24 September 2010

Alpha Tiger Property Trust Limited ('Alpha Tiger' or the 'Company') Trading Update

Global economic growth of 4.5% is forecast for 2010, following an estimated contraction of 0.8% in 2009. However, the strength of the upturn is uneven across countries, with many emerging economies recording robust economic growth, with the momentum in many advanced economies being somewhat more subdued.

Whilst the global economic recovery continues, progress towards financial stability was interupted during April and May as sovereign risks in parts of the euro area materialised. On a positive note, a degree of calm returned to eurozone debt markets in July following the announcement of the European Financial Stability Facility, which in conjunction with the publication of EU bank stress test results, helped to ease concerns. In addition, a number of European governments have announced austerity measures targeted at reducing budget deficits. Consequently, market strains appear to have receded somewhat during the past quarter. Notwithstanding, market confidence remains fragile and future economic forecasts remain subject to much uncertainty.

Uneven global growth patterns have also been reflected in divergent inflationary pressures across regions. Whilst global price pressures continue to be rather muted overall, inflation rates have risen to higher levels in fast-growing emerging economies, but have remained relatively low in major advanced economies, which has assisted in keeping interest rates low in support of continued economic growth.

Sentiment in the real estate markets around the world continues to broadly track the performance in underlying economies. Supported by a greater willingness of banks to lend to the sector, activity in prime segments of markets tends to be greatest.

Alpha Tiger continues to pursue investment opportunities and the Company remains in a strong position to take advantage of opportunistic purchases, as demonstrated by its strategic investments in Spain and the UK to date during 2010.

UK

The UK recovery continues, supported in part by monetary stimulus and further growth in global demand. Real GDP increased by 1.2% quarter on quarter in the second quarter of 2010, after expanding by 0.3% in the first quarter.

Base interest rates remain low at 0.5%p.a. and whilst inflation is still above the Bank of England's target of 2%p.a., the monetary policy committee indicate an expectation that it is likely to be below the target during the latter half of the year. This suggests that interest rates will remain at historic lows for a continued period.

The UK's real estate sector has seen a strong rebound in activity in specific market sub-sectors predominantly focused within the prime sector. Activity in secondary markets is more subdued as a result of new lending by banks being predominantly targeted at prime assets.

Spain

Despite debt concerns, the eurozone posted a sustained recovery. Having grown by 0.2% quarter on quarter in the first quarter of 2010, eurozone GDP expanded by 1% in the second quarter. The strong performance was led by Germany, however positive growth in the vast majority of other countries also contributed, including a 0.2% expansion in Spain, which has previously been an ecomony in contraction for much of the previous two years. The second quarter data has led the Economic Intelligence Unit to make an upward revision to its 2010 forecast for the euro zone to 1.3% from 0.7%.

The absence of medium term inflationary pressures point to a period of sustained low interest rates which would assist economic recovery and also support increased activity in the real estate sector.

Spain´s real estate market mirrors the general trend for greatest activity to be focused in prime real estate sectors. Post the Company´s investment in the H2Ocio shopping centre, a number of other transactions in Spain´s retail sector have been reported, including a sale and leaseback by supermarket operator Eroski, indicating improved investor confidence in the future prospects for the sector.

Registered office
Isabelle Chambers
Route Isabelle
St Peter Port, Guernsey
Channel Islands

India

Real GDP is forecast to grow by 8.1% in 2010/11 and 8.3% in 2011/12, accelerating from a growth rate of 8.0% in 2009/10.

Inflation remains stubbornly elevated forcing the Reserve Bank of India to commence monetary tightening including increasing the base lending 'repo rate' on a number of occasions to the current level of 5.75%. Consumer price inflation is forecast by the EIU to slow during the remainder of the 2010 fiscal year to average 11.4% and to decelerate in 2011 to an average of 5.9%.

Activity in India´s real estate sector continues to be led by the residential sector. Whilst commercial letting transactions are some way off the peak of earlier years, a number of reported lettings within the NOIDA region in excess of 100,000 square feet have been reported, to tenants including Accenture, Net Ambit, Tata Consulting Services and IBM. Investment transaction volumes remain relatively subdued however, a pick-up in occupier activity bodes favourably for a sale of the Company's Galaxia investment.

Net asset value

The unaudited adjusted net asset value per share of the Company was 101.8 pence at 30 June 2010 (31 March 2010: 105.8 pence). The change in the net asset value per share was predominantly attributable to foreign currency movements in the period.

Financing

H2Ocio - Within the H2Ocio joint venture, the Spanish SPV that acquired the property has drawn down senior bank finance of €75 million (£60.8 million) from a syndicate of banks for a term of seven years with no LTV covenants. Loan interest is charged at a weighted average margin of 3% over 3 month Euribor. The SPV has taken out an interest rate cap at 2.85% (pre-margin) to hedge the interest costs on €50 million (£40.5 million) of debt for the loan term at a cost of €2.2 million (£1.8 million).

