

PINEBRIDGE HONG KONG DOLLAR FIXED INCOME FUND
(formerly known as AIG HONG KONG DOLLAR FIXED INCOME FUND)

REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2010

PineBridge Hong Kong Dollar Fixed Income Fund

Reports and Financial Statements For the year ended 31 December 2010

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PineBridge Hong Kong Dollar Fixed Income Fund

Management and Professional Service Details

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
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Auditor

PricewaterhouseCoopers
22nd Floor, Prince's Building
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PineBridge Hong Kong Dollar Fixed Income Fund
Investment Report
For the year ended 31 December 2010

Manager's Market Perspective

2010 Market Overview

Following the US counterparts, HKD interest rates continued to trade lower in 2010. The HKD swap curve was steeper with 3-year swap rates down by 62 bps and 10-year swap rates lower by 30 bps. Liquidity remained ample with Hong Kong Aggregate Balance staying at HK\$148 billion in most of the year.

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 on 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 U.K. 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 3rd 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.

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2011 Market Outlook and Strategy

In 2011, the key drivers for HK rates would be US rates, RMB appreciation and equity market performance. With Fed to be on hold until 4th quarter 2011, HKD liquidity should remain flush over the next 12 months although a couple of large IPO funding activities could cause short-dated HIBOR to under perform US rates temporarily. The front-end of the Interest Rate Swap curve has been volatile mostly driven by USD/HKD as well as the USD swap rate movements.

The Fund is managed against the duration risk to avoid large market value fluctuation. The funds will continue to invest in the high grade sector as required by the regulations and extend the portfolio duration to meet the benchmark target.

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.

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As at 31 December 2010

INVESTMENT PORTFOLIO

LISTED/QUOTED INVESTMENTS

HONG KONG DOLLAR	Nominal Value HK\$	Market Value HK\$	% of Net Assets
BONDS			
AUST & NZ BANKING GROUP 2.01% 2APR2012	5,000,000	5,081,000	1.13%
AUST & NZ BANKING GROUP 4.75% 9NOV2012	10,000,000	10,643,000	2.36%
BANK OF IRELAND 4.48% 2MAY2012 SER MTN	1,000,000	968,100	0.21%
BANK OF IRELAND 4.835% 25AUG2011 EMTN	1,000,000	986,900	0.22%
BANK OF SCOTLAND PLC 4.2% 6MAY2015 EMTN	4,000,000	4,124,000	0.92%
BANK OF SCOTLAND PLC 4.45% 30JAN2012	1,000,000	1,028,900	0.23%
BEAR STEARNS CO INC 5.055% 22DEC2015	2,000,000	2,180,600	0.48%
BK NEDERLANDSE GEMEENTEN 5.6% 24JUL2012	2,000,000	2,138,800	0.47%
CENTRAL AMERICAN BANK 4.8% 3NOV2011 EMTN	5,000,000	5,157,000	1.14%
CHEUNG KONG BD FIN LTD 3.48% 22APR2013	1,000,000	1,047,200	0.23%
CHEUNG KONG BOND FIN LTD 4.4% 20APR2015	2,000,000	2,154,600	0.48%
CITIGP GLOBAL MARKETS 4.08% EMTN 16DEC14	1,000,000	1,024,800	0.23%
CLP POWER HK FIN LTD 4.15% 23JUN2015	5,500,000	5,880,600	1.31%
CLP POWER HK FIN LTD 4.38% 11JAN2017	2,000,000	2,144,400	0.48%
CLP POWER HK FIN LTD 4.75% 18JAN2016	10,000,000	10,931,000	2.43%
CLP POWER HK FINANCING LTD 3.88% 5AUG19	5,000,000	5,065,500	1.12%
CLP POWER HK FINANCING LTD 4.28% 3NOV14	3,000,000	3,228,300	0.72%
COMMONWEALTH BK OF AUS 4.57% 26JUN2013	10,000,000	10,719,000	2.38%
COMMONWEALTH BK OF AUST 2.21% 11JAN2013	3,000,000	3,053,100	0.68%
COMMONWEALTH BK OF AUST 4.05% 8MAR2012	2,000,000	2,072,400	0.46%
DEXIA CREDIT LOCAL DE FRANCE 4.05% 7MAR11	1,000,000	1,003,400	0.22%
DNB NOR BANK ASA 3.99% 22MAY2013 EMTN	2,000,000	2,104,000	0.47%
EUROFIMA 4.18% EMTN 8JUN2015	14,500,000	15,829,650	3.51%
EXPORT-IMPORT BK KOREA 4.25% 15JUN2012	5,000,000	5,189,000	1.15%
EXPORT-IMPORT BK OF KOREA 4.6% 27JUN2011	1,000,000	1,016,700	0.23%
GENERAL ELECTRIC CAP 4.72% 26SEP2011	9,000,000	9,201,600	2.04%
HK (GOVT OF) 05Y1312 1.67% 19DEC2013	10,000,000	10,206,000	2.27%
HK AIRPORT AUTHORITY 2.2% 9APR2014	20,000,000	20,456,000	4.54%
HK MORTGAGE CO 4.55% 23SEP2015	1,000,000	1,099,300	0.24%
HONG KONG (GOVT) 05Y1412 1.69% 22DEC2014	5,000,000	5,059,500	1.12%
HONG KONG (GOVT) 05Y1503 1.75% 23MAR2015	10,000,000	10,112,000	2.25%
HONG KONG ELECTRIC FIN 4.13% MTN 24NOV14	2,000,000	2,152,800	0.48%
HONG KONG ELECTRIC FIN 4.15% MTN 13MAY15	4,000,000	4,309,600	0.96%
HONG KONG MTG CORP 3.1% 8APR2013 MTN	3,000,000	3,128,400	0.69%
HONG KONG MTG CORP 4.82% 8OCT2014 MTN	4,000,000	4,427,600	0.98%
HONG KONG MTG CORP 5.03% 19FEB2013	2,000,000	2,163,800	0.48%
HONGKONG ELECTRIC FIN 3.7% 30SEP2024	2,000,000	1,980,800	0.44%
HYSAN (MTN) LTD 5.38% 2SEP2020 EMTN	2,000,000	2,106,400	0.47%
JOHN HANCOCK GLB FUND II 4.67% 17MAR14	3,000,000	3,228,000	0.72%
KOWLOON-CANTON RAILWAY 3.88% 15JUN2021	9,000,000	9,154,800	2.03%
KOWLOON-CANTON RAILWAY 4.65% 10JUN2013	14,000,000	15,164,800	3.37%
KOWLOON-CANTON RAILWAY 4.8% 6JUN2013	4,000,000	4,349,600	0.97%
MERRILL LYNCH & CO INC 4.9% EMTN 8SEP14	2,000,000	2,107,400	0.47%
MTR CORP (C.I.) 4.28% 6JUL2020 EMTN	5,000,000	5,369,000	1.19%
MTR CORP (C.I.) 4.9% 25JUN2018	8,500,000	9,578,650	2.13%
NATIONAL AUSTRALIA BANK 2.6% 9DEC2015	3,000,000	2,958,900	0.66%
NORDIC INVESTMENT BANK 5% 30NOV2012	20,000,000	21,610,000	4.80%
PACIFIC LIFE FUNDING LLC 5% 31JUL2014	16,000,000	17,460,800	3.88%
PSA INTERNATIONAL PTE LTD 3.8% 26MAY2020	8,000,000	7,965,600	1.77%
QUEBEC, PROVINCE OF 4.3% 2FEB2012 EMTN	2,000,000	2,071,800	0.46%

