

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

When considering what action you should take, you are recommended to consult an independent financial advisor authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all of your shares in Pactolus Hungarian Property plc (the "Company"), please forward this document and the accompanying documents 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.

Circular to Shareholders

Pactolus Hungarian Property plc

(incorporated in the Isle of Man under the Isle of Man Companies Act 1931 - 2004 with registered number 115148C)

Notice of extraordinary general meeting regarding proposals to amend the existing share repurchase facility and to make amendments to the existing performance fee arrangements and amend the terms of the existing asset management agreement

Notice of an extraordinary general meeting of the Company, to be held at the offices of Pactolus Hungarian Property plc at Jubilee Buildings, Victoria Street, Douglas, Isle of Man, IM1 2SH at 11.00 a.m. on Monday 5 January 2009 is set out at the end of this document.

In case you are unable to attend and vote at the extraordinary general meeting, a form of proxy for use at the meeting is enclosed. To be valid, Forms of Proxy should be completed, signed and returned so as to be received by The Secretary, Pactolus Hungarian Property plc, c/o Equiom Trust Company Limited, Jubilee Buildings, Victoria Street, Douglas, Isle of Man, IM1 2SH, as soon as possible, but in any event so as to be received not later than 48 hours before the time of the Meeting, being 11.00 a.m. on Saturday 3 January 2009. Please refer to the detailed notes contained in the notice of extraordinary general meeting and form of proxy.

The distribution of this document in jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Expected Timetable of Principal events

Latest time and date for receipt of Form of Proxy in respect of the EGM	11.00 a.m. on 3 January 2009
Extraordinary General Meeting	11.00 a.m. on 5 January 2009

Key Statistics

Existing Ordinary Shares	23,050,273
New Ordinary Shares in issue following the proposed share buy back <i>(assuming 30 per cent. of the current issued share capital is repurchased)</i>	16,135,191

Definitions

“Acts”	the Isle of Man Companies Act 1931 - 2004 (as amended)
“Admission to AIM”	the admission of the ordinary share capital to trading on AIM which became effective in accordance with the AIM Rules on 23 March 2006
“Advance Incentive Fee”	a performance fee payable to the Asset Manager
“AGM”	an annual general meeting of the Company
“AIM”	the AIM market operated by the London Stock Exchange plc
“AIM Rules”	the rules governing the admission to and the operation of AIM published by the London Stock Exchange plc as amended from time to time
“Asset Manager”	Midas Investment Management Ltd
“Asset Management Agreement”	the agreement dated 17 March 2006 between the Company and Midas relating to, inter alia, the management of the Group’s assets by Midas
“the Board” or “the Directors”	the directors of the Company at the date of this document
“Company” or “Pactolus”	Pactolus Hungarian Property plc
“EGM”	the extraordinary general meeting of the Company, convened for 11.00 a.m. on Monday 5 January 2009, and any adjournment thereof, notice of which is set out in the Notice of EGM
“Euro” or “€”	the Euro, the currency of some member states of the European Union
“Existing Ordinary Shares”	the 23,050,273 Ordinary Shares in issue at the date of this document
“Form of Proxy”	the form of proxy accompanying this document, for use by Shareholders in connection with the Extraordinary General Meeting
“Group”	the Company and its subsidiaries;
“King Sturge”	King Sturge Kft, the Company’s Property Valuer in Hungary
“Midas”	Midas Investment Management Limited, a company incorporated in England and Wales with company registration number 01851650 and whose registered office is at 2nd Floor, Arthur House, Chorlton Street, Manchester, M1 3FH, which is authorised and regulated by the Financial Services Authority
“Net Assets”	the Group’s net assets as derived from the audited accounts or management accounts for the relevant period end
“Notice of EGM”	the notice convening the EGM enclosed with this document
“Ordinary Shares”	the ordinary shares of 1p each in the capital of the Company
“Property Portfolio”	the property owned by the Group through its subsidiary, Midász Property Ingatlanfejlesztő Kft
“Related Party Transaction”	a business transaction between two related parties, being the Company and Midas
“Resolutions”	the resolutions to be proposed at the EGM, details of which are set out in the Notice of EGM
“Shareholders”	holders of issued Ordinary Shares of 1p each in the Company
“Share Repurchase” or “Buy Back”	the repurchase by the Company of its own shares in the open market
“Valuation”	recent valuation undertaken by King Sturge of the individual properties in the Property Portfolio

