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If you have sold or otherwise transferred all of your Ordinary Shares in the Company, or GDRs or Depository Interests, please forward this document together with the enclosed Form of Proxy, DI Voting Instruction and Voting Instruction Card 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.

The whole of this document should be read by Shareholders, including the risk factors set out on pages 24 to 31 of this document when deciding on what action to take in relation to the Restructuring. Your attention is drawn to the letter from the Executive Chairman of the Company that is set out in Part II of this document.

Application will be made for the New Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Enlarged Share Capital will commence on AIM on 26 January 2011, assuming the Suspension is lifted.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached, relative to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. An investor should be aware of the potential risks in investing in such companies and should make any decision as to its investment only after careful consideration and, if appropriate, consultation with its own independent financial adviser.

This document contains no offer of securities to the public within the meaning of the Prospectus Regulations of the United Kingdom or otherwise. Neither the UK Listing Authority nor the London Stock Exchange has examined or approved the contents of this document. This document does not constitute a prospectus and a copy of it has not or will be delivered to the Registrar of Companies in Cyprus, neither does it constitute an admission document drawn up in accordance with the AIM Rules.

XXI CENTURY INVESTMENTS PUBLIC LIMITED

(Incorporated in Cyprus under the Companies Law, Cap 113 of Cyprus with Companies Number HE 132218)

Proposed Restructuring

Notice of Extraordinary General Meeting

Capitalised terms in this document have the meaning ascribed to them in Part VII "Definitions" set out on pages 40 to 45 of this document.

References to times are to Nicosia, Cyprus, time unless otherwise stated. References to dates and times in this document should be read as being subject to adjustment. The Company will make an appropriate announcement via RNS giving details of any revised dates and/or time, but Shareholders may not receive any further written communication.

Strand Hanson, which is authorised and regulated by the Financial Services Authority in the United Kingdom, is acting exclusively for the Company as nominated adviser and financial adviser in connection with the matters described in this document and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in connection with the matters described in this document or the contents of this document. Apart from the responsibilities and liabilities, if any, which may be imposed on Strand Hanson by the Financial Services and Markets Act 2000 or the regulatory regime established thereunder, Strand Hanson does not accept any responsibility whatsoever, and makes no representation or warranty, express or implied, for the contents of this document including its accuracy, completeness or verification or for any other statement made, or purported to be made, by the Company or any other person, in connection with the Company, the New Ordinary Shares, the Restructuring, or any other matter described in this document and nothing in this document shall be relied upon as a promise or representation in this respect, whether as to the past or the future. Strand Hanson accordingly disclaims all and any liability whatsoever, whether arising in tort, contract or otherwise (save as referred to above), which it might otherwise have in respect of this document or any such statement.

No person has been authorised to give any information or make any representations other than as contained in this document and, if given or made, such information or representations must not be relied on as having been authorised by the Company or Strand Hanson. Without prejudice to the Company's obligations under the AIM Rules, neither the delivery of this document nor any subscription made under this document shall, under any circumstances, create any implication that there has been no change in the affairs of the Company or the Group since the date of this document or that the information contained herein is correct as at any time subsequent to its date.

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This document is not for distribution in, or into, the United States of America, Canada, Australia, the Republic of South Africa or Japan. Accordingly, this document may not, subject to certain exceptions, be transmitted directly or indirectly in, or into, the United States of America, Canada, Australia, the Republic of South Africa or Japan. The Ordinary Shares have not been and will not be registered under the United States Securities Act 1933 (as amended) or under the securities legislation of any state of the United States of America, Canada, Australia, the Republic of South Africa or Japan and they may not be sold directly or indirectly within the United States of America, Canada, Australia, the Republic of South Africa or Japan or to or for the account of any national, citizen or resident of the United States of America, Canada, Australia, the Republic of South Africa or Japan or to an US person (within the definition of Regulation S made under the United States Securities Act 1933 (as amended)).

This document contains forward-looking statements which are subject to assumptions, risk and uncertainties. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, there can be no assurance that these expectations will prove to have been correct. As these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by those forward-looking statements. Each forward-looking statement is correct only at the date of the particular statement. The Company does not undertake any obligation publicly to update or revise any forward-looking statement as a result of new information, future events or other information, although such forward-looking statements will be publicly updated if required by the AIM Rules, the Prospectus Rules, the rules of the London Stock Exchange or by law.

A notice convening an Extraordinary General Meeting of the Shareholders of the Company to be held at 5 Themistokli Dervi, Elenion Building, 2nd Floor, 1066, Nicosia, Cyprus at 9.30 a.m. on 25 January 2011 is set out at the end of this document. Shareholders will find enclosed a Form of Proxy for use in connection with the Extraordinary General Meeting.

To be valid, the Form of Proxy should be completed, signed and returned in accordance with the instructions printed thereon as soon as possible but in any event not later than 48 hours before the time fixed for the Extraordinary General Meeting. The return of a Form of Proxy will not preclude a Shareholder from attending, speaking or voting in person at the Extraordinary General Meeting should they so wish.

DI Holders may vote by completing, signing and returning the enclosed DI Voting Instruction in accordance with the instructions printed thereon as soon as possible and to be valid must arrive not later than 72 hours before the time fixed for the Extraordinary General Meeting. By returning the DI Voting Instruction, the DI Holder is directing Computershare Company Nominees Limited to vote on the Ordinary Shares underlying the Depository Interests in accordance with its instructions.

GDR Holders may vote by completing, signing and returning a Voting Instruction Card, which will be provided to them by the Bank of New York Mellon. The deadline to submit the Voting Instruction Card will be set out in the notice provided by the Bank of New York Mellon. By returning a signed Voting Instruction Card, the GDR Holder is directing the Bank of New York Mellon to vote on the Shares underlying his GDRs in accordance with his instructions.

Copies of this document are available from the Company's registered office at 5 Themistokli Dervi Elenion Building, 2nd Floor, 1066, Nicosia, Cyprus from the date of this document until the date of the Extraordinary General Meeting. This document will also be available for download from the Company's website: http://www.21.com.ua/.

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PART I

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Please note that the timetable set out below of principal events assumes that the quorum requirement of 75 per cent. for the Meeting of Noteholders and/or the Meeting of Warrantholders to take place is not met at the initial meetings on 10 January 2011 and that, accordingly, the meetings are adjourned and that the respective extraordinary resolutions are approved at the reconvened Meeting of Noteholders and the Meeting of Warrantholders on 25 January 2011 (as applicable) at which the quorum requirement will be 25 per cent.

Event	*Time and/or date*
Publication of this document, Form of Proxy and Voting Instruction	16 December 2010
Publication of consent solicitation statements to Noteholders and Warrantholders	17 December 2010
Holding of the Meeting of Noteholders	7.30 a.m. on 10 January 2011
Holding of the Meeting of Warrantholders	8.30 a.m. on 10 January 2011
Announcement of the results of the meetings of Noteholders and Warrantholders	10 January 2011
Announcement of the adjournment of the meetings of Noteholders and Warrantholders (if applicable)	10 January 2011
Latest time and date for receipt of DI Voting Instructions by the DI Holders	9.30 a.m. on 22 January 2011
Latest time and date for receipt of Voting Instruction Card by the GDR Holders	9.30 a.m. on 23 January 2011
Latest time and date for receipt of Forms of Proxy by the Shareholders	9.30 a.m. on 23 January 2011
Holding of the adjourned Meeting of Noteholders (if applicable)	7.30 a.m. on 25 January 2011
Holding of the adjourned Meeting of Warrantholders (if applicable)	8.30 a.m. on 25 January 2011
Announcement of the results of the adjourned meetings of Noteholders and Warrantholders (if applicable)	25 January 2011
Holding of the Extraordinary General Meeting	9.30 a.m. on 25 January 2011
Announcement of the results of the EGM	25 January 2011
Publication of the Annual Financial Statements and Interim Financial Statements	25 January 2011
Allotment and issue of the New Ordinary Shares (conditional on Admission)	25 January 2011
Lifting of the Suspension and commencement of trading in New Ordinary Shares on AIM	8.00 a.m. (London time) on 26 January 2011
New Ordinary Shares in uncertificated form to be credited to CREST accounts (where applicable)	26 January 2011
Despatch of share certificates for the New Ordinary Shares in certificated form (where applicable)	by 27 January 2011

Notes:

1. References to times in this document are to the time in Nicosia, Cyprus unless otherwise stated.
2. The times and dates set out in the expected timetable of principal events above and mentioned throughout this document may be adjusted by the Company (with the agreement of the Nomad), in which event details of the new time(s) and date(s) will be notified to AIM and, where appropriate, Shareholders.

SHARE CAPITAL STATISTICS

Number of Ordinary Shares in issue[1]	40,416,633
Current share capital on a fully diluted basis (including the Warrants)[2]	44,824,166
Number of New Ordinary Shares to be issued to Ovaro as part of the Subscription	268,395,302
Number of New Ordinary Shares to be issued to the Noteholders as part of the Restructuring	133,525,000
Number of New Ordinary Shares to be issued to the Warrantholders as part of the Restructuring	4,244,266
Number of Ordinary Shares in issue on Admission	446,581,201
Market Capitalisation on Admission[3]	£21.30 million (US$33.28 million)
New Ordinary Shares as a percentage of the Enlarged Share Capital on Admission	90.95 per cent.
Number of Management Option Shares assuming full vesting and exercise of the Management Options on Admission	68,550,214
Enlarged Share Capital on fully diluted basis[4]	515,131,415

Set out on pages 6 and 7 is a table setting out the share capital position, under a variety of scenarios resulting, *inter alia*, from the approval of the Restructuring.

Notes:

1. As at 15 December 2010 (being the latest practicable date prior to the publication of this document).
2. The Existing Share Capital on a fully diluted basis, assuming the exercise in full of the Warrants.
3. Based on an implied subscription price of US$0.07452 per Ordinary Share.
4. The Enlarged Share Capital on a fully diluted basis, assuming the exercise in full of the Management Options.

EXCHANGE RATES

The following exchange rates (being the exchange rates on 15 December 2010, the latest practical date prior to the publication of this document) have been used throughout this document (source: FactSet):

EUR0.7502	per US$1
HRV7.9775	per US$1
GBP1.562	per US$1

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KEY SHAREHOLDING TABLE

	Current holdings		*Conversion*	
	Number of Ordinary Shares	*Percentage of share capital*	*Number of Ordinary Shares*	*Percentage of share capital*
Noteholders	—	0.00%	133,525,000	74.94%
Warrantholders	—	0.00%	4,244,266	2.38%
Management	21,599,997	53.44%	21,599,997	12.12%
Others	18,816,636	46.56%	18,816,636	10.56%
Ovaro	—	—	—	—
Management Options	—	—	—	—
TOTAL	40,416,633	100.00%	178,185,899	100.00%

MANAGEMENT SHAREHOLDING TABLE

	Current holdings		*Conversion*	
	Number of Ordinary Shares	*Percentage of share capital*	*Number of Ordinary Shares*	*Percentage of share capital*
Lev Partskhaladze	20,399,997	50.47%	12,239,998	6.87%
Andriy Myrgorodskyy	1,200,000	2.97%	1,200,000	0.67%
Zhora Tsagareishvili	—	0.00%	6,119,999	3.43%
Jaroslav Kinach	—	0.00%	2,040,000	1.14%
TOTAL	21,599,997	53.44%	21,599,997	12.12%

(1) Assuming all Management Options are immediately exercised in full on Completion.

(2) Assuming the Management Call Option is immediately exercised in full on Completion.

(3) Assuming the Management Options and the Management Call Option are both exercised in full following Completion.

KEY SHAREHOLDING TABLE

	Subscription		*Management Options*[1]		*Management Call Option*[2]	
	Number of Ordinary Shares	*Percentage of share capital*	*Number of Ordinary Shares*	*Percentage of share capital*	*Number of Ordinary Shares*	*Percentage of share capital*
Noteholders	133,525,000	29.90%	133,525,000	25.92%	133,525,000	25.92%
Warrantholders	4,244,266	0.95%	4,244,266	0.82%	4,244,266	0.82%
Management	21,599,997	4.84%	21,599,997	4.19%	88,698,822	17.22%
Others	18,816,636	4.21%	18,816,636	3.65%	18,816,636	3.65%
Ovaro	268,395,302	60.10%	268,395,302	52.10%	201,296,476	39.08%
Management Options	—	—	68,550,214	13.31%	68,550,214	13.31%
TOTAL	446,581,201	100.00%	515,131,415	100.00%	515,131,415	100.00%

MANAGEMENT SHAREHOLDING TABLE

	Subscription		*Management Options*[1]		*Management Call Option*[3]	
	Number of Ordinary Shares	*Percentage of share capital*	*Number of Ordinary Shares*	*Percentage of share capital*	*Number of Ordinary Shares*	*Percentage of share capital*
Lev Partskhaladze	12,239,998	2.74%	53,370,126	10.36%	93,629,420	18.18%
Andriy Myrgorodskyy	1,200,000	0.27%	1,200,000	0.23%	1,200,000	0.23%
Zhora Tsagareishvili	6,119,999	1.37%	26,685,063	5.18%	46,814,710	9.09%
Jaroslav Kinach	2,040,000	0.46%	8,895,022	1.73%	15,604,906	3.03%
TOTAL	21,599,997	4.84%	90,150,211	17.50%	157,249,037	30.53%

(1) Assuming all Management Options are immediately exercised in full on Completion.

(2) Assuming the Management Call Option is immediately exercised in full on Completion.

(3) Assuming the Management Options and the Management Call Option are both exercised in full following Completion.

