

Directors' Report

for the financial year ended 31 December 2006

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2006 and the balance sheet of the Company at 31 December 2006.

CA 201 (5)
CA 201 (6A)

Directors

The directors of the Company in office at the date of this report ¹ are as follows:

CA 201 (6)(a)
CA 201 (6A)(a)

Mr Tan Cheng Eng
Mr David John Grey
Mr Ang Boon Chew
Mr Michael Philip White
Mr Balachandran Nair
Madam Wan Oon Kee
Mr Lee Chee Wai (appointed on 1 May 2006) ¹
Dr Ran Jedwin Gervasio (appointed on 26 February 2007) ¹

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Share options" on pages 56 and 57.

CA 201 (6)(f)
CA 201 (6A)(g)

Directors' interests in shares or debentures ²

(a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations ³, except as follows:

CA 201 (6)(g)
CA 201(6A)(h)

	Holdings registered in name of director or nominee		Holdings in which a director is deemed to have an interest	
	At 31.12.2006	At 1.1.2006 or date of appointment, if later	At 31.12.2006	At 1.1.2006 or date of appointment, if later
Company (Ordinary shares)				
Mr David John Grey	1,270,000	500,000	1,500,000	1,000,000
Mr Ang Boon Chew	97,000	65,000	—	—
Mr Lee Chee Wai	2,000	2,000	—	—
PwC Corporate Limited (Ordinary shares of £1 each)				
Mr David John Grey	1,000,000	1,000,000	—	—
Mr Andrew Lloyd White (resigned on 5 January 2007) ²	200,000	200,000	—	—

Directors' Report

for the financial year ended 31 December 2006

(b) According to the register of directors' shareholdings, certain directors holding office at the end of the financial year had interests in options to subscribe for ordinary shares of the Company granted pursuant to the PwC Employee Share Option Scheme as set out below and under "Share options" on pages 56 and 57.

CA 201 (6)(g)
CA 201 (6A)(h)
CA 164

	No. of unissued ordinary shares under options	
	At 31.12.2006	At 1.1.2006
<u>Mr Ang Boon Chew</u>		
2004 Options	—	30,000
2005 Options	50,000	50,000
2006 Options	50,000	—

(c) Mr David John Grey, who by virtue of his interest of not less than 20% of the issued capital of the Company, is deemed to have an interest in the whole of the share capital of the Company's wholly-owned subsidiaries and in the shares held by the Company in the following subsidiaries that are not wholly-owned by the Group:

CA 201 (6A)(h)
CA 7 (4A)

	At 31.12.2006	At 1.1.2006
PwC Furniture (PRC) Co., Ltd		
- Registered and issued share capital	RMB 8,500,000	RMB 8,500,000
PwC Components (Singapore) Pte Ltd		
- No. of ordinary shares	1,300,000	1,300,000
PwC Components (Philippines) Pte Ltd	2,000,000	—
- No. of ordinary shares of Peso 1,000 each		
PwC Components (Philippines) Subsidiary Pte Ltd	1,000,000	—
- No. of ordinary shares of Peso 1,000 each		

(d) The directors' interests in the ordinary shares and convertible securities of the Company as at 21 January 2007 were the same as those as at 31 December 2006.

SGX 1207 (7)

Directors' contractual benefits ⁴

CA 201 (8)
SGX 1207 (8)

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the accompanying financial statements ⁵ and in this report, and except that Mr David John Grey has an employment relationship with the ultimate holding corporation, and has received remuneration in that capacity.

Share options

(a) PwC Employee Share Option Scheme

The PwC Employee Share Option Scheme (the "Scheme") for key management personnel and employees of the Group was approved by members of the Company at an Extraordinary General Meeting on 6 December 2003.

The Scheme provides a mean to recruit, retain and give recognition to employees who have contributed to the success and development of the Group.

CG Guideline 9.4

Under the Scheme, options to subscribe for the ordinary shares of the Company are granted to key management personnel and employees with more than three years of service with the Group. The exercise price of the options is determined at the average of the closing prices of the Company's ordinary shares as quoted on the Singapore Exchange for five market days immediately preceding the date of the grant. No options are granted at a discount to the prevailing market price of the shares. The vesting of the options is conditional on the key management personnel or employees completing another two years of service to the Group and the Group achieving its targets of profitability and sales growth. Once the options are vested, they are exercisable for a contractual option term of four years. The options may be exercised in full or in part in respect of 1,000 shares or a multiple thereof, on the payment of the exercise price. The persons to whom the options have been issued have no right to participate by virtue of the options in any share issue of any other company. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

CG Guideline 9.4

SGX 852 (1)(d)

CA 201 (11)(d)

CA 201 (11)(e)

The aggregate nominal amount of shares over which options may be granted on any date, when added to the nominal amount of shares issued and issuable in respect of all options granted under the Scheme, shall not exceed 15% of the issued share capital of the company on the day preceding that date.