Pactolus Hungarian Property plc

(incorporated in the Isle of Man under the Isle of Man Companies Act 1931 - 2004 with registered number 115148C)

Directors

Christopher Heal Bennett, BA (Hons), FRICS - Chairman
Brett Lance Miller, BA, LL.B. - Director
Stephen Dillon Gray - Director
Barry Curtis Smith, B Com, LLB, TEP - Director
Katherine Sarah Ellis, ACCA - Director
Sarah Joanne Ingrassia, TEP - Director

Registered Office

Pactolus Hungarian Property plc,
First Floor,
Jubilee Buildings,
Victoria Street,
Douglas,
Isle of Man,
IM1 2SH.

To the Shareholders and (for information purposes only) to the option holders

Dear Shareholder,

Proposed resolutions

Introduction

The Board announces that it wishes to convene an Extraordinary General Meeting of the Company in order to seek the consent of Shareholders for the following proposals:-

Resolution 1 - Share Repurchase Facility

The Board is currently empowered to repurchase up to 10 per cent. of the Company's issued share capital, a facility which originally expired on the date of the Company's first AGM but has been renewed at each subsequent AGM. The Board will consider repurchasing shares if they believe it to be in Shareholders' best interests, in particular as a means of correcting any imbalance between supply and demand for shares, in order to favour the liquidity of the Company's shares and as an additional way to reward the Shareholders in Pactolus Hungarian Property plc.

Having used the existing 10 per cent. Share Repurchase facility granted by Shareholders at the Company's most recent AGM on 3 July 2008, the Board proposes to seek approval from Shareholders to repurchase up to a further 6,915,082 Ordinary Shares, representing up to 30 per cent. of the Existing Ordinary Shares, should it believe this to be in the interests of the Shareholders.

The following points apply to this Share Repurchase facility:

- The shares will be bought at a price of not less than £0.01 and not more than the offer price in the market on the day of any Share Repurchase;
- The amended Share Repurchase facility will expire at the conclusion of the Company's AGM in 2010 or, if earlier, on 5 July 2010; and
- The Directors inform that the purpose of the Buy Back programme is the reduction of the Company's issued Ordinary Shares.
- Any Ordinary Shares which the Company may repurchase will be cancelled upon settlement.

In repurchasing the Ordinary Shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum and articles of

association and the Acts. The Acts provide that a Share Repurchase may only be paid from the distributable profits of the Company or the proceeds of a new issue of Ordinary Shares. Accordingly, any repurchase of Ordinary Shares will be financed from the Company's distributable reserves. It is the view of the Board that there would be no material adverse impact on the working capital or gearing position of the Company even in the event that the Share Repurchase facility is to be exercised in full at any time during the period to the Company's AGM in 2010 or, if earlier, 5 July 2010.

Resolution 2 - New Performance Fee arrangements for the Asset Manager

The following resolution is conditional upon the passing of Resolution 1 in respect of the proposed Share Repurchase facility.

The Board proposes that the Company's Asset Manager should be paid a performance fee based on cash returned to Shareholders attributable to the period from 1 December 2008 to 31 December 2011, compared to the current performance fee arrangements that are calculated based on the return on the Ordinary Shares. Cash returned would include, inter alia, returns via Share Repurchases, tender offers, takeover bids and dividends. The purpose of the new arrangement is to incentivise the Asset Manager to return the maximum amount of cash to Shareholders over the 37 month period described above.

The previous performance fee arrangement will therefore be cancelled after a pro rata calculation to determine the Asset Manager's fee for the period to 1 December 2008.

As at the date of this circular the Net Assets of the Group were Euro 21,417,568.