DIRECTORS, COMPANY SECRETARY AND ADVISERS

Directors	Lev Partshkhaladze *(Executive Chairman)* Zhora Tsagareishvili *(CEO and Director)* Jaroslav Kinach *(Director)* Andriy Myrgorodskyy *(Director)* Olena Volska *(Non-Executive Director)* Yiannos Georgallides *(Non-Executive Director)* Emmanuel Blouin *(Non-Executive Director)*
Company Secretary	Abacus Secretarial Limited 5 Themistokli Dervi Elenion Building, 2nd Floor 1066 Nicosia Cyprus
Registered office	5 Themistokli Dervi Elenion Building, 2nd Floor 1066 Nicosia Cyprus
Financial adviser, Nominated Adviser and broker	Strand Hanson Limited 26 Mount Row London W1K 3SQ United Kingdom
Solicitors to the Company as to English law	Baker & McKenzie LLP 100 New Bridge Street London EC4V 6JA United Kingdom
Solicitors to the Company as to Cypriot law	Mouaimis & Mouaimis 16-18 Zinas Kanther Street 3035 Limassol Cyprus
Auditor to the Company	Baker Tilly Klitou & Partners Limited 11 Bouboulinas Street 1060 Nicosia Cyprus
Reporting Accountant to the Company	Baker Tilly Corporate Finance LLP 25 Farringdon Street London EC4A 4AB United Kingdom
Registrars	Computershare Investor Services (Jersey) Limited Queensway House Hilgrove Street St Helier JE1 1ES Jersey
Depository for the GDRs	The Bank of New York Mellon 101 Barclay Street, 22nd Floor New York NY 10286 United States

PART II

LETTER FROM THE EXECUTIVE CHAIRMAN OF THE COMPANY

(Incorporated in Cyprus under the Companies Law, Cap 113 of Cyprus with Companies Number HE 132218)

Directors:
Lev Partshkhaladze (*Executive Chairman*)
Zhora Tsagareishvili (*CEO and Director*)
Jaroslav Kinach (*Director*)
Andriy Myrgorodskyy (*Director*)*
Olena Volska (*Non-Executive Director*)*
Yiannos Georgallides (*Non-Executive Director*)*
Emmanuel Blouin (*Non-Executive Director*)

* Independent Director

Registered office:
5 Themistokli Dervi
Elension Building
2nd Floor
1066 Nicosia
Cyprus

16 December 2010

To the holders for the Ordinary Shares and, for information only, to the holders of share options and/or Warrants

Dear Shareholders, GDR Holders and DI Holders

1. Introduction

The Board announced today that the Company proposes to raise US$20.0 million (before expenses) by the issue to Ovaro of 268,395,302 Ordinary Shares at a price of US$0.07452 per Ordinary Share by way of the Subscription, valuing the Company on Completion and on a fully diluted basis, at approximately £24.57 million (US$38.38 million) and on an issued share capital on Completion basis at approximately £21.30 million (US$33.28 million). The Subscription is subject to, *inter alia*, certain conditions precedent including approval of the Company's Shareholders at the Extraordinary General Meeting, AMC approval for the transaction and approval of Bondholders and Warrantholders at their respective meetings. The transaction is also effectively conditional upon the funding to be provided through the Ovaro Subscription Agreement being made available, as this agreement is subject to Bremille and Acermus reaching agreement on a shareholders agreement by 21 December 2010, the publication of the Annual Financial Statements and Interim Financial Statements and the resultant lifting of the Company's Suspension from trading on AIM on 26 January 2011.

In accordance with the terms of the Subscription Agreement (as more fully described below in paragraph 4.1 of this Part II), the Company will commence on 17 December 2010 a consent solicitation process seeking approval from: the Noteholders in respect of the Exchange including, in particular, for the exchange of all of the Notes into New Ordinary Shares; and from the Warrantholders for the exchange of all of the Warrants into New Ordinary Shares. Further details of the Exchange are set out in paragraph 4.2 of this Part II.

The Directors believe that the net proceeds of the Subscription will enable the Company to protect its existing asset base, by satisfying ongoing working capital obligations, such as basic operational expenses, ground rents and real estate taxes, as well as to settle sums due to various outstanding overdue creditors. In addition, the balance of the net proceeds of the Subscription will provide working capital to enable the Directors to enhance the value of the Company's remaining assets by focusing on the development of selected core projects, to be agreed with Ovaro.

Due to the size of the Subscription relative to the Company's existing authorities to allot shares and the need to disapply pre-emption rights, the Subscription is conditional upon, *inter alia,* the passing of the Resolutions by the Shareholders at the EGM. The Company is also seeking, for the reasons explained in paragraph 2 of this Part II, the authorities to allot shares and disapply pre-emption rights in relation to the allotment of the relevant New Ordinary Shares under the Exchange.

A summary of the Resolutions is set out in paragraph 12 of this Part II. The Directors have, by the Notice of EGM contained in Part VIII of this document, convened an EGM at which Shareholders will be asked to consider and, if thought fit, pass the Resolutions. The Company has received irrevocable undertakings from Lev Partshkhaladze and Andriy Myrgorodskyy, being Directors of the Company, to vote in favour of the Resolutions at the EGM in respect of, in aggregate, 21,599,997 Ordinary Shares, representing approximately 53.44 per cent. of the Existing Share Capital.

The purpose of this letter is to provide you with further information on the proposed Subscription, which is being carried out on a non pre-emptive basis, the Exchange and the Resolutions seeking, *inter alia,* the authority to allot the New Ordinary Shares and to disapply pre-emption rights (together the **"Proposals"**). This letter also explains why the Board considers that the Proposals will promote the best interests of the Company for the benefit of Shareholders as a whole.

The primary reason for the Proposals is for XXI Century to be able to raise sufficient funds for the Company to meet its ongoing working capital obligations and to enable the Company to continue to enhance the value of its remaining assets.

If the Proposals are not successfully completed, the Board believes that it is highly likely that the Company will become insolvent, and insolvency proceedings, such as administration or liquidation, will be commenced.

It should also be noted that the fulfilment of the Company's corporate objectives, as stated in this document, are, in the opinion of the Board, dependent on the success of the Proposals, which are inter-conditional.

2. Background

2.1 *Macroeconomic factors and difficult trading environment*

The full impact of the global financial crisis hit Ukraine's economy, and particularly the real estate and banking sectors, in the third quarter of 2008. Since then, Ukraine's economy has continued to deteriorate, as poor economic conditions, combined with unfavourable investor sentiment towards Ukraine, have continued to prevail.

This economic climate has forced the Board and Management to adopt a survival strategy to deal with the lack of availability of financing generally, and particularly the problem of sustaining the cash flow necessary to maintain the Company's operations and to meet its continuing financial obligations, including, *inter alia*, maintaining the good standing of its leases and permits. Accordingly, the Board, together with Management, initiated a comprehensive review of the Company's activities in order, as far as possible, to protect its asset base. The Company has:

- maximised liquidity and conserved cash via comprehensive reductions in administrative and overhead expenses, including manpower, whilst retaining key personnel;
- frozen all developments and capital expenditures;
- protected and safeguarded all the properties pledged as security to Noteholders;
- revised its business model to focus on core strengths and has reduced the property portfolio of the Group through controlled sales of selected non-core sites and projects;
- initiated a restructuring of existing bank loans, further details of which are set out in paragraph 2.5 below; and
- launched a search for a strategic investor to provide new equity, which has resulted in these Proposals being agreed with the Investor.

Notwithstanding the implementation of the aforementioned strategies, the Company has continued to experience very significant working capital constraints because, *inter alia*, the local property markets have remained weak, property values have remained depressed and the availability of both debt and equity financing has remained scarce.

2.2 ***Cost saving initiatives to date***

In September 2008, in order to address the challenging economic circumstances, the Company began to cut back overhead and operating expenses, and froze development work at most of its projects. Accordingly, the Board and Management reviewed the Company's business model and strategy, and decided to narrow its focus on core businesses, namely, retail, residential and mixed-use property development, and to exit from the hotel, logistics and warehouse segments. In addition, the Company announced that it was in negotiations with its local banks regarding the restructuring of its secured credit facilities.

On 5 March 2010, the Company announced the sale of its interests in three non-core projects, being the Odesa logistics complex, the Vasylkiv logistics complex and the Kvadrat-Donetsk Leninskiy property, for a total consideration of US$2.0 million. The sale price compared favourably to the discount to NAV reflected in the Company's market capitalisation at the time and the proceeds were used to maintain the Company's operational liquidity.

Further, recognising the deteriorating financial state of the Company, at the end of 2008, certain members of Senior Management agreed to accrue salary payments pending a re-financing of the business. The decision to accrue salaries has provided the Group with additional working capital of approximately US$840,000. It is intended that, on Completion, these accrued salary payments will be settled by 31 July 2011.

2.3 ***Delay in publishing financial statements and AIM suspension***

On 16 June 2010, the Company's Ordinary Shares were suspended from trading on AIM, pending clarification of the Company's financial position, as it continued to experience significant working capital constraints and, accordingly, was continuing to seek to dispose of certain non-core and non strategic assets to finance the Company's ongoing operations.

Due to the uncertainty created by these events, the publication of the Annual Financial Statements was delayed beyond the deadline, specified by Rule 19 of the AIM Rules, of 30 June 2010.

On 30 September 2010, the Company announced that publication of the Interim Financial Statements would also be delayed pending publication of the Annual Accounts, beyond the deadline, 30 September 2010, specified by Rule 19 of the AIM Rules.

In order for Admission to occur, the Annual Financial Statements and Interim Financial Statements will need to be published and therefore, subject to Completion taking place, the Board expects that the Annual Financial Statements and Interim Financial Statements will be published on 25 January 2011.

2.4 ***Disposal of Elite Service and Fifth Element to Dorvell and Put and Call Options***

In order to provide the Company with sufficient interim financing to allow the negotiations detailing the Proposals to be finalised and the various requisite approvals to be sought, the Company entered into sale and purchase agreements and ancillary documentation with Dorvell, an entity in receipt of debt financing from the Renaissance Group, for the sale of the Group's interest in Elite Service and Fifth Element, as announced on 8 December 2010. The Group also entered into an agreement for the assignment to Dorvell of a US$1.78 million loan granted by the Company to Fifth Element.

The aggregate cash consideration for the Disposal and the Dorvell Loan was US$1.5 million, of which US$900,000 was payable immediately following registration of the transfer of ownership of the shares in Elite Service and Fifth Element to Dorvell and which was received on 9 December 2010. The payment of the balance US$600,000 becomes due upon the registration of the transfer of

the Dorvell Loan with the National Bank of Ukraine, which is expected to occur prior to 10 January 2011. The consideration was satisfied by cash held on the balance sheet of Dorvell, which received debt finance to fund the purchase price of the Disposal from the Renaissance Group.

Concurrently with execution of the SPAs and the Dorvell Loan assignment, the Company and Dorvell executed a put and call option deed, which enables the Company to re-acquire Elite Service and Fifth Element and the Dorvell Loan on, or prior to, 30 April 2011, in certain circumstances. Upon Completion, Dorvell will be required to exercise the put option immediately.

The Put and Call Options are exercisable at pricing levels which are at premia of 30 per cent. and 100 per cent. respectively (calculated on an annualised basis) to the consideration payable under the Disposal (plus certain transaction and other costs, including significant past due lease payments of Fifth Element, incurred by Dorvell during the option period, which in total are expected to be approximately US$225,000). Accordingly, in monetary terms, these premia represent maximum payments, in excess of the consideration, by the Company to Dorvell of approximately US$198,000, in the event that the put option is exercised, and approximately US$725,000, in the event that the call option is exercised, as the Put and Call Options have a long stop date of 30 April 2011.

As detailed in the Subscription Agreement, which is summarised in paragraph 1 of Part IV, on Completion, Dorvell will be required to exercise the put option immediately. It is therefore currently anticipated by the Board that the premium paid by the Company will be approximately US$198,000.

2.5 ***Senior debt***

The Board has been in continued discussions with the Company's two senior lending banks, Eurobank EFG and UkrSibbank, to restructure the XXI Century's existing secured credit facilities totalling US$84.0 million.

On 16 December 2009, the Company reached agreement with Eurobank EFG regarding the terms and conditions of the outstanding US$56.0 million loan principal secured by the Kvadrat Perova shopping centre and an undeveloped site, Simferopol. The maturity of the loan was deferred to September 2012 and semi-annual principal payments of US$4.0 million were replaced by monthly principal payments of US$667,000 from June 2010.

On 16 December 2010, the Company reached agreement on a further amendment to the Eurobank EFG secured credit facilities. Pursuant to the terms of the EFG Amendment Agreement, the parties have agreed to the amendment of certain matters under the US$60,000,000 revolving loan facility agreement dated 20 May 2008 between the Company and EFG (as amended), including a restriction on the entitlement of the Company to declare or pay any dividend in respect of its share capital during the period ending 24 months after the date of completion of the Subscription.

The EFG Amendment Agreement also deferred the maturity of the loan and requires the Company to make monthly repayments, under a revised repayment schedule, until 20 February 2013, with the balance of any amounts outstanding to EFG being paid in full on maturity of the loan agreement.

However, negotiations with UkrSibbank relating to loans totalling a principal amount of US$28.0 million provided to Kvadrat Lukyanivka and other controlled subsidiaries, are continuing. The Board notes that UkrSibbank sent a further repayment demand, on 29 November 2010, to Kyivski Kashtany LLC, Kvadrat-Ukraine CJSC and Khrizolit LLC, being the borrowers under the loan agreements. The Directors are endeavouring to extend the term of this loan and structure repayments on terms more in line with the cash flows generated by Kvadrat Lukyanivka. As at the date hereof, no further action has been taken by UkrSibbank and these negotiations are proceeding, but have not yet been finalised and there is no guarantee that an agreement between UkrSibbank and the Company will be reached.

In the event that UkrSibbank exercises its rights under the default provisions of the loan agreement, Kvadrat Lukyanivka, with a carrying value of US$17.7 million, at 30 June 2010, and other controlled subsidiaries will leave the Group, passing into UkrSibbank's control. Kvadrat Lukyanivka, which currently earns annual revenues of approximately US$4.6 million and has direct costs of US$1.9 million per annum, applies all net cash flows against the UkrSibbank loan as interest, with any excess applied against the outstanding principal. None of the other subsidiaries currently generate any revenue, but they do incur expenses relating to the leases that they each hold. Therefore, the effect on the Group's operating cash flows, should a default occur and the subsidiaries leave the Group, is expected to be immaterial.

2.6 ***Strategic investor***

Concurrent with the aforementioned cost saving and senior debt restructuring initiatives, the Company has been actively searching for a strategic investor to inject fresh equity into the Company, in order to provide working capital, settle outstanding overdue creditor balances, protect core properties and initiate selective developments of properties, which would build value for Noteholders, Warrantholders and Shareholders. As the Company has previously reported, in trading updates and other market announcements, discussions were being held with a number of potential strategic investors to recapitalise XXI Century.

During the course of the negotiations with various potential strategic investors, it became clear to the Board that the success of any such negotiation would be dependent on continuing to negotiate with a single, professional, well capitalised investor group, in order to meet a timeline that enabled the Company to remain listed on AIM. The Company had held discussions with a number of potential strategic investors during the course of 2010, but by Q4 2010 it became clear to the Board that the Renaissance Group, acting as principal, was the party most likely to be able to complete, or procure the completion, with a partner, of a suitable restructuring transaction within the required timeframe with the requisite level of funds and certainty.

As set out in paragraph 2.4 above, on 8 December 2010, the Company announced that it had entered sale and purchase agreements with Dorvell, an entity in receipt of debt financing from the Renaissance Group, to sell the Group's interests in two subsidiaries, Elite Service and Fifth Element. In that announcement, the Company further announced that it had entered into the Disposal as a precursor to a larger recapitalisation with the Renaissance Group, which was, at that time, significantly advanced, but still under negotiation.

Since the date of that announcement, the Board has conducted further negotiations with Ovaro, a company domiciled in Cyprus and which will be owned (upon completion of the Ovaro Subscription Agreement) by Bremille (75 per cent.), a company beneficially owned by Oleg Salmin, and Acermus (25 per cent.), a wholly owned subsidiary of Reachcom, itself a wholly owned subsidiary of the Renaissance Group.

As a result of these negotiations, Reachcom, Acermus, Bremille, Steltex and Ovaro have entered into the Ovaro Subscription Agreement which is summarised in paragraph 7 of Part IV. Pursuant to the Ovaro Subscription Agreement and related documentation, Acermus will be entitled, via a management contract, to manage the business of Ovaro (being its investment in the Company) for an agreed period of up to two years from Completion, following which such management control will be exercised by Bremille.

Renaissance Group/Renaissance Capital/Reachcom

Renaissance Capital is a leading investment bank focused on the emerging markets of Russia, Ukraine, Kazakhstan and sub-Saharan Africa. The firm also offers its clients access to these markets through financial centres such as London and New York. Renaissance Capital was founded in 1995 as a Moscow-based investment bank and is part of the Renaissance Group, a group of investment banking, asset management, merchant banking and consumer finance companies that operates in Russia and other emerging markets.

