MANAGEMENT DISCUSSION AND ANALYSIS

Financial Statements 2007

Introduction

The Group has published its audited financial results for the 12 month of the year 2007 ended 31 December 2007 and the operating results and management discussion follow hereunder.

1. ASSETS

In thousands of US Dollars

	Period Ended 31.12.2007	Period Ended 31.12.2006	% Change
Premises and equipment	123 902	80 836	53,28%
Intangible assets	732	424	72,64%
Restricted cash	156	27	477,78%
Goodwill	3 938	320	1130,63%
Non-Current Assets	**128 728**	**81 607**	**57,74%**
Inventories	1 154	1 206	-4,31%
Trade accounts receivable	4 160	1 943	114,10%
Due from related parties	2 306	752	206,65%
Prepayments and other receivables	4 326	6 994	-38,15%
Cash and cash equivalents	23 706	1 652	1334,99%
Current Assets	**35 652**	**12 547**	**184,15%**
TOTAL ASSETS	**164 380**	**94 154**	**74,59%**

Land, premises and equipment

- Revaluation of land and buildings performed by KPMG as at 31 December 2007
- Combination of income approach and depreciated replacement cost methods were applied in order to determine fair value of premises and equipment
- Land is revalued based on limited current market evidence from recent transactions

- additions during 2007 + 16,818
- acquisition of subsidiary + 3,212
- revaluation net + 24,724
- Impairment, disposals and depreciations - 2,881

In thousands of US Dollars	Period Ended 31.12.2007	Period Ended 31.12.2006	% Change
Land	46 885	20 618	127%
Buildings	54 677	37 203	47%
Furniture & Equipment	10 105	8 566	18%
Capital Work in Progress	12 235	14 499	-16%
TOTAL	**123 902**	**80 886**	**53%**

Goodwill

On January 15, 2007, the Company acquired the remaining fifty percent of Bautino Development Company LLP for cash consideration of US$ 3,000 thousand, thus gaining 100% ownership of the subsidiary. The book value of the net assets of Bautino Development Company LLP at this date was US$ 2,217 thousand, and the book value of the additional interest acquired was US$ 1,108 thousand. The difference of US$ 1,892 thousand between the consideration and the book value of the interest acquired, has been recognized as goodwill, which was adjusted to reflect exchange rate changes amounting to US$ 86 thousand, and totaled US$ 1,978 thousand for the year ended December 31, 2007.

On January 15, 2007, the Company acquired the remaining fifty percent of Bautino Land Development LLP, thus gaining 100% ownership in the subsidiary. Cash consideration of US$ 1,500 thousand was paid. The book value of the net assets of Bautino Land Development LLP at this date was US$ 13 thousand, and the book value of the additional interest acquired was US$ 6 thousand. The difference of US$ 1,494 thousand between the consideration and the book value of the interest acquired, has been recognised as goodwill, which was adjusted to reflect exchange rate changes amounting to US$ 80 thousand, and totalled US$ 1,574 thousand for the year ended December 31, 2007.

On June 28, 2007, CGL acquired 50.1% of the partnership interest in Chagala Zere Malls LLP. Goodwill on acquisition was US$ 48 thousand.

Goodwill allocated do Bayan Limited LLP increased from US$ 320 thousand in 2006 to US$ 338 in 2007.

2. Liquidity and capital resources

Liquidity

The Group's primary source of liquidity consisted at 31 December 2007 of net cash provided by its financing activities and its operating activities. Subsequently the Group has raised US$ 83 m from the Initial Public Offering in Primary shares and has not yet generated liquidity from the sale of real estate assets as it has held all developments. Over time, the Group may develop property for re-sale.

The following table sets forth key items from the Group's statement of cash flows for the years ended 31 December 2007 and 2006.

