

Directors' Report

for the financial year ended 31 December 2008

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2008 and the balance sheet of the Company as at 31 December 2008.

CA 201(5)
CA 201(6A)

Directors

The directors of the Company in office at the date of this report¹ are as follows:

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

Mr Tan Cheng Eng
Mr David Grey
Mr Ang Boon Chew
Mr Michael Philip White
Mr Balachandran Nair
Madam Wan Oon Kee
Mr Lee Chee Wai (appointed on 1 May 2008)¹
Dr Ran Jedwin Gervasio (appointed on 26 February 2009)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 was 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 3 and 4 of this report.

CA 201(6)(f)
CA 201(6A)(g)
CA 164(1)(d)

Directors' interests in shares or debentures²

(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 corporations³, except as follows:

CA 201(6)(g)
CA 201(6A)(h)
CA 164(1)(a,b)

| | Holdings registered in name of director or nominee | | Holdings in which director is deemed to have an interest | |
|---|--|---|--|---|
| | At 31.12.2008 | At 1.1.2008 or date if appointment if later | At 31.12.2008 | At 1.1.2008 or date if appointment if later |
| Company (No. of ordinary shares) | | | | |
| Mr David 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 | – | – |
| Ultimate Holding Corporation - PwC Global Limited (No. of ordinary shares) | | | | |
| Mr David Grey | 1,000,000 | 1,000,000 | – | – |
| Immediate Holding Company - PwC Corporate Limited (No. of ordinary shares) | | | | |
| Mr Andrew Lloyd (resigned on 5 January 2009) ² | 200,000 | 200,000 | – | – |

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Directors' interests in shares or debentures (continued)

- (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 3 and 4 of this report.

CA 201(6)(g)
CA 201(6A)(h)
CA 164(1)(c)

| | No. of unissued ordinary shares under option | |
|--------------------------|--|-------------|
| | At 31.12.2008 | At 1.1.2008 |
| <u>Mr. Ang Boon Chew</u> | | |
| 2004 Options | – | 30,000 |
| 2006 Options | 50,000 | 50,000 |
| 2007 Options | 50,000 | – |

- (c) Mr David 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)
CA 201(6)(g)

| | At 31.12.2008 | At 1.1.2008 |
|---|---------------|---------------|
| 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 (Phillipines) Pte Ltd | | |
| - No. of ordinary shares | 2,000,000 | – |

- (d) The directors' interests in the ordinary shares and convertible securities of the Company as at 21 January 2009 were the same as those as at 31 December 2008.

SGX 1207(7)

Directors' contractual benefits

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 and in this report, and except that Mr David Grey has an employment relationship with the ultimate holding corporation, and has received remuneration in that capacity.

CA 201(8)
SGX 1207(8)

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for the financial year ended 31 December 2008

Share options

(a) PwC Employee Share Option Scheme⁴

CA 201(11B)
SGX 1207(15)

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 2004.

SGX 853

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

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 period 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.

CA 201(11B,12(b))

SGX 852(2,1(d),845(5))

CA 201(11B,11(d))

CA 201
(11B,11(e),12(b))

The aggregate number of shares over which options may be granted on any date, when added to the number 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.

SGX 845(1)

The Scheme became operative upon the Company granting options to subscribe for 2,050,000 ordinary shares of the Company on 1 January 2005 ("2005 Options"). The Company also granted options to subscribe for 1,965,000 ordinary shares of the Company on 1 January 2007 ("2007 Options"). Particulars of the 2005 Options and 2007 Options were set out in the Directors' Report for the financial years ended 31 December 2005 and 31 December 2007 respectively.⁵

CA 201(11A)

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Share options (continued)

(a) PwC Employee Share Option Scheme⁴

On 1 January 2008, the Company granted options to subscribe for 964,000 ordinary shares of the Company at exercise price of \$2.95 per share ("2008 Options"). The 2008 Options are exercisable from 1 January 2010 and expire on 31 December 2013. The total fair value of the 2008 Options granted was estimated to be \$600,000 using the Binomial Option Pricing Model. Details of the options granted to an executive director of the Company are as follows:

CA 201(11B,11(b,d))

CA 201(11B,11(c))

| Name of director | No. of unissued ordinary shares of the Company under option | | | |
|------------------|---|--|--|--|
| | Granted in financial year ended 31.12.2008 | Aggregate granted since commencement of scheme to 31.12.2008 | Aggregate exercised since commencement of scheme to 31.12.2008 | Aggregate outstanding as at 31.12.2008 |
| Mr Ang Boon Chew | 50,000 | 130,000 | 30,000 | 100,000 |

SGX 852(1)(b)(i)

No options have been granted to controlling shareholders of the Company or their associates⁶ (as defined in the Listing Manual of the Singapore Exchange Securities Trading Limited).

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

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

SGX 852(2,1(b)(iii),c(i))

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 2005 Options.

CA 201
(11B,11(c),12(b))

(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:

CA
201(11B,11(c),12(b))

| | No. of unissued ordinary shares under option at 31.12.2008 | Exercise price | Exercise period |
|--------------|--|----------------|-----------------------|
| 2004 Options | 1,000,000 | \$1.31 | 1.1.2007 - 31.12.2010 |
| 2006 Options | 1,532,000 | \$1.28 | 1.1.2009 - 31.12.2012 |
| 2007 Options | 964,000 | \$2.95 | 1.1.2010 - 31.12.2013 |
| | <u>3,496,000</u> | | |

Directors' Report

for the financial year ended 31 December 2008

Audit Committee⁷

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 Grey
Mr Michael Philip White
Madam Wan Oon Kee

All members of the Audit Committee were non-executive directors. Except for Mr David Grey who was an executive director of PwC Global Limited, the ultimate holding corporation of the Group, all members were 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:

CA 201B(9)

- The scope and the results of internal audit procedures with the internal auditor;
- The audit plan of the Company's independent auditor and its report on the weaknesses of internal accounting controls arising from the statutory audit;
- The assistance given by the Company's management to the independent auditor; and
- The balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2008 before their submission to the Board of Directors, as well as the independent auditor's 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 independent auditor, PricewaterhouseCoopers, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

Independent Auditor

The independent auditor, PricewaterhouseCoopers, has expressed its willingness to accept re-appointment.

DV

On behalf of the directors⁸



Tan Cheng Eng
Director



Ang Boon Chew
Director

19 March 2009^{9,10}

Directors' Report

for the financial year ended 31 December 2008

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 in the current financial year and up to the date of the Directors' Report. If a director is appointed during the financial year and remains in office at the date of the 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.

CA 201(11)
CA 201(11B)

If a director resigns after the end of the financial year/period but before the date of the Directors' Report, his interests at the end of the financial year/period are still required to 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 interests in the shares or debentures of the Company or any related corporations."

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

CA 6

Share options

4. The disclosures required by Section 201(11) of the Companies Act relate to share options granted by the Company. If the share options are granted by the parent of the Company or by another related entity directly to the employees of the Company and/or its subsidiaries, the Company is not required to make those disclosures required by Section 201(11) in the Directors' Report. The share options shall however be accounted for in accordance with FRS 102 in the financial statements.
5. Where such disclosures have been made in a previous report, reference may be made to that report.

CA 201(11,11B)

CA 201(11A)

Definition of associates

6. SGX-ST's listing rules define associates differently to that in paragraph 2 of FRS 28. An associate is defined in SGX-ST's listing rules as:
 - (a) in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual):
 - (i) his immediate family;
 - (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
 - (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more.
 - (b) in relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more.

SGX (General –
Definitions)

Directors' Report

for the financial year ended 31 December 2008

Guidance Notes

Directors' Report (continued)

Audit Committee

7. The details and functions of the audit committee shall be included in the Directors' Report of listed companies 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. If the Annual Report is filed with the Registrar, this section is not required.
8. This phrase is not necessary if the Company has only two directors. The same applies to the Statement by Directors.
9. 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. The same applies to the Statement by Directors.
10. 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.