The Renaissance Group is a leading independent financial services group providing brokerage, securities underwriting and other investment banking and finance advisory services to local and international clients in emerging markets including Kazakhstan, Russia, Ukraine and several countries in the sub-Saharan Africa.

The Renaissance Group is currently the holding company for the following four businesses:

- Renaissance Capital (securities trading and brokerage, investment banking);
- Renaissance Investment and Asset Management (asset and wealth management);
- Renaissance Partners (merchant banking); and
- Renaissance Credit (consumer finance).

Reachcom was incorporated in Cyprus as a limited liability company on 16 January 1997, under the name of Reachcom Limited. On 29 June 2005, Reachcom became a public company. Reachcom is a member of the Renaissance Capital group of companies.

Bremille, Steltex and Oleg Salmin

Bremille is a newly incorporated Cyprus company which is ultimately beneficially owned by Oleg Salmin, a Ukrainian entrepreneur and politician with diversified business interests.

Mr. Salmin was a vice president at Renaissance Capital in Moscow from 1996 to 1998, prior to him becoming a director of Naftogaz NJSC in Ukraine.

From 2000 to 2003, Mr. Salmin was CEO of UkrNafta OJSC until his election to Ukraine's fourth parliament in 2002. From 2003 to 2005, Mr. Salmin served as treasurer of the Parliamentary Assembly of the Organisation of the Black Sea Economic Cooperation. From 2006 to 2007, Mr. Salmin was a managing partner on regional development for XXI Century, a position which he subsequently left to focus on personal property development interests, which are largely held through Steltex. Mr. Salmin has an Economics degree from the Kiev International University of Aviation and a Law degree from Kiev National University.

For the reasons set out in this Part II, the Board has decided that the Proposals are the only available, realistic and commercial route by which the necessary equity funds can be expeditiously raised in order to meet the outstanding and ongoing liabilities of the Company, and to provide sufficient working capital to maximise the value from its remaining assets for the benefit of Shareholders as a whole.

3. Results and current trading and future prospects of the Company

As stated above, the primary reason for the Proposals is to raise sufficient funds for the Company to meet its ongoing working capital obligations and to enable it to continue to enhance the value of its remaining assets.

If the Proposals are not successfully completed, the Board believes that it is highly likely that the Company will become insolvent, and insolvency proceedings, such as administration or liquidation, will be commenced.

The Company intends to use the net proceeds of the Subscription, amounting to approximately US$17.2 million, to repay, together with transaction costs, a significant proportion of its outstanding overdue creditors, amounting to approximately US$6.0 million, and then apply the balance of the funds to its remaining assets and to satisfying the Company's ongoing working capital expenses.

Pursuant to the Subscription Agreement, Renaissance and the Investor have agreed to use their best endeavours to arrange and/or procure additional project finance for the Company of up to US$50.0 million over the medium term. The Board would note that there is no certainty that such additional project finance will be forthcoming.

4. Key Points of the Proposals

4.1 *Issue of Subscription Shares*

Pursuant to the terms of the Subscription Agreement, the Company intends, subject to Shareholders' approval for the disapplication of pre-emption rights and the granting of the authority to the Directors to allot shares to be obtained at the Extraordinary General Meeting, to issue the Subscription Shares to Ovaro, at a price of US$0.07452 per Ordinary Share, to raise gross proceeds of US$20.0 million, before total costs of approximately US$2.8 million. Neither the Investor nor any of its shareholders are currently interested in any Ordinary Shares. More information on Ovaro and the Subscription Agreement are set out at paragraphs 2.6 and 1 of Parts II and IV, respectively.

The Subscription Shares will represent approximately 664.07 per cent. of the Existing Ordinary Shares, and 60.10 per cent. of the Enlarged Share Capital. Further information on the disapplication of pre-emption rights is set out in paragraph 6 of this Part II.

4.2 *Note and Warrant Exchange*

On 24 May 2007, the Company issued US$175,000,000 10 per cent. Guaranteed Secured Notes due 2010, which were restructured in July 2009 as the US$175,000,000 Variable Rate Guaranteed Secured Notes due 2010/2014 (the **"Notes"**).

On 8 July 2009, the Company restructured the terms of the Notes. The terms of the restructuring included, *inter alia*, a deferred repayment schedule commencing on 24 November 2010 and ending on 24 November 2014, and the appointment of an additional non-executive Director to the Board to represent Noteholders. In addition, the Noteholders who supported the restructuring were issued new Ordinary Shares representing approximately 5.0 per cent. of the Company's share capital at that time, and 163,241 warrants to subscribe for Ordinary Shares in the Company, each relating to 26 Ordinary Shares, which would represent approximately 10.0 per cent. of the Company's share capital on a fully diluted basis. The Warrants are exercisable between 24 May 2012 and 24 May 2013.

On 13 November 2009, 29 April 2010 and again on 12 November 2010, the Company elected to capitalise the interest payments due in respect of the Notes for the periods from 8 July 2009 to 23 November 2009, 24 November 2009 to 23 May 2010 and from 24 May 2010 to 23 November 2010, respectively. As at the date of this document, the total principal outstanding amount under the Notes is US$175.0 million and the total capitalised interest is approximately US$47.1 million.

In accordance with the terms of the Subscription Agreement, the Company is in the process of soliciting consents from the Noteholders to approve, subject to Warrantholder approval of the exchange of the Warrants (as explained below), the exchange of all of the Notes into New Ordinary Shares based on a ratio of 763 New Ordinary Shares per US$1,000 Note. In addition, the Company is also soliciting consents from the Warrantholders, subject to Noteholder approval of the exchange of the Notes (as explained above), to approve the exchange of all of the Warrants into New Ordinary Shares based on a ratio of 26 new Ordinary Shares per Warrant. Such consents shall be conditional upon, and the Exchange is to be completed simultaneously with, the Subscription. The timetable for this solicitation is set out in Part I of this document.

Subject to receipt of Shareholder approval for the disapplication of pre-emption rights and the granting of the authority to the Directors to allot shares, the Exchange will give rise to the issue of a further 137,769,266 New Ordinary Shares, representing approximately 30.85 per cent. of the Enlarged Share Capital. Further information on the disapplication of pre-emption rights is set out in paragraph 6 of this Part II.

Following the successful completion of the Exchange, some Notes and Warrants will remain in issue, but the only rights attached to them will be a right to receive cash or Depository Interests pursuant to the terms of the Notes Exchange and the Warrant Exchange respectively.

4.3 ***Management Options***

Subject to receipt of Shareholder approval for the disapplication of pre-emption rights and the granting of the authority to the Directors to allot shares, the exercise of the Management Options will give rise to the issue of a further 68,550,214 new Ordinary Shares representing 15.35 per cent. of the Enlarged Share Capital. Further information on the disapplication of pre-emption rights is set out in paragraph 6 of this Part II.

Management Option pricing multiple	*Price paid by Investor per Subscription Share*	*Exercise price of Management Option*	*Exercise price premium*
1.7	US$0.07452	US$0.12668	70.00%

The Board and the Investor believe that the issue of the Management Options to the Senior Management and the potential resultant issue of the Management Option Shares to Senior Management pursuant to the Management Options would benefit the Company, as it would provide an incentive to Senior Management to continue offering their services, knowledge and expertise to the Company, which is of vital importance to the sustainability and revival of the Company and its future growth and is therefore in the interest of Shareholders as a whole.

Further details on the shareholder structure of the Company post Completion are set out in Part I of this document.

4.4 ***Management Call Option***

The Investor has granted Senior Management a call option whereby Senior Management may require the Investor to sell the Management Call Option Shares to them in certain circumstances. The Management Call Option may be exercised in whole or in part during the five year period from the date of Completion or up until the date of disposal of all of the Investor's Ordinary Shares (whichever is earlier), subject (in the case of partial exercise) during an initial period of two years, to a partial exercise cap. The Subscription Price increases on a staggered basis, as set out below and in Part IV, Section 2, with the amount of time for which the Management Call Option Shares are held without exercise following completion.

	Management Call Option pricing multiple	*Price paid by Investor per Subscription Share*	*Exercise price of Management Call Option*	*Exercise price premium*
Year 1	2.3	US$0.07452	US$0.17139	130.00%
Year 2	2.8	US$0.07452	US$0.20865	180.00%
Year 3	3.4	US$0.07452	US$0.25336	240.00%

The Investor believes that the Management Call Option will provide additional incentive, at no cost to the Company, to Senior Management to continue offering their services, knowledge and expertise to the Company, which is of vital importance to the sustainability and revival of the Company and its future growth and is therefore in the interest of Shareholders as a whole.

4.5 ***New Service Agreements/Contracts***

On 16 December 2010, the Company entered into new service contracts with Jaroslav Kinach and Zhora Tsagareishvili, with effect from the date of Completion, in substitution of any previous agreements relating to their employment. Mr. Kinach is appointed as an executive Director and Mr. Tsagareishvili as the the Chief Operating Officer of the Company. Pursuant to a letter of appointment with the Company dated 16 December 2010, Lev Partskhaladze moved from the office of Chief Executive Officer to Chairman and non-executive Director, with effect from the date of Completion. The term of the appointments is for one year and its continuation is contingent on re-election at future annual general meetings. Further details of the service contracts are set out in Part IV, Section 8.

The Board considers the remuneration payable to the Directors under the New Service Agreements as being reasonable and recommends to the Shareholders to approve the remuneration fixed by the Directors in the relevant New Service Agreements.

Authorisation of the remuneration of the Directors, including the remuneration of the New Directors, as may be appointed, from time to time, will be required in pursuance of the Articles of Association. The Board have negotiated the remuneration to be paid to the existing Directors and will fix the remuneration of the New Directors when they will be appointed and the Board seeks the approval of the Shareholders to determine the remuneration of the Directors, from time to time. In accordance with the corporate governance procedures and policies of the Company, the terms of these arrangements have been approved by the Company's remuneration committee and the Board, and individual Directors have not voted in respect of their own employment arrangements.

4.6 ***Revisions to Articles of Association***

The Articles of Association will, subject to Shareholder approval, be revised to enable the Company to address the request of Ovaro to nominate and appoint new Directors to the Board, as is necessary to give it control of the Board as long as it remains a majority Shareholder and to give it additional rights as set out in Part V of this document, to place restrictions on persons acquiring an interest in 30 per cent. or more of the voting rights in the Shares of the Company and provisions enabling these limits to be exceeded in certain cases, as if Rule 9 of the Takeover Code shall be applicable to the Company, provisions to create an obligation on all Directors and Shareholders of the Company to disclose their holding if it amounts to a disclosable interest in securities of the Company under Rule 17 of the AIM Rules and to remove the provision for the Noteholders to appoint a non-executive director which is no longer applicable in view of the Exchange of the Notes.

In view of the extensive revisions to the existing Articles of Association, the Board recommends to the Shareholders to adopt the revised Articles as New Articles of Association in substitution for and exclusion of all the existing Articles of Association. The form of the New Articles of Association to be proposed to be adopted at the EGM is contained in Part V of this document.

4.7 ***Composition of the Board***

Immediately following Completion, Zhora Tsagareishvili and Andriy Myrgorodskyy will resign from the Board and, subject to compliance with the AIM Rules appointment procedures, Adel Kambar, Managing Director, CEO Kazakhstan, Central Asia and Middle East and Head of Special Situations Group at Renaissance Capital, and certain other representatives of the Investor, will be appointed to the Board as non-executive Directors. In addition, Lev Partskhaladze will move from being Executive Chairman to non-executive Chairman on Completion. The Investor is entitled to appoint a majority of the Board if it, together with its affiliates, holds more than 50 per cent. of the Ordinary Shares, the investor is entitled to appoint two directors where it holds between 25 and 50 per cent. and one director where 10 per cent. or more is held. Further, where the Investor holds 50 per cent. or more of the Ordinary Shares a Board meeting is only quorate when an Investor Director is present. Further, if less than all of the Investor Directors that the Investor is entitled to appoint (whether actually appointed or not) are present at any meeting of the Board, the Investor Directors who are present shall be entitled to exercise the number of votes that is equal to the number of Investor Directors the Investor is entitled to appoint.

In the short term, it is the intention of the Investor to identify a new Chief Executive Officer and a new Chief Financial Officer for appointment to the Board, in accordance with the Subscription Agreement, and a further Director to be domiciled in Cyprus. Accordingly, it is intended that Yiannos Georgallides, as the existing Cyprus domiciled Director of the Company, will resign from the Board at the point such further director is appointed.

In the medium term, it is the intention of the Investor to identify a non-executive director with relevant UK public company experience, for appointment to the Board, in order to replace either Emmanuel Blouin or Olena Volska as an independent non-executive Director.

Accordingly, in the medium term, as a result of the Proposals, the intended composition of the Board will include nine persons, including five representatives of the Investor (including the Chief Executive Officer and a Chief Financial Officer, two of the Company's Senior Management), and two independent non-executive Directors.

5. Corporate governance

The Company is not subject to the requirements of any national corporate governance rules, including the Cypriot Code on Corporate Governance, as it is not listed in Cyprus. The Company does not currently fully comply with the Cypriot Code on Corporate Governance, although it may seek to fully comply with the code in the future and the Company recognises the value of good governance and intends, following Completion, to continue to comply with the provisions of the Cypriot Code on Corporate Governance so far as it is practicable for a public company of its size, stage of development and nature quoted on AIM.

5.1 *Relationship Agreement*

The Company, Reachcom, the Investor and Steltex agreed to enter into the Relationship Agreement on 16 December 2010 which will, conditional upon Admission, regulate the ongoing relationship between the Company, Reachcom, the Investor and Steltex to ensure that the Group is capable of carrying on its business independently of the Investor and its affiliates and to ensure that transactions and relationships between the Group and the Investor and its affiliates are at arm's length and on a commercial basis such that the Company continues to satisfy the appropriateness criteria for trading on AIM.

5.2 *New Directors*

Authorisation of the remuneration of the New Directors, as may be appointed, from time to time, will be required in pursuance of the Articles of Association. The Board have negotiated the remuneration to be paid to the existing Directors and will fix the remuneration of the New Directors when they will be appointed. Consequently, the Board is seeking the approval of the Shareholders for it to determine the remuneration of the New Directors, from time to time.

5.3 *Board and committees*

The Board is responsible for formulating, reviewing and approving the Group's strategies, budgets, certain items of capital expenditure and senior personnel appointments. The Board has established executive, nomination, remuneration and audit committees, as described below, and will utilise other committees as necessary in order to ensure effective governance.

Under the Proposals, the Executive, Nomination, Remuneration and Audit Committees will each be comprised of at least three Directors, and will each be chaired by an independent non-executive Director which will, initially, be Emmanuel Blouin or Olena Volska.

6. Increase of the Authorised Share Capital and disapplication of pre-emption rights

The Board is seeking Shareholders' approval, as required by Cypriot law, to increase the Authorised Share Capital of the Company from US$500,000 to US$5,500,000 by the authorisation to create 550,000,000 new Ordinary Shares, ranking *pari passu* in all respects with the Existing Ordinary Shares, so as to enable the Company to issue the Subscription Shares, the Note Exchange Shares, the Warrant Exchange Shares and the Management Option Shares, and to disapply the pre-emption rights of the existing Shareholders on the issue of any new Ordinary Shares.