CG Guideline 9.4

The Scheme became operative with options to subscribe for 2,050,000 ordinary shares of the Company being granted on 1 January 2004 ("2004 Options"). The Company also granted options to subscribe for 4,965,000 ordinary shares of the Company on 1 January 2005 ("2005 Options"). Particulars of the 2004 Options and 2005 Options were set out in the Directors' Report for the financial years ended 31 December 2004 and 31 December 2005 respectively.⁶

CA 201 (12)(b)

CG Guideline 9.4

CA 201 (11A)

On 1 January 2006, options to subscribe for 964,000 ordinary shares of the Company at an exercise price of \$2.95 per share were granted ("2006 Options"). The 2006 Options are exercisable from 1 January 2008 and expire on 31 December 2011. The total fair value of the 2006 Options granted was estimated to be \$600,000 using the Binomial Option Pricing Model. Options granted to an executive director of the Company were as follows:

CA 201 (11)(b,c)

SGX 1207 (15)

SGX 852 (1)(b)(i)

Name of director	No. of unissued ordinary shares of the Company under options				CA 201 (11B) SGX 852 (1)(b)(i)
	Granted in financial year end 31.12.2006	Aggregate granted since commencement of scheme to 31.12.2006	Aggregate exercised since commencement of scheme to 31.12.2006	Aggregate outstanding as at 31.12.2006	
Mr Ang Boon Chew	50,000	130,000	30,000	100,000	

Directors' Report

for the financial year ended 31 December 2006

No options have been granted to controlling shareholders [(as defined in the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST")] of the Company or their associates (as defined in the Listing Manual of the SGX-ST).

SGX 852 (1)(b)(ii)
SGX 852 (2)

No participant under the Scheme has received 5% or more of the total number of options available under the Scheme.

SGX 852 (1)(b)(iii)
SGX 852 (2)

During the financial year, 750,000 treasury shares of the Company were re-issued at the exercise price of \$1.31, upon the exercise of the 2004 Options.

CA 201 (12)(a)

(b) Share options outstanding

The number of unissued ordinary shares of the Company under option in relation to the PwC Employee Share Option Scheme outstanding at the end of the financial year was as follows:

	No. of unissued ordinary shares at 31.12.2006	Exercise price	Exercise period
2004 Options	1,000,000	\$1.31	1.1.2006 - 31.12.2009
2005 Options	4,532,000	\$1.28	1.1.2007 - 31.12.2010
2006 Options	964,000	\$2.95	1.1.2008 - 31.12.2011
	<u>6,496,000</u>		

CA 201 (12)(b)

CA 201 (12)(a)

CA 201 (12)(b)

Directors' Report

for the financial year ended 31 December 2006

Audit Committee ⁷

CA 201B (9)

The members of the Audit Committee at the end of the financial year were as follows:

Mr Balachandran Nair (Chairman)

Mr Tan Cheng Eng

Mr David John Grey

Mr Michael Philip White

Madam Wan Oon Kee

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

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act. In performing those functions, the Committee reviewed:

- the scope and the results of the internal audit procedures with the internal auditors;
- the audit plan of the Company's auditors and their report on the weaknesses of internal accounting controls arising from their statutory audit;
- the assistance given by the Company's management to the auditors; and
- the balance sheet of the Company and the consolidated financial statements of the Group for the year ended 31 December 2006 before their submission to the Board of Directors, as well as the auditors' report on the balance sheet of the Company and the consolidated financial statements of the Group.

The Audit Committee has recommended to the Board that the auditors PricewaterhouseCoopers, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

Directors' Report

for the financial year ended 31 December 2006

Auditors ⁸

The auditors, PricewaterhouseCoopers, have expressed their willingness to accept re-appointment.

