

Dragon-Ukrainian Prop. & Dev. PLC
17 September 2007

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Dragon Ukrainian Properties & Development Plc

Interim Accounts for the period ended 31 August 2007

Chairman's Statement

This has been a period of significant achievement. DUPD is well placed to take advantage of the many opportunities in the rapidly expanding real estate marketplace in Ukraine. We have the local knowledge, proprietary contacts and solid know-how necessary to originate and execute real estate development projects offering above average investment returns to our shareholders.

Strategy

DUPD is not a passive investor in real estate. We operate proactively as developers, often in the form of partnerships with other reputable local partners, to pursue lucrative investment projects jointly. It is this in-depth local knowledge, our ability to promptly re-zone land and quickly obtain project and construction permits that gives us an invaluable insight into choosing the right projects and ensuring successful completion and high investment returns.

Local developers with domestic insight are often more successful in land acquisition than our international counterparts.

Business Model

Our business model is similar to that of private equity. We identify investment opportunities (land plots), assess their growth prospects (prospective construction projects), execute their development (design the project and monitor construction works), lease the premises and within 12 months from completion and full lease, exit the investment by selling the subject property to an institutional investor.

The key factors that are likely to influence the ultimate decision to proceed with a project are location, marketability, price, financing structure, legal and ownership status. Dragon Capital is the leading investment bank in Ukraine.

Through Dragon Capital, DUPD enjoys solid access to capital markets, for both equity and debt financing. Dragon Capital's sponsorship of DUPD gives substantial comfort and confidence to institutional investors in terms of corporate governance and professional conduct.

Ukraine

The political instability of recent years is settling down, with new parliamentary elections scheduled to be held this year. The economy has been relatively unaffected by the political turmoil: GDP has grown rapidly alongside

industrial production, investment activity continues, and disposable income continues to grow. Ukraine is the second largest country in Europe, with a total land area of 603,700km². It has a strategic position in Eastern Europe, bordering the Black Sea in the south, Poland, Slovakia and Hungary in the west, Belarus in the north, Moldova and Romania in the south-west and Russia in the east. It ranks among the 30 largest economies worldwide. In the Soviet era, Ukraine was the second most important republic in terms of its economic contribution, producing approximately four times the output of the next ranking republic. Following the

collapse of the Soviet Union, the country progressed towards a market economy at a gradual pace. From the early 2000s, the economy started to show strong export-based growth of 5%-10%, with industrial production growing more than 10% per year.

Board of Directors

Our Board of Directors combines both real estate and investment expertise. Tomas Fiala (Non-Executive Director) is the founder of Dragon Capital and has successfully completed a large number of real estate investments, all of which have generated exceptional investment returns. Fredrik Svinhufvud (Non-Executive Director) is a very senior manager with in-depth understanding of the Ukrainian marketplace. Boris Erenburg (Non-Executive Director) and James Morton (Adviser to the Board) are veterans of the investment market and managing several billion dollar funds for Spinnaker Capital and the Cundill Group, respectively. We remain fully committed to enhancing the diversification of our portfolio, developing high quality properties and realising significant investment returns.

Achieving this aim will require significant capital, to which we have access with our investor base, which includes some of the world's leading investment banks, institutional investors and hedge funds. Along with the rest of the Board, I am very confident that our company is in excellent shape to meet the opportunities and challenges ahead and build significant value over the coming years.

Aloysius Wilhelmus Johannes van der Heijden

Non-Executive Chairman

Mr.A.W.J. Van der Heijden

Dragon Ukrainian Property and Development Plc

17 September 2007

Consolidated Balance Sheet of DUPD (Unaudited)

		(in thousand US dollars)	
	Notes	August 31, 2007	
Assets			
Non-current assets			
Investments in associates	5	8,000	
Intangible assets under development			2
Total non-current assets		8,002	
Current assets			
Prepayments and other assets	4	56,681	
Cash and cash equivalents	3	142,420	
Total current assets		199,101	
Total assets		207,103	
Liabilities and shareholders' equity			
Shareholders' equity			
Share capital	7	205,061	
Retained earnings		400	
Total equity attributable to the equity holders of the parent		205,461	