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INVESTMENT PORTFOLIO (CONTINUED)

LISTED/QUOTED INVESTMENTS

HONG KONG DOLLAR	Nominal Value HK\$	Market Value HK\$	% of Net Assets
<u>BONDS (CONTINUED)</u>			
RABOBANK NEDERLAND 4.98% 3SEP2019	5,000,000	5,479,500	1.22%
ROYAL BANK OF CANADA 4.5% 22MAR2012 EMTN	7,000,000	7,313,600	1.62%
SPI ELECTRICITY & GAS AUS 4.125% 16MAR20	7,000,000	7,070,700	1.57%
SUN HUNG KAI PROP (CAP) 2.65% 17FEB2012	10,000,000	10,188,000	2.26%
SUN HUNG KAI PROP (CAP) 4.65% 19JAN2016	2,000,000	2,177,000	0.48%
SUN HUNG KAI PROP (CAP) 4.88% 30SEP2015	1,000,000	1,097,100	0.24%
SUN HUNG KAI PROP (CAP) 5.75% 18JUL2012	3,000,000	3,212,100	0.71%
SWIRE PACIFIC MTN FIN 4.08% 28JUL2011	1,000,000	1,018,100	0.23%
SWIRE PACIFIC MTN FIN 4.236% 24SEP2018	5,000,000	5,144,000	1.14%
SWIRE PACIFIC MTN FIN 4.93% 28MAR2013	10,000,000	10,738,000	2.38%
TELSTRA CORP LTD 4.02% 10JUL2020 EMTN	15,000,000	14,649,000	3.25%
URBAN RENEWAL AUTHORITY 2.08% 27JUL2012	10,000,000	10,198,000	2.26%
WESTPAC BANKING CORP 4.55% 22JAN2020	10,000,000	10,219,000	2.27%
WESTPAC BANKING CORP 6.65% 18JAN2011	7,000,000	7,015,400	1.56%
WESTPAC BANKING SER EMTN 4.5% 30AUG2012	1,000,000	1,054,600	0.23%
BONDS (TOTAL)		378,769,200	84.09%
<u>CERTIFICATES OF DEPOSIT</u>			
BAYER LANDESBK GIRO 6.7% CD 2FEB2011	2,000,000	2,008,800	0.45%
BAYER LANDESBK GIRO 6.9% CD 10APR2012	5,000,000	5,347,000	1.19%
BAYERISCHE LANDESBK GIRO 6.62%CD 10JAN11	7,000,000	7,005,600	1.56%
CHINA CONSTR BANK HK 4.05% CD 15JAN2020	3,000,000	3,024,600	0.67%
CHINA DEV BANK CORP 3.2% CD 30SEP2019	10,000,000	9,464,000	2.10%
DBS BK HONG KONG LTD 3.92% CD 21JAN2020	5,000,000	5,089,500	1.13%
DBS BK HONG KONG LTD 3.95% CD 20JAN2020	2,000,000	2,040,600	0.45%
RABOBANK NEDERLD HK 4% FXCD 21JUN12	15,000,000	15,676,500	3.48%
CERTIFICATES OF DEPOSIT (TOTAL)		49,656,600	11.03%
TOTAL INVESTMENTS*		428,425,800	95.12%
TOTAL INVESTMENTS, AT COST*		425,013,975	

* Investments are accounted for on a trade date basis.