	Period Ended	
In thousand of US$	31 Dec. 2007	31 Dec. 2006
Net cash (used in)/from operating activities.	683	2,199
Net cash used in investing activities.	(18,415)	(13,699)
Net cash from financing activities.	39,291	12,865

a) Net cash (used in)/from operating activities

In the period ended 31 December 2007, net cash from operating activities decreased by US$ 1,516 thousand compared to the period ended 31 December 2006. This decrease was mainly due to increase in the account receivable.

b) Net cash used in investing activities

In the period ended 31 December 2007, net cash used in investing activities increased by US$ 4,716 thousand compared with the period ended 31 December 2006. This increase was primarily due to increases in the acquisition of subsidiary and minority interests (Bautino Land Development, Bautino Development Company and Chagala Zere Malls).

c) Net cash from financing activities

In the period ended 31 December 2007, net cash from financing activities increased by US$ 26,426 thousand compared with the period ended 31 December 2006. This was primarily due to the repayment of borrowings and the receipt of the financial resources from the IPO.

Trade account payable and other current liabilities

In the periods under review, trade account payable and other current liabilities primarily consisted of current portion of long-term borrowings and trade payables to suppliers and service providers, mostly to contractors in connection with the Group's operating activities and the development of the Group's projects.

As at 31 December 2007, trade account payable and other current liabilities had decreased significantly compared to 31 December 2006, by US$ 20,081 thousand, from primarily due to the post IPO settlements with the majority of the suppliers.

Capital resources

a) Capital commitments

As at 31 December 2007, the Group's material commitments for capital expenditure outstanding under concluded contracts was approximately US$ 1,328 thousand net of VAT.

b) Short-term and long-term loans

The Group's debt consists of long-term and short-term loans. The following table sets forth the Group's total borrowings:

	31 December 2007	31 December 2006
Short-term loans and accrued interest [1]	977	16,516
Long-term loans	333	24,606
Total debt	**1,310**	**41,122**

[1] Short-term loans and accrued interest include the current portion of long-term loans.

c) Long-term loans

As a result of the IPO, the Group settled its long-term and short-term loans in March, April and December 2007, leaving only AGIP debt and minor part of the KKB debt outstanding.

d) Capital expenditure and future projects

In the short to medium term, over the next 4-5 years, the Group estimates that its current and pipeline projects will require a total investment of approximately US$ 270 million, out of which the Group has already invested US$ 18.5 million. In addition Chagala Zere Malls will be investing approximately US$ 83 million for the first two of its projects of which US$ 8,500 thousand has already been invested.

The Group expects to source these funds from a mixture of debt, equity, revenues and other internally generated sources, depending on the needs of the relevant project and the market conditions at the time.

3. Operating results

Operating revenue and profit

The following table represents our operating results for the period ended 31 December 2007 and 2006:

In thousands of US Dollars

	Period Ended 31.12.2007	Period Ended 31.12.2006	% Change
Room and rent revenue	16 473	14 539	13,30%
Food and beverages revenue	5 600	4 164	34,49%
TOTAL REVENUE	**22 073**	**18 703**	18,02%
Room utilities, cleaning and maintenance	-3 209	-2 355	36,26%
Food and beverages	-2 409	-2 052	17,40%
Salaries and employee benefits	-7 568	-4 295	76,20%
General and administrative expenses	-3 741	-5 137	-27,18%
Repair and maintenance expenses	-328	-373	-12,06%
Other Income / (expenses)	1 173	488	140,37%
Operating profit	**5 991**	**4 979**	**20,33%**
Depreciation	-2 388	-2 086	14,48%
Gain / (Loss) on disposal of assets	-519	582	-189,18%
(Reversal) / Impairment of carrying value	-81	391	-120,72%
Finance revenue	1 526		
Finance costs	-2 497	-2 864	-12,81%
NET Foreign exchange translation gain/(loss)	78	1 445	-94,60%
NET PROFIT before income tax	**2 110**	**2 447**	-13,77%
Income tax benefit / (expense)	-1 339	-951	40,80%
NET PROFIT for the period	**771**	**1 496**	-48,46%

Revenue

Revenue is comprised of:

a) ‘‘Room and rent revenue’’ which is the revenue from leasing hotel rooms, serviced apartments, office space and the Garage and Storage Facility;

b) ‘‘Food and beverage revenue’’ which is the revenue from all our food and beverage outlets as well as an allocation of the rent from serviced apartments where we are providing partial or full board.