Minority interest		
Total shareholders' capital		205,465
		0
Total non-current liabilities		
Current liabilities		
Accruals and other liabilities	6	1,638
Total current liabilities		1,638
Total liabilities and shareholders' equity		207,103

Consolidated Income Statement of DUPD (Unaudited)

(in thousand US dollars)

	Notes	6 months ended August 31, 2007
Revenue		-
Expenses		
Investment manager's fee	10	(1,553)
Wages and salaries		(49)
Lawyers' fees		(71)
Business trip expenses		(21)
Insurance expenses		(12)
Other administrative expenses		(63)
Operating loss		(1,768)
Interest income from bank deposits		2,172
Profit before tax		404
Tax		0
Profit for the period		404
Minority interest		(4)
Profit for the period attributable to the equity holders of the parent		400

(in US dollars)

Basic and diluted earnings per share for profit attributable to the equity holders of the parent of the Company during the period 0.0038365

Consolidated Statement of changes in Equity (Unaudited)

(in US dollars)
6 months ended August 31, 2007

Movement during the period	Notes	Share capital earnings	Retained interest	Minority	Total
Balance carried forward at February 28, 2007		4		4	
Share capital	7	2,080,000		2,080,000	
Share premium	8	205,920,000		205,920,000	
Placing fees and formation costs		(2,938,603)		(2,938,603)	
Profit for the period		403,861		403,861	
Minority interest		(3,678)	3,678	-	
Balance carried forward at August 31, 2007		205,061,401	400,183	3,678	205,465,262

Consolidated Statement of cash flows of DUPD (Unaudited)

(in thousand US dollars)

Notes	6 months ended August 31, 2007
Cash flows from operating activities	
Operating loss	(1,768)
Increase/(decrease) in other assets	(49)
Increase/(decrease) in accruals and other liabilities	1,638
	(2)
Purchase of non-current assets	
Cash generated from operations	(181)
Cash flows from investing activities	
Interest received	1,794
Prepayments made	(56,254)
Invested in associates	(8,000)
Net cash provided by (used in) investing activities	(62,460)
Financing activities	
Proceeds on issue of shares	205,061
Net cash provided by financing activities	205,061
Net increase /(decrease) in cash and cash equivalents	142,420
Cash and cash equivalents at the beginning of period	-
Cash and cash equivalents at August 31, 2007	142,420

Notes To Consolidated Financial Statements

Note 1. General information

The Company was incorporated in the Isle of Man on February 23, 2007 with registered office of the Company being Standard Bank House, One Circular Road, Douglas, Isle of Man, IM1 1SB.

The Company intends to invest in the development of new commercial and residential properties as well as in the redevelopment of existing properties in Ukraine.

Note 2. Accounting Policies

The principal accounting policies, which have been consistently applied to the Company's financial information are as follows:

1. Statement of compliance

The financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretation adopted by the International Accounting Standards Board (IASB).

2. Basis of Preparation

The financial information is presented in US Dollars and is prepared on historical cost basis.

The preparation of financial information in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are both readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period or in the period, of the revision and future periods, if the revision affects both current and future periods.

a) Foreign currencies and presentation currency

The Directors consider that the most appropriate measurement and presentation currency for this financial information is US Dollars and this will be the presentation currency going forward.

Transactions in currencies other than US Dollars are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in the income statement for the period, except for exchange differences on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity.

b) principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and special-purpose entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of special-purpose entities so as to obtain benefits from its activities.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

3. Subsidiaries

The following legal entities are the Company's subsidiaries:

- 1) Linkdell Limited, a company was incorporated in Republic of Cyprus on April 10, 2007;
- 2) Riverscope Limited , a company was incorporated in Republic of Cyprus on April 26, 2007;
- 3) Mountcrest Limited, a company was incorporated in Republic of Cyprus on April 20, 2007;
- 4) Landshere Limited, a company was incorporated in Republic of Cyprus on April 26, 2007;
- 5) Landzone Limited, a company was incorporated in Republic of Cyprus on June 19, 2007;

Riverscope Limited and Landshere Limited are owned 95% by Dragon Capital Ukrainian Property and Development, plc. All others are 100% owned by the Company.