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STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO

	Nominal Value			31 December 2010 HK\$
	1 January 2010 HK\$	Additions HK\$	Deductions HK\$	
LISTED/QUOTED INVESTMENTS				
HONG KONG DOLLAR				
BONDS				
AUST & NZ BANK 3.3% 21JAN2010 EMTN	5,000,000	-	(5,000,000)	-
AUST & NZ BANKING GROUP 2.01% 2APR2012	5,000,000	-	-	5,000,000
AUST & NZ BANKING GROUP 4.75% 9NOV2012	10,000,000	-	-	10,000,000
BANK OF IRELAND 4.48% 2MAY2012 SER MTN	1,000,000	-	-	1,000,000
BANK OF IRELAND 4.835% 25AUG2011 EMTN	1,000,000	-	-	1,000,000
BANK OF SCOTLAND 3.885% 30JUN2010 EMTN	7,000,000	-	(7,000,000)	-
BANK OF SCOTLAND PLC 4.2% 6MAY2015 EMTN	4,000,000	-	-	4,000,000
BANK OF SCOTLAND PLC 4.45% 30JAN2012	1,000,000	-	-	1,000,000
BEAR STEARNS CO INC 5.055% 22DEC2015	2,000,000	-	-	2,000,000
BK NEDERLANDSE GEMEENTEN 5.6% 24JUL2012	2,000,000	-	-	2,000,000
CAISSE CENTRALE DU CREDIT 4.1% 19JAN2010	3,000,000	-	(3,000,000)	-
CENTRAL AMERICAN BANK 4.8% 3NOV2011 EMTN	5,000,000	-	-	5,000,000
CHEUNG KONG BD FIN LTD 3.48% 22APR2013	1,000,000	-	-	1,000,000
CHEUNG KONG BOND FIN LTD 4.4% 20APR2015	2,000,000	-	-	2,000,000
CHEUNG KONG FIN CAYMAN 8.38% 12JAN2010	8,000,000	-	(8,000,000)	-
CITIGP GLOBAL MARKETS 4.08% EMTN 16DEC14	1,000,000	-	-	1,000,000
CLP POWER HK FIN LTD 4.15% 23JUN2015	-	5,500,000	-	5,500,000
CLP POWER HK FIN LTD 4.38% 11JAN2017	2,000,000	-	-	2,000,000
CLP POWER HK FIN LTD 4.75% 18JAN2016	10,000,000	-	-	10,000,000
CLP POWER HK FINANCING LTD 3.88% 5AUG19	-	5,000,000	-	5,000,000
CLP POWER HK FINANCING LTD 4.28% 3NOV14	3,000,000	-	-	3,000,000
COMMONWEALTH BANK OF AUS 4.06% 29NOV2010	1,000,000	-	(1,000,000)	-
COMMONWEALTH BK OF AUS 3.905% 24DEC2010	5,000,000	-	(5,000,000)	-
COMMONWEALTH BK OF AUS 4.57% 26JUN2013	10,000,000	-	-	10,000,000
COMMONWEALTH BK OF AUST 2.21% 11JAN2013	-	3,000,000	-	3,000,000
COMMONWEALTH BK OF AUST 4.05% 8MAR2012	2,000,000	-	-	2,000,000
DEXIA CREDIT LOCAL DE FRANCE 4.05% 7MAR11	1,000,000	-	-	1,000,000
DNB NOR BANK ASA 3.99% 22MAY2013 EMTN	2,000,000	-	-	2,000,000
DNB NORBANK ASA 3.31% EMTN 21JAN2010	22,000,000	-	(22,000,000)	-
EUROFIMA 4.18% EMTN 8JUN2015	14,500,000	-	-	14,500,000
EXPORT-IMPORT BK KOREA 4.25% 15JUN2012	5,000,000	-	-	5,000,000
EXPORT-IMPORT BK OF KOREA 4.6% 27JUN2011	1,000,000	-	-	1,000,000
EXPORT-IMPORT BK OF KOREA 5.1% 22FEB2010	15,000,000	-	(15,000,000)	-
GENERAL ELECTRIC CAP 4.72% 26SEP2011	9,000,000	-	-	9,000,000
HK (GOVT OF) 05Y1212 2.66% 17DEC2012	-	10,000,000	(10,000,000)	-
HK (GOVT OF) 05Y1312 1.67% 19DEC2013	-	10,000,000	-	10,000,000
HK AIRPORT AUTHORITY 2.2% 9APR2014	20,000,000	-	-	20,000,000
HK MORTGAGE CO 4.55% 23SEP2015	1,000,000	-	-	1,000,000
HONG KONG (GOVT) 05Y1412 1.69% 22DEC2014	-	10,000,000	(5,000,000)	5,000,000
HONG KONG (GOVT) 05Y1503 1.75% 23MAR2015	-	10,000,000	-	10,000,000
HONG KONG ELECTRIC FIN 4.13% MTN 24NOV14	2,000,000	-	-	2,000,000
HONG KONG ELECTRIC FIN 4.15% MTN 13MAY15	4,000,000	-	-	4,000,000
HONG KONG MTG CORP 3.1% 8APR2013 MTN	3,000,000	-	-	3,000,000
HONG KONG MTG CORP 4.82% 8OCT2014 MTN	4,000,000	-	-	4,000,000
HONG KONG MTG CORP 5.03% 19FEB2013	2,000,000	-	-	2,000,000
HONGKONG ELECTRIC FIN 3.7% 30SEP2024	-	2,000,000	-	2,000,000
HONGKONG ELECTRIC FIN 4.32% 24JAN2012	2,000,000	-	(2,000,000)	-
HSH NORDBANK AG 4.01% 16MAR2010 EMTN	8,000,000	-	(8,000,000)	-

