23 September 2011

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

During the last quarter, sovereign debt tremors in the euro-zone and reports of a moderation in US economic growth have given rise to an increase in financial market uncertainty. However, many commentators continue to adopt a central forecast of moderate global growth, with 3.6% forecast for 2011[1]. Central banks across the developed world remain committed to forestall economic decline by shoring up global liquidity[2].

There continues to be a disparity between countries and regions; in many developed economies policy intervention is focused on spurring growth whereas, in more rapidly growing developing economies, intervention is focused on controlling inflation and setting growth rates on a sustainable path.

The second quarter of 2011 marked a continued period of general stability in values across the European commercial property market[3] albeit the heightened real estate investor demand witnessed since the start of 2011 has been somewhat tempered. However, whilst investment activity moderated during the second quarter of 2011, in some European markets, this reflects a lack of available product in certain sectors, rather than diminished demand. Barring significant further economic setbacks, there is some optimism that the current lull in real estate sentiment is temporary and that global markets will return to a more confident stride in the final months of 2011[4]. However, the uncertain and uneven outlook appears likely to give some reinforcement to investment trends already apparent during the first half of 2011, namely investor focus almost exclusively on prime sectors and asset classes.

Alpha Tiger remains committed to its disciplined strategy and investment principles which focus on opportunities that can deliver high total returns, while seeking to manage risk through a combination of operational controls, diversification and preferred return structures. The application of this strategy has been successfully demonstrated in the Company´s investment in the H2O shopping centre in Madrid and in Alpha UK Multi Property Trust Plc. Shorter term investments such as the Company´s investment in Freehold Income Trust demonstrate a commitment to improve shareholder returns including the component derived from income. The anchoring of the H2O investment with a new supermarket operator and the capital expenditure projects being undertaken to re-animate the centre, demonstrate property level added value from the Company's active management approach to its underlying property investments.

Alpha Tiger remains in a strong position to capitalise on further opportunistic investments.

Europe – UK
Economic and property market outlook

Second quarter 2011 UK GDP growth was announced at 0.2% down from 0.5% in the previous quarter. Weakness was attributed to 'temporary factors' such as extra holidays, the royal wedding and effects from the natural disasters in Japan. The Economic Intelligence Unit central forecast is for an extended period of subdued (but potentially more volatile) economic activity with forecast GDP growth of 1.3% in 2011 and 1.6% in 2012[5].

UK 10-year gilt yields are sub 2.75% reflecting their perceived 'safe haven' status. The economy remains in a fine balance, with just enough GDP strength to suggest stability and allow reaffirmation of government commitment to fiscal austerity measures, but moderate enough to indicate little likelihood of a base rate hike this year[6].

The availability of real estate debt finance remains broadly limited to prime assets. Core sectors and markets, such as Central London property, appear to be gaining from the uncertainty in the global economy, with overseas investors regarding it as a relatively secure investment. UK transaction volumes for January to June totaled £16.3 billion, compared to £15 billion for the equivalent period in 2010[7].

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[1] Economic Intelligence Unit Global Forecast August 2011

[2] CBRE Global ViewPoint August 2011

[3] CBRE European Valuation Monitor Q2 2011

[4] Jones Lang LaSalle Global Market Perspective Q3 2011Economic Intelligence Unit World Economy July 2011

[5] Economic Intelligence Unit Global Forecast August 2011

[6] Colliers International Property Snapshot August 2011

[7] Knight Frank UK Market Outlook August 2011

Investment Review
Alpha UK Multi Property Trust Plc ("AUMP")

As previously announced the Company invested, by way of convertible unsecured loan stock ("CULS"), £4.75 million in AUMP (formerly Close High Income Properties PLC), a London Stock Exchange listed UK property fund with gross property assets of £110.6 million (as at 30 June 2011). AUMP has a regionally diversified portfolio of UK light industrial and office property.

The potential to create value through the active asset management of an income focused property portfolio has been part of the Company´s rationale for its AUMP investment.

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. During the period, AUMP carried out a share consolidation replacing 10 ordinary shares with 1 new ordinary share. The CULS are convertible into ordinary share capital at any time until June 2013 at a new conversion price of 310 pence as a result of the consolidation. 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 500 pence per share (the "AUMP Option", again adjusted for the consolidation). 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).

