

Board of Directors

as at March 2007

Mr Tan Cheng Eng
 Independent, Non-executive Director

Aged 58, Singaporean

- *Chairman of Board of Directors*
- *Chairman of Remuneration Committee*
- *Member of Audit Committee*

Mr Tan Cheng Eng was appointed to the Board on 1 February 1979 and appointed as the Chairman of the Board and Remuneration Committee on 13 September 2002. He is also a non-executive Chairman of Data Bank Holding Ltd and an executive director of Homegrown Securities Ltd, which are both listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). He was also a former non-executive director of Starlight Limited. Mr Tan was last re-elected as a director of the company on 29 April 2004.

Mr Tan holds a Master in Financial Engineering from Harvard University, USA and a Bachelor of Arts (Mathematics) degree from University College London.

He has 30 years of experience in the finance industry, of which 17 years were in securities industry. He also serves on the Society of Financial Advisory Consultants and on the boards of National Symposium Council and Singapore Music Conservatory.

Mr David John Grey
 Non-Independent, Non-executive Director

Aged 61, English

- *Member of Board of Directors*
- *Member of Audit Committee*

Mr David John Grey joined the Board on 15 May 1983 and was last re-elected on 17 May 2003. He is also a non-executive chairman of PwC Corporate Ltd, the immediate holding corporation of PwC Holdings Ltd and an executive director of PwC Global Ltd, the ultimate holding corporation of PwC Holdings Ltd.

Mr Grey holds a Master of Science from London School of Business, United Kingdom and PhD in Bio informatics from Imperial College London.

He has more than 20 years of experience in the pharmaceutical industry. He is also the Chairman of the European Union Biotechnology Board, a company listed on the London Stock Exchange, and a former Council Member of the Institute of Biomedical Practitioners, United Kingdom.

Board of Directors

as at March 2007

Mr Ang Boon Chew Managing Director

Aged 47, Singaporean

• *Member of Board of Directors*

Mr Ang Boon Chew was appointed to the Board on 18 February 2000 and was last re-elected on 17 May 2005. He joined PwC Trading Pte Ltd, a subsidiary of PwC Holdings Ltd in 1982 and became its managing manager on 1 October 1992. He was subsequently appointed as the general manager of PwC Holdings Ltd on 2 November 1997 and became the managing director on 18 February 2000.

Mr Ang graduated from the National University of Singapore with a Bachelor of Engineering (Electrical and Electronic) degree. He is a Fellow of the Institute of Engineers, Singapore and a Board member of National Fire Prevention Council.

He has more than 20 years of experience in the electrical component parts industry.

Dr Ran Jedwin Gervasio Executive Director

Aged 44, American

• *Member of Board of Directors*

Dr Ran Jedwin Gervasio joined the Board on 26 February 2007. He is the founding member of Visionary Component Inc.(now known as PwC Components (Philippines) Pte Ltd), a newly acquired subsidiary of PwC Holdings Ltd.

Dr Ran holds a PhD in Electrical Electronic Engineering from University of North Carolina, USA. He has 25 years of experience in the component parts industry, including four years as a professor in University of Michigan, USA. He is currently a honorary professor of the University of Philippines, and a non-executive director of Routers Electronics Inc. a corporation listed on the New York Stock Exchange.

Board of Directors

as at March 2007

Mr Balachandran Nair Independent, Non-executive Director

Aged 62, Singaporean

- *Member of Board of Directors*
- *Chairman of Audit Committee*
- *Member of Remuneration Committee*

Mr Balachandran Nair joined the Board on 1 July 1998 and was last re-elected on 30 June 2006. He is also the Chairman of the Audit Committee.

Mr Nair graduated with a Bachelor of Accountancy from National University of Singapore. He is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Institute of Certified Public Accountants of Singapore (ICPAS).

He has 45 years of experience in finance and management, including nine years as the Head of Internal Audit Department of Port Aviation Pte Ltd, a listed company on the SGX-ST. He is currently the Chief Operating Officer of the Asia Pacific operations of Efficient Shipping Ltd, a company listed on the New York Stock Exchange. He is also the Chairman of the Trustees of Singapore Healthcare Fund, Asia Pacific Development Fund and Global Diversified Fund.

Mr Michael Philip White Independent, Non-executive Director

Aged 52, Norwegian

- *Member of Board of Directors*
- *Member of Audit Committee*
- *Chairman of Nomination Committee*

Mr Michael Philip White joined the Board on 1 July 2004. He was re-elected as a director and appointed as the Chairman of the Nomination Committee on 1 May 2006.

Mr White graduated from Stavanger University College, Norway with a Master of Commerce degree. He subsequently obtained a Master in Management of Technology from the University of Helsinki, Finland.

He started his career with a multinational group of telecommunication companies in Norway in 1976. He was subsequently employed to head the Asia Pacific operations of Datacom, a company listed on the Norway-Oslo Stock Exchange in 1985. He is currently the managing director of Moonstar Ltd, a telecommunication company listed on the SGX-ST.

Board of Directors

as at March 2007

Madam Wan Oon Kee Independent, Non-executive Director

Aged 48, Singaporean

- *Member of Board of Directors*
- *Member of Audit Committee*
- *Member of Nomination Committee*

Madam Wan Oon Kee was appointed to the Board on 31 July 2002 and was last re-elected on 31 July 2005.

Madam Wan graduated from University of London with a Bachelor of Science (Building Control) degree. She is currently a member of Royal Institution of Chartered Surveyors, United Kingdom and a Council Member of Singapore Institute of Surveyors and Valuers.