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STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (CONTINUED)

	Nominal Value			31 December 2010 HK\$
	1 January 2010 HK\$	Additions HK\$	Deductions HK\$	
LISTED/QUOTED INVESTMENTS				
HONG KONG DOLLAR				
<u>BONDS (CONTINUED)</u>				
HYSAN (MTN) LTD 5.38% 2SEP2020 EMTN	2,000,000	-	-	2,000,000
JOHN HANCOCK GLB FUND II 4.67% 17MAR14	3,000,000	-	-	3,000,000
KOWLOON-CANTON RAILWAY 3.88% 15JUN2021	-	9,000,000	-	9,000,000
KOWLOON-CANTON RAILWAY 4.65% 10JUN2013	14,000,000	-	-	14,000,000
KOWLOON-CANTON RAILWAY 4.8% 6JUN2013	4,000,000	-	-	4,000,000
MERRILL LYNCH & CO INC 4.9% EMTN 8SEP14	2,000,000	-	-	2,000,000
MTR CORP (C.I.) 4.28% 6JUL2020 EMTN	5,000,000	-	-	5,000,000
MTR CORP (C.I.) 4.9% 25JUN2018	8,500,000	-	-	8,500,000
MTR CORP (C.I.) LTD 4.106% 13AUG2010	5,000,000	-	(5,000,000)	-
NATIONAL AUSTRALIA BANK 2.6% 9DEC2015	-	3,000,000	-	3,000,000
NORDIC INVESTMENT BANK 5% 30NOV2012	20,000,000	-	-	20,000,000
PACIFIC LIFE FUNDING LLC 5% 31JUL2014	16,000,000	-	-	16,000,000
PSA INTERNATIONAL PTE LTD 3.8% 26MAY2020	-	8,000,000	-	8,000,000
QUEBEC, PROVINCE OF 4.3% 2FEB2012 EMTN	2,000,000	-	-	2,000,000
RABOBANK NEDERLAND 4.98% 3SEP2019	5,000,000	-	-	5,000,000
ROYAL BANK OF CANADA 4.5% 22MAR2012 EMTN	7,000,000	-	-	7,000,000
SNS BANK NEDERLAND 4.44% 30JUL2010	14,000,000	-	(14,000,000)	-
SPI ELECTRICITY & GAS AUS 4.125% 16MAR20	-	7,000,000	-	7,000,000
SUN HUNG KAI PROP (CAP) 2.65% 17FEB2012	10,000,000	-	-	10,000,000
SUN HUNG KAI PROP (CAP) 4.65% 19JAN2016	2,000,000	-	-	2,000,000
SUN HUNG KAI PROP (CAP) 4.88% 30SEP2015	1,000,000	-	-	1,000,000
SUN HUNG KAI PROP (CAP) 5.75% 18JUL2012	3,000,000	-	-	3,000,000
SWIRE PACIFIC MTN FIN 4.08% 28JUL2011	1,000,000	-	-	1,000,000
SWIRE PACIFIC MTN FIN 4.236% 24SEP2018	5,000,000	-	-	5,000,000
SWIRE PACIFIC MTN FIN 4.93% 28MAR2013	10,000,000	-	-	10,000,000
TELSTRA CORP LTD 4.02% 10JUL2020 EMTN	-	15,000,000	-	15,000,000
URBAN RENEWAL AUTHORITY 2.08% 27JUL2012	10,000,000	-	-	10,000,000
WESTPAC BANKING CORP 4.4% 26AUG2010 EMTN	4,000,000	-	(4,000,000)	-
WESTPAC BANKING CORP 4.55% 22JAN2020	-	10,000,000	-	10,000,000
WESTPAC BANKING CORP 6.65% 18JAN2011	7,000,000	-	-	7,000,000
WESTPAC BANKING SER EMTN 4.5% 30AUG2012	1,000,000	-	-	1,000,000
<u>CERTIFICATES OF DEPOSIT</u>				
BAYER LANDESBK GIRO 6.7% CD 2FEB2011	2,000,000	-	-	2,000,000
BAYER LANDESBK GIRO 6.9% CD 10APR2012	5,000,000	-	-	5,000,000
BAYERISCHE LANDESBK GIRO 6.62%CD 10JAN11	7,000,000	-	-	7,000,000
CHINA CONSTR BANK HK 4.05% CD 15JAN2020	-	3,000,000	-	3,000,000
CHINA DEV BANK CORP 3.2% CD 30SEP2019	-	10,000,000	-	10,000,000
DBS BK HONG KONG LTD 3.92% CD 21JAN2020	-	5,000,000	-	5,000,000
DBS BK HONG KONG LTD 3.95% CD 20JAN2020	-	2,000,000	-	2,000,000
DEUTSCHE BANK AG (HK) 5.14% CD 18OCT2010	10,000,000	-	(10,000,000)	-
RABOBANK NEDERLD HK 4% FXCD 21JUN12	15,000,000	-	-	15,000,000

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Investment Report
For the year ended 31 December 2010

PineBridge Hong Kong Dollar Fixed Income Fund (formerly known as AIG Hong Kong Dollar Fixed Income 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 is a fixed income fund that seeks to provide investors with a stable source of high recurring income through a managed portfolio of bonds and other income yielding securities. The Fund's objective is to provide security of capital as well as a comparatively high level of income by investing in a range of capital and money market fixed and floating rate instruments, either denominated in Hong Kong dollars or, if they are not denominated in Hong Kong dollars, the currency exposure shall be hedged back into Hong Kong dollars in order to ensure that the Fund has an effective exposure of 100 per cent to the Hong Kong dollars.