Costs and expenses

Costs and expenses include the various operating costs we incur in operating the hotels and serviced apartments, and managing the offices as follows:

a) Room utilities, cleaning and maintenance

This includes the costs related to the selling of the hotel rooms and the serviced apartments and leasing the offices, including utility costs, insurance, room amenities for the hotels and serviced apartments, linen, consumables and security.

b) Cost of food and beverage

This includes the cost of the consumed food and beverage.

c) *Salaries and employee benefits*

This includes local and expatriate staff salaries, including sick leave, vacation pay, statutory payments, taxes and other benefits. This was not historically broken down according to work function or category.

d) General and administration expenses

This includes audit fees, legal fees, marketing fees (including fees paid for sourcing offshore personnel), consultancy fees, land and property taxes, training, advertising, travel, telephone, printing and stationery.

e) Repair and maintenance expenses

This includes costs resulting from the maintenance of our properties, painting of buildings and repairs to machinery and equipment.

f) Other Income / (Expenses)

This line reflects these items which cannot be included in the lines listed above.

g) Depreciation

This includes the depreciation charged in accordance with our accounting policies after each annual revaluation of our land, buildings and equipment.

h) *Finance revenue, Finance costs*

This includes interests from bank deposits on revenue side and bank charges and interest expenses on the cost side.

i) NET Foreign exchange translation gains and losses

This includes gains and losses, both realized and unrealized on our foreign exchange exposure including on foreign currency loans, deposits, payables and receivables accounts.

4. Comments on the period ended 31 December 2007 compared to 31 December 2006

During this period our revenue increased by 18.02%.

Comments on Room and rent revenue

a) Room and rent revenue

Room and rent revenue increased by US$ 1,934 thousand (an increase of 13.3%, in comparison to the preceding year) as a result of:

- an increase in occupancy levels in Chagala Hotel Uralsk and Chagala Hotel Bautino;
- Increase capacity in Atyrau with the addition of 68 apartments which were fully occupied in the second half of the year.

b) Food and Beverage Revenue

The increase of US$ 1,436 thousand represents an increase of 34.49% as:

- direct impact of increase of occupancy in Chagala Hotel Uralsk and Chagala Hotel Bautino;
- combination of high occupancy in new apartment block and opening in Q4 of a 200 seat Food and Beverage outlet, both in Atyrau.

Costs and expenses

a) Cost of room – room utilities, cleaning and maintenance

During this period, the room utilities, cleaning and maintenance increased by US$ 854 thousand, a 36.26% increase compared to the prior period due to the following reasons:

- increased capacity, generating additional consumption, both in accommodation and food and beverage;
- high inflation in utilities especially gas and electricity;
- in Bautino lack of competition in water supply and sewage is driving our costs up.

b) Cost of food and beverage

There was an increase in food and beverage costs from US$ 2,052 thousand to US$ 2,409 thousand representing an increase of 17.40%. The success of our outlets selling at market rates and the opening of new facilities has allowed us to mitigate the negative impact of our fixed rate contracts.

c) Salaries and employee benefits

There was a 76.20% increase in this expense between the compared years 2007 and 2006. The increase was due to the following reasons:

- new hires – in finance in order to fulfil all the obligations rising from our IPO, the total impact of which was US$ 228 thousand;
- new hires – additional staff for the new operations, the total impact of which was US$ 601 thousand;
- change in expatriates' remuneration package – in the 2006 reported as marketing – the total impact of which was US$ 926 thousand;
- salaries increases – local staff, the total impact of which was US$ 453 thousand;
- inflation compensation to staff Nov., Dec. 2007 – the total impact of which was US$ 55 thousand;
- loyalty bonuses to local employees in a total amount of US$ 499 thousand;
- Chagala Zere Mall – investment in subsidiary of 50.1% of shares, the total impact of which was US$ 210 thousand;
- In addition, we incurred an additional expense of US$ 301 thousand relating to the grant of options to some of our directors and senior management on listing.
  IFRS requires us to calculate the fair value of the cost of granting those options on the date of grant and then accrue the expense over the vesting period of the options.
  The recognized method of valuing options is the system known as Black Scholes, which requires tracking the volatility of the underlying shares.