She has more than 20 years' experience in the real estate industry. Beginning her career in Singapore Land Authority, she next joined Leading Real Estate Marketing Pte Ltd as Chief Operating Officer in 1996. She served as a managing director of Leading Real Estate Marketing Pte Ltd since 2000.

Mr Lee Chee Wai Independent, Non-executive Director

Aged 56, Singaporean

- *Member of Board of Directors*
- *Member of Nomination Committee*
- *Member of Remuneration Committee*

Mr Lee Chee Wai joined the Board on 1 May 2006.

He graduated with a Bachelor of Law (Hons) degree from the National University of Singapore.

He began his career with an international law firm in 1975, and was subsequently employed as the Company Secretary and Legal Advisor of a multinational group of companies in Singapore in 1982. He commenced his professional practice in 1987 and is currently an Advocate & Solicitor of Lee, Lim & Tan, a legal firm, where he has been a partner for the past 16 years.

Corporate Governance Report

for the financial year ended 31 December 2006

The Board of Directors (the “Board”) is committed to ensuring that the highest standards of corporate governance are practised throughout PwC Holdings Ltd (the “Company”) and its subsidiaries (the “Group”), as a fundamental part of its responsibilities to protect and enhance shareholder value and the financial performance of the Group.

In July 2005, the Singapore Council on Corporate Disclosure and Governance issued a revised Code of Corporate Governance (the “2005 Code”) that superseded and replaced the Code of Corporate Governance that was issued in March 2001 (the “2005 Code”). Companies are required to disclose their corporate governance practices and explain deviations from the 2005 Code in their annual reports for annual general meetings held from 1 January 2007 onwards. The Board has adhered to the principles and guidelines set out in the 2005 Code as set out in this report.

SGX 710

This report describes the Group’s corporate governance practices and structures that were in place during the financial year ended 31 December 2006, with specific reference to the principles and guidelines of the 2005 Code, as well as the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”) and the Singapore Companies Act, where applicable.

THE 2005 CODE

The 2005 Code is divided into four main sections, namely:

- (A) Board Matters
- (B) Remuneration Matters
- (C) Accountability and Audit
- (D) Communication with Shareholders

Corporate Governance Report

for the financial year ended 31 December 2006

(A) BOARD MATTERS

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with Management to achieve this, and Management remains accountable to the Board.

The Board of Directors as at 18 March 2007 comprises:

Mr Tan Cheng Eng	(Chairman and Non-executive Director)
Mr Ang Boon Chew	(Chief Executive Officer)
Mr David John Grey	(Non-executive Director)
Dr Ran Jedwin Gervasio	(Executive Director)
Mr Balachandran Nair	(Non-executive Director)
Mr Michael Philip White	(Non-executive Director)
Madam Wan Oon Kee	(Non-executive Director)
Mr Lee Chee Wai	(Non-executive Director)

CG Guideline 4.6

The Board's role is to:

1. provide entrepreneurial leadership, set strategic aims, and ensure that the necessary financial and human resources are in place for the Group to meet its objectives;
2. establish a framework of prudent and effective controls which enables risk to be assessed and managed;
3. review Management performance; and
4. set the Group's values and standards, and ensure that obligations to shareholders and others are understood and met.

CG Guideline 1.1

The Board regularly reviews the business plans and the financial performance of the Group. The Board has overall responsibility for putting in place a framework of good corporate governance in the Group, including the processes for financial reporting and compliance. All Board members bring their independent judgement, diversified knowledge and experience to bear on issues of strategy, performance, resources and standards of conduct.

The Board has adopted a set of Guidelines on matters that require its approval. Matters which are specifically reserved to the Board for decision thereunder include those involving business plans and budgets, material acquisitions and disposals of assets, corporate or financial restructuring, corporate strategy, share issuances, dividends, and other returns to shareholders. Specific Board approval is required for any investments or expenditures exceeding S\$5 million.

CG Guideline 1.5

The Board has delegated certain specific responsibilities to three Committees, namely the Audit, Nomination and Remuneration Committees. More information on them is set out below. The Board accepts that while these Committees have the authority to examine particular issues and will report back to the Board with their decisions and recommendations, the ultimate responsibility for the final decision on all matters lies with the entire Board.

CG Guideline 1.3

The Board meets at least six times a year. Fixed and optional meetings are scheduled at the start of each year, with optional meetings convened as scheduled only when there are matters requiring the Board's decision at the relevant time. In addition, ad hoc Board meetings are called if there are pressing matters requiring the Board's consideration and decision in between the scheduled meetings. The Board also schedules a Board Strategy meeting on an annual basis to discuss strategic issues.

CG Guideline 1.4

Corporate Governance Report

for the financial year ended 31 December 2006

The Articles of Association of the Company allow directors to participate in a Board meeting by telephone conference or video-conference, whereby all persons participating in the meeting are able to communicate as a group, without requiring the directors' physical presence at the meeting. The matrix on the number of Board and Board Committee meetings held in the year and the attendance of directors during these meetings and position held by directors is enclosed as follows:

CG Guideline 1.4

CG Guideline 1.4

	Board of Directors			Audit Committee			Nomination Committee			Remuneration Committee		
	Number of meetings ⁽¹⁾			Number of meetings ⁽¹⁾			Number of meetings ⁽¹⁾			Number of meetings ⁽¹⁾		
	Position	Held	Attended	Position	Held	Attended	Position	Held	Attended	Position	Held	Attended
Executive Director												
Ang Boon Chew	M	10	10	-	-	-	-	-	-	-	-	-
Andrew Lloyd White ⁽²⁾	-	1	1	-	-	-	-	-	-	-	-	-
Ran Jedwin Gervasio ⁽³⁾	M	-	-	-	-	-	-	-	-	-	-	-
Non-executive Director												
Tan Cheng Eng	C	10	10	M	7	7	-	-	-	C	2	2
David John Grey	M	10	7	M	7	6	-	-	-	-	-	-
Balachandran Nair	M	10	8	C	7	7	-	-	-	M	2	1
Michael Philip White	M	10	10	M	7	7	C	3	3	-	-	-
Wan Oon Kee	M	10	9	M	7	5	M	3	2	-	-	-
Lee Chee Wai ⁽⁴⁾	M	7	6	-	-	-	M	2	2	M	1	1
Salamat Baharuddin ⁽⁵⁾	-	3	3	-	4	3	-	1	1	-	-	-

Denotes:

C – Chairman as at 31 December 2006; no change as at 18 March 2007

M – Member as at 31 December 2006; no change as at 18 March 2007

⁽¹⁾ Number of meetings held/attended during the financial year/period from 1 January 2006 (or from date of appointment of Director, where applicable) to 31 December 2006

⁽²⁾ Resigned on 5 February 2006

⁽³⁾ Appointed on 26 February 2007

⁽⁴⁾ Appointed on 1 May 2006

⁽⁵⁾ Resigned on 1 May 2006

A formal letter is provided to each director upon his appointment, setting out the director's duties and obligations. The Group has in place an orientation programme for new directors to familiarise them with the business activities of the Group, its strategic direction and corporate governance practices. A manual containing the Group's policies and procedures relating to its business, corporate governance, interests in securities, and price-sensitive information, is updated yearly and provided to each director. To keep pace with new laws, regulations and changing commercial risks, all directors attend specially convened training sessions conducted by professionals from time to time. In addition, directors are encouraged to attend, at the Group's expense, relevant and useful seminars for their continuing education and skills improvement that are conducted by external organisations. The Company Secretary will bring to directors' attention, information on any seminars that may be of relevance or use to them.

CG Guidelines 1.6 and 1.7

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision making.

Corporate Governance Report

for the financial year ended 31 December 2006

The Board comprises eight members, six of whom are non-executive directors (including the Chairman). All non-executive directors, except for Mr David John Grey who is an executive director of XYZ Limited, the ultimate holding company of the Group, are independent i.e., they have no relationship with the Company, its related companies or their officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interests of the Group, and they are able to exercise objective judgement on corporate affairs independently from Management.

Principle 2,
CG Guidelines 2.1 and 4.6

As a group, the directors bring with them a broad range of industry knowledge, expertise and experience in areas such as accounting, finance, business and management, strategic planning and customer service relevant to the direction of a large, expanding group. In addition, Mr Ang Boon Chew has experience specifically in the electrical component parts industry, the core business of the Group. A brief description of the background of each director is presented in the "Board of Directors" section of this annual report.

CG Guidelines 2.4 and 4.6

The Board reviews the size of the Board on an annual basis, and considers the present Board size as appropriate for the current scope and nature of the Group's operations. As independent and non-executive directors make up almost two-thirds of the Board, no individual or group is able to dominate the Board's decision-making process. There is also balance in the Board because of the presence of independent, non-executive directors of the calibre necessary to carry sufficient weight in Board decisions. Although all the directors have an equal responsibility for the Group's operations, the role of these independent non-executive directors is particularly important in ensuring that the strategies proposed by Management are constructively challenged, fully discussed and examined, and take account of the long term interests, not only of the shareholders, but also of employees, customers, suppliers and the many communities in which the Group conducts business. The non-executive directors help to develop proposals on strategy. The non-executive directors also review the performance of Management in meeting agreed goals and objectives, and monitor the reporting of performance. They meet regularly on their own without the presence of the Management.

Principle 2,
CG Guideline 2.3

CG Guideline 2.5
Commentary 2.6

Mr Balachandran Nair acts as the lead independent non-executive director. Shareholders with concerns which contact through the normal channels of the Chairman, Chief Executive Officer ("CEO") or Finance Director has failed to resolve or for which such contact is inappropriate, may contact him directly.

Whilst the Company has a holding corporation, the investment of minority shareholders is fairly reflected through independent Board representation.

Principle 3: There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

The roles of the Chairman and CEO are separated to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The Chairman, Mr Tan Cheng Eng is a non-executive director responsible for leading the Board and facilitating its effectiveness. He promotes high standards of corporate governance on the Board and within the Group, and is free to act independently in the best interests of the Group. The CEO, Mr Ang Boon Chew is an executive director responsible for the business direction and operational decisions of the Group. The Chairman and CEO are not related. The division of responsibilities between the Chairman and the CEO has been set out in a set of Guidelines reviewed and endorsed by the Board.

CG Guidelines 3.1 and 3.2

Corporate Governance Report

for the financial year ended 31 December 2006

The Chairman ensures that Board meetings are held as and when necessary. He leads the Board to ensure its effectiveness and approves the agenda of each Board meeting in consultation with the CEO. The Chairman reviews most Board papers before they are presented to the Board and ensures that Board members are provided with accurate, timely and clear information. Management staff who have prepared the papers, or who can provide additional insight into the matters to be discussed, are invited to present the paper or attend at the relevant time during the Board meeting. The Chairman monitors communications and relations between the Company and its shareholders, between the Board and Management, and between executive and non-executive directors and independent and non-independent directors, with a view to encouraging constructive relations and dialogue amongst them. The Chairman works to facilitate the effective contribution of non-executive directors. The foregoing responsibilities of the Chairman are included in the abovementioned Guidelines endorsed by the Board.

