242,834

The Manager has used their view of what would be a "reasonable shift" in the Hang Seng Total Return Index Series, having regard to the historical volatility of the index, to estimate the change for use in the market price risk sensitivity analysis above.

Disclosures above are shown in absolute terms, changes and impacts could be positive or negative. Changes in market index % are revised annually depending on the Manager's current view of market volatility and other relevant factors.

**PineBridge Hong Kong Equity Fund**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2010**

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**4. Financial risk management (continued)**

**(c) Cash flow interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The majority of the Fund's financial assets and liabilities are non-interest bearing, as the Fund invests only in listed equities. As a result, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents are invested at short-term market interest rates.

As at 31 December 2010, the Fund had bank balances of HK\$125,640,869 (2009: HK\$214,256,646) and is therefore exposed to cash flow interest rate risk which is considered by the Manager to be minimal as they are short-term instruments all with maturities less than one month.

As the Manager believes that the Fund has no significant interest rate risk exposure, no interest rate sensitivity analysis is disclosed.

**(d) Credit and custody risk**

The Fund is exposed to credit risk which is the risk that an issuer or counterparty will be unable or unwilling to pay amounts in full when due.

The Fund's financial assets which are potentially subject to concentrations of credit risk consist principally of cash and cash equivalents and assets held with the custodian. The table below summarizes the assets placed with banks and custodian at 31 December 2010 and 2009:

**At 31 December 2010**

	HK\$	Credit rating	Source of credit rating
<u>Custodian</u>			
HSBC Provident Fund Trustee (Hong Kong) Limited	6,435,302,515	A-1+	S&P
<u>Banks</u>			
Bank of China, HK	125,635,000	A-2	S&P
The Hongkong and Shanghai Banking Corporation Ltd	5,869	A-1+	S&P

**At 31 December 2009**

	HK\$	Credit rating	Source of credit rating
<u>Custodian</u>			
HSBC Provident Fund Trustee (Hong Kong) Limited	5,490,962,803	A-1+	S&P
<u>Banks</u>			
Dah Sing Bank, HK	214,250,000	A-2u	S&P
The Hongkong and Shanghai Banking Corporation Ltd	6,646	A-1+	S&P

The maximum exposure to credit risk at year end is the carrying amount of the financial assets as shown on the statement of net assets.

None of the assets is impaired nor past due but not impaired.

**PineBridge Hong Kong Equity Fund**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2010**

**4. Financial risk management (continued)**

**(d) Credit and custody risk (continued)**

All transactions in listed securities are settled/paid for upon delivery using approved and reputable brokers. The risk of default is considered minimal since delivery of securities sold is only made when the broker has received payment. Payment is made on a purchase when the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

The Fund limits its exposure to credit risk by transacting the majority of its securities and contractual commitment activities with broker-dealers, banks and regulated exchanges with high credit ratings and that the Fund considers to be well established.

**(e) Liquidity risk**

Liquidity risk is the risk that an enterprise will encounter difficulty in settling a liability, including a redemption request.

The Fund is exposed to daily cash redemptions of units in the Fund. The Fund invests the majority of its assets in investments that are traded in an active market and can be readily disposed of.

The table below analyzes the Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the year end date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month HK\$	1-3 months HK\$	Over 3 months HK\$
<b>At 31 December 2010</b>			
Amounts payable on redemption	6,237,174	-	-
Accounts payable and accrued expenses	1,240,222	11,116	129,931
Net assets attributable to unitholders (at last traded market prices)	6,580,052,505	-	-
<b>Total financial liabilities</b>	<u>6,587,529,901</u>	<u>11,116</u>	<u>129,931</u>
<b>At 31 December 2009</b>			
Amounts payable on redemption	7,135,197	-	-
Accounts payable and accrued expenses	1,126,505	18,882	159,148
Net assets attributable to unitholders (at last traded market prices)	5,712,332,640	-	-
<b>Total financial liabilities</b>	<u>5,720,594,342</u>	<u>18,882</u>	<u>159,148</u>

Units are redeemed on demand at the unitholder's option. However, the Manager does not envisage that the contractual maturity disclosed in the table above will be representative of the actual cash outflows, as the unitholders typically retain the units for the medium to long term. At 31 December 2010 and 2009, no ultimate individual investor held more than 10% of the Fund's units.

As at 31 December 2010, the Fund held cash and cash equivalents of HK\$125,640,869 (2009: HK\$214,256,646) and liquid investments of HK\$6,435,302,515 (2009: HK\$5,490,962,803) that are expected to readily generate cash inflows within 1 month for managing liquidity risk.

**PineBridge Hong Kong Equity Fund**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2010**

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**4. Financial risk management (continued)**

**(f) Currency risk**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Fund is not exposed to significant currency risk because majority of the assets and liabilities are denominated in Hong Kong dollar, the Fund's functional and presentation currency, and United States dollar which is linked with the Hong Kong dollar.

**(g) Fair value estimation**

The fair value of financial assets and liabilities traded in active markets (such as trading securities) are based on quoted market prices at the close of trading on the year end date. The quoted market price used for financial assets held by the Fund is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Fund for similar financial instruments.

