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25 July 2017

**Dragon-Ukrainian Properties & Development plc
("DUPD" or the "Company" and together with its subsidiaries, the "Group")**

Update on Board Recommendation

On 11 July 2017, the independent directors of DUPD (being Mark Iwashko and Aloysius Wilhelmus Johannes van der Heijden) (the "Independent Directors") published its circular to DUPD Shareholders (the "Circular") explaining why they did not believe that DUPD Shareholders should accept the Offer from Dragon Capital Investments Limited ("DCI") at 15 pence per share (the "Offer").

In the Circular the Independent Directors advised that they would consider the best options for DUPD Shareholders dependent on the level of valid acceptances received by DCI. Following the announcement made by DCI on 18 July 2017 that, as a result of the acceptances of the Offer received to date, DCI now holds DUPD Shares representing approximately 59.31 per cent. of the issued share capital of DUPD and that the Offer has been declared wholly unconditional, the Independent Directors want to make those DUPD Shareholders who have not yet accepted the Offer aware of the following factors, which should be considered when deciding whether or not to now accept the Offer.

Price

The Independent Directors, having been so advised by the Company's financial adviser, Panmure Gordon, continue to believe that the financial terms of the Offer significantly undervalue the Company and its prospects for the reasons stated in the Circular.

Controlling stake

DCI holds at least 59.31 per cent. of the issued share capital of DUPD and without recourse to other DUPD Shareholders, DCI will be in a position to propose and pass any ordinary resolution at a general meeting of the Company, allowing it to determine the membership of the board of directors and, through board appointments (subject to DCI's intentions as stated in the Offer Document), potentially the strategy and operation of the Company, as well as the Company's policy on future dividend payments (subject always to the directors' obligations to act in accordance with the Isle of Man Companies Act and the Company's Investing Policy). It is possible that DCI's view on DUPD's strategy and investment policies may differ from the Board's and DCI's priorities in relation to DUPD may be at variance with other DUPD Shareholders who, even acting collectively, will have limited scope for influencing the affairs of the Company by the exercise of their voting rights.

DCI made the following statement in the Offer Document regarding the intentions of DCI:

"DCI is not proposing, following any increase in its shareholding as a result of the Offer, to seek any change in the general nature of the DUPD's business, and does not currently intend to take any action to alter the management of DUPD, the continued appointment of its directors, the role of DCM Limited pursuant to the Fourth Revised Management Agreement as amended, the location of the Company's places of business, or the deployment of the Company's assets".

Whilst DCI's statement is with respect to its current intentions at this time, there is nothing to prohibit DCI from changing its intentions in the future and, being a controlling shareholder, DCI will be in a position to enact far-reaching changes to the Company's activities and/or priorities without recourse to other DUPD shareholders.

Investing Policy

Whilst DCI has stated that it is not proposing to seek any change in the general nature of DUPD's business, DCI has not made any statement of intent with regard to continued adherence to DUPD's investing policy of an orderly realisation of DUPD's assets. As an AIM listed company, a change of investing policy requires approval of DUPD Shareholders by way of an ordinary resolution, so there is a risk that DCI could effect a change of investing policy which may not suit DUPD Shareholders other than DCI. Accordingly there remains a risk that, were a change of investing policy to be effected, DUPD slows down or ceases the development of its real estate development assets, and/or that there will no longer be an orderly realisation of DUPD's other real estate and other assets. In that regard, future returns of capital to DUPD Shareholders and the frequency thereof, could reduce.

Board Composition

DCI has stated that it does not currently intend to take any action to alter the management of DUPD or the continued appointment of its directors. There remains the risk that DCI, may in the future, effect changes to the board of directors of DUPD which may reduce the absolute number and/or majority of independent directors, and also enable DCI to appoint further of its own representatives to the DUPD Board.

Possible de-listing and associated risks

Under the AIM Rules, a special resolution is required to cancel the admission to trading of shares on AIM. DCI stated in its announcement on 20 July 2017 (the "Clarifying Announcement"), that in the event that DCI acquires or agrees to acquire, by virtue of its shareholding and acceptances of the Offer, issued share capital carrying 75 per cent. or more of the voting rights of DUPD Shares, DCI will procure that DUPD applies for the cancellation of trading in DUPD Shares on AIM.

Consequently, there is no guarantee that DUPD's listing on AIM will be maintained and there is therefore a risk that DUPD Shareholders who do not accept the Offer could find themselves in the position of owning a minority interest in an unlisted company controlled by DCI, and no longer being afforded the protections available to them whilst the Company remains an AIM listed company.

In addition, with DCI securing a shareholding in DUPD carrying more than 50 per cent. of the voting rights of DUPD Shares, even if it does not gain control over 75 per cent. of the voting rights of DUPD under the Offer, DCI may pass this threshold at some point in the future as a result of further DUPD Share acquisitions. As DCI has already secured a majority position, any further purchases will not trigger an obligation to make a general offer for the Company under the Takeover Code. Furthermore if DCI acquires further DUPD shares outside the Offer process then under the Takeover Code it is required to acquire those shares at a price which is equal to or below the Offer price, for a period of 6 months following the closing of the Offer. After this time DCI will be free to purchase DUPD Shares at any price.