CA 201B(9)

CA 203(1)
SGX 707(2)

CA 201(5)
CA 201(15)

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

Statement by Directors

for the financial year ended 31 December 2008

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 43 to 182 are drawn up 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 2008 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended^{1,2,3}; and
- (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)(a)
CA 201(15)(b)

CA 201(15)(c)

On behalf of the directors⁴



Tan Cheng Eng
Director



Ang Boon Chew
Director

19 March 2009

Statement by Directors

for the financial year ended 31 December 2008

Guidance Notes

Statement by Directors

Compliance with 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 Accounting and Corporate Regulatory Authority of Singapore ("ACRA") for such non-compliance with FRS requirements; or
- (b) such compliance will not give a true and fair view of the accounts. In this regard, the following disclosure is needed:
 - (i) a statement by the independent auditor of the Company (in the Independent Auditor's 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;
 - (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.

FRS are currently prescribed by Accounting Standards Council ("ASC"), with the enactment of the Accounting Standards Act on 1 November 2007.

2. Companies listed on both the SGX-ST and another stock exchange outside Singapore are allowed to present their statutory accounts that comply with International Financial Reporting Standards ("IFRS") or United States Generally Accepted Accounting Principles ("US GAAP"), if the stock exchange outside Singapore requires the Company to comply with IFRS or US GAAP.

Inclusion of Company's statement of changes in equity

3. A holding company may choose to present 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 can be replaced with the following:

"the balance sheet and the 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 as at [31 December 2008], the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date; and"

In addition to the above, a holding company may also choose to present the income statement and/or the cash flow statement of the Company. When this occurs, the above paragraph needs to be tailored.

Dating and signing of Statement by Directors

4. Please refer to guidance notes 8 to 10 under Directors' Report.

CA 201(1A,3), CA 201(3A)

CA 201(14)

CA 201(14A)
SGX 1207(5)(e)

CA 201(14B)

CA 201(14C)
CA Order 2003
S2/2003
SGX 220(1)

Independent Auditor's Report to the members of PwC Holdings Ltd

Reference
CA 201(4)
CA 207

We have audited the accompanying financial statements of PwC Holdings Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 43 to 182, which comprise the balance sheets of the Company¹ and of the Group as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

SSA 700
AGS 1

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act (Cap. 50) (the "Act") and Singapore Financial Reporting Standards². This responsibility includes:

- (a) devising and maintaining a system of internal accounting control sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets;
- (b) selecting and applying appropriate accounting policies; and
- (c) making accounting estimates that are reasonable in the circumstances.

Auditor's 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 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 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 control 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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.

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 Act and Singapore Financial Reporting Standards³ so as to give a true and fair view of the state of affairs of the Company¹ and of the Group as at 31 December 2008 and the results, changes in equity and cash flows of the Group for the financial year ended on that date; and
- (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 auditor, have been properly kept in accordance with the provisions of the Act.

CA 207(2)(a)

CA 207(2)(b)

PricewaterhouseCoopers
Public Accountants and Certified Public Accountants

Singapore, 19 March 2009³

Independent Auditor's Report

for the financial year ended 31 December 2008

Guidance Notes

Independent Auditor's Report

Inclusion of Company's statement of changes in equity

1. A holding company may choose to present 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 Independent Auditor's Report shall be replaced by the following:

"We have audited the accompanying financial statements of PwC Holdings Ltd (the "Company") and its subsidiaries (the "Group") set out on pages [] to [], which comprise the balance sheets of the Company and of the Group as at 31 December 2008, the statement of changes in equity of the Company and of the Group, and the consolidated income statement and consolidated cash flow statement of the Group for the financial year then ended...

- (a) the balance sheet and the statement of changes in equity of the Company and the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of 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 2008, the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date; and

Compliance with Singapore Financial Reporting Standards

2. Please refer to guidance notes 1 and 2 under Statement by Directors.

Date of Independent Auditor's Report

3. 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 Independent Auditor's Report will be dated on the same date as the Directors' Report and the Statement by Directors. The auditor shall date the auditor's 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 includes 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.

SSA 700
AGS 1
(Guidance to
Example 1C)

CA 201(4A)

SSA 700(52)