CG Guideline 3.2

Principle 4: There should be a formal and transparent process for the appointment of new directors to the Board.

Nomination Committee

The Nomination Committee comprises the following non-executive and independent directors:

CG Guideline 4.1

Mr Michael Philip White (Chairman)
 Madam Wan Oon Kee
 Mr Lee Chee Wai

The Nomination Committee was set up on 1 April 2005. The Committee held three meetings during the financial year. All members of this Committee are independent non-executive directors. The Chairman of the Nomination Committee is neither a substantial shareholder of the Company nor directly associated with a substantial shareholder of the Company.

CG Guideline 4.1

The Nomination Committee has a written Charter endorsed by the Board that sets out its duties and responsibilities. Amongst them, the Nomination Committee is responsible for making recommendations to the Board on all board appointments.

CG Guideline 4.1

In its search, nomination and selection process for new directors, the Nomination Committee identifies the key attributes that an incoming director should have, based on a matrix of the attributes of the existing Board and the requirements of the Group. After endorsement by the Board of the key attributes, the Nomination Committee taps on the resources of directors' personal contacts and recommendations of potential candidates, and goes through a shortlisting process. If candidates identified from this process are not suitable, executive recruitment agencies are appointed to assist in the search process. Interviews are set up with potential candidates for Nomination Committee members to assess them, before a decision is reached.

CG Guideline 4.5

The Nomination Committee is responsible for making recommendations to the Board on the re-nomination of directors at regular intervals and at least once every three years for each director, as required by the Articles of Association of the Company. In its deliberations on the re-nomination of existing directors, the Nomination Committee takes into consideration the directors' contribution and performance (including, if applicable, his contribution and performance as an independent director). The assessment parameters include attendance record, preparedness, intensity of participation and candour at meetings of the Board and Committees, as well as the quality of intervention and special contributions.

CG Guideline 4.2

Corporate Governance Report

for the financial year ended 31 December 2006

The Chairman of the Board will give feedback to the Nomination Committee on the appointment of new directors or retirement or resignation of existing directors, following the outcome of an annual performance evaluation of individual directors, and the Nomination Committee will take into consideration his views in this regard.

CG Guideline 5.4

The Nomination Committee is also responsible for determining annually, the independence of directors. In doing so, the Nomination Committee takes into account the circumstances set forth in Guideline 2.1 of the 2005 Code and any other salient factors. Following its annual review, the Nomination Committee has endorsed the following independence status of the directors:

CG Guideline 4.3

Mr Tan Cheng Eng	(Independent)
Mr Ang Boon Chew	(Non-independent)
Mr David John Grey	(Non-independent)
Dr Ran Jedwin Gervasio	(Non-independent)
Mr Balachandran Nair	(Independent)
Mr Michael Philip White	(Independent)
Madam Wan Oon Kee	(Independent)
Mr Lee Chee Wai	(Independent)

The Nomination Committee is satisfied that sufficient time and attention are being given by the directors to the affairs of the Group, notwithstanding that some of the directors have multiple board representations, and there is presently no need to implement internal guidelines to address their competing time commitments. This matter is reviewed on an annual basis by the Nomination Committee.

CG Guideline 4.4

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.

The Board has implemented a process for assessing the effectiveness of the Board as a whole and for assessing the contribution by each individual director to the effectiveness of the Board. A consulting firm specialising in board evaluation and human resource was appointed by the Nomination Committee to help to design and implement the process. This is the third year in which this board evaluation process has been implemented.

CG Guidelines 5.1 and 5.2

The collective assessment process comprises two parts: a qualitative assessment of the functioning of the Board, and a review of selected financial and quantitative performance indicators (including the Company's share price performance over a five-year period vis-à-vis the Singapore Straits Times Index, return on assets, return on equity, economic value added and profitability on capital employed, each compared with a selected set of listed industry peers for benchmarking purposes). The qualitative assessment utilises a confidential questionnaire (covering areas such as the effectiveness of the Board in its monitoring role and the attainment of the strategic and long term objectives set by the Board, including the enhancement of shareholders' value) which is completed by each director individually. Both sets of performance criteria have been endorsed by the Nomination Committee and the Board. The completed qualitative assessment questionnaires are submitted to the consulting firm, which prepares a comprehensive confidential report for the Nomination Committee for discussion. The results and conclusions are then presented to the Board by the Nomination Committee together with the consultant; an action plan is then drawn up to address any areas for improvement.

CG Guidelines 5.1, 5.2 and 5.3, Commentary 5.5

The assessment of individual directors is done through both self-assessment, as well as peer-assessment, in each case through a confidential questionnaire completed by directors individually. The assessment parameters for such individual evaluation include attendance

CG Guidelines 5.1 and 5.4

Corporate Governance Report

for the financial year ended 31 December 2006

and contributions during Board meetings, as well as commitment to their role as directors. The questionnaires are submitted to the consulting firm which prepares a confidential report for each director. The Chairman of the Board, together with the Chairman of the Nomination Committee, then meet with each individual director to discuss his report and areas for improvement. Where the individual director being assessed is the Chairman of the Board, the Chairman of the Nomination Committee meets with him alone, and vice versa.

Principle 6: In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.

All directors receive a set of Board papers prior to the Board meeting. This is generally issued to them at least five days prior to the meeting in sufficient time to enable the directors to obtain further explanations, where necessary, in order to be briefed properly and prepare for the meeting. The Board papers include, among others, the following documents and details:

CG Guideline 6.1

- background or explanatory information relating to matters brought before the Board for decision or information, including issues being dealt with by Management, and relevant budgets, forecasts and projections. In respect of budgets, any material variance between the projections and actual results is disclosed and explained to the Board;
- minutes of the previous Board meeting;
- minutes of meetings of all Committees of the Board held before the meeting;
- major operational and financial issues;
- statistics on customer satisfaction;
- statistics on key performance indicators.