	2010 HKS	2009 HKS	2008 HKS
Investments and investment income			
Total value of investments	428,425,800	423,458,200	451,555,450
Interest on bank deposits	27,703	5,541	112,068
Interest on investments	14,360,227	18,706,847	14,980,195
Net foreign currency (losses)/gains	(32)	24	(17)
Net income excluding capital (depreciation) /appreciation	11,692,420	15,395,350	12,755,803
Net (depreciation)/appreciation of investments - realized and unrealized	(1,502,597)	(11,153,350)	14,898,059

Performance table

Net asset value

	Total net asset value HKS	Net asset value per unit HKS
2010 - Standard units	234,788,219	16.22
2010 - Provident Fund units	215,638,198	17.31
2009 - Standard units	242,602,614	15.92
2009 - Provident Fund units	206,641,299	16.75
2008 - Standard units	302,327,985	15.85
2008 - Provident Fund units	207,023,191	16.56

PineBridge Hong Kong Dollar Fixed Income Fund
Investment Report
For the year ended 31 December 2010

Performance table (continued)

Performance record for the past 10 years

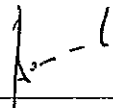
	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$	Annualized investment return (Note 1) %
2010 - Standard units	16.58	15.88	1.83
2010 - Provident Fund units	17.66	16.70	3.32
2009 - Standard units	16.11	15.44	0.44
2009 - Provident Fund units	16.93	16.20	1.15
2008 - Standard units	15.89	14.69	6.73
2008 - Provident Fund units	16.59	15.34	7.18
2007 - Standard units	14.86	13.87	4.84
2007 - Provident Fund units	15.46	14.41	5.41
2006 - Standard units	14.18	13.36	5.07
2006 - Provident Fund units	14.67	13.78	5.66
2005 - Standard units	13.73	13.22	(1.65)
2005 - Provident Fund units	14.01	13.53	(0.90)
2004 - Standard units	13.73	13.07	3.42
2004 - Provident Fund units	14.01	13.29	4.12
2003 - Standard units	13.27	12.77	3.31
2003 - Provident Fund units	13.45	12.86	4.03
2002 - Standard units	12.84	11.85	8.31
2002 - Provident Fund units	12.93	11.86	8.94
2001 - Standard units	12.14	11.00	7.93
2001 - Provident Fund units	12.16	11.01	7.99

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.

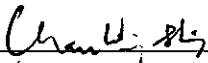
PineBridge Hong Kong Dollar Fixed Income Fund
Trustee's Report
For the year ended 31 December 2010

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 

Director J.C.

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

Report on the Financial Statements

We have audited the financial statements of the Fund set out on pages 13 to 30, 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.

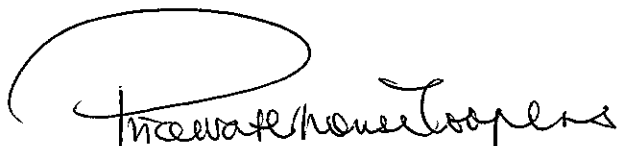
**INDEPENDENT AUDITOR'S REPORT
TO THE TRUSTEE OF PINEBRIDGE HONG KONG DOLLAR FIXED INCOME FUND
(FORMERLY KNOWN AS AIG HONG KONG DOLLAR FIXED INCOME FUND)
(THE "FUND") (CONTINUED)**

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

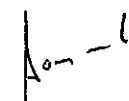
Hong Kong, 26 April 2011

PineBridge Hong Kong Dollar Fixed Income Fund
Statement of Net Assets
As at 31 December 2010

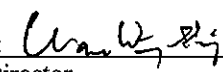
	Note	2010 HK\$	2009 HK\$
Assets			
Current assets			
Investments	4(b)	428,425,800	423,458,200
Interest receivable on investments		5,577,441	6,823,409
Bank interest receivable		274	-
Amounts receivable on subscription		520,372	1,195,150
Cash and cash equivalents		<u>20,984,945</u>	<u>25,765,514</u>
Total assets		<u>455,508,832</u>	<u>457,242,273</u>
Liabilities			
Current liabilities			
Amounts payable on redemption		4,665,403	7,576,055
Accounts payable and accrued expenses		<u>417,012</u>	<u>422,305</u>
Liabilities (excluding net assets attributable to unitholders)		<u>5,082,415</u>	<u>7,998,360</u>
Net assets attributable to unitholders	3	<u>450,426,417</u>	<u>449,243,913</u>

On behalf of
American International Assurance
Company (Trustee) Limited


On behalf of
PineBridge Investments
Hong Kong Limited

x 

Director BT

x 

Director JC



Director

PineBridge Hong Kong Dollar Fixed Income Fund
Statement of Comprehensive Income
For the year ended 31 December 2010