The Directors have given consideration to the most appropriate method of conducting the Proposals. The Board has sought to balance the desire to offer Shareholders the opportunity to participate in any issue of Ordinary Shares against the time and cost of doing so, particularly in light of the Company's current financial position and its urgent requirement for funding.

Implementation of the Proposals will be conditional on, *inter alia*, the Shareholders' approval of the Resolutions set out in the Notice of EGM, as further described below. The Board believes that under the Company's current circumstances, there are compelling reasons for voting in favour of the Resolutions, as the issue of the New Ordinary Shares will provide the Company with a gross capital injection of US$20.0 million and the Exchange will extinguish substantial debts under the outstanding Notes and Warrants.

In principle, the Board would have preferred to offer all Shareholders the opportunity to participate in the fundraising by conducting it, for example, as an Investor underwritten rights issue or open offer. However, owing to the considerable amount of extra time and significant incremental costs involved in conducting a rights issue or open offer and with particular regard to the Company's current cash position and the deadline for automatic cancellation of the Ordinary Shares from trading on AIM, the Board decided that a more suitable course of action was to seek Shareholders' approval to disapply pre-emption rights in order to allow the fundraising by way of the Subscription.

Accordingly, the Board is seeking the Shareholders' approval at the Extraordinary General Meeting for the maximum period permitted by the law, being initially five years from the date of such approval, in respect of new Ordinary Shares to be issued to the Investor, the Noteholders, the Warrantholders and the Senior Management and the disapplication of the pre-emption rights of the existing Shareholders. The Board is also seeking confirmation of its authority under the law to issue new Ordinary Shares to the Investor, the Noteholders, the Warrantholders and the Senior Management pursuant to the Subscription, the Exchange, the Restructuring and the Management Options.

The Directors believe that the New Ordinary Shares will be issued on the best terms obtainable in the circumstances, including the price for the Subscription Shares to be issued to the Investor and that the issue of all New Ordinary Shares will be for the best interest of the Company as a whole, including Shareholders and creditors, and have decided, *bona fide*, to recommend to the Shareholders to approve the Resolutions at the Extraordinary General Meeting.

7. Irrevocable undertakings

The Company has received irrevocable undertakings to vote, or to have their nominees vote, in favour of the Resolutions from Lev Partshkhaladze and Andriy Myrgorodskyy, being Directors of the Company, holding an aggregate beneficial interest in 21,599,997 Ordinary Shares, representing 53.44 per cent. of the Existing Ordinary Shares.

8. Lock-in and orderly market arrangements

Senior Management have undertaken not to dispose of the relevant Management Option Shares or interests in relevant Management Option Shares for a period of 12 months (the "**Lock-In Period"**) following the exercise of the relevant Management Options, except in limited circumstances, including, *inter alia*, a change of control event and with the prior written consent of the Nomad. Furthermore, Senior Management have undertaken for a six month period not to dispose, or enter into an agreement to dispose of, such Management Option Shares, or an interest in Management Option Shares, other than through the Company's broker (at the relevant time) and in such manner as such broker may reasonably require with a view to the maintenance of an orderly market in the Ordinary Shares.

9. Removal of Suspension/Admission to trading on AIM

Application will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on AIM. Strand Hanson, in its capacity as Nomad to the Company, has agreed to make the necessary application on behalf of the Company for Admission. It is expected that, subject to the satisfaction of the Conditions, including, *inter alia,* the passing of the Resolutions at the EGM and the passing of relevant resolutions at the Meeting of Noteholders and the Meeting of Warrantholders, dealings in the New Ordinary Shares are expected to commence at 8.00 a.m. (London time) on 26 January 2011. Accordingly, the Suspension is expected to be lifted and, accordingly, that an announcement will be released at 8.00 a.m. (London time) on 26 January 2011, via RNS, to confirm that this has occurred.

The lifting of the Suspension, and, consequently, Admission, is conditional upon the publication of the Annual Financial Statements and Interim Financial Statements and the issuance by the Company's auditors of a confirmation within the Annual Financial Statements that the Company continues to operate as a going concern.

On Admission, the Company, based on the Enlarged Share Capital, will have a market capitalisation of approximately £21.30 million (US$33.28 million), based on the Subscription Price of US$0.07452 per Ordinary Share. The New Ordinary Shares will, on Admission, be credited as fully paid and rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid on the Ordinary Shares after that date.

10. Major Shareholders and the Takeover Code

Immediately following the completion of the Subscription, the Investor shall hold a shareholding of 60.10 per cent. of the Enlarged Share Capital.

The Company is not subject to the Takeover Code and as such there is currently no obligation on any Shareholder that acquires or increases, either individually or acting in concert with other Shareholders, its holding through 30.0 per cent. but up to 50.0 per cent. of the Company's issued share capital to make a mandatory offer to all Shareholders.

In addition, Shareholders should note that a small number of large Shareholders could exercise effective control of the Company following the Subscription and possess sufficient voting shares to pass or block certain resolutions in general meetings regarding, inter alia, the appointment of Directors, dividend payments, capital restructuring or the cancellation from trading of the Ordinary Shares on AIM.

The Company proposes, as set out in paragraph 4.6 above, to amend the provisions of its Articles of Association in order to incorporate provisions governing the acquisition of Ordinary Shares which reflect the majority of the restrictions contained in Rule 9 of the Takeover Code following Completion.

Further information on the New Articles of Association is contained in Part V of this document.

11. Conditionality

Completion is conditional on a number of significant conditions precedent including, *inter alia*, the following:

- obtaining AMC clearance for the Restructuring; Renaissance submitted its application for clearance on 1 December 2010 and a revised application for clearance is intended to be submitted on behalf of the Investor on or before 22 December 2010, clearance for which is expected to be received no later than 7 January 2011;
- the funding set out in the Ovaro Subscription Agreement being forthcoming, as the Ovaro Subscription Agreement is subject to Bremille and Acermus reaching agreement on a shareholders agreement by 21 December 2010 as further described in paragraph 7 of Part IV;
- passing of the resolution proposed at the Meeting of Noteholders;
- passing of the resolutions proposed at the Meeting of Warrantholders; and
- passing of the Resolutions at the EGM.

The transaction is also effectively conditional upon the publication of the Annual Financial Statements and Interim Financial Statements and the resultant lifting of the Suspension and admission of the New Ordinary Shares to trading on AIM.

12. Extraordinary General Meeting

A notice convening an EGM of the Company to be held at 5 Themistokli Dervi, Elenion Building, 2nd Floor, 1066, Nicosia, Cyprus at 9.30 a.m. on 25 January 2011 is set out at the end of this document. At the EGM, Shareholders will be asked to consider the Resolutions, all of which will be required to be approved in order to effect the Restructuring, which will be proposed as follows:

Resolution 1: An ordinary resolution to increase authorised share capital.

Resolution 2: A resolution to disapply pre-emption rights (which is proposed as specified in the Notice of EGM, as set out in Part VIII).

Resolution 3: An ordinary resolution to issue and allot the Subscription Shares.

Resolution 4: An ordinary resolution to issue and allot the Note Exchange Shares.

Resolution 5: An ordinary resolution to issue and allot the Warrant Exchange Shares.

Resolution 6: An ordinary resolution to issue and allot the Management Option Shares.

Resolution 7: An ordinary resolution to approve, ratify and confirm the power of the Board to implement the Restructuring.

Resolution 8: An ordinary resolution to allow the remuneration of each of the Directors to be determined by the Board.

Resolution 9: A special resolution to adopt the New Articles of Association.

Resolution 10: An ordinary resolution that the passing of Resolutions 1-7 shall supersede all previous Shareholder resolutions.

Resolution 11: An ordinary resolution to authorise the Directors and the secretary of the Company to do all acts necessary or appropriate to give effect to the Resolutions.

Any Resolution put to a vote at the EGM shall be decided upon a show of hands unless a poll is demanded pursuant to the Articles of Association. On a show of hands, every Shareholder present in person or being a corporation present by a duly authorised representative is entitled to one vote irrespective of the number of Shares held by such Shareholder. On a poll, all holders of Ordinary Shares are entitled to one vote for each Ordinary Share held of record on all matters submitted to a vote of the Shareholders. The Shareholders do not have any special voting rights.

A Shareholder entitled to attend and vote at the EGM is also entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy cannot vote on a show of hands.

To be valid, a Form of Proxy, together with a power of attorney or other authority, if any, under which it is executed or a notarially certified copy thereof, must be completed, signed and returned in accordance with the instructions thereon as soon as possible and, in any event, not less than 48 hours before the time for holding the EGM or adjourned EGM (see paragraph "13. Action to be taken" below).

DI Holders may vote by completing, signing and returning the enclosed DI Voting Instruction in accordance with the instructions printed thereon as soon as possible, but in any event not later than 72 hours before the time fixed for the Extraordinary General Meeting. By returning the DI Voting Instruction, the DI Holder is directing Computershare Company Nominees Limited to vote on the Ordinary Shares underlying the Depository Interests in accordance with its instructions.

GDR Holders may vote by completing, signing and returning a Voting Instruction Card, which will be provided to them by the Bank of New York Mellon. The deadline to submit the Voting Instruction Card will be set in the notice provided by the Bank of New York Mellon. By returning a signed Voting Instruction Card, the GDR Holder is directing the Bank of New York Mellon to vote on the Shares underlying his GDRs in accordance with his instructions.

13. Action to be taken

A Form of Proxy for use at the EGM accompanies this document. Whether or not Shareholders intend to be present at the EGM, they are requested to complete, sign and return the Form of Proxy in accordance with the instructions thereon as soon as possible, but in any event so as to arrive by no later than 9.30 a.m. on 23 January 2011. Completion and return of the Form of Proxy does not preclude a Shareholder from attending the EGM and voting in person if they wish to do so.

GDR Holders may vote by completing, signing and returning a Voting Instruction Card, which will be provided to them by the Bank of New York Mellon. The deadline to submit the Voting Instruction Card will be set in the notice provided by the Bank of New York Mellon. By returning a signed Voting Instruction Card, the GDR Holder is directing the Bank of New York Mellon to vote on the Ordinary Shares underlying his GDRs in accordance with his instructions.

The Board believes that it is of critical importance to the survival of the Company that all Shareholders vote on the Proposals, and, accordingly, encourages all Shareholders to do so.

14. Further information

You should read the whole of this document and not just rely on the information contained in this letter. In particular, you should consider carefully the "Risk factors" set out in Part III of this document. Your attention is also drawn to the information set out in Part VI of this document.

15. Working capital and financial position

If Shareholders do not approve the Resolutions, the Company is of the opinion that the Group does not have sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this document.

The Board believes that if Shareholders do not approve the Resolutions, the Group is highly likely to suffer material adverse consequences including, *inter alia*:

- **the loss of the Company's key assets due to the loss of leases and permits;**
- **substantial deterioration in the support of employees and other stakeholders;**
- **potential damage to the Company's reputation and goodwill;**
- **deterioration in the support of its major lending institutions;**
- **loss of collateralised assets; and**
- **removal of various development permits and permissions.**

Whilst the Board recognises that it is difficult to predict the severity of these adverse consequences and the speed at which they would occur, the Board believes that, should the Shareholders not approve the Proposals, the Group would not be able to continue to operate within its existing lending facilities and would require significant immediate emergency funding.

The Board is further of the view that it is highly probable that such appropriate emergency funding sources would not be available. In this event, the Company would be unable to sustain its position as a going concern and the Board believes that the Company would become insolvent, and insolvency proceedings, such as administration or liquidation, would be commenced.

The Board further believes that in an administration or other insolvency process it is highly unlikely that the Ordinary Shares would retain any value. The Board is strongly of the opinion that the Restructuring represents the only available route to achieving a long-term sustainable capital structure, whilst maintaining a listing on AIM, for the benefit of all stakeholders, given the current market conditions.

16. Form of recommendation/Independent Directors

Lev Partshkhaladze, Zhora Tsagareishvili and Jaroslav Kinach are not considered by the Board to be Independent Directors under the AIM Rules, due to the equity incentive package, comprising the Management Options and the Management Call Options, that they will receive on completion of the Restructuring.

Emmanuel Blouin is not considered by the Board to be an Independent Director, as he was appointed to the Board as a representative of the Noteholders and because Mandetin Finance SA, a company wholly owned by Mr. Blouin, will receive a fee on completion of the Restructuring.

Accordingly, the formal recommendation relating to the Restructuring, the Proposals and the Resolutions will be given by the Independent Directors, being Andriy Myrgorodskyy, Olena Volska and Yiannos Georgallides.

17. Recommendation

The Independent Directors consider that the Proposals and the Resolutions are in the best interests of the Company and of Shareholders as a whole.

Accordingly, the Independent Directors recommend that Shareholders vote in favour of all of the Resolutions to be proposed at the Extraordinary General Meeting, as the Directors intend to do in respect of their own shareholdings of, in aggregate, 21,599,997 Ordinary Shares, representing approximately 53.44 per cent. of the Existing Share Capital of the Company.

Yours faithfully

Lev Partskhaladze
Executive Chairman

PART III

RISK FACTORS

Shareholders should consider carefully all of the information set out in this document and all of the information incorporated by reference into this document, including, in particular, the risks described below. The risks described below are based on information known as at the date of this document which the Directors consider material, but these may not be the only risks to which the Company is exposed. Additional risks and uncertainties, which are currently unknown to the Company or that the Company does not currently consider to be material, may materially affect the business of the Company and could have material adverse effects on the Company's business, financial condition and results of operations. The information set out below does not constitute an exhaustive summary of the risks affecting the Company and is not set out in order of priority.

If any of the following or other risks were to occur, the Company's business, financial condition, capital resources, results and/or future operations could be materially adversely affected and the value of the Ordinary Shares could decline and investors could lose all or part of the value of their investment.

Risks relating to the Company

The conditionality of the Ovaro Subscription Agreement

The obligations of Bremille and Acermus to meet their respective obligations to make loans, and consequently the Investor's ability to proceed to Completion, are conditional, *inter alia*, upon (i) the signing of the Subscription Agreement and the ancillary agreements between the Company and the Investor, (ii) AMC approval for their investment in the Company, (iii) execution of a definitive shareholders agreement between Bremille and Acermus regarding their control of Ovaro and certain rights in relation to the management of the Company by no later than 21 December 2010, (iv) Bremille undertaking a due diligence review on Ovaro to its reasonable satisfaction by no later than 21 December 2010 and (v) the quoting of the Company on AIM not having been cancelled prior to the date on which the conditions precedent under the Subscription Agreement have been waived or satisfied in full. The fact that the obligations of Bremille and Acermus are subject to a very limited set of conditions may impact on the overall deliverability of the parties to the Ovaro Subscription Agreement meeting their respective obligations under the Ovaro Subscription Agreement and if this were the case, this would have a material effect on the transaction.