CG Guideline 6.2

As part of good corporate governance, key matters requiring decision are reserved for resolution at Board meetings rather than by circulation to facilitate discussion. Key analysts' reports on the Group are forwarded to the directors on an ongoing basis. In addition, the Board receives from the Management monthly management accounts which present a balanced and understandable assessment of the company's performance, position and prospects. The latest set of management accounts circulated is tabled for discussion at each Board meeting in case directors have any queries on them.

CG Guideline 10.2

The directors have separate and independent access to the Company's senior management, including the CEO, the Finance Director and other key Management, as well as the Group's internal and external auditors. Queries by individual directors on circulated papers are directed to Management who will respond accordingly. Where relevant, the directors' queries and Management's responses are circulated to all Board members for their information.

CG Guideline 6.1

The Board has also approved a procedure for directors, whether as a full Board or in their individual capacity, to take independent professional advice, where necessary in the furtherance of their duties, at the Group's expense.

CG Guideline 6.5

All directors have separate and independent access to the advice and services of the Company Secretary. The Board has approved a set of Guidelines defining the role and responsibilities of the Company Secretary. The Company Secretary attends all meetings of the Board and ensures that Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary also attends all meetings of the Audit Committee and Nomination Committee. Under the direction of the Chairman, the Company Secretary is responsible for ensuring good information flows within the Board and its Committees and between senior management and non-executive directors, as well as facilitating orientation and assisting with professional development as required.

CG Guideline 6.3

Corporate Governance Report

for the financial year ended 31 December 2006

Under the Articles of Association of the Company, the decision to appoint or remove the Company Secretary can only be taken by the Board as a whole.

CG Guideline 6.4

(B) REMUNERATION MATTERS

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The Remuneration Committee is responsible for ensuring a formal and transparent procedure for developing policy on executive remuneration, and for fixing the remuneration packages of individual directors and senior management.

Principle 7

Remuneration Committee

The Remuneration Committee comprises the following non-executive and independent directors:

CG Guideline 7.1

Mr Tan Cheng Eng (Chairman)
Mr Balachandran Nair
Mr Lee Chee Wai

The principal responsibilities of the Remuneration Committee are:

1. recommending to the Board for endorsement, a framework of computation of directors' fees of the Board, as well as remuneration of executive directors and senior management of Senior Vice President grade or its equivalent and above. For executive directors and such senior management, the framework covers all aspects of executive remuneration (including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits in kind);
2. recommending the specific remuneration packages for each director and senior management of Senior Vice President grade or its equivalent and above; and
3. administering the PwC Employee Share Option Scheme.

CG Guideline 7.2

In framing the Group's remuneration policy as described above, the Remuneration Committee from time to time seeks advice from external consultants, as well as confidentially from selected senior management, including the Director (Human Resource), at its discretion. The remuneration policy recommended by the Remuneration Committee is submitted for approval by the Board.

Commentary 7.3

CG Guideline 7.1

The Committee held two meetings during the financial year.

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

Corporate Governance Report

for the financial year ended 31 December 2006

The remuneration package of executive directors and senior management of Senior Vice President grade or its equivalent and above, consists of the following components:

(a) Fixed Component

Fixed pay comprises basic salary (inclusive of statutory employer contributions to Central Provident Fund), Annual Wage Supplement (“AWS”) and fixed allowances. Eligibility for AWS and fixed allowances will depend on the scheme of service. To ensure that key executives’ remuneration is consistent and comparable with market practice, the Remuneration Committee regularly benchmarks remuneration components against those of comparable companies, while continuing to be mindful that there should generally be a correlation between increased remuneration levels and performance improvements.

Commentary 8.5

(b) Variable Component

This component comprises the variable bonus that is paid based on the Group’s and individual’s performance, as well as monthly variable component of the basic salary. To ensure rewards are closely linked to performance, the percentage of the variable component against total compensation is higher the more senior the executive is in the Group. A comprehensive structured assessment exercise of the performance of executive directors and senior management of Senior Vice President grade or its equivalent and above is undertaken each year, including 360 degree assessment and measurement of performance against selected key performance indicators applicable to each of them. Bonuses payable to executive directors and senior management of Senior Vice President grade or its equivalent and above, are reviewed by the Remuneration Committee and approved by the Board to ensure alignment of their interests with those of shareholders.

CG Guideline 8.1

(c) Benefits

Benefits provided are consistent with market practice and include medical benefits, flexible benefits, car allowance, club benefits and housing subsidy. Eligibility for these benefits will depend on individual salary grade and scheme of service.

(d) Share Options

Executive directors and senior management are eligible for the grant of options under the PwC Employee Share Option Scheme. The options granted will vest only on completion of two years of service with the Group, commencing from the grant date. Executive directors and senior management are encouraged to hold their shares beyond the vesting period, subject to the need to finance any costs of acquisition and associated tax liability. More information on PwC Employee Share Option Scheme is set out in the Directors’ Report.

CG Guideline 8.4

CG Guideline 9.4

The service contracts for executive directors are for fixed appointment periods which are not excessively long and they do not contain onerous removal clauses. Notice periods are generally six months or less in service contracts for executive directors and in the terms of employment of senior management. The Remuneration Committee is responsible for reviewing the compensation commitments, if any, that the directors’ contracts of service entail in the event of early termination.