	Note	2010 HK\$	2009 HK\$
Income			
Interest on bank deposits		27,703	5,541
Interest on investments		14,360,227	18,706,847
Net losses on investments	6	(1,502,597)	(11,153,350)
Net foreign currency (losses)/gains		(32)	24
Other income		-	4,363
Total investment income		<u>12,885,301</u>	<u>7,563,425</u>
Expenses			
Management fee	8(a)	1,691,502	2,215,961
Trustee's fee	8(b)	216,252	270,049
Custodian and administration fees	8(c)	521,203	598,878
Audit fee		137,086	115,042
Bank charges		-	22
Legal and professional fees		30,379	-
Other expenses		99,056	121,473
Total operating expenses		<u>2,695,478</u>	<u>3,321,425</u>
Increase in net assets attributable to unitholders from operations		<u>10,189,823</u>	<u>4,242,000</u>

The notes on pages 17 to 30 are an integral part of these financial statements.

PineBridge Hong Kong Dollar Fixed Income 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		<u>449,243,913</u>	<u>509,351,176</u>
Issue of units	3	243,919,711	405,026,371
Redemption of units	3	<u>(252,927,030)</u>	<u>(469,375,634)</u>
Net decrease from unit transactions		<u>(9,007,319)</u>	<u>(64,349,263)</u>
Increase in net assets attributable to unitholders from operations		<u>10,189,823</u>	<u>4,242,000</u>
Net assets attributable to unitholders at 31 December		<u>450,426,417</u>	<u>449,243,913</u>

The notes on pages 17 to 30 are an integral part of these financial statements.

PineBridge Hong Kong Dollar Fixed Income Fund
Statement of Cash Flows
For the year ended 31 December 2010

	2010	2009
	HK\$	HK\$
Cash flows from operating activities		
Increase in net assets attributable to unitholders from operations	10,189,823	4,242,000
Adjustment for:		
Interest on investments	(14,360,227)	(18,706,847)
Interest on bank deposits	<u>(27,703)</u>	<u>(5,541)</u>
Operating loss before working capital changes	(4,198,107)	(14,470,388)
Net (increase)/decrease in investments	(4,967,600)	28,097,250
Net (decrease)/increase in accounts payable and accrued expenses	<u>(5,293)</u>	<u>24,186</u>
Cash (used in)/generated from operations	(9,171,000)	13,651,048
Interest on investments received	15,606,195	18,530,556
Interest on bank deposits received	<u>27,429</u>	<u>5,605</u>
Net cash generated from operating activities	<u>6,462,624</u>	<u>32,187,209</u>
Cash flows from financing activities		
Proceeds from issue of units	244,594,489	413,028,968
Payments on redemption of units	<u>(255,837,682)</u>	<u>(464,135,385)</u>
Net cash used in financing activities	<u>(11,243,193)</u>	<u>(51,106,417)</u>
Net decrease in cash and cash equivalents	(4,780,569)	(18,919,208)
Cash and cash equivalents at the beginning of the year	<u>25,765,514</u>	<u>44,684,722</u>
Cash and cash equivalents at the end of the year	<u>20,984,945</u>	<u>25,765,514</u>
Analysis of balance of cash and cash equivalents		
Cash at banks	<u>20,984,945</u>	<u>25,765,514</u>

The notes on pages 17 to 30 are an integral part of these financial statements.

PineBridge Hong Kong Dollar Fixed Income Fund
Notes to the Financial Statements
For the year ended 31 December 2010

1. The Fund

PineBridge Hong Kong Dollar Fixed Income Fund (formerly known as AIG Hong Kong Dollar Fixed Income 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 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 Dollar Fixed Income Fund
Notes to the Financial Statements
For the year ended 31 December 2010

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

Interest income is recognized on a time-proportionate basis using the effective interest method in the statement of comprehensive income for all interest bearing instruments. Other income is accounted for on an accruals basis.

The effective interest method is a method of calculating the amortized cost of an interest bearing asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial instrument. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

PineBridge Hong Kong Dollar Fixed Income Fund
Notes to the Financial Statements
For the year ended 31 December 2010

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.

PineBridge Hong Kong Dollar Fixed Income 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

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.

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 unitholders exercised the right to redeem the units in the Fund.

	2010 Units	2009 Units
Number of Standard units in issue	14,478,199	15,234,109
Number of Provident Fund units in issue	12,458,451	12,335,451
	HK\$	HK\$
Net asset value per Standard unit	16.22	15.92
Net asset value per Provident Fund unit	17.31	16.75

	2010 Standard Units	2010 Provident Fund Units	2009 Standard Units	2009 Provident Fund Units
Balance brought forward	15,234,109	12,335,451	19,068,631	12,500,137
Total issues	12,453,662	2,334,950	17,877,246	7,422,008
Total redemptions	(13,209,572)	(2,211,950)	(21,711,768)	(7,586,694)
Balance carried forward	14,478,199	12,458,451	15,234,109	12,335,451

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 Dollar Fixed Income Fund
Notes to the Financial Statements
For the year ended 31 December 2010

4. Financial risk management

(a) Financial risk factors

The investment objective of the Fund is to seek a stable source of high recurring income. The Fund seeks to achieve its investment objective through a managed portfolio of bonds and other income yielding securities denominated either in Hong Kong dollars, or if they are not denominated in Hong Kong dollars, the currency exposure shall be hedged back into Hong Kong dollars in order to ensure that the class has an effective exposure of 100 per cent.

