

19 October 2012

Dragon-Ukrainian Properties & Development plc

("DUPD" or the "Company" and together with its subsidiaries, the "Group")

### **Notice of EGM**

Dragon-Ukrainian Properties & Development plc, a leading investor in the real estate sector in Ukraine, announces that it has today posted a circular to shareholders of the Company (the "Shareholders") convening an extraordinary general meeting (the "EGM") to be held on 14 November 2012 at 11:30 a.m. at the Company's registered office (Standard Bank House, One Circular Road, Douglas, Isle of Man, IM1 1SB).

The EGM is being convened 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 resolutions to be proposed at the EGM are to address the following issues:

- 1) to propose the adoption of new articles of association of the Company;
- 2) to ratify and adopt the acts carried out by 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
- 3) to validate the share buy-backs carried out by the Company between September 2008 and December 2011.

### **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, the Company is now convening a further extraordinary general meeting to deal with certain additional issues arising from the failure to achieve quorum at 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:

- (a) the adoption of the articles of association which were proposed to be adopted at the general meeting convened for 17 March 2008;
- (b) ratifying the acts done by 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

- (c) 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 above) is being proposed.

### **Recommendation**

The Directors consider the resolutions to be proposed at the EGM to be 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.

The circular will also be available on the Company's website: <http://www.dragon-upd.com/>.

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