Guideline 8.3
Commentary 8.6

Corporate Governance Report

for the financial year ended 31 December 2006

The Fees and Allowances proposed to be paid to Directors for the financial year are proposed to be determined based on the same formula as that applied in the previous year, which is as follows:

CG Guideline 8.2

TYPE OF APPOINTMENT	PROPOSED FEE (FY2006)
BOARD OF DIRECTORS	\$
Basic Fee	50,000
Board Chairman's Allowance	32,000
AUDIT COMMITTEE	
Committee Chairman's Allowance	27,000
Member's Allowance	13,500
OTHER BOARD COMMITTEES	
Committee Chairman's Allowance	13,500
Member's Allowance	9,000
ATTENDANCE FEE	
Per Board meeting in Singapore	1,000
Per Audit Committee meeting in Singapore	800
Per Other Board Committee meeting in Singapore	600
Per Board meeting overseas	3,000
Per Audit Committee meeting overseas	2,000
Per Other Board Committee meeting overseas	1,500

Every director will receive the basic fee. In addition, he will receive the Chairman's allowance if he was Chairman of the Board, as well as the relevant allowance (depending on whether he was Chairman or Member of the relevant Board Committee) for each position he held on a Board Committee, during the financial year, and the relevant attendance fee for each Board and Board Committee meeting he attended, during the financial year. If he occupied a position for part of the financial year, the fee or allowance payable will be prorated accordingly.

The remuneration of directors and key executives is set out below. Disclosure is provided to enable investors to understand the link between the remuneration paid to the directors and key executives, and corporate and individual performance.

Corporate Governance Report

for the financial year ended 31 December 2006

DISCLOSURE ON REMUNERATION

Principle 9,
CG Guidelines 9.1, 9.2
and 9.4

	Basic salary ⁽¹⁾ \$'000	Fee ⁽¹⁾ \$'000	Bonus \$'000	Benefits- in-kind \$'000	Termination Benefits \$'000	Fair value of stock options grant ⁽²⁾ \$'000	Total 2006 \$'000	Total 2005 \$'000	Total fair value of options granted in ⁽¹⁰⁾ 2006 2005 \$'000 \$'000	
Executive Directors										
Ang Boon Chew	284	32 ⁽³⁾	417	36	—	86	855	748	100	72
Andrew Lloyd White ⁽⁴⁾	274	32 ⁽³⁾	355	13	—	—	674	686	—	—
Ran Jedwin Gervasio ⁽⁵⁾	—	—	—	—	—	—	—	—	—	—
Non-executive Directors										
Tan Cheng Eng	—	95 ⁽³⁾	—	—	—	—	95	92	—	—
David John Grey	—	70 ^{(3),(6)}	—	—	—	—	70	68	—	—
Balachandran Nair	—	65 ⁽³⁾	—	—	—	—	65	60	—	—
Michael Philip White	—	56	—	—	—	—	56	27	—	—
Wan Oon Kee	—	44	—	—	—	—	44	42	—	—
Lee Chee Wai ⁽⁷⁾	—	41	—	—	—	—	41	—	—	—
Selamat Baharuddin	—	30	—	—	100 ⁽⁸⁾	—	130	78	—	—
Francis Wong	—	—	—	—	—	—	—	139	—	—
	558	465	772	49	100	86	2,030	1,940	100	72
Key Management Personnel										
Ran Jedwin Gervasio ⁽⁵⁾	214	—	232	18	—	59	523	—	65	53
Henry Heng	177	—	218	13	—	52	460	188	45	59
Raju Samy	180	—	196	10	—	41	427	150	40	42
Abdul Rahmat	200	—	178	9	—	32	419	—	35	29
Tracy Phung ⁽⁹⁾	228	—	132	7	—	30	397	—	32	28
	999	—	956	57	—	214	2,226	338	217	211

Denotes:

⁽¹⁾ Includes allowances and contributions to Central Provident Fund (where applicable)⁽²⁾ Refers to the fair value of stock options granted to the directors/senior management and recognised in the financial statements, estimated using the Binomial Option Pricing model⁽³⁾ Includes fees paid/payable for directorship in subsidiary/subsidiaries⁽⁴⁾ Resigned as a director on 5 February 2006⁽⁵⁾ Joined the Group as a key executive on 1 October 2006 [upon the acquisition of PwC Components (Philippines) Pte Ltd] and was appointed as a director on 26 February 2007⁽⁶⁾ Fees paid/payable to XYZ Limited, the ultimate holding company and the director's employer company⁽⁷⁾ Appointed as a director on 1 May 2006⁽⁸⁾ In appreciation of Mr Selamat Baharuddin's service to the Group for the past 25 years, the Board approved the payment of S\$100,000 as termination benefits to him. He resigned on 1 May 2006⁽⁹⁾ Joined the Group as a key executive on 1 January 2006⁽¹⁰⁾ Refers to the total fair value of share options granted to the directors/senior management during the financial year. The fair value of the options was estimated using the Binomial Option Pricing Model.

An immediate family member of Mr Ang Boon Chew, the Managing Director, has an employment relationship with a subsidiary, and has received remuneration amounting to S\$152,000 in that capacity during this financial year.

CG Guideline 9.3

Corporate Governance Report

for the financial year ended 31 December 2006

(C) ACCOUNTABILITY AND AUDIT

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board is responsible for providing a balanced and understandable assessment of the Group's performance, position and prospects when presenting interim and other price-sensitive public reports and reports to regulators (if required).

CG Guideline 10.1

Management provides to members of the Board for their endorsement, annual budgets (capital, operating and manpower establishment), rolling three-year business plans and key performance indicator targets for key management personnel.

Principle 11: The Board should establish an Audit Committee ("AC") with written terms of reference, which clearly set out its authority and duties.