HKFRS 7 requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgment by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

**PineBridge Hong Kong Equity Fund**  
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**4. Financial risk management (continued)**

**(g) Fair value estimation (continued)**

The following table analyzes within the fair value hierarchy the Fund's investments (by class) measured at fair value at 31 December 2010 and 2009:

**At 31 December 2010**

Assets	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
Held for trading:				
- Listed equities	6,435,302,515	-	-	6,435,302,515
<b>Total investments</b>	<u>6,435,302,515</u>	<u>-</u>	<u>-</u>	<u>6,435,302,515</u>

**At 31 December 2009**

Assets	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
Held for trading:				
- Listed equities	5,490,962,803	-	-	5,490,962,803
<b>Total investments</b>	<u>5,490,962,803</u>	<u>-</u>	<u>-</u>	<u>5,490,962,803</u>

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1 include active listed equities. The Fund does not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. As of 31 December 2010 and 2009, the Fund did not hold any investments classified in level 2.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. As of 31 December 2010 and 2009, the Fund did not hold any investments classified in level 3.

**(h) Capital risk management**

The capital of the Fund is represented by the net assets attributable to unitholders. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unitholders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

In order to maintain or adjust the capital structure, the Fund's policy is to perform the following:

- monitor the level of daily subscriptions and redemptions relative to the liquid assets; and
- redeem and issue units in accordance with the Trust Deed of the Fund.

The Manager monitors capital on the basis of the value of net assets attributable to unitholders.

**PineBridge Hong Kong Equity Fund**  
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**5. Critical judgment**

In preparing these financial statements, the Trustee and Manager have made certain judgment which is dependent on what might happen in the future. The judgment made by the Trustee and Manager may not equal the related actual results. Refer to note 7(b) to the financial statements.

**6. Net gains on investments**

	2010 HK\$	2009 HK\$
Change in unrealized gains/losses in value of investments	31,775,957	1,924,774,139
Realized gains on sale of investments	365,012,118	45,584,129
	<u>396,788,075</u>	<u>1,970,358,268</u>

**7. Taxation**

- (a) No provision for Hong Kong profits tax has been made as the interest income, dividend income and realized gains on disposal of investments of the Fund are excluded from the charge to profits tax under Section 14, Section 26 or Section 26A of the Hong Kong Inland Revenue Ordinance.
- (b) The Fund invests in shares of companies in People's Republic of China ("PRC") listed on the Hong Kong Stock Exchange ("H-shares"). Under the PRC Corporate Income Tax Law, the Fund may be liable to pay PRC tax on the capital gains realized in the trading of H-shares. However, no provision was made for taxation from such gains in the financial statements as the Trustee and Manager believe that the Fund can sustain a position for not filing a tax return based on the existing tax regulations and that the enforcement of China tax on capital gains is not probable.
- (c) Withholding tax was charged on dividend income received from H-shares during the year.

**8. Transactions with Associates/Connected Persons/Related Parties**

Associates and connected persons are those as defined in the Mandatory Provident Fund Schemes Ordinance and the Code on Unit Trusts and Mutual Funds established by the Securities and Futures Commission of Hong Kong respectively.

Apart from the fees as disclosed below, the Fund allows the Manager and its associates/connected persons to subscribe for, and redeem, units in the Fund.

All transactions were entered into in the ordinary course of business and on normal commercial terms.

**(a) Management fee**

PineBridge Investments Hong Kong Limited, the Manager, is entitled to receive a management fee at 1.25% per annum, with a permitted maximum of 1.5% per annum, of the net asset value of the Standard units, being calculated daily and payable monthly in arrears.

No management fee is charged on the Provident Fund units.

Management fee payable as at year end amounted to HK\$543,539 (2009: HK\$519,372).

**PineBridge Hong Kong Equity Fund**  
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**8. Transactions with Associates/Connected Persons/Related Parties (continued)**

**(b) Trustee's fee**

American International Assurance Company (Trustee) Limited, the Trustee, is entitled to receive a trustee's fee at a permitted maximum of 0.05% per annum of the net asset value of the Fund, being calculated daily and payable monthly in arrears.

Trustee's fee payable as at year end amounted to HK\$276,225 (2009: HK\$238,430).

**(c) Custodian and administration fees**

HSBC Provident Fund Trustee (Hong Kong) Limited, the Custodian and Administrator, is entitled to receive a custodian fee of 0.10% per annum of the daily net asset value of the Fund for the first HK\$300 million, 0.08% per annum of the next HK\$300 million and 0.06% per annum thereafter, with a permitted maximum of 0.50% per annum.

It is also entitled to receive a valuation fee of HK\$400 for daily valuation of the Fund and a transaction fee of HK\$400 for each sale or purchase of investments undertaken by the Manager.

Total custodian and administration fees payable as at year end amounted to HK\$420,458 (2009: HK\$368,703).

**9. Soft commission arrangements**

The Manager and its associates/connected persons have entered into soft commission arrangements with brokers under which certain goods and services used to support investment decision making were received. The Manager and its associates/connected persons do not make direct payment for these services but transact an agreed amount of business with the brokers on behalf of the Fund and commission is paid on these transactions.

The goods and services must be of demonstrable benefit to the Fund and may include research and advisory services, economic and political analysis, portfolio analysis including valuation and performance measurements, market analysis and data and quotation services, computer hardware and software incidental to the above goods and services, clearing and custodian services and investment-related publications.

**10. Distributions**

No distribution was made during the year (2009: Nil).

**11. Approval of financial statements**

The financial statements were approved by the Trustee and the Manager on 26 April 2011.