

C. H. BAILEY, PLC

REVISED TERMS OF SALE OF PROPERTY IN MALTA

On the 28th October 2009, the Company obtained shareholder approval for its Maltese subsidiary, St George's Bay Hotel Limited ("SGBH"), to enter into conditional agreements to dispose of all of its properties in Malta to Garnet Investments Limited (previously known as Vic Bon Limited) ("GIL"), a company incorporated in Malta. Further particulars of those arrangements were set out in the circular to shareholders of the Company dated 12 October 2009 ("Circular"). A copy of the Circular is available on the Company's website: www.chbaileyplc.co.uk.

Pursuant to the Dolphin Agreement (as defined in the Circular), SGBH sold Dolphin House to GIL for the sum of €2,329,373 (£2,143,023) on 29th October 2009.

The Board can now announce that SGBH has today agreed with GIL to vary the Main Site Agreement (as defined in the Circular) to alter the timing of the sale of the Main Site (as defined in the Circular). Pursuant to the variation, part of the Main Site which includes the Old Villa and adjoining areas has been sold today to GIL. In consideration of the accelerated purchase of the Old Villa and adjoining areas, SGBH has agreed to extend the period for GIL to purchase the remainder of the Main Site (the "Remaining Property").

Further details are set out below.

Immediate sale of Old Villa and adjoining areas

Pursuant to the variation of the Main Site Agreement, SGBH has today completed the sale of the Old Villa and adjoining areas to GIL for the sum of €15,373,884 (£13,484,433). Payment in full has been made to SGBH by way of the refundable deposit of €815,300 (£715,100) previously paid by GIL pursuant to the Main Site Agreement being released unconditionally to SGBH and the balance of €14,558,584 (£12,769,334) has also been received by SGBH in full today.

Sale of the Remaining Property

Further pursuant to the variation of the Main Site Agreement, it has been agreed that GIL will now be given until 30th March 2015 to complete the purchase of the Remaining Property.

The total consideration of €29,117,167 (£25,538,667) payable by GIL for the Main Site remains unchanged. Therefore the consideration payable for the sale of the Remaining Property will be €13,743,283 (£12,054,234).

As part of the variation, GIL has agreed to pay to SGBH a refundable deposit of €400,000 (£350,840) by no later than 30th March 2013. GIL has granted to SGBH a second ranking charge over the Old Villa and adjoining areas which is to be released upon payment by GIL of the deposit.

Lease back and continued operations

SGBH has agreed to lease back from GIL part of the Old Villa and adjoining areas until 30th March 2015 for a rental fee of €2,000 which covers the entire period. This is to allow SGBH to complete its existing contracts and to continue operations and maintain the student accommodation business at the property. On completion of the sale of the Remaining Property, the current hotel operations in Malta will cease.

Information on the Main Site

The business carried on at the Main Site includes the hotel and youth hostel operations carried on from the Villa Rosa Hotel, the Cresta Quay Beach Club and the Old Villa.

In the year ended 31st March 2011, these businesses contributed €893,008 (£758,968) of revenue which constituted the entire revenue of SGBH. In the same period, SGBH reported an overall

9 September 2011

operating profit of €93,705 (£79,640), but no segmental analysis is available of the operating result attributable to the businesses carried on at the Main Site

Financial impact of the Old Villa and adjoining areas sale

The net book value of the Old Villa and adjoining areas was €3,996,638 (£3,467,083) and was consolidated in the Company accounts at 31st March 2011. The total cash consideration for the sale of the Old Villa and adjoining areas is €15,373,884 (£13,484,433).

The sale of the Old Villa and adjoining areas will generate proceeds, after expenses and taxation, of approximately €13,329,000 (£11,690,866).

As regards the sale proceeds for the Old Villa and adjoining areas, as was stated previously in the Circular, the Board will meet to consider the best use for those funds taking into account the existing economic climate and the currency markets. The Board will give primary consideration to a reduction of any borrowings and the immediate and future working capital requirements of the Group.

Financial impact of the Remaining Property sale

The net book value of the Remaining Property is €2,654,130 (£2,302,458) and was consolidated in the Company accounts at 31st March 2011. The total cash consideration under the agreed arrangements for the sale of the Remaining Property will be €13,743,283 (£12,054,234).

It is expected that the sale of the Remaining Property on the agreed terms will generate proceeds, after expenses and taxation, of approximately €11,944,000 (£10,476,082).

On receipt of the proceeds of sale of the Remaining Property by not later than 30th March 2015, as was stated previously in the Circular, the Board will evaluate the economic climate prevailing at that time and give primary consideration to a reduction of any borrowings within the Group and the required working capital of the Group. The Board will also consider opportunities for both short and long term investment and may also give consideration to the payment of a special dividend or the return of capital to the Shareholders.

Notes

In this announcement, all amounts denominated in Euros (€) are translated into sterling at an exchange rate of €1:£0.8771, except for:

- a) amounts extracted from historical financial information of St Georges Bay Hotel Limited for the year ended 31st March 2011; and
- b) the sterling figure for the Dolphin House proceeds which is based on the exchange rate prevailing on the date of the sale.

In accordance with the Group's normal accounting policies, the historical financial information has been translated into sterling (£) at the average rate for the year ended 31st March 2011 of €1:£0.8499 in the case of revenues, profits or losses and at the closing rate at 31st March 2011 of €1:£0.8675 in the case of assets and liabilities.

Enquiries:

C H Bailey, Plc
Bryan Warren, Company Secretary (Tel: 01633 262961)

Arden Partners Plc
Richard Day (Tel: 020 7614 5932)
Jamie Cameron (Tel: 020 7614 5925)