

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser who specialises in advising on shares or other securities and who is, in the case of UK shareholders, authorised under the Financial Services and Markets Act 2000.**

If you have sold or transferred your shares in Dragon – Ukrainian Properties & Development plc please forward this document at once to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. If you have sold or transferred part of your registered holding of shares, please consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

**DRAGON – UKRAINIAN PROPERTIES & DEVELOPMENT PLC**

*(Incorporated in the Isle of Man with registered number 119018C)*

**LETTER FROM**

**DRGN LIMITED**

*(Incorporated in Cyprus with registered number 111306)*

Agiou Pavlou  
15, Ledra House  
Agios Andreas  
P.C. 1105, Nicosia  
Republic of Cyprus

20 September 2012

*To the holders of Ordinary Shares of the Company*

Dear Shareholder

**Advance Notice of a proposed Extraordinary General Meeting of Dragon - Ukrainian Properties & Development PLC (“DUPD” or “the Company”), to be convened by Order of the Isle of Man High Court, to appoint a Board of Directors**

We are writing following the suspension of the Company’s shares from trading on the AIM market of the London Stock Exchange on 19 September 2012 and further to an RNS announcement concerning the Company published on 20 September 2012.

It has come to our attention that, due to an error as detailed further below, the Company does not have a duly appointed board of directors. Pursuant to article 102 of the Articles of Association of the Company (the “**Articles**”), the power to convene an extraordinary general meeting of the Company to propose the appointment of directors of the Company rests with the shareholders. However, due to the urgent requirement for the Company to appoint directors, as detailed further below, it is not practicable to provide the 21 clear day notice period required by the Articles for convening such an extraordinary general meeting.

We understand that the Company will remain unable to apply to AIM have the current suspension in dealings in its shares on AIM lifted until a board of directors has been appointed and the half yearly report has been published.

As a holder of approximately 13% of the shares of the Company we have made an application to the Isle of Man High Court for an order (the “**Order**”) convening an extraordinary general meeting of the Company to be held at 12:00 pm on 28 September 2012, for the purpose of appointing a Board of Directors to the Company (the “**Extraordinary General Meeting**”). To provide you with as much advance notice as possible for the Extraordinary General Meeting, we hereby provide you with a copy

of a draft of the notice convening the Extraordinary General Meeting and the form of proxy for use at the Extraordinary General Meeting, which we will request the Isle of Man High Court to approve in the Order.

Once we have obtained the Order, we will immediately notify you in writing enclosing the Order, together with the official notice and proxy form for the Extraordinary General Meeting, and make an announcement through a Regulatory News Service.

## **Background**

Standard Bank Trust Company (Isle of Man) Limited (“**Standard Bank**”) was appointed by DUPD in August 2007 to provide registered office and company secretarial services to DUPD in the Isle of Man including organising and convening shareholder meetings of the Company in accordance with the Articles.

It has been discovered that none of the meetings of shareholders which have taken place under Standard Bank’s stewardship were quorate in accordance with the Articles.

The Articles require that for a meeting of shareholders to be quorate at least two members of the Company be present in person or by a proxy or a duly authorised representative of a corporate member. The minutes of each of the shareholder meetings show that a single DUPD director has been present at the relevant meeting as the holder of multiple proxies which have been lodged by shareholders.

Legal advice has been received that the presence of one person in a dual capacity will not satisfy the quorum requirements and that consequently all resolutions passed at those meetings, including the appointment of directors, are void.

In addition, while the minutes also show that at each meeting the Company secretary and a representative of Dragon Capital Partners have also been in attendance, their physical presence did not render the meetings quorate.

The shareholder meetings which have been found to be defective include the Company’s Annual General Meetings in 2008, 2009, 2010, 2011 and 2012 and Extraordinary General Meetings held in March 2008, to adopt new articles of association, and in December 2008 and November and December 2011 to authorise the Company to buy back its own shares.