Related Party Transactions

Companies admitted to trading on AIM need to comply with AIM Rule 13 in relation to any related party transactions. AIM Rule 13 would apply in relation to any proposed changes to the Fourth Management Agreement, as DCM Limited is deemed to be a related party of DUPD. If DUPD were to be de-listed from AIM, the DUPD Board would be able to make changes to the Fourth Management Agreement which may not suit DUPD Shareholders other than DCI, free of the provisions of the AIM Rules. The provisions of the Isle of Man Companies Act would continue to apply.

Liquidity

In the Circular, the Independent Directors highlighted that DUPD's Shares, as currently traded on AIM, are relatively illiquid. In view of the acceptances of the Offer received to date and possibly with other large DUPD Shareholders who may not accept the Offer the Independent Directors believe that in the event of the Company continuing to be admitted to trading on AIM, the marketability and liquidity of DUPD Shares will be further adversely impacted, and there is no guarantee that DUPD Shareholders who do not accept the Offer will have another opportunity to sell at or above the current Offer Price in the near future, or at all. The large

concentration of DUPD Shares among a small number of shareholders will also make DUPD Shares less attractive to new potential investors.

The Offer provides DUPD Shareholders with the certainty of a cash exit and an opportunity for DUPD Shareholders to realise their investment in the Company notwithstanding the current low liquidity on AIM, the challenging economic and real estate market in the Ukraine and the uncertainty with respect to the timing of any realisation of potential upside to the last reported net asset value as at 31 December 2016.

Furthermore, the Independent Directors do not believe that there is likely to be any alternative competing offer for the Company within a reasonable period of time. Since the announcement on 30 May 2017 of DCI's mandatory offer for the Company, neither the Independent Directors, nor Panmure Gordon have been approached by any person on behalf of any other *bona fide* potential offeror wishing to instigate discussions with a view to making a competing offer for DUPD.

Recommendation

The Independent Directors believe that DUPD Shareholders should consider carefully all of the factors outlined above and have regard to their personal circumstances and the matters set out in this announcement when considering whether or not to accept the Offer.

The Independent Directors, having been advised by the Company's financial adviser, Panmure Gordon, remain of the view that the financial terms of the Offer significantly undervalue the Company and its prospects, however, they recognise that DCI is now a controlling shareholder and will have significant power and influence over the Company. Additionally, there is a risk that even if DCI does not gain control over 75 per cent. of the voting rights of DUPD under the Offer, DCI may pass this threshold at some point in the future and procure that DUPD applies for the cancellation of trading in DUPD Shares leaving shareholders owning a minority interest in an unlisted company.

Under these circumstances, the Independent Directors, having been so advised by Panmure Gordon, who in providing its advice has taken into account the Independent Directors' commercial assessment believe that DUPD Shareholders should now accept the Offer.

Extended Closing Date

The Independent Directors note from the Clarifying Announcement that a further announcement will be made on 1 August 2017 to update DUPD Shareholders on the level of acceptances ("Closing Date Announcement") and will keep the Offer open for a further seven days until 1.00 p.m. on 8 August 2017.

Capitalised terms used in the Circular have the same meanings in this announcement, save where the context provides otherwise.

Rule 29 Update

CBRE Ukraine (Expandia LLC) ("CBRE Ukraine") has been engaged by DUPD to provide the following opinion, which is set out below.

"We can confirm that we have sufficient current local and national knowledge of the particular market and the skills and understanding necessary to undertake the valuation competently.

Today we have finalized the process of valuation as independent "external valuers" as defined in the RICS Valuation - Professional Standards, January 2014 (revised April 2015), and are qualified for the purposes of the valuation. The valuation accords with the RICS Valuation - Professional Standards, January 2014 (revised April 2015) and the International Valuation Standards. CBRE Ukraine has no connection with Dragon Capital Investments Limited.

This opinion is provided to the Company and to whom else it may concern in accordance with Rule 29 of the City Code on Takeovers and Mergers.

CBRE Ukraine would note that we have not been engaged to perform a valuation on the land known as "Avenue Shopping Centre" which DUPD owns an 18.77% interest.

CBRE Ukraine undertook a valuation of the 7 (seven) real estate properties owned by Company and/or its subsidiary undertakings (the "Real Estate Portfolio"). Excluding residential sales during H1, 2017 (ca. USD 4 mln), it is our opinion that the valuation of the Real Estate Portfolio as at 30 June 2017 in comparison to the result of the valuation undertaken by DTZ Kiev B.V. as at 31 December 2016, is not materially different."

The Independent Directors note that CBRE Ukraine has not been engaged to perform a valuation on the land known as "Avenue Shopping Centre" in which DUPD owns an 18.77% interest. This land was valued by DTZ Kiev B.V. as at 31 December 2016 at USD 1.24 million, and DUPD's fair value interest in Avenue Shopping Centre project was disclosed in the financial statements at 31 December 2016 at USD 172k. As there is a high risk that the land lease will not be renewed, the Independent Directors have decided to carry the property at a valuation of nil.

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Panmure Gordon (UK) Limited, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively for DUPD and the Independent Directors and no one else in connection with the Possible Offer and will not be responsible to anyone other than DUPD and the Independent Directors for providing the protections afforded to its clients or for providing advice in relation to the Offer or any other matters referred to herein.