

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 (the “Company”)
(Incorporated in the Isle of Man with registered number 119018C)

Directors:

Aloysius van der Heijden (*Chairman*)
Tomas Fiala
Fredrik Svinhufvud
Boris Erenburg

Registered Office:

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

February 15, 2008

To the holders of Ordinary Shares of the Company

Dear Shareholder

Proposed adoption of new articles of association (incorporating pre-emption rights) and increase in authorised share capital of the Company

As you will be aware, the Company was admitted to trading on the AIM market of the London Stock Exchange on 1 June 2007 and completed a secondary fund-raising on 29 November 2007. The secondary fund-raising was carried out by way of a private placing of ordinary shares with institutional and other investors (who were predominately existing shareholders) of the Company.

A number of the Company’s shareholders have indicated that they would like the Company to incorporate pre-emption rights into its articles of association so that, subject to certain limited exceptions, future issues of new shares in the capital of the Company will 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. Your directors believe that the incorporation of pre-emption rights into the Company’s articles of association will be in accordance with the Statement of Principles published by the Pre-Emption Group in May 2006, and while not compulsory for companies admitted to AIM, will be in the best interests of the Company and its shareholders. Those principles broadly provide that companies should not issue more than 5% of their ordinary issued share capital for cash other than pro-rata to existing shareholders in any 12

month period or more than 7.5% of their ordinary issued share capital for cash other than pro-rata to existing shareholders in any rolling three year period.

As the adoption of pre-emption rights will involve the amendment of the Company's articles of association, the opportunity is also being taken for the Company to adopt new articles of association. A copy of the proposed new articles of association highlighting the differences between the Company's current articles of association and the prepared new articles of association is attached to this document. In addition, your Board also propose to increase the authorised share capital of the Company, as provided in the attached notice.

You will find set out at the end of this document a notice (the "Notice") convening an extraordinary general meeting ("EGM") of the Company to be held at Standard Bank House, One Circular Road, Douglas, Isle of Man IM1 1SB on March 7, 2008 at 12 am London time, at which resolutions will be proposed:-

1. an ordinary resolution to increase the Company's authorised share capital;
2. a special resolution for the Company to adopt the new articles of association;
3. a special resolution to empower the directors to allot shares on a non pre-emptive basis.

The purpose of this letter is to provide you with further information about the matters contained in the Notice and to recommend that you vote in favour of the resolutions.

Increase in authorised share capital

Following the successful completion of the secondary fund-raising carried out by the Company in November 2007, your Board is proposing in Resolution 1 to increase the Company's authorised share capital of the Company as provided in more detail in the attached notice.

Adoption of new articles of association

Resolution 2 proposes the adoption of new articles of association. In summary, adoption of the new articles of association will result in (amongst other things) the following amendments to the Company's existing articles of association:

1. the insertion of new language providing shareholders of the Company with a right of pre-emption in relation to new issues of shares by the Company other than shares to be issued for a consideration to be paid wholly or partly otherwise than in cash, which pre-emption rights, for the avoidance of doubt, shall not apply to any warrant instruments or option agreements existing at the time of adoption of the new articles of association; and
2. the amendment and/or replacement of certain other provisions of the existing articles of association following a full review of the articles of association commissioned by the Board.

Resolution 3

Resolution 3 will permit the issue of up to 17,950,000 ordinary shares of 1 penny each in the capital of the Company for cash other than pro-rata to existing shareholders (as would be required by article 5 of the new articles of association), being less than 5% of the Company's existing issued share capital not including existing warrant instruments and option agreements. The authority will lapse 12 months after the date of the EGM or at the conclusion of the first annual general meeting of the Company to be held after the EGM, whichever occurs first.

The new authorities are being sought to balance the needs of the Company to maintain flexibility in the financing of its business and to protect shareholders against inappropriate dilution of their investment.

Action to be taken

A reply paid Form of Proxy is enclosed. Whether or not you intend to be present at the EGM 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 no later than 12 am London time on March 5th, 2008. The completion and return of a Form of Proxy will not preclude you from attending the EGM and voting in person if you wish to do so.

Recommendation

Your Directors believe that Resolutions 1, 2 and 3 are in the best interests of the Company and of its shareholders as a whole. Accordingly the Directors unanimously recommend that you vote in favour of the resolutions to be proposed at the EGM as they intend to do so in respect of their own beneficial shareholdings amounting to 21,705,900 Ordinary Shares representing approximately 15.4% of the Company's issued share capital.

Yours faithfully

Aloysius van der Heijden
Chairman

DRAGON – UKRAINIAN PROPERTIES & DEVELOPMENT PLC

(the “Company”)

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 March 7, 2008 at 12 am London time for the purpose of considering and, if thought fit, passing the following resolutions of which resolution 1 will be proposed as an ordinary resolution and resolutions 2 and 3 will be proposed as special resolutions:-

ORDINARY RESOLUTION

1. **THAT** the share capital of the Company be hereby increased from £3,000,000 to £5,000,000 by the creation of 200,000,000 new ordinary shares of 1 penny each ranking pari passu in all respects with the existing ordinary shares of 1 penny each in the capital of the Company.

SPECIAL RESOLUTION

2. **THAT** the regulations annexed to this resolution and produced to the meeting and signed by the Chairman for identification purposes (the “New Articles”) be 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. For the avoidance of doubt, the pre-emption rights contained in the New Articles shall not apply to any warrant instruments or option agreements existing at the time of adoption of the New Articles.

SPECIAL RESOLUTION

3. Subject to the passing of Resolution 2 above **THAT** the Directors be and they are hereby generally empowered to allot shares in the capital of the Company or rights to subscribe for such shares as if Article 5 of the New Articles did not apply to any such allotment, provided that this power shall be limited to the allotment of shares for cash up to an aggregate nominal amount of £179,500 such power to expire at the earlier of the date twelve months from the date of passing of this Resolution or at the next annual general meeting of the Company, whichever is the earlier, provided that the Company may make offers or agreements before the expiry of this power which would or might require such securities to be allotted after such expiry and the Directors may allot such securities pursuant thereto as if the power conferred hereby had not expired.

By Order of the Board

Martin Jones
Secretary

NOTES:

1. A member entitled to attend and vote at the 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 not less than 48 hours before the time for holding the meeting. A form of proxy is enclosed with this notice. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting.
3. Pursuant to 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 12 am March 5, 2008 (being not more than 48 hours prior to the time fixed for the meeting) or, if the 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 meeting.