d) General and administrative expenses

There was a decrease by 27.18% in general and administration expenses from US$ 5,137 thousand in 2006 to US$ 3,741 thousand in 2007. The major differences were as follows:

	total diff. USD thousands	
Audit	**246**	6m 2007 audit review fee
Property tax	**26**	property tax
Chagala BVI	**173**	payments to LSE, ATK, Harneys, Lovells
Technical services	**317**	engineering and technical works in Atyrau
Other taxes in Zere Mall	**60**	payment 14% tax for non-resident in Chagala Zere Malls
Other expenses	**86**	doubtful liabilities
INCREASES TOTAL	**908**	
Marketing	**-926**	decrease in Marketing fee
Legal expenses	**-337**	
Navision expenses	**-288**	
Non taxable deductions	**-54**	
FA write off	**-231**	
Electricity	**-20**	
Others	-448	
DECREASES TOTAL	**-2 304**	
Diff TOTAL	**-1 396**	

e) Repair and refurbishment expenses

There is a slight decrease in these expenses by US$ 45 thousand due to a number of projects undertaken being capitalised and not expensed as maintenance costs.

f) Other Income

This amount consists of following:

US$	425 k charged to Atyrauneftemash as a penalty;
US$	552 k – rent of land – Atyrauneftemash;
US$	196 k – other
TOTAL	1,173 k US$

g) Depreciation

Depreciation as at 31 December 2007 was US$ 2,388 thousand compared to US$ 2,086 thousand as at 31 December 2006, an increase of US$ 302 thousand. This increase was due the CAPEX in 2007.

h) Finance revenue and costs

Finance revenue of the company for the period ended December 31, 2007 consists of interests from deposits in the amount of US$ 1,526 thousand.

Our debt as at 31 December 2007 was US$ 1,310 thousand (AGIP) compared to US$ 41,122 thousand as at 31 December 2006. The part of additionally paid-in capital as the result of the IPO was utilized to service our debts with KKB, BANT, IFC and Caspian Services Group. The debts were serviced by the end of April 2007, the impact of debts' settlement is visible in second half of the year 2007 and the total finance costs decreased in 2007 in comparison to 2006 by US$ 367 thousand.

i) Foreign exchange translation gains and losses

In the period ended December 31, 2007, the Group experienced a foreign exchange NET gain of US$ 78 thousand compared to the amount of US$ 1,445 thousand as per December 31, 2006. During this period, the Tenge had appreciated against the Dollar starting the year at KZT 127.0 to US$ one and closing the period at KZT 120.3 to US$ one, approximately a 5.28% appreciation. This results in both a realized and unrealized gain relating to the dollar loans held by the Group and adjusted for IFRS purposes as at the balance sheet date as well as the loss related to the deposits held in USD and gain or loss related to commercial transactions with customers and suppliers denominated in foreign currencies.

j) Net profit before income tax

Profit before tax decreased by 13.77% between 2007 and 2006. The decrease in profit before tax was primarily due to the decrease in foreign exchange translation gains.

k) Income tax

Income tax expense consists of current Income tax expense in the amount of US$ 751 thousand and deferred tax expense in the amount of US$ 588 thousand.

5. Recent events

After 31 December 2007, we have undertaken the following:

a) Chagala Hotel, Bautino

The construction of the 50 room extension to the hotel commenced mid 2007, is scheduled for completion in Q1 2009.

b) Atyrau

In August 2007 we acquired 30 hectares of land. We have now acquired an additional 15 hectares adjacent to the first plot. The complete site is some 15 minutes from the city centre. We intend to hold this land for future development as the city expands to the North. We are going through the first phase of the re-zoning process (from agricultural to residential).

c) Credit facility

In February 2008 we announced signing a term sheet for credit with HSBC and Raiffeisen Zentralbank Österreich for US$ 53.5 million.

d) Contract renegotiation

In Q1 2008 we started contract renegotiations with our major client. This represents a significant opportunity to uplift the rates and improve the contractual terms (as from July 1st 2008 for accommodation and January 1st 2009 for offices) of an agreement which was on fixed rates for the last 4 years.

e) Improving the company structure

In order to create a more efficient operating structure we will be closing down some of our companies or merging them into existing ones.

f) Growth in Uralsk

Construction of 45 one bedroom apartments on the land of the Chagala Hotel. The project is scheduled for completion end some time in Q1 2009.