The investment manager of AUMP is ARC. The following highlights were included in the AUMP half year report published in August 2011:

- New lettings: 32 new lettings and 13 lease renewals during the past six months.
- Additional contracted rent: £0.6 million per annum of additional rent is due to start during the next two years.
- Gearing reduced: borrowings reduced by £1.4 million to £80.6 million; loan to value ratio on secured debt reduced from 73.2% to 72.9%.

Freehold Income Trust ("FIT")

As previously announced, the Company invested a total of £6.2 million in FIT, an open-ended unauthorised unit trust scheme that invests in UK residential freehold ground rents which offer an attractive income stream, capital growth prospects and attractive risk-adjusted returns. FIT owns over 64,000 freeholds in the UK with a gross annual rent income in excess of £7.3 million. The forecast yield on the investment is expected to be above 4% p.a. FIT's NAV at 22 August 2011 was £146.7 million.

The investment is expected to provide a better return than currently derived from the Company's cash balances. FIT operates a monthly dealing facility to provide liquidity.

Alpha Real Property Investment Advisers LLP ("ARPIA"), a subsidiary of ARC, is the investment manager of FIT.

Europe – Spain
Economic and property market outlook

Spain´s GDP grew by 0.2% in the second quarter of 2011, following on from growth of 0.3% in the first quarter. Comfort from the economy´s gradual but sustained recovery should be balanced with the fact that slower growth in the "core" euro-zone economies will create a drag on the whole region´s ability to maintain growth momentum.

Following the European Central Bank's ("ECB") policy interest rate rise by 25 basis points in April, there was a further 25 basis points rise, to 1.5%, in July 2011. With signs that economic activity expansion has moderated over the past quarter, it is now more likely that any urge for the ECB to raise interest rates further will be dampened[8].

During the quarter, Spain's, along with Italy´s, bond spreads temporarily widened relative to those of Germany, to levels close to 6%. The ECB action in buying these governments´ bonds has subsequently pushed down yields although they still remain above 5%.

Occupier sentiment within Spain´s retail sector has improved marginally, although there is still a notable degree of caution surrounding expansion plans. Real estate investment activity has increased, albeit from a low base, with a range of investors

[8] Capital Economics European Data Response Q2 GDP

predominantly continuing to target prime assets offering good security of income. This trend is expected to continue during 2011[9].

Investment Review
H2O, Rivas Vaciamadrid, Madrid, Spain

As previously reported, the H2O shopping centre was acquired for €83.3 million (£74.8 million) including acquisition costs and funding has been provided for a further €5 million (£4.5 million) of capital improvements. The acquisition was financed with a €75 million (£67 million) seven year syndicated bank facility. Alpha Tiger provided €14.5 million (£13 million) of mezzanine and equity finance to the transaction. The mezzanine loan of €14 million (£12.6 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. In relation to the mezzanine loan, two forward sale options have been purchased covering €7 million (£6.3 million) of the exposure.

Alpha Real Capital LLP ("ARC") has co-invested €1.5 million (£1.3 million) in equity. The H2O centre has a gross lettable area of 51,825 square metres, comprising 118 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, Massimo Dutti and, as detailed below, a new lease agreement was signed with supermarket operator, Mercadona.

The asset is jointly controlled by the Company and ARC, and the Company is proportionately consolidating its interest in the joint venture. As part of the H2O 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. As previously announced, a new option was entered into extending this right to 31 March 2012 with the same principal terms as the original option.

As previously disclosed, the Company provided a short term acquisition VAT loan for €12.7 million (£11.4 million), earning an arrangement fee of 2% and a margin of 2% over 3 month Euribor. The Company has subsequently entered into a forward sale contract to convert these monies into Sterling at the end of September 2011. In August 2011, subsequent to the period end, the Spanish government repaid the outstanding VAT monies to the local Spanish SPV allowing the intercompany loan to be settled and the Company to meet the forward contract in September.

The centre has a passing net rental income in excess of €6 million (£5.4 million) per annum. The weighted average lease length as at 30 June 2011 is 12.2 years to expiry and 2 years to next break. The centre is currently 93% occupied.

