

Directors' Report

For the financial year ended 31 December 2011

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2011 and the balance sheet of the Company as at 31 December 2011.

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 2011)¹
Dr Ran Jedwin Gervasio (appointed on 26 February 2012)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 53 and 54 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 31.12.2011	At 1.1.2011 or date of appointment if later	At 31.12.2011	At 1.1.2011 or date of 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 2011) ²	200,000	200,000	–	–

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Directors' interests in shares or debentures² (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 53 and 54 of this report.

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

	<u>No. of unissued ordinary shares under option</u>	
	<u>At 31.12.2011</u>	<u>At 1.1.2011 or date of appointment, if later</u>
<u>Mr Ang Boon Chew</u>		
2007 Options	–	30,000
2009 Options	50,000	50,000
2010 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)

	<u>At 31.12.2011</u>	<u>At 1.1.2011 or date of appointment, if later</u>
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 (China) 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 2012 were the same as those as at 31 December 2011.

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)

Directors' Report

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Reference**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 2006.

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 2008 ("2008 Options"). The Company also granted options to subscribe for 1,965,000 ordinary shares of the Company on 1 January 2010 ("2010 Options"). Particulars of the 2008 Options and 2010 Options were set out in the Directors' Report for the financial years ended 31 December 2008 and 31 December 2010 respectively⁵.

CA 201(11A)

On 1 January 2011, the Company granted options to subscribe for 964,000 ordinary shares of the Company at exercise price of \$2.95 per share ("2011 Options"). The 2011 Options are exercisable from 1 January 2013 and expire on 31 December 2016. The total fair value of the 2011 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:

CA201 (11B,11(b,d))

CA201(11B,11(c))

<u>Name of director</u>	<u>No. of unissued ordinary shares of the Company under option</u>			
	<u>Granted in financial year ended 31.12.2011</u>	<u>Aggregate granted since commencement of scheme to 31.12.2011</u>	<u>Aggregate exercised since commencement of scheme to 31.12.2011</u>	<u>Aggregate outstanding as at 31.12.2011</u>
Mr Ang Boon Chew	50,000	130,000	30,000	100,000

SGX 852(1)(b)(i)

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Share options (continued)

(a) PwC Employee Share Option Scheme⁴ (continued)

No options have been granted to controlling shareholders of the Company or their associates⁶ (as defined in the Listing Manual of 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 per share, upon the exercise of the 2008 Options.

CA 201(11B,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:

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

	No. of unissued ordinary shares under option at 31.12.2011	Exercise price	Exercise period
2008 Options	1,000,000	\$1.31	1.1.2010 - 31.12.2013
2010 Options	1,532,000	\$1.28	1.1.2012 - 31.12.2015
2011 Options	964,000	\$2.95	1.1.2013 - 31.12.2016
	<u>3,496,000</u>		

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.

PwC Holdings Ltd and its Subsidiaries

Reference

Directors' Report

For the financial year ended 31 December 2011

Audit Committee⁷ (continued)

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 any recommendations on 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 2011 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 LLP, has expressed its willingness to accept re-appointment.

DV

On behalf of the directors⁸



Tan Cheng Eng
Director



Ang Boon Chew
Director

19 March 2012^{9,10}

Directors' Report

For the financial year ended 31 December 2011

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/period 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 Share-Based Payment 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)

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Guidance notes

Directors' Report (continued)

Definition of associates

6. The SGX Listing Manual defines associates differently to that in paragraph 2 of FRS 28 *Investment in Associates*. An associate is defined in the SGX Listing Manual 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)

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 Accounting and Corporate Regulatory Authority ("ACRA"). If the Annual Report is filed with the ACRA, this section is not required.
- 8. This phrase is not necessary if the Company has only two directors. The same applies to 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)