g) Appointment of Baltabek Kuandykov as non executive director (January 08)

Mr Kuandykov has replaced Mr Kairat Satylganov who resigned to focus on his own business interests. Baltabek Kuandykov is currently President of Meridian Petroleum.

h) Appointment of Chief Executive Officer of Chagala Zere Malls joint venture (January 08)

Peter Lourenco joins CZM from NCH Capital where he developed and served as General Director of the Shopping Mall Ukraina in Kyiv, NCH Capital's largest investment in Ukraine.

i) Chagala Aksai Joint Venture

A renovation program is in progress for the accommodation and recreational facility in the centre of the town. Chagala has a majority holding of 50.1% of the venture and will manage the day-to-day operations with camp accommodation for 150 people, and has a mess hall, a laundry and a pub; phased delivery of the refurbished units will start in Q3 of this year. The venture also owns a four hectare green-field site located close to the existing facility which will be held for future development.

6. Market risk

In the ordinary course of business, we are exposed to various financial and market risks, including primarily changes in currency exchange rates and changes in market prices of our investments. We do not typically hold or issue derivative financial instruments for hedging or trading purposes.
Tax legislation and regulations of the Republic of Kazakhstan are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual. Because of the uncertainties associated with the Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at December 31, 2007.

These risks are discussed in greater detail below.

6.1 Credit risk

Credit risk arising from the inability of counterparty to meet the terms of the Group's financial instrument contracts is generally limited to the amounts, if any, by which the counterparty's obligations exceed the obligations of the Group. Therefore, the Group does not expect to incur material credit losses on its financial instruments.

Concentrations of credit risk with respect to accounts receivable are significant due to the fact that the majority of revenue came from one main customer, Agip KCO. The Group places its cash with high credit quality Kazakhstani financial institutions and HSBC.

6.2 Liquidity risk

While we believe the credit risk of our clients is generally low, Agip KCO tends to pay amounts due 40 to 60 days after receipt of an invoice. We are dealing with this liquidity issue by endeavouring to pay our creditors on the same terms as we are paid by Agip KCO.

6.3 Foreign currency risk

We have in the past quoted our room rates and rental rates in US dollars and where our customers are off-shore entities, such as Agip KCO, they have been able to pay us in US dollars. For local clients we quote in Tenge. This reflects the fact that our borrowings are in US dollars but, over time, more of our expenses are in Tenge such as salaries and a variety of consumables. We are moving towards having more of our contracts in Tenge, at rates not fixed to the US dollar.

Our biggest foreign exchange exposure relates to the taxation of any losses or gains which may accrue to our foreign exchange currency loans. Under Kazakh tax law, any gain or loss accrued on foreign currency loans during the year must be taxed at the end of each year even if the loan principal is not due for several years and the loss or gain has not been fixed.

SHAREHOLDERS

Details of our shareholders are as at today as follows:

1. Citibank NA: 49,220,000
2. Eagle Resources Holding Limited (a company owned by the Abson Family Trust, of which Tim Abson is a beneficiary) : 11,948,928 Shares
3. Portola Group Limited (a company owned by the Quintet Trust, of which Javier Del Ser is a beneficiary) 7,973,936 Shares
4. BANT Trading Limited: 6,669,428 Shares

DIRECTORS INTERESTS

Directors have the following interests in the share capital of the company as at today's date:

1. Tim Abson (through Eagle Resources Holdings Limited) : 11,948,928 Shares
2. Javier del Ser (through Portola Group Limited): 7,973,936 Shares
3. Each of Mark Lockwood, Jaroslav Kinach and Kairat Saltyganov (to be transferred to Baltabek Kuandykov upon resignation of Kairat Saltyganov and appointment of Baltabak Kuandykov) have each received options to subscribe for shares under the Company's share option scheme, being 123,076 shares, vesting over a three year period.
4. Mark Lockwood hold 100,000 shares; these shares were transferred to him by way of security from Sagat Tugelbayev to secure certain obligations which a company controlled by Mr. Tugelbayev owes to the Group.

Should there be any questions on the above please feel fee to contact myself or our Chief Financial Officer, Andrea Bucekova.

TIM ABSON
CHIEF EXECUTIVE OFFICER