On behalf of the directors ⁹



TAN CHENG ENG
Director



ANG BOON CHEW
Director

18 March 2007^{10,11}

Directors' Report

for the financial year ended 31 December 2006

Guidance Notes

Directors' Report

Directors in office at the date of the report

1. The names of the directors that are holding office at the date of the Directors' Report are required to be disclosed. There is no requirement to give details of director(s) who resigned during the financial year and up to the date of the Directors' Report. If a director was appointed during the financial year and remained in office up to the date of Directors' Report, the date of the appointment, although not required, is recommended to be disclosed to clearly identify the new director.

CA 201 (6), (6A)

Directors' interests in shares or debentures

2. A director's interests include his personal holdings, the beneficial interests of his immediate family and any deemed interest as defined under Section 7 of the Companies Act.

CA 201 (6)(g)
CA 201 (6A)(h)

Interests in rights or share options are also required to be disclosed.

If a director resigns after the end of the financial year/period but before the date of the Directors' Report, his interest at the end of the financial year/period should be disclosed.

If none of the directors have any interests in shares or debentures in the Company or any related corporations, the following disclosure is suggested:

"None of the directors of the Company holding office at the end of the financial year had any interest in the shares or debentures of the Company or any related corporations."

3. Related corporations include the Company's holding company, subsidiaries and fellow subsidiary companies.

CA 6

Directors' contractual benefits

4. The directors of a company shall state in the report whether since the end of the previous financial year, a director of the company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors shown in the accounts or, if the company is a holding company, the consolidated accounts in accordance with FRS or the fixed salary of a full-time employee of the company) by reason of a contract made by the company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest and, if so, the general nature of the benefit.
5. If the aggregated amount of the directors' remuneration is not disclosed in the financial statements, such amount is recommended to be disclosed in the Directors' Report.

CA 201 (8)

Share options

6. The disclosures required by Section 201(11) of the Companies Act relate to options granted by the Company. Where such disclosures have been made in a previous report, reference may be made to that report.

CA 201 (11A)

Audit Committee

7. For public listed companies, the details and functions of the audit committee should be included in the Directors' Report if the statutory accounts (which would not contain a section on corporate governance), rather than the Annual Report, are filed with the Registrar of the Accounting and Corporate Regulatory Authority (ACRA). If the Annual Report is filed with the Registrar, this section is not required.

CA 201B (9)

Directors' Report

for the financial year ended 31 December 2006

Guidance Notes

Information on auditor

8. The information on the auditor is not mandatory, but is often disclosed.

CA 203 (1)
SGX 707 (2)

Dating and signing of report

9. This phrase is not necessary if the Company has only two directors.

CA 201 (5)

10. The Directors' Report shall be made out and sent to all persons entitled to receive notice of general meetings of the Company not less than 14 days before the date of the Annual General Meeting ("AGM"). The report shall be made in accordance with a resolution of the directors, specifying the day on which it was made out and be signed by at least two directors.

11. AGMs for listed companies shall be held within four months after the end of their financial years. AGMs for non-listed companies shall be held within six months after the end of their financial years.

SGX 707 (1)
CA 201 (1)(a,b)
CA 201 (3A)(a)(i,ii)

Statement by Directors

for the financial year ended 31 December 2006

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 67 to 197 are drawn up ^{1,2} so as to give a true and fair view of the state of affairs of the Company and of the Group at 31 December 2006 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and ³

CA 201 (15)(a)
CA 201 (15)(b)

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

CA 201 (15)(c)