The new incentive fees would be paid on the basis set out below for cumulative cash returns relating to the period between 1 December 2008 and 31 December 2011 ("the Performance Fee Period"):

- Once cumulative cash returns have reached Euro 12.2 million (currently representing approximately 45p per share) during the Performance Fee Period, an incentive fee of 2.5 per cent. of Euro 12.2 million (part of the "Advance Incentive Fees") will be paid to the Asset Manager;
- For cash returns between Euro 12.2 million and Euro 13.6 million (currently representing approximately 50p per share), an incentive fee of 2.5 per cent. would be payable on cash returns between Euro 12.2 million and Euro 13.6 million (also part of the "Advance Incentive Fees").
- On reaching cash returns of Euro 13.6 million, an incentive fee of 5 per cent of Euro 13.6m million would be payable, net of any Advance Incentive Fees already paid;
- For cash returns between Euro 13.6 and Euro 19 million (currently representing approximately 70p per share), an incentive fee of 7.5 per cent. would be payable on cash returns between Euro 13.6 million and Euro 19 million; and
- For cash returns above Euro 19 million, an incentive fee of 15 per cent. would be payable on cash returns in excess of Euro 19 million.

No further incentive fees would be payable to the Asset Manager for cash returns relating to any period ending after 31 December 2011.

All performance fees above will be chargeable to VAT.

If approved by Shareholders, the proposed incentive arrangements would replace the existing performance fee arrangements, which will be cancelled.

Resolution 3 - Revised Asset Management Agreement

The following resolution is conditional upon the passing of Resolution 1 in respect of the Share Repurchase facility and Resolution 2 in respect of the proposed New Performance Fee arrangements for the Asset Manager.

The Board proposes that the period under the Asset Management Agreement be amended such that the appointment of the Asset Manager cannot be terminated other than for cause until 31 December 2011. The management fee would remain unchanged at 2 per cent. per annum plus VAT but the minimum amount payable under the Asset Management Agreement in any one year would be set at Euro 0.2m. After 31 December 2011, it would be possible to terminate the arrangements with the Asset Manager, other than for cause with three months' notice.

The Asset Manager has also proposed a general provision to be applied to the Group's property value for the sake of calculating management fees to bring the Net Assets of the Group down to the equivalent of 60p per share (on a constant currency basis from Admission to AIM) which was the original placing price of the shares on Admission to AIM. This would be undertaken by applying a general provision to the Property Portfolio of the Group, applying a uniform discount to the current square metre value of each of the properties in the latest Valuation of the Property Portfolio. This measure would reduce ongoing management fees but any fees foregone would be reclaimed and payable should any of the individual properties of the Group be realised during the period to the 31 December 2011 at a higher value than their adjusted written down value in the management accounts used to calculate the management fees.

At the end of the new three month termination notice period, the Asset Manager would be entitled to a termination payment equivalent to six months of management fees, subject to cap of Euro 0.2 million.

Other matters

The Board is reviewing a number of measures for reducing the cost base of the Group including all costs involved with being a public company listed on an exchange.

Note:

All amounts shown in this document are in pounds sterling and euros unless shown to the contrary. As at 2 December 2008 the rate of exchange was as follows:

£1: €1.1747

Related Party Transaction

Pursuant to AIM Rule 13 the transactions contained within Resolutions 2 and 3 are related party transactions as Midas is a substantial Shareholder. The Directors (all of whom are independent of Midas) have consulted with Dowgate Capital Advisers Limited (the Company's Nominated Adviser) who believe the terms of the Related Party Transactions are fair and reasonable insofar as its Shareholders are concerned.

Action to be taken

A Form of Proxy is enclosed for use at the EGM. Whether or not you intend to be present at the meeting you are requested to complete, sign and return the Form of Proxy to The Secretary, Pactolus Hungarian Property plc, c/o Equiom Trust Company Limited, Jubilee Buildings, Victoria Street, Douglas, Isle of Man, IM1 2SH, as soon as possible but in any event so as to arrive not later than 11.00 a.m. on Saturday 3 January 2009 in accordance with the notes to the Form of Proxy. The completion and return of a Form of Proxy will not preclude you from attending the meeting and voting in person should you subsequently wish to do so. I would like to draw your attention to the detailed notes to the Notice of EGM and Form of Proxy.

Recommendation

The Directors unanimously recommend the Shareholders to vote in favour of the Resolutions as they intend to do so in respect of their own beneficial holdings of 61,666 Ordinary Shares representing 0.27 per cent. of the Existing Ordinary Shares.

