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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)*

*Directors:*

Aloysius Wilhelmus Johannes van der Heijden (Chairman)  
Tomas Fiala  
Fredrik Svinhufvud  
Rory Macnamara  
Nikolai Artemenko

*Registered Office:*

Standard Bank House  
One Circular Road  
Douglas, Isle of Man  
IM1 1SB

17 October 2012

*To the holders of Ordinary Shares of the Company*

Dear Shareholder

### **Notice of an Extraordinary General Meeting of Dragon - Ukrainian Properties & Development PLC (“DUPD” or “the Company”)**

#### **Background**

Following the extraordinary general meeting of the Company held on 28 September 2012 which appointed a Board of Directors to the Company, the publication of its half yearly report for the period to 30 June 2012 and the lifting of the suspension in dealings in its shares on AIM, we are now writing to convene a further extraordinary general meeting to be held on 14 November 2012 at 11:30 a.m. at the Company’s registered office to deal with certain additional issues arising from the failure to achieve quorum at the general meetings of shareholders purportedly held on 7 March 2008, 17 June 2008, 1 December 2008, 29 May 2009, 28 May 2010, 16 June 2011, 9 November 2011, 12 December 2011 and 29 June 2012 (together the “**General Meetings**”)

The Directors have been advised that the original appointments of Mr. Fiala (26 February 2007), Mr. van der Heijden and Mr. Svinhufvud (both 10 April 2007) and Mr. Erenburg (14 September 2007) were and remained valid until 31 August 2008 and that the deeds and acts done by each of Mr. van der Heijden, Mr. Fiala, Mr. Svinhufvud, Mr. Erenburg, Mr. Duplan, Mr. Watson, Mr Macnamara and Mr. Artemenko, in the belief that they had been appointed to the Board, between 31 August 2008 and 28 September 2012 are very likely to be binding on the Company with regard to third parties notwithstanding any defect in their respective appointments.

However, there remain certain matters which require further specific attention. These are:

- the adoption of the articles of association which were proposed to be adopted at the general meeting convened for 17 March 2008;
- ratifying the acts done by of each of Mr. van der Heijden, Mr. Fiala, Mr. Svinhufvud, Mr. Erenburg, Mr. Duplan, Mr. Watson, Mr Macnamara and Mr. Artemenko and business transacted

by the Company in the belief that they had been appointed to the Board by shareholders during the General Meetings; and

- the validity of the share buy-backs carried out by the Company between September 2008 and December 2011.

### **Adoption of new Articles of Association**

In the circular to shareholders published on 15 February 2008 the Board asked shareholders to adopt a new set of articles of association. The principal reason was to incorporate pre-emption rights into the articles of association so that, subject to certain limited exceptions, issues of new shares in the capital of the Company would be made to existing shareholders pro-rata to their holdings at the time of such issues prior to such shares being offered to other investors.

In addition, following a full review of the articles of association commissioned by the Board at that time, the proposed articles also amended and replaced certain other provisions of the articles of association in force at the time of the Company's admission to AIM on 1 June 2007.

In spite of clear support from shareholders to adopt those articles at the extraordinary general meeting held on 7 March 2008, due to the failure to achieve a quorum at that meeting it is now clear that those articles were not adopted by the Company. For the same reasons as were set out in the circular to shareholders published on 15 February 2008 the Board proposes that the new articles be adopted now. A clean copy of the articles now proposed for adoption together with a copy of those articles marked to show the changes proposed from the articles of association in force at the time of the Company's admission to AIM on 1 June 2007 can be found on the Company's web-site at: <http://www.dragon-upd.com/investor-information/important-information/memorandum-of-incorporation>

### **Ratification of prior acts**

Notwithstanding the issues identified above, the Directors have been advised that the appointments of each of Mr. van der Heijden, Mr. Fiala, Mr. Svinhufvud and Mr. Erenburg in 2007 were and remained valid until 31 August 2008.