The Subscription is subject to the Conditions

The completion of the Financing is conditional, *inter alia*, upon the passing of the Resolutions by Shareholders, the Notes Exchange and Warrant Exchange by Noteholders and Warrantholders respectively, AMC clearance and Renaissance and Bremille procuring the delivery of the Investor Subscription Monies (which in turn is conditional on the Ovaro Subscription Agreement completing in accordance with its terms, including the agreement of the shareholders agreement between Bremille and Acermus). The Financing is also conditional on two further conditions, which the Investor is entitled to waive, being no Material Adverse Event having occurred and the Auditors delivering certain comfort that if the Financing is completed they will issue their Auditor's report on the Annual Financial Statements which need, *inter alia*, to be approved and sent to Shareholders in order for the Company's suspension to trading on AIM to be lifted. Therefore, whilst it is anticipated that all such conditions will be satisfied on or before 25 January 2011, there can be no assurance that the conditions will be satisfied, or that the Investor will waive certain of the Conditions, by this date or at all. Further details of the Conditions are set out in paragraph 1 of Part IV.

The restructuring of the Company's senior debt (UkrSibbank) may not succeed

The Company is currently in negotiations with UkrSibbank relating to loans totalling US$28.0 million, provided to Kvadrat Lukyanivka and other controlled subsidiaries, with the intention to extend the term of these loans and structure repayments on terms more in line with the cash flows generated by Kvadrat Lukyanivka. The Company's negotiations with UkrSibbank are proceeding, but have not yet been

finalised. Therefore, there is no guarantee that agreement between UkrSibbank and the Company will be reached, and consequently the restructuring of the Company's debt may not succeed which may in turn have a material adverse effect on the business, results of operation and the financial condition of the Company.

The Company may be unable to meet its financial obligations

Whether or not the Restructuring is completed, the Company and/or its subsidiaries will continue to have cash payment obligations in respect of outstanding borrowings. There can be no assurance that the Company will be able to meet these obligations. As previously disclosed in the announcement released on 1 November 2010, the Company has initiated a restructuring of its existing bank loans, including its secured credit facilities and, as set out in this document, the Company has entered into the EFG Amendment Agreement with Eurobank EFG as set out in Part IV, Section 6. However, the negotiations with UkrSibbank have not yet been finalised, and there is no certainty that such negotiations will result in a successful agreement on terms acceptable to the Company. If this does not occur and the Company is unable to generate sufficient cash flow or otherwise obtain funds necessary to make required payments under its debt instruments, the Company would be in default under those debt instruments. These defaults would have a material adverse effect on the Company and could lead to the Company being placed into insolvency proceedings.

The Company will need significant additional capital should the Restructuring not complete

The Company and its subsidiaries currently need significant capital for debt service and maintaining operational liquidity, including making land lease payments, as well as capital to finance the development and construction of their assets under development. However, the Company's ability to raise capital through asset sales is constrained by the ongoing adverse conditions in the Ukrainian real estate market. To maximise liquidity and conserve cash, the Company has implemented a number of measures, including comprehensive reductions in administrative and overhead expenses, a freeze on all developments and capital expenditures and reductions in its property portfolio through controlled sales of selected non-core sites and projects, in addition to the aforementioned negotiations with regard to restructuring its existing bank loans and the proposed Restructuring. However, notwithstanding the implementation of these measures, the Company has continued to experience significant working capital constraints because the local property markets have remained weak and property values have remained depressed.

Accordingly, if the Company is unable to complete the Restructuring, or to take other measures to meet its and its subsidiaries' obligations in the near future, this funding shortfall will have a material adverse effect on the financial condition and results of operations of the Company and could result in each of the Company becoming unable to continue as a going concern.

Completion of the Subscription is subject to the receipt of AMC approval or clearance

The completion of the Financing is subject to a number of completion conditions, including, *inter alia,* the receipt of approval and/or clearance (as the case may be) of the Financing from the AMC. Application for such AMC approval/ clearance was made on 1 December 2010 and it is intended that it will be re-submitted no later than 22 December 2010 to reflect Bremille's investment in Ovaro. Accordingly, it is currently anticipated that such approval/ clearance will be received by 7 January 2011. However, there can be no assurance that such clearance and or approval will be received by this date or at all. In the event that such approval is not obtained, the Investor may decide not to waive the relevant condition to completion in the Subscription Agreement so that the Financing will not complete. In addition, in the event that any new or additional filing is required to be made with the AMC, for example, in the event that there is a change to the ultimate owner of the Investor this could give rise to a requirement to file additional information or make a new filing with the AMC which could result in a delay to completion of the Financing. In the event of a material delay, this may result in a failure to complete the Financing, the Restructuring and/ or obtain Admission. Further details of the AMC approval are set out in paragraph 11 of Part II of this document.

The interests of the Investor may diverge from those of the other Shareholders

Although the Relationship Agreement has been entered into with the Company to ensure that transactions and relationships between the Group, Renaissance, Steltex and the Investor are at arm's length and on normal commercial terms, there can be no assurances that the Investor, Steltex and Renaissance will adopt such a course of action in practice. The Investor's interests may be different from those of other Shareholders, and it may seek to cause the Group to take actions that are not in the best interests of the minority Shareholders. Further details of the Relationship Agreement are set out in paragraph 3 of Part IV.

Cyprus Insolvency laws may differ in certain respects

As a Cyprus company, any insolvency proceedings by or against the Company would be based on the Cyprus insolvency laws. Cypriot insolvency law differs in several significant respects from comparable provisions of English law.

Generally, insolvency laws in Cyprus could negatively affect the ability of the Company's creditors to enforce their rights. Under Cyprus insolvency laws, the following debts would be paid prior to all other debts of a wound up (bankrupt) company:

(i) local rates and government taxes and dues from such company;

(ii) wages or salary due to persons employed by such company;

(iii) compensation payable by such company to its employees for personal injuries sustained in the course of their employment; and

(iv) accrued holiday remuneration becoming payable to the employees of such company.

Under Cyprus insolvency law, any conveyance, charge, mortgage, delivery of goods, payment, execution or other act relating to property, made or done by or against the Company within six months before the commencement of its winding up by a Court as a result of insolvency, is void if it is a fraudulent preference of any of the Company's creditors. A payment would be a fraudulent preference if it is (a) made with the dominant or substantial motive in the mind of the Company acting through its Directors of giving the creditor a preference over the other creditors; and (b) the voluntary act of a company.

If a company is being wound up, the payment if made within the previous six months from the commencement of the winding up, would be challenged as fraudulent and unenforceable and the liquidator may seek to recover the payment made to the preferred creditor. Under Cyprus insolvency law, in a winding up of the Company by the Court, any disposition of the property of the Company, including things in action made after the commencement of the winding up shall, unless the Court otherwise orders, be void. Where the Company is being wound up by the Court, any attachment, sequestration, distress or execution put in force against the estate or effects of the Company after the commencement of the winding up shall be void to all intents.

Under Cyprus insolvency law, when a winding up order has been made or a provisional liquidator has been appointed in respect of a company, no action or proceeding shall be proceeded with or commenced against the company except by leave of the court and subject to such terms as the court may impose. Moreover, with the sanction either of the court or the committee of inspection, the liquidator may, *inter alia*, make any compromise or arrangement with creditors or persons claiming to be creditors or having or alleging themselves to have any claim, present or future, certain or contingent, ascertained or sounding only in damages against the Company, or whereby the Company may be rendered liable. Furthermore, the liquidator is entitled to disclaim any unprofitable contracts, with the leave of the court, at any time within 12 months after the commencement of the insolvency proceedings or such extended period as may be allowed by the court.

Under Cyprus insolvency law, the court may, on the application of any person who is, as against the liquidator, entitled to the benefit or subject to the burden of a contract made with the Company, make an order rescinding the contract on such terms as to payment by or to either party of damages for the non-performance of the contract, or otherwise as the court thinks just, and any damages payable under the order to any such person may be proved by him as a debt in the winding up.

Enforcement of foreign judgments in Cyprus

In Cyprus, enforcement of judgments that have been given by, and are enforceable by, the courts of a foreign country with which Cyprus has entered into a bilateral treaty or a convention for reciprocal enforcement of judgments may be conditional upon obtaining an enforcement order in Cyprus. Judgments given in an EU state and enforceable in that state shall be enforceable in Cyprus on application to the Cypriot court for a declaration of enforceability (Council Regulation (EC) No. 44/2001). If there is no such bilateral treaty or convention entered between Cyprus and the foreign country and the latter is not a member state of the EU, the judgment given by the court of the foreign country for a definite sum of money (not being a sum payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalty) may only be enforced in Cyprus by bringing an action in Cyprus with respect to such judgment provided that it is a final and conclusive judgement.

The United Kingdom, Cyprus and Ukraine are, however, parties to the United Nations (New York) Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**"). The courts of Cyprus will recognise as valid any arbitral award and enforce any final, conclusive and enforceable arbitral award obtained by arbitration in accordance with the relevant arbitration provisions of any agreement provided any such enforcement is in accordance with the provisions of the New York Convention. However, neither Ukrainian legislation, nor the New York Convention, provide for recognition and enforcement of an injunction relief granted by the arbitration tribunal or foreign court if in the form other than arbitral award or court judgement. Therefore, there is a risk that such injunction relief will not be recognised and enforced in Ukraine.

Cyprus has concluded a bilateral treaty with Ukraine for reciprocal recognition and enforcement of court judgments which was signed in Kyiv on 6 September 2004 and ratified in Cyprus by the Ratifying Law No. 8(III) of 2005 (the "**Enforcement Treaty**").

The Enforcement Treaty provides that each contracting party shall recognise and enforce in its territory the following decisions (including amicable settlements approved by courts in civil matters) given in the territory of the other contracting party:

(a) decisions of courts of justice in civil matters, including family matters; and

(b) decisions of courts of justice in criminal matters concerning damages.

The conditions of recognition and enforcement under the Enforcement Treaty, are the following:

(a) the decision is final and enforceable by means of execution under the law of the contracting party in the territory of which it was given;

(b) in the case of a decision given in the absence of the defendant, he was duly notified of the institution of proceedings and the place, date and time of the hearing in accordance with the law of the contracting party in the territory of which the decision was given;

(c) no decision, which became final, was earlier given on the same subject matter between the same parties by a court of the requested contracting party;

(d) proceedings between the same parties on the same subject-matter were not instituted before a court of the requested contracting party before the proceedings in which the decision in question was given;

(e) the recognition or enforcement of the decision would not be contrary to the public order of the requested contracting party;

(f) the decision or its effects would not be contrary to the fundamental principles and any law of the requested contracting party; and

(g) the decision is not given by a court without jurisdiction.

Neither the United States nor Cyprus currently has a bilateral or other treaty with the other providing for the reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. A final and conclusive judgment for the payment of money rendered by any federal

or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities laws, would not be automatically recognised or enforceable in Cyprus. A final and conclusive judgment of a U.S. court may be enforced by the party in whose favour the judgment has been issued by filing, under principles of common law, its claim as a fresh action with a court of competent jurisdiction of Cyprus to be adjudicated. Under current practice, this party may submit to the Cyprus court, under the fresh action, the final judgment rendered by the U.S. court. If and to the extent that the Cypriot court finds the jurisdiction of the U.S. court to have been based on internationally acceptable grounds and that legal procedures comparable with Cypriot concepts of due process have been followed, the Cypriot court will, in principle, grant the same judgment as the judgment of the U.S. court, unless such judgment would contravene Cypriot principles of public order.

Subject to the foregoing and service of process in accordance with applicable treaties, Noteholders may be able to enforce in Cyprus judgments in civil and commercial matters obtained from U.S. federal or state courts. However, no assurance can be given that those judgments will be enforceable. In addition, even if a Cypriot court has jurisdiction, it is uncertain whether such court will impose civil liability in an original action commenced in Cyprus and predicated solely upon U.S. federal securities laws.

However, enforcement in Cyprus could be refused if the judgment is liable to impeachment for fraud on the part of the party in whose favour the judgement is given or fraud on the part of the court pronouncing the judgement on the ground that its enforcement or, as the case may be, recognition would be contrary to public policy.

Takeover protection laws do not apply to the Company

As the Company is incorporated in Cyprus, it is subject to Cyprus law. Cyprus has implemented the provisions of Directive 2004/25/EC on takeover bids in its national law No. 41 (I)/1007, the provisions of which are not applicable to the Company since its securities are not admitted to trading on a regulated market situated in Cyprus.

The Takeover Code in the United Kingdom will not apply to the Company, except to the extent certain provisions of the Code are reflected in the Company's Articles of Association as described in paragraph 10 of Part II of this document.

Risks relating to the Ordinary Shares

Uncertainty as to the trading market for the Ordinary Shares

The Ordinary Shares are currently listed on the AIM. On 16 June 2010, trading in the Ordinary Shares was suspended due to the delay in providing the Annual Financial Statements and the Interim Financial Statements to AIM. The Company expects to publish such financial statements immediately following the completion of the Restructuring and therefore expects AIM to lift the Suspension following such publication. However, there is no assurance that such expectations will materialise and should the Company not publish its Annual Financial Statements and Interim Financial Statements on this timetable, AIM will be able to cancel the listing of the Ordinary Shares on AIM.

If the AIM Admission is maintained, no assurance can be given as to how the market for the Ordinary Shares will develop following the issue of the New Ordinary Shares in connection with the Restructuring. There can be no assurance that, upon the completion of the Restructuring, any active trading market for the Ordinary Shares will develop or be sustained. The share price of listed companies can be highly volatile and their shares may have limited liquidity. The trading price for the Ordinary Shares may fluctuate significantly, and the recipients of the New Ordinary Shares may not be able, within a period that they would otherwise regard as reasonable, to resell them at or above the amount equivalent to their investment or at all. It is likely to be more difficult for an investor to realise its investment on AIM than to realise an investment in a company whose shares are quoted to the main market of the LSE. At the same time, equity market conditions may affect the price and market liquidity for the Ordinary Shares regardless of the performance of the Company. Equity market conditions are affected by many factors, such as the general economic, political or regulatory outlook, movements in or outlook on interest rates and inflation rates, currency fluctuations, commodity prices, changes in investor sentiment towards particular market sectors and the demand for and supply of capital. Trading in the Ordinary Shares by other investors, such as large purchases or sales of Ordinary Shares may also

affect the share price. Accordingly, the market price of the Ordinary Shares may not reflect the underlying value of the Company's investments and the price at which Shareholders may dispose of their Ordinary Shares at any point in time may be influenced by a number of factors, only some of which pertain to the Company while others may be outside the Company's control. The Company's results and prospects from time to time may be below the expectations of market analysts and investors (including the Shareholders).

Shareholders' rights under the laws of Cyprus differ from the rights of shareholders of companies incorporated elsewhere

The Company is incorporated in Cyprus under the Companies Law, Cap 113 of Cyprus. As a result, the rights of the Shareholders will be governed by the laws of Cyprus and the Articles (as revised and amended from time to time). The rights of shareholders under the laws of Cyprus differ from the rights of shareholders of companies incorporated in other jurisdictions and the enforcement of such rights may involve different considerations and may be more difficult than would be the case if the Company had been incorporated in the jurisdiction of an investor's residence or elsewhere.

The following is a brief summary of certain material provisions of the Law and the Articles.

Rights attaching to Shares

All issued and outstanding shares in the share capital of the Company are Ordinary Shares and have the same rights attaching to them, a summary of which is set forth below. The New Ordinary Shares that will be issued for the purpose of the Exchange will rank, *pari passu*, with the Existing Ordinary Shares in the share capital of the Company.