The Asset Manager, its associates or funds under its discretionary management, are the beneficial owner of 4,982,841 Ordinary Shares, representing approximately 21.62 per cent. of the Existing Ordinary Shares. As Resolutions 2 and 3 are deemed to be Related Party Transactions in respect of the Asset Manager, the Asset Manager, its associates or funds under its discretionary management, holding 21.62 per cent. of the issued share capital of the Company will abstain from voting on these two resolutions. However, the Asset Manager, its associates or funds under its discretionary management will unanimously vote in favour of Resolution 1.

Midas is deemed to be a related party as it is the appointed Asset Manager to the Company and in addition is a Shareholder in the Company.

Christopher Heal Bennett, BA (Hons), FRICS

Chairman.

11 December 2008

PACTOLUS HUNGARIAN PROPERTY PLC

(incorporated in the Isle of Man under the Isle of Man Companies Act 1931 - 2004 with registered number 115148C)

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting (the “EGM”) of Pactolus Hungarian Property plc (the “Company”) will be held at Jubilee Buildings, Victoria Street, Douglas, Isle of Man on Monday 5 January 2009 at 11.00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions, which will be proposed as ordinary resolutions as indicated below:

ORDINARY RESOLUTIONS

1. THAT the Company be authorised, in accordance with section 13 of the Isle of Man Companies Act 1992 and Article 14 of the Company’s articles of association, to make market purchases of ordinary shares, provided that the maximum number of ordinary shares authorised to be purchased is 6,915,082 ordinary shares, representing 30 per cent. of the Company’s issued ordinary shares, at a price per share of not less than £0.01 and not more than the offer price in the market on the day of the purchase, such authority to expire at the conclusion of the Company’s annual general meeting in 2010 or, if earlier, on 5 July 2010.
2. Subject to and conditional on the passing of Resolution 1, THAT the existing performance fee arrangements with the Company’s asset manager (the “Asset Manager”) be amended to a performance fee based on cash returned to shareholders attributable to the period from 1 December 2008 to 31 December 2011.
3. Subject to and conditional on the passing of Resolution 1 and Resolution 2, THAT the asset management agreement between the Company and the Asset Manager be amended.

By order of the Board.

Barry Smith
Company Secretary

11 December 2008

NOTES TO THE NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. A member entitled to attend and vote at the EGM may appoint one or more proxies to attend and, on a poll, vote instead on their behalf. A proxy need not be a member of the Company;
2. A Form of Proxy for use at the EGM is enclosed with this document. To be effective, a Form of Proxy (together with the power of attorney or other authority, if any, under which it is executed, or a notarially certified copy of such power of attorney of authority) must be completed, signed and lodged with the Company at their registered address not later than 48 hours before the time for holding the EGM.

Deposit of a Form of Proxy will not preclude a member from attending the EGM and voting in person should they so wish.

See the notes to the Form of Proxy for more details.

3. Pursuant to Regulation 22 of the Uncertificated Securities Regulations 2005, the Company has specified that to be entitled to attend and vote at the EGM (and for the purposes of determination by the Company of the number of votes they may cast), members must be entered on the Company’s register of members by 11.00 a.m. on Saturday 3 January 2009. Changes to entries on the register of members after 11.00 a.m. on that date shall be disregarded in determining the rights of any person to attend and vote at the EGM; and
4. The quorum required for the EGM is two members present in person or by proxy and entitled to vote thereat.

PACTOLUS HUNGARIAN PROPERTY PLC
EXTRAORDINARY GENERAL MEETING - 5 JANUARY 2009
FORM OF PROXY

Before completing this form, please read the explanatory notes on page 11.

I /We being a member of the Company appoint the Chairman of the meeting or (see note 3)

(Please print name of Proxy): _____

as my/our proxy to attend, speak and, on a poll, vote on my/our behalf at the Extraordinary General Meeting of the Company to be held on Monday 5 January 2009 at Jubilee Buildings, Victoria Street, Douglas, Isle of Man and at any adjournment of the meeting.