There are a number of consequences of these meetings being inquorate, the most important of which is that DUPD currently has no validly appointed Directors.

Should the shareholders convene an extraordinary general meeting of the Company to appoint directors in accordance with the Articles, requiring 21 clear days notice, the Company will be unable to publish its half yearly report in accordance with the AIM Rules for Companies.

Other than with the unanimous consent of all shareholders of the Company which, given their large number, we would not expect to be possible to obtain in the short period of time available, an extraordinary general meeting of the Company can only be held on short notice if convened pursuant to an order of the Isle of Man High Court.

**Pursuant to section 114(2) of the Isle of Man Companies Act 1931, we, as a shareholder of the Company, will therefore be making an application to the Isle of Man High Court in the immediate future for an order convening the Extraordinary General Meeting on short notice. We would expect the Court hearing to be held and the Order to be granted in the coming days, following which we will immediately notify you in writing.**

Following the valid appointment of a board of directors to the Company at the Extraordinary General Meeting, the Company will be in a position to explore all of its options to ratify previous decisions of the shareholders, where possible, and seek compensation for any losses it has suffered as a result of the administrative oversight which has created this situation.

**Action to be taken**

The purpose of this letter is for your advanced notification only, to allow you to consider the proposed resolutions as set out in the draft notice. Whilst we are making the application to the Isle of Man High Court, we would request that you consider the resolutions and prepare your proxy form accordingly.

Once we have obtained the Order, we will provide you with a copy, together with the official notice and form of proxy for the Extraordinary General Meeting, which we expect to be in the same form as the drafts provided below. At that stage your urgent attention and action will be required to complete and return the proxy form by post to Standard Bank House, One Circular Road, Douglas, Isle of Man IM1 1SB, or by fax to +44 1624 643802, as soon as possible.

In the event the Isle of Man High Court does not grant the Order, we will convene an Extraordinary General Meeting on 21 clear days notice in accordance with the Company's articles of association.

Yours faithfully

**DRGN Limited**

**DRAGON – UKRAINIAN PROPERTIES & DEVELOPMENT PLC**  
**NOTICE OF EXTRAORDINARY GENERAL MEETING**

Notice is hereby given that, pursuant to an Order of the Isle of Man High Court dated [●], a copy of which is enclosed with this notice, an Extraordinary General Meeting of the Company will be held at Standard Bank House, One Circular Road, Douglas Isle of Man IM1 1SB on 28 September 2012 at 12:00 pm for the purpose of considering and, if thought fit, passing the following resolutions all of which will be proposed as ordinary resolutions:-

**ORDINARY RESOLUTIONS**

1. **THAT** Aloysius Wilhelmus Johannes van der Heijden be appointed as a director of the Company.
2. **THAT** Tomas Fiala be appointed as a director of the Company.
3. **THAT** Fredrik Svinhufvud be appointed as a director of the Company.
4. **THAT** Rory Macnamara be appointed as a director of the Company.
5. **THAT** Nikolai Artemenko be appointed as a director of the Company.

By Order of the Isle of Man  
High Court

Dated: ● September 2012

**Action to be taken**

A reply paid Form of Proxy is enclosed. Whether or not you intend to be present at the Extraordinary General Meeting you are requested to complete the Form of Proxy in accordance with the instructions printed thereon and to return it to the Company's registrars, Standard Bank Trust Company (Isle of Man) Limited, Standard Bank House, One Circular Road, Douglas, Isle of Man, IM1 1SB as soon as possible and, in any event, so that it is received by post or fax to +44 1624 643802 no later than 11:30 am on 28 September 2012. The completion and return of a Form of Proxy will not preclude you from attending the Extraordinary General Meeting and voting in person if you wish to do so.