Issue of New Shares

Any unissued shares shall be at the disposal of the Directors who, upon complying with the provisions of the Articles and Sections 60A and 60B of the Law, may allot or otherwise dispose of any unissued Ordinary Shares in the appropriate manner as regards the persons, the time and, in general, the terms and conditions as the Directors may decide, provided that no Ordinary Share shall be issued at a discount.

Pre-emption rights

Subject to the provisions of Article 4.2 of the Articles and Section 60B of the Law, all new Ordinary Shares and/or other securities giving rights to purchase Ordinary Shares in the Company, or which are convertible into Ordinary Shares in the Company that are to be issued for cash, shall be offered to the existing Shareholders of the Company on a pro-rata basis to the participation of each Shareholder in the share capital of the Company, on a specific date fixed by the Directors. Any such offer shall be made upon written notice to all the Shareholders specifying the number of the Ordinary Shares and/or other securities giving rights to purchase Ordinary Shares in the Company, or which are convertible into Ordinary Shares in the Company, which the Shareholder is entitled to acquire and the time periods (which shall not be less than fourteen days from the dispatch of the written notice), within which the offer, if not accepted, shall be deemed to have been rejected. If, until the expiry of the said time period no notification is received from the person to whom the offer is addressed or to whom the rights have been assigned that such person accepts all or part of the offered Ordinary Shares or other securities giving rights to purchase Ordinary Shares in the Company, or which are convertible into Ordinary Shares of the Company, the Directors may dispose of them in any manner as they deem more advantageous for the Company.

According to Section 60(B) of the Law, whenever shares will be issued in exchange for a cash consideration, the Shareholders have pre-emption rights with respect to such issuance of Ordinary Shares. These pre-emption rights may be disapplied by a resolution of the general meeting which is passed by a two-thirds majority if more than half of all the votes are represented at the meeting and by an ordinary resolution if at least half of all the votes are represented at the meeting. The Directors have an obligation to present to the relevant general meeting a written report which explains the reasons for the disapplication of the pre-emption rights and justifies the proposed allotment price of the Ordinary Shares.

The Company will seek the appropriate resolution to be passed at an extraordinary general meeting of the Shareholders of the Company which will be convened to this effect, for the disapplication of the pre-emption rights of the Shareholders to enable the implementation of the Restructuring.

Voting rights

Subject to any special rights or restrictions as to voting attached to the Ordinary Shares (of which there are none at present), every holder of Ordinary Shares who is present in person or by proxy shall have one vote and on a poll every holder who is present in person or by proxy shall have one vote for each Ordinary Share held by him or her. A corporate Shareholder may, by resolution of its Directors or other governing body, authorise a person to act as its representative at general meetings and that person may exercise the same powers as the corporate Shareholder could exercise if it were an individual Shareholder. No Shareholder shall be entitled to vote at any general meeting unless all cash-calls or other sums presently owed by him in respect of his Ordinary Shares in the Company have been paid.

Dividends and distribution rights

The Company may in a general meeting of Shareholders declare dividends, but no dividend shall exceed the amount recommended by the Directors. The Directors may from time to time and subject to the provisions of Section 169C of the Law pay to the Shareholders such interim dividends on any preference shares or other shares issued from time to time as appear to the Directors to be justified by the Company's profits but no dividend will be paid otherwise than out of profits or reserves available for distribution.

The Directors may set aside out of the Company's profits such sums as they think proper as a reserve or reserves which shall, at the discretion of the Directors, be applicable for any purpose to which the Company's profits may, at their discretion, either be employed in the Company's business or be invested in such investments (other than the Company's shares) as the Directors may from time to time think fit. The Directors may also, without placing the same in the reserve, carry forward to the next year any profits which they may think prudent not to distribute.

Variation of rights

If at any time the share capital is divided into different classes of shares, the rights attached to any class may, subject to the provisions of Sections 59A and 70 of the Law, whether or not the Company is being wound up, be amended or abolished with the sanction of a resolution approved in accordance with the provisions of Section 59A of the Law at a separate general meeting of the holders of the shares of the class. The decision shall be taken by a two-thirds majority of the votes, corresponding either to the represented stock or to the represented share capital. Where at least half of the issued capital is represented, a simple majority shall be sufficient.

Alteration of capital

The Company may by ordinary resolution taken in accordance with the provisions of Articles 50 and 51 of the Articles and Section 60 of the Law:

– increase its share capital by such sum, to be divided into shares of such amount, as the resolution shall prescribe;

– consolidate and divide all or any of its share capital into shares of larger amounts than the Existing Ordinary Shares;

– subdivide the Existing Ordinary Shares, or any of them, into shares of a smaller amount than is fixed by the memorandum of association subject, nevertheless, to the provisions of Section 60(1)(d) of the Law; and

– cancel any shares which, at the date of the passing of the resolution, have not been taken nor agreed to be taken by any person and diminish the amount of the share capital by the amount of the shares so cancelled.

The Company may also, by special resolution, reduce its share capital, any capital redemption reserve fund or any share premium account in any manner and subject to any terms required by the Law but not below the statutory minimum registered capital of €25,629.

Power to issue redeemable preference shares

Subject to the provisions of Section 57 of the Law and the provisions of Article 6 of the Articles, any preference shares may, with the sanction of a special resolution, be issued on the condition that they are, or at the discretion of the Company or the holder(s) of such shares are liable to be, redeemed on such terms and in such manner as the Company, prior to the issue of such shares, may determine.

Investment in AIM traded securities carries higher risks

Investment in shares traded on AIM tends to involve a higher degree of risk and be less liquid than investment in companies whose shares are listed on the main market of the LSE. AIM has been in existence since June 1995, but its future success and liquidity in the market for the Company's securities cannot be guaranteed. In addition, AIM is an exchange regulated market and is less regulated than a listing on the Official List of the UK Listing Authority and admission to trading on the LSE. For example, there are fewer circumstances in which the Issuer would be required to seek shareholder approval for transactions, and ongoing disclosure and corporate governance standards may be lower.

Further issuance or sale of shares of the Company may affect the market price of the Ordinary Shares

Future sales of substantial amounts of Ordinary Shares by its Shareholders, including the Investor or even the perception that such a sale might occur could adversely affect the market price of the Ordinary Shares. In addition, any future equity offerings by the Company may reduce the percentage ownership of the Shareholders of the Company. Newly issued shares may have rights, preferences or privileges attached to them that are senior to those attached to the Ordinary Shares, though at present it is not envisaged that any new shares in the share capital of the Company will be issued with rights, preferences or privileges that will be different from those attached to the Existing Ordinary Shares.

PART IV

SUMMARY OF THE RESTRUCTURING AGREEMENTS

1. Subscription Agreement

Pursuant to the terms of the Subscription Agreement, the Investor has agreed to subscribe for the Subscription Shares in consideration for the Investor Subscription Monies. Renaissance has agreed to procure the payment of the Renaissance Subscription Monies in cleared funds for same day value into an escrow account no later than one Business Day prior to the Extraordinary General Meeting and Steltex has agreed to procure the payment of the Bremille Subscription Monies in cleared funds for same day value into an escrow account no later than one Business Day prior to the Extraordinary General Meeting.

The Subscription is conditional, *inter alia*, upon approval of the Company's Shareholders at the Extraordinary General Meeting, AMC approval, approval of the Exchange and a limited number of material adverse events not having occurred between the date of the Subscription Agreement and Completion. Upon satisfaction of the conditions precedent, the Investor Subscription Monies will be released to the order of the Company. The Subscription Agreement contains customary representations and warranties given by the Company which relate to the business of its Group. The Subscription Agreement also contains a number of restrictions on the conduct of the Group's business between the date of the Subscription Agreement and Completion, which comprise primarily a series of negative controls and a list of things that cannot be undertaken by the Group without the consent of the Investor.

2. Management Call Option

Pursuant to the terms of the Management Call Option Deed, the Investor has granted Senior Management a call option whereby Senior Management may require the Investor to sell the Management Call Option Shares to them in certain circumstances. The Management Call Option has been issued to each of Lev Partshkhaladze, Zhora Tsagareishvili and Jaroslav Kinach in the following proportions: 60 per cent., 30 per cent. and 10 per cent. respectively. The Management Call Option may be exercised in whole or in part (in tranches of 25 per cent. of each holder's entitlement at the relevant date) during the five year period from the date of Completion or up until the date of disposal of all of Renaissance's interest in the Investor's Ordinary Shares (whichever is earlier), subject (in the case of partial exercise) during an initial period of two years, to a partial exercise cap.

The Management Call Option does not prevent the Investor from making a partial or full disposal of the Management Call Option Shares during the Management Call Option Period, subject to the Management Option holder being notified within certain agreed notice periods. The consideration for the Management Call Option Shares shall be as follows:

- if a Management Call Option is exercised during the first 12 calendar months following Completion, 2.0 times the Subscription Price;
- if a Management Call Option is exercised during the period of 12 calendar months following Completion but before 24 calendar months, 2.8 times the Subscription Price; and
- if a Management Call Option is exercised during the period of 24 calendar months following Completion but before the end of the Option Period, 3.4 times the Subscription Price.

3. Relationship Agreement

The Company, Reachcom, the Investor and Steltex entered into the Relationship Agreement, on 16 December 2010, which will, conditional upon Admission, regulate the ongoing relationship between the Company, Reachcom, the Investor and Steltex to ensure that the Group is capable of carrying on its business independently of the Investor and its affiliates and to ensure that transactions and relationships between the Group and the Investor and its affiliates are at arm's length and on a commercial basis such that the Company continues to satisfy the appropriateness criteria for trading on AIM.

Under the Relationship Agreement, the Company, Reachcom, the Investor and Steltex agree that in relation to the Board subject to the conditions contained therein and the Articles:

- when the Investor and/or any affiliate holds (individually or jointly) more than 50 per cent. of the total voting shares in the Company, no matter may be approved by the Board unless approved by a nominated director of the Investor;
- the Investor shall be entitled to appoint: (a) a majority of the directors; (b) two directors or (c) one director where the Investor and/or an affiliate holds (individually or jointly) in excess of 50 per cent., 25 per cent. and 10 per cent. of the total voting shares in the Company respectively;
- the Company, Reachcom, the Investor and Steltex agree that, save to the extent required by applicable law, the Articles or as otherwise contemplated in the Relationship Agreement, they shall exercise their powers so that: (a) the members of Senior Management, respectively, shall be nominated for re-election as Directors at the first annual general meeting of the Company following the date thereof; (b) Lev Partskhaladze shall continue to act as Chairman, transitioning into the role of non-executive Chairman from Completion, for a period of at least one year; and (c) within three months of or at Completion, individuals of appropriate experience, nominated by the Investor, shall be appointed to the positions of (i) chief executive officer; and (ii) chief financial officer, provided always that the right of nomination shall continue at all such times as the Investor and/or any affiliate (individually or jointly) continues to hold in excess of 25 per cent. of the total voting shares in the Company; and
- certain matters will be constituted reserved matters for the chief executive officer and certain other reserved matters requiring approval in advance by a Super Majority Resolution (as defined in the Relationship Agreement).

4. Management Option instrument

On 16 December 2010, the Company executed a Management Option instrument to constitute warrants to subscribe for 68,550,214 Ordinary Shares (the "**Management Options**"), constituting 15.35 per cent. of the Enlarged Share Capital. The Management Option instrument is conditional upon Completion occurring prior to **the Long Stop Date**. Each Management Options confers the right on the member of Senior Management to subscribe in cash for one Ordinary Share (each a "**Management Option Share**").

On Completion, the Management Options Shares will be issued to Senior Management in the following proportions: 60 per cent. to Lev Partskhaladze; 30 per cent. to Zhora Tsagareishevili; and 10 per cent. to Jarsolav Kinach. Further information on the amount is set out in paragraph 4.3 of Part II. A member of Senior Management may transfer his Management Option Shares in certain limited circumstances, including a member of his family; in connection with a pledge, such number of Management Option Shares as equates to Management Option Shares representing either: (a) up to 3 per cent. of the Enlarged Share Capital in connection with a *bona fide* financing arrangement; or (b) a greater amount, with the prior written consent of the Nomad; or otherwise with the prior written consent of the Board and the Nomad.

Subject to the satisfaction of the performance criteria determined by the Remuneration Committee, the Management Options shall vest in three equal tranches on each of the first, second and third anniversary of Completion, subject to accelerated vesting in the event that a member of Senior Management is a good leaver or immediately prior to certain change of control events. On the occurrence of certain specified change of control events (such as an offer being made to all Shareholders to acquire the whole or part of the Ordinary Share capital), upon the Company becoming aware that either: the right to cast a majority of votes which may ordinarily be cast a general meeting is reasonably likely to become vested in the offeror; or, that the offeror is reasonably likely to be required to comply with regulation 145.5 of the New Articles, the Company shall procure (as far as it is reasonably able) that a like offer or invitation (or analogous action), as applicable, is made to each member of Senior Management and the Management Options Shares shall be treated as having vested and been exercised in full immediately prior to the relevant event.

In the event that a member of Senior Management is a bad leaver, all the Management Option Shares held by him and/or his permitted transferee(s) shall lapse, save in respect of Management Option Shares held by a permitted transferee in connection with a bona fide arrangement to raise finance or to which both the Board and the Nomad have given their prior written consent.

The Management Options may be exercisable for a period of seven years from the relevant vesting date.

The exercise price for each Management Option is US$0.126684 per New Ordinary Share (subject to adjustment in accordance with the terms of the Management Option instrument). The Management Option Shares may be exercised in whole or in part.

The Management Option instrument provides for adjustments to the exercise price and/or the number of Management Option Shares to be made in certain specified circumstances including, a sub-division of the Ordinary Shares.

The Management Option instrument is governed by English law.

5. Lock-in Agreement for Management

Pursuant to the Lock-up Agreements, each member of Senior Management has undertaken to the Company and the Nomad, *inter alia*, not to, and to procure that their respective connected persons shall not, directly or indirectly, offer, dispose of, mortgage, charge, pledge or create a security interest over any Management Option Shares or agree to do or announce an intention to do the same. In addition, each member of Senior Management has agreed not to enter into or agree to enter into any derivative transaction in respect of or referenced to any Management Option Shares. These restrictions shall apply for the twelve month period commencing on the date on which the Management Option, pursuant to which the relevant Management Option Shares were issued, was exercised. Following the expiry of the relevant lock-up period, the Senior Management have also undertaken not to effect any such arrangements, agreements or announcements in respect of the relevant Management Option Shares, except through the Company's broker at the relevant time and in such manner as the broker may reasonably require with a view to the maintenance of an orderly market in the Ordinary Shares. These lock-up and orderly market restrictions are subject to certain limited exceptions including in respect of transfers of Management Option Shares by way of any charge, pledge, loan or other security interest undertaken, with the prior written consent of the Nomad.

6. EFG Amendment Agreement

Pursuant to the terms of the EFG Amendment Agreement, the parties have agreed to the amendment of certain matters under the US$60,000,000 revolving loan facility agreement dated 20 May 2008 between the Company and EFG (as amended), including a restriction on the entitlement of the Company to declare or pay any dividend in respect of its share capital during the period ending 24 months after the date of completion of the Subscription.