Note 3. Cash and cash equivalents

Cash at bank consists of cash residuals at current and deposit bank accounts. Cash could be used without any restrictions. The carrying amounts of cash present its fair values.

(in thousand US dollars)

	August 31, 2007
Cash at bank	5,223
Deposits (up to 3 months)	71,099
Deposits (over 3 months)	66,098
Total cash and cash equivalents:	142,420

Note 4. Prepayments and other assets

(in thousand US dollars)

	August 31, 2007
Prepayments	56,254
Accrued interest	378
Deferred expenses	36
Other assets	13
Total prepayments and other assets	56,681

The Company has made prepayments for land acquisitions in the amount of 56.254 million US dollars. Total contractual obligations, including land cost and agents' commission, are 107.004 million US dollars. The carrying values of the prepayments are close to their fair value.

Accrued interest is recognized on an accrual basis, not on cash basis. The accrued interest for every balance sheet date equals to the real and current liability of the debtors.

Note 5. Investments in associates

Investments are accounted at cost and revaluated using the equity method. Despite there are no efficient stock market for these securities, management constantly provides monitoring of their value and believes that the carrying values are close to the fair value.

The Company invested 8 million US dollars in Henryland Group Ltd, incorporated under the law of British Virgin Islands on October 9, 2006 with its corporate office at Geneva place, Waterfront Drive P.O. Box 3469, Road Town, British Virgin Islands.

The Company will acquire throughout its participation in the share capital increase, a total of 12 million issued common shares at the price of 1 US dollar per share, which will represent a 38% shareholding in Henryland land Group Ltd.

Note 6. Accruals and other liabilities

	(in thousand US dollars)	
	August 31, 2007	
Accrued payment to the Investment Manager		1,553
Wages and salaries payable	37	
Outstanding payments for the ongoing costs		49
Total accruals and other liabilities	1,638	

The Directors consider that the carrying amount of accruals and other liabilities approximates their fair value.

Note 7. Share capital

Shares Information:

	(in thousand US dollars)	
	August 31, 2007	
	Shares, quantity	Value, USD
Authorized common shares	300,000,000	6,000,000
Outstanding common shares	(195,999,800)	(3,920,000)
Issued and fully paid common shares	104,000,200	2,080,000

Par value of common share equals to £ 0.01 (\$0.02) per share.

Note 8. Share premium

104,000,000 ordinary shares of the Company have been placed with certain institutional investors by way of an Initial Public Offering at a price of 2.00 US dollars (the 'Offer Price') per ordinary share raising gross proceeds of 208 million US dollars on June 1, 2007. The difference between par value and offer price value in the amount of 205.92 million US dollars was recognized as share premium.

Note 9. Related party transactions

Transactions between the Company and its subsidiaries which are related parties have been eliminated on consolidation and are not disclosed in this note.

Note 10. Material contracts

On May 16, 2007, the Company entered into a Management Agreement with Dragon Capital Partners (the "Manager") pursuant to which the Manager has agreed to provide advisory, management and monitoring services to the Company. In consideration for its services thereunder, the Manager is entitled to be paid an annual management fee of 1.5% of the gross asset value of the Company at the end of the relevant accounting period, or part thereof.

On May 16, 2007 the Company granted a Share Option, conditional on Admission, to subscribe for up to 100,000 Ordinary Shares at the Placing Price to Mr. van der Heijden, a director of the Company. The options vest annually at periods from the first to the fifth anniversary of Admission.

On May 16, 2007 the Company has entered into two Warrant Instrument Agreements, namely "Dragon Warrant Instrument" and "ZAI Warrant Instrument". These agreements entitle Dragon and ZAI to subscribe in cash, at the Placing Price for such number of Ordinary Shares which equates to 5% and 1% respectively of Ordinary Shares in issue at Admission during the period commencing on Admission and terminating five years thereafter.

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