The Fund is expected to provide a return in excess of the relevant benchmark index, the HSBC Hong Kong Bond Index.

The Fund is exposed to market price risk, cash flow and fair value 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
Bonds	378,769,200	374,112,575	84.09	382,363,300	376,303,559	85.11
Certificates of deposit	49,656,600	50,901,400	11.03	41,094,900	40,062,800	9.15
	<u>428,425,800</u>	<u>425,013,975</u>	<u>95.12</u>	<u>423,458,200</u>	<u>416,366,359</u>	<u>94.26</u>

The investments above are valued with reference to one broker quote.

PineBridge Hong Kong Dollar Fixed Income Fund
Notes to the Financial Statements
For the year ended 31 December 2010

4. Financial risk management (continued)

(b) Market price risk (continued)

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. Markets below represent where the holding company/head office of the issuer predominately domiciles/operates.

	2010	2009
	HK\$ equivalent	HK\$ equivalent
Markets exposed to		
Australia	74,536,100	52,095,300
Britain	5,152,900	12,155,100
British Virgin Islands	37,799,400	26,238,000
Canada	9,385,400	9,518,600
Cayman Islands	69,184,550	81,083,750
China	12,488,600	-
France	1,003,400	4,023,000
Germany	14,361,400	18,358,800
Hong Kong	102,649,900	74,843,400
Ireland	1,955,000	2,061,700
Korea	6,205,700	21,274,900
Multi-national	42,596,650	42,538,950
Netherlands	23,294,800	37,458,200
Norway	2,104,000	24,095,600
Singapore	7,965,600	-
United States	17,742,400	17,712,900
	<u>428,425,800</u>	<u>423,458,200</u>

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

	2010	2009
	%	%
Sectors exposed to		
Communications	3	-
Diversified	4	4
Financial	54	70
Government	20	17
Industrial	9	5
Utilities	10	4
	<u>100</u>	<u>100</u>

There were no investments issued by the same issuer 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 if 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.

PineBridge Hong Kong Dollar Fixed Income Fund
Notes to the Financial Statements
For the year ended 31 December 2010

4. Financial risk management (continued)

(b) Market price risk (continued)

	2010		2009	
	Change in	Impact	Change in	Impact
	market index +/-	HK\$ +/-	market index +/-	HK\$ +/-
HSBC Hong Kong Bond Index	5%	19,603,909	5%	21,023,916

The Manager has used their view of what would be a “reasonable shift” in the HSBC Hong Kong Bond Index, 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.

(c) Cash flow and fair value 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.

Interest rate risk arises from the effects of fluctuations in the prevailing levels of markets interest rates on the fair value of interest-bearing assets and liabilities and future cash flow. The Fund holds bonds and certificates of deposit that expose the Fund to fair value interest rate risk. The Fund also holds cash and cash equivalents that expose the Fund to cash flow interest rate risk.

The table below summarizes the Fund’s exposure to interest rate risks. It includes the Fund’s assets and liabilities at fair values, categorized by the earlier of contractual re-pricing or maturity dates.

At 31 December 2010

	Up to 1 year HK\$	1-5 years HK\$	Over 5 years HK\$	Non- interest bearing HK\$	Total HK\$
Assets					
Investments	34,413,500	275,358,250	118,654,050	-	428,425,800
Other assets	-	-	-	6,098,087	6,098,087
Cash at banks	20,862,000	-	-	122,945	20,984,945
Total assets	55,275,500	275,358,250	118,654,050	6,221,032	455,508,832
Liabilities					
Other liabilities	-	-	-	5,082,415	5,082,415
Liabilities (excluding net assets attributable to unitholders)	-	-	-	5,082,415	5,082,415
Total interest sensitivity gap	55,275,500	275,358,250	118,654,050		

PineBridge Hong Kong Dollar Fixed Income Fund
Notes to the Financial Statements
For the year ended 31 December 2010

4. Financial risk management (continued)

(c) Cash flow and fair value interest rate risk (continued)

At 31 December 2009

	Up to 1 year HK\$	1-5 years HK\$	Over 5 years HK\$	Non- interest bearing HK\$	Total HK\$
Assets					
Investments	108,125,900	243,722,200	71,610,100	-	423,458,200
Other assets	-	-	-	8,018,559	8,018,559
Cash at banks	-	-	-	25,765,514	25,765,514
Total assets	108,125,900	243,722,200	71,610,100	33,784,073	457,242,273
Liabilities					
Other liabilities	-	-	-	7,998,360	7,998,360
Liabilities (excluding net assets attributable to unitholders)	-	-	-	7,998,360	7,998,360
Total interest sensitivity gap	108,125,900	243,722,200	71,610,100		

At 31 December 2010, should interest rates have lowered/risen by 25 basis points with all other variables remaining constant, the increase/decrease in net assets attributable to unitholders for the year would amount to approximately HK\$3.88million (2009: HK\$2.69million), arising substantially from the increase/decrease in market values of debt securities.

