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If you have sold or otherwise transferred all of your shares in C. H. Bailey, Plc, please forward this document and the enclosed Form of Proxy to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This document should be read as a whole. Your attention is drawn to the letter from the Chairman of C. H. Bailey, Plc which is set out on pages 5 to 8 of this document and which includes a recommendation that you vote in favour of the Resolutions to be proposed at the General Meeting referred to below.

C.H. Bailey, Plc

(Incorporated and registered in England and Wales with registered No. 190106)

Proposed Sale of Property in Malta

and

Notice of General Meeting

Notice of a General Meeting of C.H. Bailey, Plc, to be held on Wednesday, 28 October 2009 at 9.00 a.m. at the Sofitel London Heathrow, Terminal 5, London Heathrow Airport, TW6 2GD is set out on pages 9 and 10 of this document.

To be valid, the accompanying Form of Proxy for use at the General Meeting should be completed, signed and returned in accordance with the instructions thereon to Computershare Investor Services Plc, PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 3FA as soon as possible and, in any event, so as to arrive by 9.00 a.m. on Monday, 26 October 2009 not less than forty-eight hours before the time appointed for holding the General Meeting. Completion and return of the Form of Proxy will not preclude Shareholders from attending and voting in person at the General Meeting.

Copies of this document, which is dated Monday, 12 October 2009, will be available free of charge to the public during normal working hours on any weekday (except Saturdays and public holidays) from the registered office of C.H. Bailey, Plc and from the offices of Arden Partners plc, Nicholas House, 3 Laurence Pountney Hill, London EC4R 0EU up to and including the date of the General Meeting on Wednesday, 28 October 2009 and on the website of C.H. Bailey, Plc at www.chbaileypc.co.uk.

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EXPECTED TIMETABLE OF EVENTS

| | |
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| Latest time and date for receipt of Forms of Proxy | 9.00 a.m. on Monday, 26 October 2009 |
| General Meeting | 9.00 a.m. on Wednesday, 28 October 2009 |

DEFINITIONS

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

| | |
|-------------------------------|--|
| “AIM Rules” | the AIM Rules for Companies issued by London Stock Exchange plc; |
| “Board” or “Directors” | the directors of the Company whose names are set out on page 5 of this document; |
| “Buyer” | Vic Bon Limited; |
| “Company” | C.H. Bailey Plc; |
| “Completion” | completion of the Dolphin Sale and the Main Site Sale pursuant to the terms of the Dolphin Agreement and the Main Site Agreement (as the case may be and as the context requires); |
| “Dolphin House” | the freehold property known as Dolphin House, Malta and owned by SGBH; |
| “Dolphin Sale” | the proposed sale by SGBH of Dolphin House pursuant to the terms of the Dolphin Agreement; |
| “Dolphin Agreement” | the conditional promise of sale under Maltese law dated 9 October 2009 and made between (1) SGBH and (2) the Buyer in relation to Dolphin House; |
| “Form of Proxy” | the form of proxy accompanying this document for use by Shareholders in connection with the General Meeting; |
| “General Meeting” | the general meeting of the Company convened for 9.00 a.m. on Wednesday, 28 October 2009 by the notice set out at the end of this document or any adjournment thereof; |
| “Group” | the Company and its subsidiaries from time to time and any reference to a member of the Group shall be construed accordingly; |
| “IICL” | Industrial Investment Corporation Limited; |
| “Main Site” | the freehold property known as Hotel Villa Rosa, the Old Villa and gardens and other land in Malta adjacent thereto as described in the Main Site Agreement; |
| “Main Site Sale” | the proposed sale by SGBH to the Buyer of the Main Site pursuant to the terms of the Main Site Agreement; |
| “Main Site Agreement” | the conditional promise of sale under Maltese law dated 9 October 2009 and made between (1) SGBH and (2) the Buyer in relation to the Main Site; |
| “Ordinary Shares” | ordinary shares of 10 pence each in the capital of the Company; |

“Resolutions”

the resolutions to be proposed at the General Meeting, as set out in the notice of General Meeting included with this document;

“SGBH”

St Georges Bay Hotel Limited; and

“Shareholder”

a holder of Ordinary Shares in the Company.