As previously announced, the Spanish property holding SPV has signed a lease with Mercadona, one of Spain's leading supermarket operators. The store is now open. The 3,111 square metre supermarket unit was vacant at the time of the Company's investment in H2O. A number of capital expenditure projects are being assessed with a view to enhancing the centre. One of these, the construction of a new terrace and "beach" area along the lakeside of the centre has been completed. The enlarged amenity offering a water play area is aimed at increasing customer footfall, time spent shopping and spend per head. New rental income will be earned from newly created retail kiosks.

Asia – India
Economic and property market outlook

The main trend characterising the Indian economy since the start of 2011 is continued relatively strong growth coupled with high inflation and rising interest rates.

India´s economy continues to demonstrate robust growth, with GDP growth of 7.9% forecast in the fiscal year ending March 2012 and 8.2% in 2013[10]. India's strong growth fundamentals - high saving and investment rates, its expanding workforce and middle class - are likely to sustain its economic performance.

Stubbornly high inflation, however, remains a lingering concern. The Reserve Bank of India (RBI, the central bank) raised its main policy rate, the repurchase (repo) rate, to 8% with increases in June and July 2011 totaling 75 basis points[11].

The outlook for India's office market remains generally positive. The Delhi National Capital Region continued to show signs of improving demand, as evidenced by new lettings in the second quarter 2011 being at the highest since 2009[12]. The Information Technology and IT Enabled Services ("ITeS") sector led demand but growth was also reported from sectors

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[9] Cushman & Wakefield – Marketbeat Spain Retail Snapshot Q4 2010

[10] Economic Intelligence Unit – Global Forecasting Service August 2011

[11] globalrates.com

[12] DTZ Property Times India Offices Q2 2011

such as Technology, Manufacturing, Energy, Consumer Goods and Chemicals[13]. A continued growth in demand should assist the prospects for a sale of the Company's Galaxia investment.

Investment Review
Galaxia, National Capital Region, NOIDA, India

As previously announced on 2 February 2011, Alpha Tiger recommenced arbitration proceedings against its development partner Logix Group ("Logix") in order to protect its Galaxia investment.

As previously announced, following an attempt by Logix, by way of a civil suit, to dispute the validity of the recommencement of arbitration proceedings brought by Alpha Tiger, the Delhi High Court has ruled in favour of Alpha Tiger and dismissed the Logix suit.

As also previously announced, in response to an injunction application filed by Alpha Tiger, the Delhi High Court has also passed an order restraining Logix from transferring or encumbering the Galaxia site, without leave of the Arbitral Tribunal. Further, the Court has directed Logix to make payment of installments of outstanding lease rentals relating to the Galaxia site until the completion of the arbitration.

Notwithstanding the above, the Company is continuing to actively explore avenues for a sale of the development. Further updates will be provided in due course.

Net asset value

The unaudited adjusted net asset value per share of the Company was 108.2 pence at 30 June 2011 (31 March 2011: 105.3 pence). There was no revaluation of the investment property during the period and the increase represents mainly a combination of foreign exchange gains during the period and the reduced number of shares following share buybacks.

Foreign currency

All foreign currency balances have been translated at the period end rate €1.113: £1; £1: INR 72.69.

Share buyback authority

At the EGM on 17 March 2011 the Company's shareholders approved a general authority allowing the Company to buy back up to 24.99% of shares. A waiver granted by the Takeover Panel was also approved.

As previously announced during the reporting period, in a series of transactions, the Company purchased 2,160,000 Ordinary Shares at an average price (before expenses) of 67.5 pence per share. The purchased Ordinary Shares have been cancelled together with 240,000 shares previously held in treasury.

As at 30 June 2011, the ordinary share capital of the Company following the purchase and cancellation of those Ordinary Shares is 59,280,326 (including shares held in treasury). The Company holds a total of 5,928,032 shares in treasury. The total voting rights in Alpha Tiger following the purchase and cancellation of the Ordinary Shares is 53,352,294.

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/Abhishek Majumdar +44 (0)20 7459 3600

Further information on Alpha Tiger Property Trust Limited is available at www.alphatigerpropertytrust.com

[13] DTZ Property Times India Offices Q2 2011