Spain, Rivas Vaciamadrid, Madrid

H2Ocio

As previously reported, the H2Ocio centre was acquired for €83.3 million (£67.5 million) including acquisition costs and funding has been provided for a further €5 million (£4.1 million) of capital improvements. The acquisition was financed with a €75 million (£60.8 million) seven year syndicated bank facility. Alpha Tiger provided €14.5 million (£11.8 million) of mezzanine and equity finance into the transaction. The mezzanine loan of €14 million (£11.3 million) ranks ahead of equity and accrues a coupon of 8% together with profit participation of 10% of EBITDA (after bank interest) of the Spanish property holding SPV. Alpha Real Capital LLP ("ARC") has co-invested €1.5 million (£1.2 million) in equity.

The H2Ocio shopping centre has a gross lettable area of 49,516 square metres, comprising 119 units, including shops, a multiplex cinema and restaurants. It has a large fashion retailer base, including some of the strongest European fashion brands, including Zara, Mango, Cortefiel, H&M, C&A and Massimo Dutti.
The asset is jointly controlled by the Company and ARC and the Company is proportionally consolidating its interest in the joint venture. As part of the H2Ocio acquisition the Company entered into an option agreement dated 31 March 2010 giving the Company the right to acquire ARC's investment for a pre-determined price (or fair value, if higher) between 1 May 2010 and 31 December 2010.

In addition, the Company has provided a short term acquisition VAT loan for €12.7 million (£10.3 million). The loan earns an arrangement fee of 2% and accrues a margin of 2% over 3 month Euribor; it is expected to be repaid before the end of the calendar year when the Spanish tax authorities refund the VAT incurred.

An active leasing programme is underway and the leasing team has had success in attracting a number of new occupiers including Polinesia, Todoaromas and Loterias to the centre, additionally, the team has successfully re-geared the lease with anchor tenant Saturn. Strategic initiatives to increase footfall and enhance the centre's branding continue to be evaluated through identifying new anchor tenants, new speciality leasing operators, improved signage, participation in key local catchment events and greater connectivity to surrounding retail parks. In addition, an active cost management review has been undertaken and consequently a number of suppliers have been replaced and upgrades to certain mechanical and electrical and ambient services undertaken. The centre is currently 83% occupied. The implementation of Alpha's proactive management of the centre has temporarily resulted in a 7% fall in occupancy since acquisition. This was anticipated and reflects the take back of 6% of the space from tenants, including the music centre unit from a non-performing tenant in order to facilitate re-letting initiatives.

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Isabelle Chambers
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United Kingdom

Alpha UK Multi Property Trust Plc ("AUMP")

As announced on 9 August 2010 the Company invested, by way of convertible unsecured loan stock ("CULS"), £4.75m in AUMP (formerly Close High Income Properties Plc), a London Stock Exchange listed UK property fund with gross property assets of £112m (as at 31/3/10). AUMP has a regionally diversified portfolio of UK light industrial and office property.

The Company's CULS earn a coupon of 4.75% per annum. The CULS have preference shares attached to them which give the Company voting rights on resolutions not pertaining to UK Listing Authority matters. The CULS are convertible into ordinary share capital at any time until June 2013 at a conversion price of 31p. Should Alpha Tiger not elect to convert, the CULS are redeemable at a premium of 18% to their face value.

Alpha Tiger also has an option to purchase up to a further 4 million shares in AUMP at a price of 50p per share (the "AUMP Option").

Should Alpha Tiger elect to exercise the CULS in full (and assuming that the CULS coupon will be met by the issue of further CULS in accordance with its terms) Alpha Tiger will hold 17.4% of AUMP's enlarged share capital (assuming no other issues of shares). If the AUMP Option is also exercised in full, Alpha Tiger will hold 20.5% of AUMP's enlarged share capital (again assuming no other issues of shares).

Phillip Rose has been appointed to the AUMP Board and Tom Pissarro has been appointed fund manager. Alpha has instituted a business plan to enhance net rental income, target capital expenditure and exploit "value-adding" opportunities.

India, National Capital Region, NOIDA

Galaxia

As previously announced, the Company has entered into an agreement with its development partner to jointly explore a sale of their interests in the Galaxia project, an 11.2 acre special economic zone located in Sector 140a, NOIDA, NCR, India. Agents have been appointed and marketing is underway.

Foreign currency

All foreign currency balances have been translated at the period end rate (€ : £ : 1.234; INR : £ : 70).

Contact:

Alpha Tiger Property Trust Limited

David Jeffreys, Chairman, Alpha Tiger +44 (0)1481 735 540

Brad Bauman, Joint Fund Manager Alpha Tiger +44 (0) 7786 875 944

Panmure Gordon, Nominated Adviser to the Company

Richard Gray/Andrew Potts/Stuart Gledhill +44 (0)20 7459 3600

Further information on Alpha Tiger Property Trust Limited is available at

www.alphatigerpropertytrust.com

Registered office
Isabelle Chambers
Route Isabelle
St Peter Port, Guernsey
Channel Islands