The EFG Amendment Agreement also deferred the maturity of the loan and requires the Company to make monthly repayments, under a revised repayment schedule, until 20 February 2013, with the balance of any amounts outstanding to EFG being paid in full on maturity of the loan agreement.

7. Ovaro Subscription Agreement

Bremille, Acermus, Reachcom, Steltex and Ovaro have entered into a subscription and financing agreement dated 16 December 2010 (the "**Ovaro Subscription Agreement**") regarding their investment in the Investor and their indirect investment in the Company.

Acermus currently owns 100 per cent. of the Investor. Pursuant to the Ovaro Subscription Agreement, Bremille will subscribe for new shares in Ovaro representing 75 per cent. of the Investor's ordinary shares and Acermus will consequently own 25 per cent. of the Investor's ordinary shares. Additionally, Bremille shall lend US$15,000,000 to the Investor (to be funded by Steltex) and Acermus shall lend US$5,000,000 to the Ovaro (to be funded by Reachcom) to allow Ovaro to satisfy its subscription obligation under the Subscription Agreement. The financing obligations of Bremille and Acermus are several and neither joint nor joint and several.

Pursuant to the Ovaro Subscription Agreement, Bremille will be entitled to appoint one Ovaro director, Acermus will be entitled to appoint one Ovaro director and the third Ovaro director will be an independent director, appointed jointly by Bremille and Acermus. Bremille will also grant a voting

power of attorney to Acermus to vote its shares in the Investor, subject to certain consent rights for Bremille, for a period to be agreed connected with certain provisions in the Eurobank EFG Amendment Agreement.

The obligations of Bremille and Acermus to make their respective loans, and consequently the Investor's effective ability to proceed to Completion, are conditional, *inter alia*, upon (i) the signing of the Subscription Agreement and the ancillary agreements between the Company and the Investor, (ii) AMC approval for their investment in the Company, (iii) execution of a definitive shareholders agreement between Bremille and Acermus regarding their control of Ovaro and certain rights in relation to the management of the Company by no later than 21 December 2010, (iv) Bremille undertaking a due diligence review on Ovaro to its reasonable satisfaction by no later than 21 December 2010 and (v) the listing of the Company on AIM not having been cancelled prior to the date on which the conditions precedent under the Subscription Agreement have been waived or satisfied in full.

8. New Service Agreements

On 16 December 2010, the Company entered into a service contract (the "**JK Contract**") with Jaroslav Kinach (the "**JK Executive**"), with effect from the date of Completion, in substitution of any previous agreements relating to the employment of the Executive. The JK Contract provides for the JK Executive to act as an executive director at a salary of US$156,000 per annum. The JK Contract can be terminated on giving not less than 12 months' notice from the Company and 6 months' notice from the Executive. Under the JK Contract, the JK Executive is entitled to 30 working days' paid holiday a year. The Company will provide the JK Executive with, *inter alia*, health and life insurance and the use of a company car.

On 16 December 2010, the Company entered into a service contract (the "**ZT Contract**") with Zhora Tsagareishvili (the "**ZT Executive**"), with effect from the date of Completion, in substitution of any previous agreements relating to the employment of the Executive. The ZT Contract provides for the Executive to act as the chief operating officer at a salary of US$156,000 per annum. The ZT Contract can be terminated on giving not less than 12 months' notice from the Company and 6 months' notice from the ZT Executive. Under the ZT Contract, the Executive is entitled to 30 working days' paid holiday a year. The Company will provide the ZT Executive with, *inter alia*, health and life insurance and the use of a company car.

Pursuant to a letter of appointment with the Company dated 16 December 2010, Lev Partskhaladze moved from the office of executive chairman to non-executive chairman and non-executive director (the "**LP Appointment**") with effect from the date of Completion. The term of the LP Appointment is for one year and continuation is contingent on re-election at future annual general meetings. Mr. Partskhaladze shall receive from the Company fees of US$72,000 per annum and reimbursement for all reasonable expenses incurred in the proper performance of his duties pursuant to the LP Appointment. The other terms of the LP Appointment are customary terms for a non-executive director.

9. Deed of Clawback

In connection with the Financing, on 16 December 2010 the Company and Lev Partskhaladze entered into Deed of Clawback pursuant to which the Company was granted certain rights to clawback the Management Option Shares to be issued to Lev Partskhaladze in the event that the Company is required to make a payment, disclose a contingent liability in its annual report and accounts or to make any change to the liability section of its balance sheet in respect in each case of liabilities in the event that such liabilities were not fully and fairly disclosed to the Investor. The Investor's clawback rights under the deed are subject to certain limitations. Pursuant to the terms of the deed, Lev Partskhaladze is not permitted to transfer his Management Option Shares prior to the Long Stop Date.

PART V

NEW ARTICLES OF ASSOCIATION

Resolution 9, relates to the adoption of the New Articles. A copy of the final draft of the New Articles is attached to this document. The New Articles contain, *inter alia*, provisions to the following effect:

1. Composition of the Board

The New Articles will give the Investor the right to appoint as many New Directors to the Board as is necessary to give it control of the Board. This right will be retained for so long as the Investor, in aggregate with its group and affiliates own more than 50 per cent. of the Ordinary Shares. The Investor is able to appoint, substitute or remove two Directors to the Board when it holds a shareholding of between 25 per cent. and 50 per cent., and appoint, substitute, or remove one Director to the Board when it holds a shareholding of between 10 per cent. and 25 per cent.;

2. Share control limits

Under the New Articles, a person must not acquire an interest in 30 per cent. or more of the voting rights in the Ordinary Shares, or, while holding an interest (individually or with those persons acting in concert with him) of between 30 per cent. and 50 per cent. of the Ordinary Shares, a person must not increase the percentage of voting rights attributable to the Ordinary Shares attributed to him. If a person breaches these restrictions, the Board has the discretion to impose a number of sanctions, including determining that the excess Ordinary Shares must be sold, or that the voting rights applying to the excess Ordinary Shares be cancelled. A person can only exceed these limits if, *inter alia*, the Board consents to the acquisition or the acquisition is made in circumstances where, were the Company to be subject to the Takeover Code, Rule 9 of the Takeover Code would require an offer to be made as a consequence and such offer is made in accordance with Rule 9, as if it so applied.

3. Interests in Ordinary Shares

The New Articles will create an obligation on all Directors and Shareholders of the Company to disclose their holding if it amounts to a disclosable interest in securities of the Company under Rule 17 of the AIM Rules. If a Director or Shareholder does not comply, the Board has the discretion to impose a number of sanctions, including that such Director or Shareholder loses their voting rights to the shares.

4. Changes due to the Exchange of the Notes

A number of provisions in the existing Articles relate to the rights of the Noteholders, including a provision for the Noteholders to appoint a non-executive Director to the Board. Pursuant to the Note Exchange, these provisions are no longer required, and it is therefore proposed to remove them in the New Articles.

5. Composition of Committees

The Audit Committee, Executive Committee and Remuneration and Nomination Committee will be chaired by a non-executive Director, and consist of a total of three Directors. The provisions relating to these committees in the New Articles will be amended to reflect this change.

6. Directors retirement by rotation

Following the adoption of the New Articles, the Company shall operate a retirement by rotation policy for the Directors, whereby one third of the Directors shall retire from office, these being those who have served office for longest. A retiring Director is eligible for re-election.

7. Investor Approval

As long as the Investor hold over 50 per cent. of the Ordinary Shares, no agreement, business or matter may be entered into or commenced without the prior approval of the Investor nominated Director.

8. Miscellaneous

The Company also intends to take the opportunity to update the Articles of Association to reflect changes in the law and regulations applicable to its business and good corporate governance practices by changing, supplementing, and removing certain terms which are no longer customary for a Cypriot-incorporated company trading on AIM and operating in the Company's market, including provision for the service of notices electronically and the maintenance of insurance for the Directors, the secretary and auditor.

9. Previous resolutions enacted into the Articles

A number of previous resolutions of the Company have made amendments to the Articles. These amendments will be consolidated into the New Articles.

PART VI

ADDITIONAL INFORMATION

1. Responsibility statement from Directors

The Directors, whose names appear on page 8 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. The Company

The Company was incorporated and registered in Cyprus on 1 December 2005 under the Companies Law, Cap 11 of Cyprus with Companies Number 132218. The business address of each of the Directors and the registered and head office of the Company is 5 Themistokli Dervi, Elenion Building, 2nd Floor, 1066, Nicosia, Cyprus. The telephone number of the registered address is +357 22 555 800.

3. Interests of the Directors

The interests of the Directors, all of which, unless otherwise stated, are beneficial, in the issued share capital of the Company as at 15 December 2010 (being the latest practicable date prior to the publication of this document), on Admission and assuming the Notes Exchange occurs, the New Ordinary Shares issued are set out in the tables in Part I on pages 6 and 7 of this document. Also set out in that table are the interests of the Directors, post Completion, assuming the Management Options have been exercised in full and the Management Call Option has been exercised in full.

4. Application for listing of New Ordinary Shares on AIM

A conditional application will be made, on 20 January 2011, to the London Stock Exchange for admission of the New Ordinary Shares to trading on AIM and it is expected that the New Ordinary Shares will be admitted to trading on AIM on 26 January 2011.

5. Working Capital

5.1 ***With the Restructuring***

5.1.1 *Company working capital statement*

In the opinion of the Directors, after having made due and careful enquiry, subject to the net proceeds of the Subscription, receipt of which is dependent upon the conditions precedent set out in paragraph 11 of Part II, the working capital available to the Company will be sufficient for its present circumstances, that is for at least twelve months from the date of this document.

5.1.2 *Group working capital statement*

In the opinion of the Directors, after having made due and careful enquiry, subject to the net proceeds of the Subscription, receipt of which is dependent upon the conditions precedent set out in paragraph 11 of Part II, the working capital available to the Company's Group will be sufficient for its present circumstances, that is for at least twelve months from the date of the document, having regard to the matter set out in the following paragraph.

The UkrSibbank credit facilties, totalling US$28.0 million, consist of four separate multi-currency loan facilities provided to wholly owned subsidiaries of the Comnpany, namely, Kryzholit LLc, Closed Joint Stock Company (CJSC) Trade Centre A, Kyivski Kashtany Llc, and Kvadrat-Ukraine. Each of these companies, in turn, owns property rights to non-income generating properties ranging from mixed use to retail. Due to the fact that none of the properties generate revenue to service their respective loans, the

Company's operating retail centre Kvadrat Lukyanivka guarantees the servicing of all the credit facilities. At the current time, and as a result of the global financial crisis and the economic downturn in Ukraine, the cash generating capacity of Kvadrat Lukyanivka has fallen with the result that it is insufficient to service the credit facilities on the original terms and conditions. Recognising that Kvadrat Lukyanivka is unable to repay interest and principal on the loan facilities, Management initiated discussions with the bank in early 2010 to restructure the loans. While these negotiations are ongoing, they have not been successful to date. Management intends to continue negotiations with the bank but also recognises that the bank may initiate proceedings against the guarantor, Kvadrat Lukyanivka, and each of the borrowers and the underlying properties that these companies control. In that eventuality, management is of the opinion that the bank would not have any right to claim assets beyond those held by the borrower and the guarantor, nor against any other asset of the Company or the Company itself.

5.2 ***Without the Restructuring***

If Shareholders do not approve the Restructuring or if, for any other reason, Completion does not occur in accordance with the terms of the Subscription Agreement, the Company is of the opinion that the Group will not have sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this document.

6. Costs and expenses

The expenses of and incidental to the Restructuring, including professional fees, are estimated to amount to approximately US$2.8 million (including VAT as applicable), and will be payable by the Company. The estimated net cash proceeds of the Restructuring accruing to the Company are US$17.2million, and will be used for the purposes described in Part II of this document. In addition, the level of debt converted to New Ordinary Shares as part of the Restructuring, via the Note Exchange, is approximately US$175 million, which will significantly reduce the Company's indebtedness and future interest burden.

7. Consent

Strand Hanson has given and has not withdrawn its written consent to the issue of this document and the inclusion in this document of its name and reference thereto in the forms and contexts in which they appear.

16 December 2010

PART VII

DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

"Acermus"	Acermus Limited, a company incorporated in Cyprus with registration number HE 244171 that is a wholly owned subsidiary of Reachcom;
"Admission"	the admission of the New Ordinary Shares to trading on AIM becoming effective in accordance with the AIM Rules;
"AIM"	AIM, the unregulated market of the London Stock Exchange plc for the purposes of Directive 93/22/EEC;
"AIM Rules"	the AIM rules for companies published from time to time by London Stock Exchange;
"AMC"	the Ukrainian Antimonopoly Committee;
"Articles" or **"Articles of Association"**	means the existing articles of association of the Company;
"Annual Financial Statements"	the audited financial statements of the Company as of and for the 12 months ended 31 December 2009;
"Audit Committee"	the audit committee of the Board from time to time;
"Authorised Share Capital"	consisting of US$500,000 divided into 50,000,000 Ordinary Shares;
"Business Day"	a day (excluding Saturdays, Sundays and public holidays in England and Wales) on which banks are generally open for business in Kyiv (Ukraine) and Nicosia (Cyprus);
"Bremille"	Bremille Investments Limited, a Cypriot company with registration number HE 272727 beneficially owned by Oleg Salmin;
"Bremille Subscription Monies"	the amount of US$15,000,000 provided by Bremille to the Investor for the purposes of the Subscription;
"Company" or **"XXI Century"**	XXI Century Investments Public Limited;
"Completion"	the completion of the Restructuring in accordance with the terms of the Subscription Agreement;
"Conditions"	the conditions set out in the Subscription Agreement which are summarised in paragraph 1 of Part IV of this document;
"CREST"	the computerised settlement system operated by Euroclear which facilitates the transfer of shares;
"Deed of Clawback"	means the deed entered into between the Company and Lev Partskhaladze on 16 December 2010;
"Depositary Interests" or **"DIs"**	depository interests issued by Computershare Investor Services p.l.c, each representing one ordinary share;

"Depositary Interest Holder" or **"DI Holder"**	a holder of Depository Interests;
"DI Voting Instruction"	the voting instruction accompanying this document for use by DI Holders in connection with the EGM;
"Directors" or the **"Board"**	the members of the board of directors of the Company;
"Disposal"	the sale of the Group's interests in Elite Service and Fifth Element to Dorvell;
"Dollars", **"USD"** or **"US$"**	US dollars, the official currency of the United States;
"Dorvell"	Dorvell Investments Limited, an entity in receipt of debt financing from the Renaissance Group;
"Dorvell Loan"	the assignment to Dorvell of a US$1.78 million loan granted by the Company to Fifth Element;
"Elite Service"	Elite Service LLC, a wholly owned subsidiary of the Group;
"Enforcement Treaty"	has the meaning given to it in Part III of this document;
"Enlarged Share Capital"	the share capital of the Company immediately following Admission;
"EU"	the European Union;
"Eurobank EFG" or **"EFG"**	Eurobank EFG Cyprus Ltd;
"EFG Amendment Agreement"	the amendment agreement to the US$60,000,000 revolving loan facility agreement dated 20 May 2008 between the Company and Eurobank EFG as amended on 2 December 2009, 26 July 2010 and by this amendment agreement;
"Euroclear"	Euroclear UK and Ireland Limited;
"Exchange Shares"	the Note Exchange Shares and the Warrant Exchange Shares;
"Exchange"	the (mandatory) Exchange of Notes and Warrants into Ordinary Shares;
"Executive Committee"	the executive committee of the Board from time to time;
"Existing Ordinary Shares"	the 40,416,633 Ordinary Shares in the capital of the Company in issue at the date of this document;
"Existing Share Capital"	the issued ordinary share capital of the Company as at 15 December 2010 (being the latest practicable date prior to the publication of this document);
"Extraordinary General Meeting" or **"EGM"**	the extraordinary general meeting of the Company (or any adjournment thereof) to be held in connection with the Restructuring at 9.30 a.m. on 25 January 2011 notice of which is set out at the end of this document;
"Fifth Element"	Piaty Element LLC, a wholly owned subsidiary of the Group;