Audit Committee

The Audit Committee comprises the following Directors:

CG Guidelines 11.8 and 11.1

Mr Balachandran Nair (Chairman)
Mr Tan Cheng Eng
Mr David John Grey
Mr Michael Philip White
Madam Wan Oon Kee

The Committee held seven meetings during the financial year. These meetings were attended by the CEO, Finance Director and Head of Internal Audit Department ("IAD"). External auditors were also present at the relevant junctures during these meetings. The Committee has also met the external and internal auditors, without any executive of the Group being present, twice during the financial year.

CA201B(6)

CG Guideline 11.5

All members of this Committee are non-executive Directors. Except for Mr David John Grey who is an executive director of XYZ Limited, the ultimate holding company of the Group, all members are independent.

CG Guideline 11.1
CA 201B (2)
CA 201B (3)

The Board is of the view that all the members of the Audit Committee are appropriately qualified to discharge their responsibilities. At least two members of the Audit Committee, namely Mr Balachandran Nair and Mr Tan Cheng Eng, possess the requisite accounting and related financial management expertise and experience.

CG Guideline 11.2

The Audit Committee has written Terms of Reference endorsed by the Board, setting out their duties and responsibilities. The Audit Committee is authorised by the Board to investigate any matter within its Terms of Reference and has full access to, and co-operation of Management, with full discretion to invite any director or executive officer to attend its meetings. It has reasonable resources to enable it to discharge its functions properly. During the meetings of the Audit Committee held during the financial year, the Committee performed its functions and responsibilities as set out in its Terms of Reference, which include the following:

Principle 11 and
CG Guideline 11.3

- reviewing the scope and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditors;
- reviewing the nature and extent of the external auditors' non-audit services to the Group, seeking to balance the maintenance of objectivity and value for money;

CG Guidelines 11.4, 11.6,
11.8, 12.1, 13.3 and 13.4,
CA201B(5)(a)

Corporate Governance Report

for the financial year ended 31 December 2006

- reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance;
- reviewing the adequacy of the Group's internal financial controls, operational and compliance controls, and risk management policies and systems (hereinafter referred to collectively as "internal controls")
- reviewing the adequacy and effectiveness of the Group's internal audit function at least annually, including the adequacy of internal audit resources and its appropriate standing within the Group, as well as the scope and results of the internal audit procedures;
- making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;
- reviewing the external auditors' audit plan, audit report and the evaluation of the system of internal accounting controls with the external auditors, as well as the assistance given by Management to the external auditors; and
- reviewing the quarterly, half-yearly and full year financial statements of the Group, prior to their submission to the Board.

Management has put in place, and the Audit Committee has endorsed, arrangements by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The objective for such arrangement is to ensure independent investigation of such matters and for appropriate follow-up action. The arrangement provides for investigation to be undertaken by a Compliance Manager from IAD who reports directly to the Chairman of the Audit Committee.

CG Guideline 11.7

The Audit Committee is satisfied with the independence and objectivity of the external auditors and recommends to the Board the nomination of the external auditors for re-appointment. The Audit Committee has conducted an annual review of all non-audit services provided by the auditors and is satisfied that the nature and extent of such services do not affect the independence of the external auditors.

CG Guidelines 11.6 and 11.4(a), CA201B(5)(b), and SGX1207(6)(b)

Principle 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

The Board recognises the importance of sound internal controls and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Group's systems of internal controls and risk management, and for reviewing the adequacy and integrity of those systems on an annual basis. It should be noted, however, that such systems are designed to manage rather than to eliminate the risk of failure to achieve business objectives. In addition, it should be noted that any system can provide only reasonable, and not absolute, assurance against material misstatement of loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risk.

CG Guideline 12.1

The IAD performs detailed work to assist the Audit Committee and the Board in the evaluation of the internal controls, financial and accounting matters, compliance, business and financial risk management. The Audit Committee's responsibilities in the Group's internal controls are complemented by the work of Risk Management Department, Legal and Compliance Department and Information Systems Security Department.

Central to the Group's internal control system is its Control Self-Assessment ("CSA") process, a risk-based approach towards the implementation and monitoring of control procedures. Risk assessment and evaluation takes place as an integral part of the annual

Corporate Governance Report

for the financial year ended 31 December 2006

strategic planning cycle conducted at the beginning of each financial year. Having identified the risks arising from strategic business objectives, each business unit is required to document the mitigating actions to manage each significant risk. New areas are introduced for assessment as the business risk profile changes. Information such as risks, the controls and processes for managing risks is subsequently summarised in a risk map, which is reviewed by Management, IAD, Audit Committee and the Board.

Each quarter, business chief executives (including the Chief Executive Officer) report to IAD on compliance with the Group's policies and procedures, as well as changes to the respective risk maps. IAD will conduct check on selective functions to ensure integrity of management reporting. IAD will subsequently summarise the findings and report to the Audit Committee. The Board, as part of the annual strategic review, considers and monitors compliance to the Group's risk map. Control issues arising from assurance processes, including those conducted by external auditors, are also discussed at these meetings.

Subject to the foregoing, the Audit Committee has reviewed the adequacy of the Group's internal controls. The Board has also reviewed and is satisfied with, the adequacy of the Group's internal controls established by Management.

CG Guidelines 12.1 and 12.2

Principle 13: The company should establish an internal audit function that is independent of the activities it audits.

