

SAZGAR ENGINEERING WORKS LIMITED

DIRECTORS' REVIEW

The directors of your Company are pleased to present their review on the affairs of the Company for the 2nd quarter and half year ended December 31, 2008:

Brief overview:

Unfortunately your Company could not perform well during the period under review because of various factors including political uncertainty, terrorism, high inflationary cost, huge load-shedding, increased rate of markup, constant depreciation of Pak Rupee and non-availability of sufficient financing facilities from the financial institutions for the purchase of Auto Rickshaws. The NBP is still waiting for the green signal from the Government to start its financing scheme "Peoples Rozgar Programme". Moreover, a large number of manufacturers have come into this segment of business which has further deteriorated the market that was already struggling for survival. All these factors have adversely affected the sales volume and completely eroded the profitability of the Company for the period under review.

Financial Results:

During the 2nd quarter, the value of net sales has dropped from Rs. 366.48 M to Rs. 148.77 M, gross profit from Rs. 79.26 M to Rs. 10.72 M and pre-tax profit from Rs. 55.95 M to loss of Rs. 5.75 M compared with corresponding period of last year.

Cumulatively for six months, the value of net sales has declined from Rs. 633.88 M to Rs. 335.43 M, gross profit from Rs. 131.11 M to Rs. 36.29 M, gross profit ratio from 20.68% to 10.82% and pre-tax profit from Rs. 91.48 M to loss of Rs. 0.26 M.

During the 2nd quarter and cumulatively six months, the Company produced 732 & 1,542 units of CNG 4-stroke Auto Rickshaws whereas during the corresponding periods of last year, the production was 2,329 and 3,792 units respectively.

The production of wheel rims was 19,186 & 38,371 in 2nd quarter and cumulatively six months whereas the production of wheel rims during the same corresponding periods was 18,746 and 41,026 respectively.

Remuneration of Chief Executive and Working Directors:

In accordance with the provisions of section 218 of the Companies Ordinance, 1984, it is hereby informed to all the shareholders that the Board of Directors of the Company had appointed Mr. Mian Asad Hameed as the Chief Executive and Mrs. Saira Hameed and Mr. Saeed Iqbal Khan as Working Directors of the Company on March 25, 2008 for a period of three years up to March 20, 2011.

During the tenure of their appointment, the Chief Executive Mr. Mian Asad Hameed and Working Directors Mrs. Saira Hameed and Mr. Saeed Iqbal Khan will be entitled for an annual managerial remuneration of Rs 5.64 million, Rs. 2.40 million and Rs. 2.40 million respectively effective from March 01, 2008. This remuneration is exclusive of perquisites and other entitlements arising under the Company's rules for the time being in force. They will also be entitled for company maintained vehicles, medical expenses and bonuses. Their remuneration will be subject to further increments, adjustments and other entitlements as may be granted at any time by the Board of Directors of the Company and /or in accordance with the Company's policies and rules for the time being in force.

The unintentional omission to attach this abstract with Directors' Report for the year ended June 30, 2008 is now regularized as per direction of SECP.

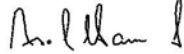
Future Outlook:

The non-availability of institutional financing facilities has forced the customers to buy Auto Rickshaws on cash or on installments through dealers or private money lenders. This has stimulated the increase in cash sales. To capture the major market share your Company has launched a new model of "Sazgar Minicab" in January 09 offering more features to the customers. Sale incentive schemes for the dealers have also been introduced to attract the eyes of the market players. The results so far are encouraging. The Company's new product (3-wheels loader) "Sazgar Tempo" is at the final stage of Government's approvals. It is hoped that the Company's sales volume will increase reasonably in the coming periods INSHAALLAH.

The directors would like to place on record their appreciation for the untiring efforts, teamwork and dedication shown by the Company's employees during the period under review. They would also like to express their gratitude to the valued shareholders, customers, suppliers and financial institutions for their co-operation, constant support and trust reposed in your Company.

Lahore
Dated: 26-02-2009

For and on behalf of the Board


Mian Asad Hameed
(Chief Executive)