Note: In this document, all amounts denominated in euro (€) are translated into sterling at an exchange rate of €1:£0.92, except for amounts extracted from historical financial information on SGBH for the year ended 31 March 2009. 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 31 March 2009 of €1:£0.83 in the case of revenues and profits or losses and at the closing rate at 31 March 2009 of €1:£0.93 in the case of assets and liabilities.

C. H. BAILEY, PLC

(Incorporated and registered in England and Wales with number 190106)

Directors:

| | |
|---------------------------|---------------------------------------|
| <i>Mr C. H. Bailey</i> | <i>Chairman and Managing Director</i> |
| <i>Mrs S. A. Bailey</i> | <i>Executive Director</i> |
| <i>Mr D. C. Orchard</i> | <i>Non-Executive Director</i> |
| <i>Sir W. H. McAlpine</i> | <i>Non-Executive Director</i> |

Registered Office:

*C. H. Bailey, Plc
Alexandra Dock
Newport
South Wales
NP20 2NP*

12 October 2009

To holders of Ordinary Shares

Dear Shareholder,

PROPOSED SALE OF PROPERTIES IN MALTA

Introduction

The Board of the Company announced today that SGBH, a subsidiary of IICL, one of the Company's overseas subsidiaries, had entered into the Dolphin Agreement and the Main Site Agreement, which are conditional agreements to sell the majority of the Group's properties in Malta to Vic Bon Limited, a company incorporated in Malta. In view of the size of these transactions, both the Dolphin Sale and the Main Site Sale are conditional upon the approval of Shareholders which will be sought at the General Meeting which is being convened at 9.00 a.m. on Wednesday, 28 October 2009, at Sofitel London Heathrow, Terminal 5, London Heathrow Airport, TW6 2GD. A notice of the General Meeting is set out at the end of this document.

On the signing of the Dolphin Agreement, the full consideration for the sale, being the sum of €2,329,373 (£2,143,023) was paid by the Buyer into an escrow account to be released to SGBH upon satisfaction of certain conditions.

On the signing of the Main Site Agreement, a deposit of €815,300 (£750,076) was paid by the Buyer into an escrow account to be released to SGBH upon satisfaction of certain preliminary conditions prior to Completion of the sale. On Completion of the Main Site Sale (which will for some while following the General Meeting remain conditional on receipt by the Buyer of permission for the development of this property), SGBH will receive further cash consideration of €28,301,867 giving a total cash consideration for the Main Site of €29,117,167 (£26,787,794).

The purpose of this circular is to set out the background to and reasons for the Dolphin Sale and the Main Site Sale, to explain why your Board considers that they are in the best interests of the Company and its Shareholders as a whole and to recommend that Shareholders vote in favour of the Dolphin Sale and the Main Site Sale at the General Meeting as the Directors intend to do in respect of their own shareholdings.

Background to and reasons for the Dolphin Sale and the Main Site Sale

As Shareholders are aware from statements made regularly in the annual audited accounts of the Company, the Directors have been of the view for some time that the market value of certain freehold and leasehold land and buildings within the Group is significantly in excess of its book value. The Directors have been exploring the possibilities of realising such value in respect of the Group's property interests in Malta and they are satisfied that the Dolphin Sale and the Main Site Sale on the terms agreed with the Buyer are in the best interests of Shareholders.

Information on Dolphin House

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The business carried on at Dolphin House is the provision of rooms for use as temporary classrooms to support the provision of accommodation and services to English language students at the Main Site. In the year ended 31 March 2009, this business contributed €10,111 (£8,392) of revenue to the total SGBH revenue of €834,490 (£692,327). In the same period, SGBH reported an overall operating loss of €15,992 (£13,273), but no segmental analysis is available of the operating result attributable to the business carried on at Dolphin House.