**Notes**

1. A member entitled to attend and vote at the Extraordinary General Meeting is also entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. The proxy need not be a member of the Company.
2. To be effective, the instrument appointing a proxy and any authority under which it is executed (or notorially certified copy of such authority) must be deposited at Standard Bank House, One Circular Road, Douglas, Isle of Man IM1 1SB by post or by fax to +44 1624 643802 so as to be received before 11:30am on 28 September 2012. A Form of Proxy is enclosed with this Notice. Completion and return of the Form of Proxy will not preclude members of the Company holding ordinary shares from attending and voting in person at the Extraordinary General Meeting.
3. Pursuant to Regulation 22 of the Uncertificated Securities Regulations 2006, the time by which a person must be entered on the register of members in order to have the right to attend and vote at the Extraordinary General Meeting is 12:00pm on 26 September 2012 (being not more than 48 hours prior to the time fixed for the Extraordinary General Meeting) or, if the Extraordinary General Meeting is adjourned, such time being not more than 48 hours prior to the time fixed for the adjourned meeting. Changes to entries on the register of members after that time will be disregarded in determining the right of any person to attend or vote at the Extraordinary General Meeting.
4. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of any other joint holders. For these purposes, seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
5. In the case of a corporation, the form of proxy must be executed under its common seal or signed on its behalf by a duly authorised attorney or duly authorised officer of the corporation.

**DRAGON – UKRAINIAN PROPERTIES & DEVELOPMENT PLC**  
(the “Company”)

**FORM OF PROXY FOR EXTRAORDINARY GENERAL MEETING**

I, We .....  
of .....with Account Designation ..... being  
a member/members of the above-named Company, hereby appoint the chairman of the meeting or  
..... as my/our proxy to vote for me/us on my/our behalf at  
the Extraordinary General Meeting of the Company to be held at Standard Bank House, One Circular Road, Douglas,  
Isle of Man IM1 1SB at midday on 28 September 2012 and at any adjournment thereof.

If you wish to instruct your proxy as to how to vote on your behalf please indicate by an "X" in the appropriate box below.

**ORDINARY RESOLUTIONS**

	FOR	AGAINST	VOTE WITHHELD	DISCRETIONARY
1. <b>THAT</b> Aloysius Wilhelmus Johannes van der Heijden be appointed as a director of the Company.				
2. <b>THAT</b> Tomas Fiala be appointed as a director of the Company.				
3. <b>THAT</b> Fredrik Svinhufvud be appointed as a director of the Company.				
4. <b>THAT</b> Rory Macnamara be appointed as a director of the Company.				
5. <b>THAT</b> Nikolai Artemenko be appointed as a director of the Company.				

Signed .....

Date .....

**NOTES**

- You may appoint a proxy of your own choice by deleting the words 'the chairman of the meeting' and inserting the name and address of your proxy in the space provided. If you sign and return this proxy form with no name inserted in the box, the Chairman of the Meeting will be deemed to be your proxy.
- Unless otherwise instructed, a proxy may vote as he sees fit, or abstain from voting on any business (including amendments to resolutions) which may properly come before the meeting.
- If the appointor is a corporation, this form must be under its common seal or under the hand of some officer or attorney duly authorised in that behalf.
- In the case of joint holders, the signature of any one holder will be sufficient, but the names of all the joint holders should be stated.
- To be valid, this Form of Proxy must be completed signed and lodged with the Company's Registrars, Standard Bank Trust Company (Isle of Man) Limited, Standard Bank House, One Circular Road, Douglas, Isle of Man IM1 1SB by post or by fax to +44 1624 643802 so as to be received before 11:30am on 28 September 2012.
- A proxy need not be a member of the Company but must attend the Meeting to represent you. Where you appoint as your proxy someone other than the Chairman, you are responsible for ensuring that they attend the Meeting and are aware of your voting intentions.
- Completion and return of this Form of Proxy does not preclude a member of the Company from subsequently attending and voting in person at the Extraordinary General Meeting.
- To direct your proxy how to vote on the resolutions mark the appropriate box with an 'X'. To abstain from voting on a resolution, select the relevant "Withheld" box. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution.
- Any power of attorney or any other authority under which this proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.
- If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.