On behalf of the directors ⁴



TAN CHENG ENG
Director



ANG BOON CHEW
Director

18 March 2007 ^{5,6}

Statement by Directors

for the financial year ended 31 December 2006

Guidance Notes	
Statement by Directors	
Compliance with the Singapore Financial Reporting Standards (FRS)	
1. Directors are required to present statutory accounts that comply with FRS unless:	
(a) the Company has obtained the approval of the Registrar of the ACRA for such non-compliance with FRS requirements; or	CA 201 (1A) CA 201 (3) CA 201 (3A) CA 201 (14)
(b) such compliance would not give a true and fair view of the accounts. In this regard, the following disclosure is needed:	CA 201 (14A)
(i) a statement by the auditor of the Company (in the Auditors' Report) that he agrees that such non-compliance is necessary for the accounts or consolidated accounts, as the case may be, to give a true and fair view of the matter concerned;	CA 201 (14B)
(ii) particulars of the departure, the reason therefore and its effect, if any; and	
(iii) such further information and explanations as will give a true and fair view of that matter.	
2. Companies listed on both the SGX-ST and another stock exchange outside Singapore are allowed to present their statutory accounts that comply with the International Financial Reporting Standards (IFRS) or United States Generally Accepted Accounting Principles (US GAAP) (i.e. foreign accounting standards accepted by SGX), if the stock exchange outside Singapore requires the Company to comply with IFRS or US GAAP.	CA Order 2003 S2/2003 SGX 220 (1)
Inclusion of Company's income statement and statement of changes in equity	
3. A holding company may choose to present the income statement and the statement of changes in equity of the Company, in addition to the balance sheet of the Company and the consolidated financial statements of the Group. If so, paragraph (a) in the Statement by Directors should be replaced with the following:	
<i>"the income statement, balance sheet and statement of changes in equity of the Company and the consolidated financial statements of the Group as set out on pages [] to [] are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group at 31 December 2006, of the results of the business and changes in equity of the Company and of the Group for the financial year then ended; and of the cash flows of the Group for the financial year then ended; and"</i>	
Dating and signing of report	
4. This phrase is not necessary if the Company has only two directors.	
5. The Statement by Directors shall be made out and sent to all persons entitled to receive notice of general meetings of the Company not less than 14 days before the date of the Annual General Meeting ("AGM"). The Statement shall be signed by two directors, on behalf of all the directors.	CA 203 (1) SGX 707 (2) CA 201 (15)
6. AGMs for listed companies shall be held within four months after the end of their financial years. AGMs for non-listed companies shall be held within six months after the end of their financial years.	SGX 707 (1) CA 201 (1)(a,b) CA 201 (3A)(a)(i,ii)

Auditors' report to the members of PwC Holdings Ltd ¹

for the financial year ended 31 December 2006

Reference

CA 201 (4)

CA 207

SSA 700
AGS 1

We have audited the accompanying financial statements of PwC Holdings Ltd set out on pages 67 to 197, for the financial year ended 31 December 2006, comprising the balance sheet of the Company and the consolidated financial statements of the Group ³.

Directors' Responsibility for the Financial Statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with Singapore Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

We believe that our audit provides a reasonable basis for our opinion.

Auditors' report to the members of PwC Holdings Ltd ¹

for the financial year ended 31 December 2006

Reference

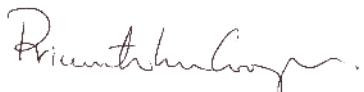
Opinion

In our opinion,

- (a) the balance sheet of the Company and the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Singapore Companies Act ("the Act") and Singapore Financial Reporting Standards ² so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2006, and the results, changes in equity and cash flows of the Group for the financial year ended on that date; and ³
- (b) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

CA 207 (2)(a)

CA 207 (2)(b)



PricewaterhouseCoopers
Certified Public Accountants

Singapore, 18 March 2007 ⁴

Auditors' Report

for the financial year ended 31 December 2006

Guidance Notes

Auditors' Report

Format of Report

1. This format of Auditors' Report should be used for reports issued subsequent to 31 December 2006.

SSA 700
AGS 1

Compliance with Financial Reporting Standards

2. Please refer to Guidance Notes 3 and 4 under Significant Accounting Policies.

AGS 1

Inclusion of Company's income statement and statement of changes in equity

3. A holding company may choose to present the income statement and the statement of changes in equity of the Company, in addition to the balance sheet of the Company and the consolidated financial statements of the Group. If so, the corresponding paragraphs in the Auditors' Report should be replaced by the following:

"We have audited the accompanying financial statements of PwC Holdings Ltd set out on pages [] to [] for the financial year ended 31 December 2006, comprising the income statement, balance sheet and statement of changes in equity of the Company, and the consolidated financial statements of the Group..."

(a) the accompanying financial statements of the Company and consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Companies Act, Cap 50 ("the Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2006, the results and the changes in equity of the Company and of the Group for the financial year ended on that date, and the cash flows of the Group for the financial year ended on that date; and ..."

Other matters

4. The directors are required to take reasonable steps to ensure that the accounts are audited not less than 14 days before the AGM of the Company. In general, the Auditors' Report would be dated on the same date as the Directors' Report and the Statement by Directors. The auditors shall date the Auditors' Report no earlier than the date on which the auditor has obtained sufficient appropriate evidence on which to base the opinion on the financial statements. Sufficient audit evidence should include evidence that the entity's complete set of financial statements has been prepared and that those with the recognised authority have asserted that they have taken responsibility for them.

CA 201 (4A)

SSA 700 (52)