Further the Company has been advised that the deeds and acts done by each of Mr. van der Heijden, Mr. Fiala, Mr. Svinhufvud, Mr. Erenburg, Mr. Duplan, Mr. Watson, Mr. Macnamara and Mr. Artemenko, in the honest belief that they had been validly appointed to the Board, between 31 August 2008 and 28 September 2012 are very likely valid and binding on the Company with regard to third parties notwithstanding any defect in their respective appointments. Accordingly third parties with whom the Company has done business can rely on their contracts while investors will continue to be able to rely on the annual reports and accounts, half yearly reports and other announcements made by the Company in compliance with its continuing obligations to AIM.

For the sake of completeness, clarity and good order the approval of shareholders is being sought to retrospectively ratify and adopt the acts taken by each of Mr. van der Heijden, Mr. Fiala, Mr. Svinhufvud, Mr. Erenburg, Mr. Duplan, Mr. Watson, Mr. Macnamara and Mr. Artemenko in the mistaken belief that they held office as a director of the Company for the relevant period and to ratify and formally adopt any business transacted pursuant to the resolutions passed at the General Meetings.

### **Share Buy-backs**

In addition to the above DUPD has bought back its own shares through a series of on-market transactions made between August 2008 and May 2009, and in response to three public tender offers made respectively on 4 June 2009, 25 October 2011 and 6 December 2011.

These buy-backs were authorised by resolutions purportedly passed on 31 July and 1 December 2008, and 9 November and 12 December 2011 and the Company purported to cancel those shares it acquired. However, because those resolutions were invalidly passed due to the problem with quorum the buy-backs were void. The Company has been advised that the buy-backs cannot be retrospectively validated. Accordingly the Company proposes, in due course, to apply to the High Court in the Isle of Man to approve a reduction of capital in accordance with the Isle of Man Companies Act 1931 to cancel the shares and thereby to achieve in practice and effect the same outcome as was believed to have been achieved by the purported buy-backs in 2008, 2009 and 2011. A special resolution to achieve this course (numbered 3 below) is being proposed.

### **Action to be taken**

Notice and a proxy form for an extraordinary general meeting proposed to be held on 14 November 2012 at 11:30 a.m. at the Company's registered office (the "**Extraordinary General Meeting**") are attached to this circular.

Please complete and return the enclosed proxy form by post to Standard Bank House, One Circular Road, Douglas, Isle of Man IM1 1SB as soon as possible and, in any event, not later than 11:30 a.m. on 12 November 2012.

### **Recommendation**

The Directors consider the resolutions to be proposed at the Extraordinary General Meeting and set out in the attached notice are in the best interests of the Shareholders as a whole. In respect of resolutions 1 and 3, the Directors unanimously recommend that Shareholders vote in favour of the resolutions. Given its nature, the Directors make no recommendation in respect of resolution 2. The Directors intend to vote in favour of all three resolutions in respect of their own beneficial shareholdings amounting to 14,420,561 Ordinary Shares representing approximately 13.19% of the Company's issued share capital.

Yours faithfully

Aloysius van der Heijden  
Chairman

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

Notice is hereby given that an Extraordinary General Meeting of the Company will be held at Standard Bank House, One Circular Road, Douglas Isle of Man IM1 1SB on 14 November 2012 at 11:30 a.m. for the purpose of considering and, if thought fit, passing the following resolutions of which resolutions 1 and 3 will be proposed as special resolutions and resolution 2 will be proposed as an ordinary resolution:

SPECIAL RESOLUTION

1. **THAT** the regulations, a copy of which can be found on the Company's website with URL: <http://www.dragon-upd.com/investor-information/important-information/memorandum-of-incorporation> (the "New Articles"), be and are hereby adopted as the new articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association of the Company.

ORDINARY RESOLUTIONS

2. **THAT**, notwithstanding any actual or possible defect in their respective appointments as directors and to the extent necessary to cure any such defect:

(a). the acts, deeds, proceedings, agreements and resolutions of each of:

- a. Tomas Fiala in respect of the period from 26 February 2007 to 28 September 2012;
- b. Aloysius Wilhelmus Johannes van der Heijden and Fredrik Svinhufvud, in respect of the period from 10 April 2007 to 28 September 2012;
- c. Boris Erenburg in respect of the period from 14 September 2007 to 20 January 2012;
- d. Rafaël Biosse Duplan in respect of the period from 10 February 2009 to 24 January 2011;
- e. Christopher Watson in respect of the period from 24 January 2011 to 15 July 2011;
- f. Rory Macnamara in respect of the period from 6 December 2011 to 28 September 2012; and
- g. Nikolai Artemenko in respect of the period from 14 February 2012 to 28 September 2012

howsoever taken, done, resolved, signed, passed and/or adopted including any taken, done, resolved, signed, passed or adopted at purported meetings of the board of directors of the Company whensoever held as contained or referred to in:

- i. the records in the minute books of the Company; or
- ii. the published reports and accounts of the Company for the years ended 31 December 2008, 2009, 2010 and 2011; or
- iii. the half yearly reports of the Company published in respect of the six month periods to 30 June 2009, 2010, 2011; or
- iv. any announcement by the Company made on a Regulatory News Service; or

v. any notice or circular published by the Company to shareholders;

be and are hereby adopted, approved, ratified and confirmed in all respects; and

- (b). each of the said Aloysius Wilhelmus Johannes van der Heijden, Tomas Fiala, Fredrik Svinhufvud, Boris Erenburg, Rafaël Biosse Duplan, Christopher Watson, Rory Macnamara and Nikolai Artemenko be and is entitled to indemnification by the Company in respect of such acts, deeds, agreements, proceedings and resolutions to the fullest extent in accordance with the New Articles as if:
- a. he was and had been a duly and validly appointed director of the Company at all relevant times in respect of the same; and
  - b. the New Articles had been adopted by the Company and in full force and effect from 17 March 2008.

#### SPECIAL RESOLUTION

### 3. THAT

- (a). in accordance with Section 56 of the Isle of Man Companies Act 1931 and subject to the confirmation of the Isle of Man Court, the issued share capital of the Company be reduced from £1,423,287.16 to £1,093,615.15 by cancelling and extinguishing the 32,967,201 issued Ordinary Shares of 1 pence each in the capital of the Company (“the Buy-Back Shares”) each of which is fully paid up and each of which was purportedly cancelled having been purportedly bought by the Company through on-market transactions as follows:
- i. 11,948,000 Ordinary Shares purchased between August 2008 and May 2009;
  - ii. 12,664,201 Ordinary Shares purchased on 29 June 2009;
  - iii. 24,000 Ordinary Shares purchased on 10 November 2011; and
  - iv. 8,331,000 Ordinary Shares purchased on 29 December 2011; and
- (b). payment of the aggregate amount of £13,492,764.52 made from the distributable reserves of the Company in consideration of the purported acquisition of the Buy-Back Shares from their former holders (“the Sellers”) by the transactions referred to above, shall be and is hereby authorised, adopted, confirmed and acknowledged as being in full and final payment to the Sellers in consequence of and in connection with the cancellation of the Buy-Back Shares and no further capital or other sums or funds of any sort shall be returned or paid to any of the Sellers as a result of the reduction of capital contemplated by this resolution (or shall be demanded from the Sellers by the Company).

By Order of the Board

Dated: 17 October 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 no later than 11:30 a.m. on 12 November

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 notarially certified copy of such authority) must be deposited at Standard Bank House, One Circular Road, Douglas, Isle of Man IM1 1SB by post so as to be received before 11:30 a.m. on 12 November 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 2005, 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 11:30 a.m. on 12 November 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 11:30 a.m. on 14 November 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.

**RESOLUTIONS**

	FOR	AGAINST	VOTE WITHHELD	DISCRETI ONARY
1. <b>THAT</b> the articles of association proposed in March 2008 be adopted.				
2. <b>THAT</b> the acts, of each of Mr. van der Heijden, Mr. Fiala, Mr. Svinhufvud, Mr. Erenburg, Mr. Duplan, Mr. Watson, Mr Macnamara and Mr. Artemenko be ratified and confirmed.				
3. <b>THAT</b> in accordance with Section 56 of the Isle of Man Companies Act 1931 and subject to confirmation by the Isle of Man Court the share capital of the Company be reduced.				

Signed .....

Date .....

**NOTES**

1. 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.
2. 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.
3. 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.
4. 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.
5. 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 so as to be received before 11:30 a.m. on 12 November 2012.
6. 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.
7. 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.
8. 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.
9. 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.
10. 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.