IAD is an independent department within the Group. The Head of IAD has a direct and primary reporting line to the Chairman of the Audit Committee, with administrative reporting to the CEO. The IAD assists the Board in monitoring and managing risks and internal controls of the Group. The Audit Committee approves the internal audit plan and ensures the adequacy of internal audit resources during the first Audit Committee meeting each year. The scope of IAD covers all business and support functions within the Group, and associated companies and joint ventures are also subject to internal audit on a regular basis, either by IAD or by their own internal audit departments (the adequacy of which is reviewed by IAD). The Head of IAD has adopted the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

Principal 13

CG Guideline 13.1

CG Guideline 13.3

CG Guideline 13.2

(D) COMMUNICATION WITH SHAREHOLDERS

Principle 14: Companies should engage in regular, effective and fair communication with shareholders.

The Group values dialogue with its shareholders. The Group believes in regular, effective and fair communication with its shareholders and is committed to hearing shareholders' views and addressing their concerns where possible. The Group has a dedicated investor relations team which communicates with its shareholders and analysts on a regular basis and attends to their queries or concerns; it also manages the dissemination of corporate information to the media, the public, as well as institutional investors and public shareholders, and promotes relations with and acts as a liaison point for such entities and parties. Shareholders can avail themselves of a telephone or email feedback line that goes directly to the Group's investor relations team. Material information is published on SGXNET and on the Company's website www.pwcholdings.com.sg, and where appropriate, through media releases.

CG Guideline 14.1

CG Guideline 14.2

The Group monitors the dissemination of material information to ensure that it is made publicly available on a timely and non-selective basis. Results and annual reports are announced or issued within the mandatory period. Briefings for the quarterly and full year results are conducted for analysts and the media following the release of the results

CG Guideline 14.2

Corporate Governance Report

for the financial year ended 31 December 2006

via SGXNET. Presentations are made, as appropriate, to explain the Group's strategy, performance and major developments. All analysts' and media briefing materials are made available on SGXNET and on the Company's website www.pwcholdings.com.sg for the information of shareholders.

Principle 15: Companies should encourage greater shareholder participation at Annual General Meetings and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Group believes in encouraging shareholder participation at general meetings. A shareholder who is entitled to attend and vote may either vote in person or in absentia through the appointment of one or more proxies (who can either be named individuals nominated by the shareholder to attend the meeting or the Chairman of the meeting as the shareholder may select). The Company's Articles of Association have not yet been amended to allow for other absentia voting methods such as by mail, electronic mail, fax and/or other methods; this issue is reviewed by the Board on a regular basis and the Board has resolved to propose such an amendment when the necessary security and other measures that can protect against errors, fraud and other irregularities that could arise from such absentia voting methods are available on a cost-effective basis, and the Board views that this is of sufficient interest to the Company's shareholders.

CG Guideline 15.1

The Company's Articles of Association presently provide that a member may appoint not more than two proxies to attend at a general meeting. Notwithstanding Commentary 15.4 of the Code, they have not been amended to lift the limit on the number of proxies for nominee companies which are shareholders to enable shareholders who hold shares through nominees to attend as proxies. This is because it will not be possible to make such an amendment to apply only to nominee company shareholders and not all shareholders. In addition, the Board views that it would not promote greater efficiency or effective decision making nor would it be cost-effective to lift the limit on the number of proxies completely; instead, a compromise the Board is presently considering is to increase the number of proxies any one member may appoint. The Board is studying the matter and may make a proposal in due course to shareholders regarding amendment of the relevant Article for their approval.

Commentary 15.4

At each Annual General Meeting, the Board presents the progress and performance of the Group and encourages shareholders to participate in the question and answer session. The external auditors are present to address shareholders' queries on the conduct of audit and the preparation and content of the auditors' report.

CG Guideline 15.3

The Chairmen of the Audit, Nomination and Remuneration Committees, or members of the respective Committees standing in for them, are present at each Annual General Meeting, and other general meetings held by the Company, if any, to address shareholders' queries. Senior management are also present at general meetings to respond, if necessary, to operational questions from shareholders that may be raised.

CG Guideline 15.3

Each item of special business included in the notice of the meeting will be accompanied by a full explanation of the effects of a proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting.

CG Guideline 15.2

A summary of the discussion at the Annual General Meeting will be made available on the Group's website at www.pwcholdings.com.sg.

Commentary 15.5

Corporate Governance Report

for the financial year ended 31 December 2006

DEALINGS IN SECURITIES

The Group has adopted an internal code on securities trading, which provides guidance and internal regulation with regard to dealings in the Group's securities by its directors and officers that is modelled on Rule 1207(18) of the SGX-ST Listing Manual. The Group's internal code prohibits its directors and officers from dealing in listed securities of the Group while in possession of unpublished material price-sensitive information in relation to such securities and during the "closed period", which is defined as two weeks before the date of announcement of results for each of the first three quarters of the Group's financial year, and one month before the date of announcement of the full year financial results. Directors and officers are also prohibited from dealing in the Group's securities on short-term considerations.

SGX 1207 (18)

Guidance Notes

Corporate Governance Report

The above corporate governance report is prepared for illustrative purposes and describes the Group's corporate governance practices and structures, with specific reference to the principles and guidelines of the 2005 Code. Listed companies are required to disclose their corporate governance practices and explain deviations from the 2005 Code in their annual reports for Annual General Meetings ("AGMs") held on or after 1 January 2007. Listed companies are required to comply with the 2001 Code in their annual reports in respect of AGMs held before 1 January 2007.

Notwithstanding the above, should a listed company choose to comply with the 2005 Code in its annual report in respect of AGMs held before 1 January 2007, it should describe its corporate governance practices with specific references to the principles of the 2005 Code (as illustrated above) and disclose any deviation from any guideline of the 2005 Code together with an appropriate explanation therefor.