Details of the Dolphin Sale

The key terms of the Dolphin Agreement, which is a promise of sale under Maltese law, are as follows:

- SGBH has conditionally agreed to sell Dolphin House to the Buyer for €2,329,373 (£2,143,023) in cash. The sale of Dolphin House is conditional, amongst other things, on the passing of Resolution 1 in the attached notice of General Meeting;
- the full consideration was paid into an escrow account by the Buyer on the signing of the Dolphin Agreement and will be released to SGBH upon satisfaction of the conditions which is anticipated to be no later than 31 October 2009; and
- legal Completion of the sale will be at such time as the Buyer may request but in any event will be not later than 12 January 2010.

Financial impact of the Dolphin Sale and use of proceeds

The net book value of Dolphin House as at 31 March 2009 was €323,395 (£300,757) and this value was consolidated in the Company accounts at 31 March 2009. The total cash consideration for the sale is €2,329,373 (£2,143,023).

The Dolphin Sale will generate proceeds, after expenses, of approximately €2,301,335 (£2,117,228) and the net proceeds to the Group arising on the sale after taxation will be approximately €2,021,810 (£1,860,065).

The net proceeds of the Dolphin Sale will be retained as working capital for the Group.

In view of the low level of revenue generated by Dolphin House, the sale of Dolphin House is not expected to have any impact on the ongoing business of the Group.

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 Leonardo Da Vinci old villa. In the year ended 31 March 2009, these businesses contributed €687,117 (£570,307) of revenue to the total SGBH revenue of €834,490 (£692,627). In the same period, SGBH reported an overall operating loss of €15,992 (£13,273), but no segmental analysis is available of the operating result attributable to the businesses carried on at the Main Site.

Details of the Main Site Sale

The key terms of the Main Site Agreement, which is a promise of sale under Maltese law, are:

- on the signing of the Main Site Agreement, the Buyer deposited the sum of €815,300 (£750,076) into an escrow account. This deposit will be released to the seller upon the satisfaction of certain preliminary conditions, including Shareholder approval, which is anticipated to be no later than 31 October 2009;
- the actual sale of the Main Site is conditional not only on Shareholder approval but also on the receipt by the Buyer of permission for the development the Main Site. In the event the Buyer does not receive such permission, the Buyer will not be obliged to purchase the Main Site and the initial deposit of €815,300 paid by the Buyer will be returned;
- on Completion of the Main Site Sale SGBH will receive further cash consideration of €28,301,867 giving a total cash consideration for the Main Site of €29,117,167 (£26,787,794);

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- subject to satisfaction of the conditions, Completion will take place on 30 March 2013; and
- the Buyer will pay all necessary duties required to be paid by the Maltese government on the sale of property.

Until Completion of the Main Site Sale, the Main Site will continue to be operated by SGBH as normal and will provide accommodation and services to English language students. Contracts with the longstanding partner of SGBH are currently being negotiated for the period to September 2012.

Financial impact of the Main Site Sale and use of proceeds

The net book value of the Main Site was €3,585,620 (£3,334,627) and was consolidated in the Company accounts at 31 March 2009. The total cash consideration for the sale is €29,117,167 (£26,787,794).

The Main Site Sale will generate proceeds, after expenses, of approximately €28,766,685 (£26,465,350) and the net proceeds to the Group arising on the sale after taxation will be approximately €25,272,625 (£23,250,815).

On receipt of the proceeds of sale of the Main Site in 2013, 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.

The effect of the Completion of the Main Site Sale in March 2013 will be that the hotel operations of the Group in Malta will cease.

General Meeting

You will find enclosed with this document a notice convening a General Meeting to be held at 9.00 a.m. on Wednesday, 28 October 2009 at Sofitel London Heathrow, Terminal 5, London Heathrow Airport, TW6 2GD. The sole business of the General Meeting is to approve the Dolphin Sale and the Main Site Sale, which will be proposed as ordinary resolutions.