I/We direct my/our proxy to vote on the following resolutions as I/we have indicated by marking the appropriate box with an 'X'. If no indication is given, my/our proxy will vote or abstain from voting at his or her discretion and I/we authorise my/our proxy to vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is properly put before the meeting.

ORDINARY RESOLUTIONS	For	Against	Vote withheld (note 5)
1. THAT the Company be authorised, in accordance with section 13 of the Isle of Man Companies Act 1992 and Article 14 of the Company's articles of association, to make market purchases of ordinary shares, provided that the maximum number of ordinary shares authorised to be purchased is 6,915,082 ordinary shares, representing 30 per cent. of the Company's issued ordinary shares, at a price per share of not less than £0.01 and not more than the offer price in the market on the day of the purchase, such authority to expire at the conclusion of the Company's annual general meeting in 2010 or, if earlier, on 5 July 2010.			
2. Subject to and conditional on the passing of Resolution 1, THAT the existing performance fee arrangements with the Company's asset manager (the "Asset Manager") be amended to a performance fee based on cash returned to shareholders attributable to the period from 1 December 2008 to 31 December 2011.			
3. Subject to and conditional on the passing of Resolution 1 and Resolution 2, THAT the asset management agreement between the Company and the Asset Manager be amended.			

Signed: _____ day of _____ 200__

Signature: _____

Name (print): _____

Address: _____

In the case of joint holders, the signature of any one holder is sufficient.

2nd FOLD

BUSINESS REPLY SERVICE
Licence No DO81



The Secretary
Pactolus Hungarian Property plc
c/o Equiom Trust Company Ltd
1st Floor
Jubilee Buildings
Victoria Street
Douglas
ISLE OF MAN
IM86 2AL

1st FOLD

3rd FOLD AND TUCK IN

PACTOLUS HUNGARIAN PROPERTY PLC
EXTRAORDINARY GENERAL MEETING - 5 JANUARY 2009

NOTES TO THE FORM OF PROXY

1. As a member of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and, on a poll, vote at a general meeting of the Company. You can only appoint a proxy using the procedures set out in these notes.
2. Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will be deemed to be automatically terminated.
3. A proxy does not need to be a member of the Company but must attend the meeting to represent you. To appoint as your proxy a person other than the Chairman of the meeting, insert their full name in the box. If you sign and return this proxy form with no name inserted in the box, the Chairman of the meeting will be deemed to be your proxy. Where you appoint as your proxy someone other than the Chairman, you are responsible for ensuring that they attend the meeting and are aware of your voting intentions. If you wish your proxy to make any comments on your behalf, you will need to appoint someone other than the Chairman and give them the relevant instructions directly. Your proxy shall have no right to speak at the meeting except with the permission of the Chairman.
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share.
5. In respect of voting on a poll, to direct your proxy how to vote on the resolutions mark the appropriate box with an 'X'. To abstain from voting on a resolution, select the relevant "Vote withheld" box. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is properly put before the meeting.
6. To appoint a proxy using this form, the form must be:
 - completed and signed;
 - sent or delivered to The Secretary, Pactolus Hungarian Property plc, c/o Equiom Trust Company Limited, Jubilee Buildings, Victoria Street, Douglas, Isle of Man, IM1 2SH; and
 - received by The Secretary, Pactolus Hungarian Property plc, c/o Equiom Trust Company Limited, Jubilee Buildings, Victoria Street, Douglas, Isle of Man, IM1 2SH no later than 11.00 a.m. on Saturday 3 January 2009.
7. In the case of a member which is a company, this proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.
8. Any power of attorney or any other authority under which this proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.
9. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
10. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies (regardless of its date or the date of its execution) will take precedence. If the Company is unable to determine which appointment was last validly delivered, none of them shall be treated as valid.
11. A vote given or poll demanded in accordance with the terms of an appointment of a proxy shall be valid notwithstanding the death or mental disorder of the principal or the revocation of the appointment of the proxy, or of the authority under which the appointment of the proxy was executed or the transfer of the share in respect of which the appointment of the proxy is given unless notice in writing of such death, mental disorder, revocation or transfer shall have been received by the Company at the address specified at note 6 above at least 48 hours before the commencement of the meeting or any adjournment thereof.