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18 October 2011

**Dragon - Ukrainian Properties & Development plc
(the 'Company')**

Proposed return of capital and Extraordinary General Meeting

Dragon-Ukrainian Properties & Development plc, a leading real estate investor and developer in Ukraine, is pleased to announce a proposed return of capital.

The directors of the Company (the "Directors") consider that it would be in the best interests of the shareholders of the Company (the "Shareholders") to have the right to purchase its own ordinary shares ("Ordinary Shares"). The Directors are therefore requesting an authority from Shareholders (as required by section 13 of the Companies Act 1992 of the Isle of Man as amended (the "Authority")) for the Company to purchase up to 9,061,090 Ordinary Shares, representing 7.7 per cent of the 117,716,515 Ordinary Shares in issue on 17 October 2011. In that regard, the Company has posted a circular to Shareholders today convening an Extraordinary General Meeting to be held on 09 November 2011 to propose such an authority. It is the intention of the Directors that, any shares purchased under this Authority, will be cancelled as required by Isle of Man law and would not be held as treasury shares.

The Authority is aimed at maximising shareholder value in the longer term by taking advantage of the current market environment where the Ordinary Shares are currently being traded at a significant discount to the net asset value per Ordinary Share of the Company, which was \$2.49 at 30 June 2011. The Company has no borrowings recorded on its balance sheet and continues to have a strong cash position which the Directors believe will allow it to fund its existing commitments and foreseeable operating expenditures over the longer term. The Company's cash balances at 30 June 2011 were USD38.4 million.

In the event that Shareholders grant the Authority to the Company, the Directors intend to use the Authority by making a tender offer to eligible shareholders. It is the Directors' intention to publish a circular and tender form containing the terms of the offer shortly and for the final date for receipt of eligible shareholders' completed tender forms to be on or around 08 November 2011.

The terms of this authority are that the Company will be required to pay a minimum (exclusive of expenses) of not less than 1 pence and a maximum of not more than 35 pence per Ordinary Share.

The circular will be available on the Company's website at <http://dragon-upd.com/investor-information/important-information/admission-document-and-circulars>

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