"Financing"	the funds to be invested by the Investor to the Company in pursuance of the Subscription;
"Form of Proxy"	the form of proxy for use by the Shareholders in relation to voting at the EGM which accompanies this document;
"GDRs"	the global depositary receipts, each representing one Share;
"GDR Holder"	a holder of GDRs;
"Group"	the Company and its subsidiaries, from time to time and **"member of the Group"** shall be construed accordingly;
"Independent Directors"	Andriy Myrgorodskyy, Olena Volska and Yiannos Georgallides;
"Interim Financial Statements"	the interim financial statements of the Company as of and for the six months ended 30 June 2010;
"Investor Director"	means a Director appointed pursuant to Regulation 146.1 of the Articles;
"Investor" or **"Ovaro"**	Ovaro Holdings Limited, a company owned by Bremille (75 per cent.) and Acermus (25 per cent.), whose registered office is at 25, Elenis Palaiologinas Street, 1016 Nicosia, Cyprus;
"Investor Subscription Monies"	the amount payable for the Subsription Shares, being US$20,000,000;
"Kvadrat Lukyanivka"	a shopping centre located at 2-A Biloruska Str., Kyiv, Ukraine;
"Law"	the Companies Law, Cap. 113 of Cyprus and any successor statute or as the same may from time to time be amended;
"Lock-up Agreements"	the lock-up deeds entered into on 16 December 2010 between the Company, the Nomad and each member of Senior Management;
"London Stock Exchange" or **"LSE"**	London Stock Exchange plc;
"Long Stop Date"	means 25 January 2011, or such later date which is three Business Days before the expected date of Admission, as confirmed by AIM and notified by the Nomad to the Company in writing, provided that the Long Stop Date shall not be after 31 March 2011, or such other date as the parties may agree in writing;
"Management"	the management of the Company from time to time;
"Management Call Option"	the mechanism by which Senior Management can acquire certain of the Subscription Shares as will be held by the Investor at the time of the exercise of the option, pursuant and subject to the terms of the Management Call Option Deed;

"Management Call Option Deed"	the call option deed to be entered into between the Investor, Renaissance, Steltex and Senior Management in relation to the granting of the Management Call Option to Senior Management;
"Management Call Option Period"	the five year period from the date of Completion or up until the date of disposal of all of the Investor's shares (whichever is earlier) during which the Management Call Option may be exercised in whole or in part;
"Management Options"	the option for Senior Management to purchase up to 15.35 per cent. of the Enlarged Share Capital;
"Management Call Option Shares"	the 67,098,825 new Ordinary Shares to be issued to Senior Management in relation to the exercise of the Management Call Options;
"Management Option Shares"	the 68,550,214 new Ordinary Shares to be issued to Senior Management in relation to the exercise of the Management Options;
"Meeting of Noteholders"	the meeting of Noteholders to approve, *inter alia*, the Notes Exchange;
"Meeting of Warrantholders"	the meeting of Warrantholders to approve, *inter alia*, the Warrant Exchange;
"NAV"	net asset value;
"New Articles" or **"New Articles of Association"**	the new articles of association of the Company, proposed to be adopted pursuant to the Resolutions, a summary of the principal terms of which is set out in Part V of this document;
"New Directors"	the new Directors appointed by the Investor under the terms of the Subscription Agreement;
"New Ordinary Shares"	406,164,568 new Ordinary Shares, having the rights attached to them as provided for in the Articles of Association of the Company comprising the Subscription Shares, the Notes Exchange Shares and Warrants Exchange Shares;
"New Service Agreements"	the proposed new executive service contracts between the Company and Senior Management;
"New York Convention"	has the meaning given to it in Part III of this document;
"Nomad", "Nominated Adviser" or **"Strand Hanson"**	Strand Hanson Limited, acting as the nominated adviser of the Company;
"Notes Exchange"	the exchange of the Notes into the Notes Exchange Shares on the terms set out in the Noteholders circular;
"Note Exchange Shares"	the 133,525,000 new Ordinary Shares to be issued to the Noteholders pursuant to the terms of the Notes Exchange and representing 29.90 per cent. of the Enlarged Share Capital;
"Noteholders"	means the holders of the Notes;

"Notes"	the US$175 million Variable Rate Guaranteed Secured Notes due 2010/2014 of the Company;
"Notice of EGM" or **"Notice of Extraordinary General Meeting"**	the notice of EGM set out at the end of this document;
"Oleg Salmin"	Oleg Salmin, a Ukranian investor, details of whom are set out in paragraph 2.6 of Part II of this document;
"Ordinary Shares"	the ordinary shares of the Company, having a nominal value of US$0.01 each, in the share capital of the Company from time to time;
"Ovaro Subscription Agreement"	the subscription and financing agreement dated 16 December 2010 between Bremille, Steltex, Acermus, Ovaro and Renaissance, in relation to the investment in Ovaro by Bremille and Acermus;
"Put and Call Option(s)"	the put and call option deed entered into by the Company and Dorvell in relation to the Disposal;
"Panel"	the Panel on Takeovers and Mergers;
"Registrars"	Computershare Registrars;
"Relationship Agreement"	the relationship agreement dated 16 December 2010 and entered into between the Company, Renaissance, the Investor and Steltex governing their ongoing relationship;
"Remuneration and Nomination Committee"	the remuneration and nomination committee of the Board from time to time;
"Renaissance Capital"	the securities trading, brokerage and investment banking business of the Renaissance Group;
"Renaissance Group"	Renaissance Group Holdings Limited and its group of companies;
"Renaissance" or **"Reachcom"**	Reachcom Public Limited, a wholly owned subsidiary of the Renaissance Group, whose registered office is at 9th Floor, Capital Centre, 2-4 Archbishop Makarius III Avenue, 1505, Nicosia, Cyprus;
"Renaissance Subscription Monies"	the amount of US$5,000,000 provided by Acermus to the Investor for the purposes of the Subscription;
"Resolutions"	all of the resolutions set out in the Notice of EGM;
"Restructuring" or the **"Proposals"**	the Subscription and the Exchange;
"RNS"	the electronic information dissemination service operated by the London Stock Exchange;
"Senior Management"	collectively being Lev Partshkhaladze, Zhora Tsagareishvili and Jaroslav Kinach;
"Shareholders"	holders of Ordinary Shares, each individually being a **"Shareholder"**;
"SPAs"	the sale and purchase agreements and ancillary documentation entered into by the Company and Dorvell in relation to the Disposal;

"Steltex"	Steltex Investments Limited, a company incorporated in Belize with registration number 29244, which is beneficially owned by Oleg Salmin;
"Subscription Agreement"	the share subscription agreement dated 16 December 2010 and entered into between the Company, the Investor, Renaissance, Steltex and Senior Management in relation to the Subscription;
"Subscription Shares"	the 268,395,302 new Ordinary Shares to be subscribed by the Investor in accordance with the terms of the Subscription Agreement, representing 60.10 per cent. of the Enlarged Share Capital;
"Subscription"	the issue and allotment of the Subscription Shares to Ovaro on the terms and conditions contained in the Subscription Agreement;
"Suspension"	the suspension of the Ordinary Shares from trading on AIM;
"Takeover Code" or the **"Code"**	the City Code on Takeovers and Mergers, administered by the Panel, as amended from time to time;
"UkrSibbank"	UkrSibbank JSC, a subsidiary of the BNP Paribas Group;
"Voting Instruction Card"	the voting instruction card for use by GDR Holders in relation to voting at the EGM to be provided by the Bank of New York Mellon;
"Warrant Exchange Shares"	the 4,244,266 new Shares to be issued to the Warrantholders pursuant to the terms of the Warrants Exchange;
"Warrantholders"	the holders of the existing warrants issued by the Company;
"Warrants"	the 163,241 warrants in respect of Ordinary Shares issued to the Warrantholders as at the date hereof; and
"Warrants Exchange"	the exchange of the Warrants into the Warrants Exchange Shares on the terms set out in the Warrantholders circular.

PART VIII

NOTICE OF THE COMPANY EXTRAORDINARY GENERAL MEETING

XXI CENTURY INVESTMENTS PUBLIC LIMITED

(Incorporated in Cyprus under the Companies Law, Cap 113 of Cyprus with Companies Number HE 132218)

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of XXI Century Investments Public Limited (the "**Company**") will be held at 5 Themistokli Dervi, Elenion Building, 2nd Floor, 1066, Nicosia, Cyprus on 25 January 2011 at 9.30 a.m. for the purpose of considering and, if thought fit, approving the following Resolutions:

1. **THAT**, the authorised share capital of the Company be and is hereby increased from US$500,000 to US$5,500,000 by the creation of 550,000,000 new ordinary shares of US$0.01 each in the capital of the Company (the "**New Ordinary Shares**"), ranking *pari passu* in all respects with the existing Ordinary Shares in the capital of the Company.

2. **THAT**, subject to and conditional upon the passing of Resolution 1 above, upon the recommendation of the Directors, the pre-emption rights of the members of the Company (the "Shareholders") with regard to the proposed issue of any New Ordinary Shares in the capital of the Company, whether to the Investor pursuant to the Subscription Agreement (the "**Investor**"), short particulars of which are set out in the circular to the Shareholder accompanying this notice (the "**Circular**"); or in relation to the Notes Exchange and the Warrants Exchange pursuant to the Restructuring (each as defined in the Subscription Agreement and outlined in the Circular) or with regard to the Warrant Shares pursuant to the Management Option instrument (each as defined in the Subscription Agreement and outlined in the Circular), be and are hereby disapplied for the reasons set out in the letter of the Executive Chairman of the Company set out in Part II of the Circular, for the maximum period permitted by the Law.

3. **THAT**, subject to and conditional upon the passing of Resolution 2 above and subject to the terms set out in the Subscription Agreement, the directors of the Company (the "**Directors**") be and are hereby authorised and empowered, pursuant to the authority conferred upon them by the passing of the Resolutions 1 and 2 above, to issue and allot to the Investor the number of Subscription Shares (as set out in the Subscription Agreement), as if Section 60 B of Law did not apply to the Subscription Shares.

4. **THAT**, subject to and conditional upon the passing of Resolution 2 above and subject to and conditional upon the passing of the extraordinary resolutions put forward at the Meeting of Noteholders (as described in the Circular), the Directors be and are hereby authorised and empowered, pursuant to the authority conferred upon them by the passing of Resolutions 1 and 2 above, to issue and allot to the Noteholders the number of New Shares to which they will be entitled pursuant to the Notes Exchange (the "**Note Exchange Shares**"), as if Section 60 B of Law did not apply to the Note Exchange Shares.

5. **THAT**, subject to and conditional upon the passing of Resolution 2 above and subject to and conditional upon the passing of the extraordinary resolutions put forward at the Meeting of Warrantholders (as described in the Circular), the Directors be and are hereby authorised and empowered, pursuant to the authority conferred upon them by the passing of Resolutions 1 and 2 above, to issue and allot to the Warrantholders the number of New Shares to which they will be entitled pursuant to the Warrant Exchange (the "**Warrants Exchange Shares**"), as if Section 60 B of Law did not apply to the Warrants Exchange Shares.

6. **THAT**, subject to and conditional upon the passing of Resolution 2 above and subject to the terms set out in the Management Option instrument, the Directors be and are hereby authorised and empowered, pursuant to the authority conferred upon them by the passing of the Resolutions 1 and 2 above, to issue and allot to the Management (as defined in the Subscription Agreement) the number of New Ordinary Shares to which they will be entitled pursuant to the Management Option instrument (the "**Management Option Shares**"), as if Section 60 B of Law did not apply to the Management Option Shares.

7. **THAT** the authority of the board of the Directors (the "**Board**") to implement the Financing, the Notes Exchange, the Warrants Exchange and the other parts of the Restructuring, issuing and allotting New Ordinary Shares, including the Management Option Shares, is hereby ratified, approved and confirmed and the authority and power of the Board in this respect shall be for the maximum period allowed by the Law.

8. **THAT** pursuant to Article 88 of the existing Articles of Association, the remuneration of each of the Directors appointed from time to time (until otherwise determined) shall as from the date of passing of this Resolution be as determined by the Board, particulars of which are set out in the individual contract for services or engagement letter and disclosed or will be disclosed in the financial statements of the Company.

9. **THAT** the regulations contained in the Circular, a copy of which is attached hereto be adopted as the new Articles of Association of the Company in substitution for and to the entire exclusion of the existing Articles of Association of the Company.

10. **THAT**, subject to and conditional upon the passing of Resolutions 1, 2, 3, 4, 5, 6 and 7 above, these Resolutions shall supersede all shareholders resolutions passed at any previously held general meetings of the Company which are inconsistent herewith.

11. **THAT** the Directors and secretary of the Company, both jointly and severally, be and are hereby authorised to do all such acts and to sign and file with the Registrar of Companies in Nicosia, Cyprus, all such documents as are necessary or appropriate to give effect to the above Resolutions.

The Resolutions 1, 3, 4, 5, 6, 7, 8, 10 and 11 set out above will be proposed as Ordinary Resolutions.

Resolution 2 will be proposed as an Ordinary Resolution requiring a simple majority of the votes of the Shareholders entitled to vote and voting in persons or by proxy where less than or equal to half of the issued capital of the Company is present or represented at the Extraordinary General Meeting or it will require a two thirds majority of the votes of the Shareholders entitled to vote and voting in person or by proxy where more than half of the issued capital of the Company is present or represented at the Extraordinary General Meeting.

Resolution 9 will be proposed as a Special Resolution.

Dated the 16th day of December 2010.

By order of the Board of Directors

Abacus Secretarial Limited
Company Secretary

Registered Office
Elenion Building, 2nd Floor
5 Themistokli Dervi
1066 Nicosia, Cyprus
PO Box 25549, CY-1310 Nicosia
Tel. No. +357 22555800, Fax No. +357 22555803

Notes:

1. A Shareholder 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/her. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing. The proxy need not be a member of the Company. A Form of Proxy is enclosed with this Notice of Extraordinary General Meeting for use at the Extraordinary General Meeting.
2. To be valid, a Form of Proxy, together with a power of attorney or other authority, if any, under which it is executed or a notarially certified copy thereof, must be deposited at the registered office of the Company situated at the address set out above, not less than 48 hours before the time for holding the Extraordinary General Meeting or adjourned Extraordinary General Meeting.
3. In the case of joint holders of Ordinary Shares, 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.
4. 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.