(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 concentration of credit risk consist of cash and cash equivalents and assets held with 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
Custodian			
HSBC Provident Fund Trustee (Hong Kong) Limited	428,425,800	A-1+	S&P
Banks			
Agricultural Bank of China	20,862,000	P-1	Moody's
The Hongkong and Shanghai Banking Corporation Ltd	122,945	A-1+	S&P

PineBridge Hong Kong Dollar Fixed Income Fund
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4. Financial risk management (continued)

(d) Credit and custody risk (continued)

At 31 December 2009

	HK\$	Credit rating	Source of credit rating
<u>Custodian</u>			
HSBC Provident Fund Trustee (Hong Kong) Limited	423,458,200	A-1+	S&P
<u>Bank</u>			
The Hong Kong and Shanghai Banking Corporation Ltd	25,765,514	A-1+	S&P

As the Fund holds debt securities, it is also exposed to risk that the issuers may not be able to repay the principal amount at maturity and interest. The credit risk is mitigated as the debt securities held are subject to the requirements of (i) minimum credit rating, and (ii) maximum holding of 10% of net asset value for any single issuer other than an exempt authority as defined in section 7(1) of Schedule 1 to the Mandatory Provident Fund Schemes (General) Regulation ("Exempt Authority"), and/or (iii) maximum holding of 30% of net asset value for any single issuer that is an Exempt Authority (or unconditionally guaranteed by an Exempt Authority).

The table below summarizes the credit rating of the investment portfolio by S&P/Moody's/Fitch:

Portfolio by rating category of bonds:

Rating	2010	2009
AAA/Aaa	40%	17%
AA/Aa	23%	42%
A/A	36%	40%
BBB/Baa	1%	1%
Total	100%	100%

Portfolio by rating category of the issuer of certificates of deposit:

Rating	2010	2009
P-1	4%	25%
AAA/Aaa	56%	75%
A/A	40%	-
Total	100%	100%

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 Dollar Fixed Income Fund
Notes to the Financial Statements
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4. Financial risk management (continued)

(d) Credit and custody risk (continued)

All transactions in listed/quoted investments 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\$
At 31 December 2010			
Amounts payable on redemption	4,665,403	-	-
Accounts payable and accrued expenses	275,965	11,116	129,931
Net assets attributable to unitholders	450,426,417	-	-
Total financial liabilities	455,367,785	11,116	129,931
At 31 December 2009			
Amounts payable on redemption	7,576,055	-	-
Accounts payable and accrued expenses	280,647	18,882	122,776
Net assets attributable to unitholders	449,243,913	-	-
Total financial liabilities	457,100,615	18,882	122,776

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.

PineBridge Hong Kong Dollar Fixed Income Fund
Notes to the Financial Statements
For the year ended 31 December 2010

4. Financial risk management (continued)

(e) Liquidity risk (continued)

The Fund manages its liquidity risk by investing predominantly in debt securities and money market instruments that it expects to be able to liquidate within 1 month or less. The following table illustrates the expected liquidity of assets held:

	Less than 1 month HK\$	1-3 months HK\$	Over 3 months HK\$
At 31 December 2010			
Total assets	<u>452,042,221</u>	<u>732,591</u>	<u>2,734,020</u>
At 31 December 2009			
Total assets	<u>452,818,709</u>	<u>1,546,667</u>	<u>2,876,897</u>

(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 holds monetary assets and liabilities which are mainly denominated in Hong Kong dollars, the Fund's functional and presentation currency. The Fund's own units are also denominated in Hong Kong dollars and therefore there is no significant exposure to currency risk.

(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).

PineBridge Hong Kong Dollar Fixed Income Fund
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4. Financial risk management (continued)

(g) Fair value estimation (continued)

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.

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

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
Assets				
- Bonds	-	378,769,200	-	378,769,200
- Certificates of deposit	-	49,656,600	-	49,656,600
Total investments	-	428,425,800	-	428,425,800

At 31 December 2009

	Level1 HK\$	Level2 HK\$	Level3 HK\$	Total HK\$
Assets				
- Bonds	-	382,363,300	-	382,363,300
- Certificates of deposit	-	41,094,900	-	41,094,900
Total investments	-	423,458,200	-	423,458,200

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1. As of 31 December 2010 and 2009, the Fund did not hold any investments classified in level 1.

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. These include bonds and certificates of deposit. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

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.

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4. Financial risk management (continued)

(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.

5. Critical accounting estimates and assumptions

The Manager makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Fair value of investments

The Fund holds a number of unlisted debt securities that are valued by reference to broker quotes. In determining the fair value of such investments, the Manager exercises judgments and estimates on the sources of brokers and the quantity and quality of quotes used. Such quotes adopted to fair value the investments may be indicative and not executable or legally binding. As such, broker quotes do not necessarily indicate the price at which the security could actually be traded at as of 31 December 2010 and 2009. Actual transacted prices may differ from the quotes provided by the brokers. The Trustee considers that in the absence of any other reliable market sources, the broker quotes available to them reflect the best estimate of fair value.

6. Net losses on investments

	2010	2009
	HK\$	HK\$
Change in unrealized gains/losses in value of investments	(1,984,098)	(10,598,850)
Realized gains/(losses) on sale of investments	481,501	(554,500)
	<u>(1,502,597)</u>	<u>(11,153,350)</u>

7. Taxation

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.

PineBridge Hong Kong Dollar Fixed Income Fund
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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 0.75% per annum, with a permitted maximum of 1% 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\$153,379 (2009: HK\$158,227).

(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\$19,150 (2009: HK\$19,240).

(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\$103,436 (2009: HK\$103,180).

9. Soft commission arrangements

During the year, the Manager and its associates/connected persons did not enter into any soft commission arrangements with brokers relating to dealing in the assets of the Fund.

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.