Action to be taken

A Form of Proxy for use by Shareholders in connection with the General Meeting accompanies this document. Whether or not you intend to be present at the General Meeting, you are requested to complete and sign the Form of Proxy and return it to the Company's Registrars, Computershare Investor Services Plc, PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 3FA as soon as possible and in any event no later than 48 hours before the commencement of the meeting.

Unless the Form of Proxy is received by the date and time mentioned in the instructions, it will be invalid. The completion and return of the Form of Proxy will not prevent you from attending the General Meeting and voting in person, if you so wish.

Recommendation

The Directors consider that the proposed disposals are in the best interests of the Company and its Shareholders. They therefore unanimously recommend Shareholders to vote in favour of the Resolutions, as they intend to do in respect of their own shareholdings amounting to 5,621,183 Ordinary Shares which represent approximately 67.4 per cent of the Company's existing issued share capital.

Yours faithfully,

Charles Bailey

Chairman

C. H. BAILEY, PLC

(Incorporated and registered in England and Wales with number 190106)

(the "Company")

NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting of the Company will be held at Sofitel London Heathrow, Terminal 5, London Heathrow Airport, TW6 2GD, on Wednesday, 28 October 2009 at 9.00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed as ordinary resolutions:

ORDINARY RESOLUTIONS

1. THAT the proposed sale (the "Dolphin Sale") by St Georges Bay Hotel Limited, a member of the Group, to Vic Bon Limited of the freehold property known as Dolphin House, Malta on the terms and conditions of the agreement dated 9 October 2009 (the "Dolphin Agreement"), as more particularly described in the circular to the Company's shareholders dated 12 October 2009 of which this notice forms part, be and is hereby approved for the purposes of the AIM Rules for Companies published by the London Stock Exchange plc, subject to such non-material amendments or variations to the Dolphin Agreement and any agreements incidental to or forming part of the Dolphin Agreement as the Directors may in their absolute discretion deem necessary, expedient or desirable to complete or give effect to or otherwise in connection with the Dolphin Sale and/or any agreement executed to give effect thereto any matters incidental to any of them.
2. THAT the proposed sale (the "Main Site Sale") by SGBH to Vic Bon Limited of the freehold property known as Hotel Villa Rosa, the Old Villa and gardens and other land in Malta adjacent thereto pursuant to the terms of a sale agreement dated 9 October 2009 (the "Main Site Agreement") as more particularly described in the circular to the Company's shareholders dated 12 October 2009 of which this notice forms part, be and is hereby approved for the purposes of the AIM Rules for Companies published by the London Stock Exchange plc, subject to such non-material amendments or variations to the Main Site Agreement and any agreements incidental to or forming part of the Main Site Agreement as the Directors may in their absolute discretion deem necessary, expedient or desirable to complete or give effect to or otherwise in connection with the Main Site Sale and/or any agreement executed to give effect thereto any matters incidental to any of them.

By Order of the Board
Bryan Warren
Secretary
Dated 12 October 2009

Registered office:
C. H. Bailey Plc
Alexandra Dock, Newport
South Wales, NP20 2NP

Notes:

A member entitled to attend and vote at the General Meeting is also entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. The proxy need not be a member of the Company. Completion and return of a form of proxy will not prevent a member from attending and voting at the General Meeting in person should he/she wish to do so.

- (1) A Form of Proxy is provided with this notice and instructions for use are shown on the Form. To be effective, the completed Form of Proxy must be deposited with the Company's Registrars, Computershare Investor Services Plc, PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 3FA not later than 9.00 a.m. on Monday, 26 October 2009.
- (2) Only those holders of Ordinary Shares registered in the register of members of the Company at 6.00 p.m. on the date which is two days prior to the meeting or any adjournment of it shall be entitled to attend, speak and vote at the General Meeting or adjourned meeting. Entries on the register of members after 6.00 p.m. on that date shall be disregarded in determining the rights of any person to attend, speak or vote at the General Meeting.
- (3) In the case of joint holders, the signature of only one of the joint holders is required on the Form of Proxy but the vote of the first named on the register of members of the Company will be accepted to the exclusion of the other joint holders.