

DIRECTORS REPORT TO THE MEMBERS

The Directors of your Company are pleased to report the financial position and performance of your Company for the second quarter and half year ended December 31, 2008.

The sales achieved for the period under review was Rs. 992.35 million which was only marginally lower as compared to Rs. 995.43 million for the corresponding period last year.

The profit before tax however declined by 52.32% from Rs. 213.53 million to Rs. 101.82 million as compared to last year principally due to sharp increase in cost of sales arising from higher cost of inputs and depreciation of Rupee against major international currencies.

The declining sales trend in the auto industry has adversely affected profitability of the company during the first half of the current financial year arising from lower sales volume, higher input cost and increased inventories due to lower production and sales. The company did undertake some price corrections to partially offset the decline in sales volume and high cost of sales.

The outlook for the second half of the financial year is largely dependant on the performance of the auto industry, which seems to be stabilizing but a lower level. The stability will provide for better planning and cost control and hopefully improve our margins, which have been under great pressure.

We would like to convey our appreciation to all our customers, dealers, bankers and foreign technical collaborators for their continued support and confidence in the Company. We are also highly appreciative of all our team members who have worked diligently.

On behalf of the Board of Directors.

Qazi Ebadullah Khan
Chief Executive

Karachi
Dated: February 17, 2009