

FORTERRA TRUST RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2014

Forterra Trust (“Forterra” and / or the “Trust”) is a Singapore listed Business Trust constituted pursuant to a trust deed dated 19 May 2010 (as supplemented by a supplemental trust deed dated 26 February 2013) (the “Trust Deed”). Forterra commenced trading on the Main Board of Singapore Stock Exchange (“SGX”) on 21 June 2010. Established to acquire, develop and manage commercial real estate in China, Forterra Real Estate Pte. Ltd., in its capacity as Trustee Manager of Forterra Trust (the “Board” and / or “Trustee-Manager”) is pleased to announce Forterra’s results for the 3-month period ended 30 June 2014.

Executive Summary

During the second quarter of 2014, the Trust continued to execute and deliver on its stated objectives for the year. First, the sale of Beijing Logistics Park was completed and it was sold to a company affiliated with Global Logistic Properties Limited. The realised value of the sale of the property (RMB424.0 million), was in excess of the latest valuation by RMB86.0 million or 25.4%, and a gain of approximately of S\$20.2 million from the transaction. This again demonstrated the Trust’s capability to deliver enhanced return to the unitholders of the Trust. Settlement occurred on 16 April 2014 and in accordance with the terms set out in the announcement dated 7 April 2014.

The loan for Huai Hai Mall, due to expire on 11 July 2014 and despite a challenging liquidity environment, was successfully refinanced for another five years (expiring in July 2019) with the current lender China Citic Bank International Limited and Citic Bank International (China) Limited, Shanghai Branch. Through the refinancing, the onshore loan of RMB50.0 million and offshore loan of USD42.0 million have been increased to RMB106.0 million and USD59.6 million respectively, with the average interest rate equating to 5.50%¹ for both the USD and RMB loans under the new five-year loans as compared with 4.35%¹ for the matured three-year loans. The successful and increased refinancing amount further strengthens the Trust’s cashflow and contributes to its operational flexibility. In addition, management continues to explore various funding alternatives and sources to meet the Trust’s operational and financial requirements. Management is also currently working on and is confident to secure a short term loan arrangement to finance the repayment of Forum convertible bond that is due to expire on 17 September 2014, if it is not converted by the bondholders into Units.

The management of the daily operations of the Trust’s business and investments continues and remains focused under the administration and guidance of the Executive Committee (the “ExCo”), that was established in late May upon the resignation of the Chief Executive Officer (“CEO”). The ExCo is comprised of representatives from the Board and senior management members. In the search for a replacement CEO, the Board is proactively looking for a candidate who possesses strong and suitable qualities and expertise.

For The Place, Management has undertaken and completed a comprehensive review, including the development, completion and leasing progress of the project. In this review, management has factored in the evolving trend of consumer behaviour and market sentiment (see “Market Conditions” for more detail), optimised retailing tenant mix, and the tenants’ marketing strategies and plans. As a result of this review, the opening timeline of The Place Phase 1 (“TP1”) has been re-aligned to that of the food street of The Place Phase 2 (“TP2”) which is scheduled, as previously planned, to open in December of 2014 as consumers in China expect a more enhanced shopping experience with interactivity and fun elements at shopping malls

¹ Based on published LIBOR and PBOC interest rates as at 11 July 2014.

amidst increasing popularity of online sales. Under this evolving trend of consumer behavior, the food street of TP2, is one of the key and unique selling points of The Place, and will play an important role in attracting guest traffic for The Place, benefitting tenants, guests and the Trust in the long run. The opening timeline in December also allows the tenants to capture the favorable business opportunities during the traditional shopping peak season and enables the landlord to maximize the impact of the marketing effect of the initial launch of The Place. Overall, the combined opening timeline for TP1 and TP2 is intended to create a larger and broader retail offering and shopping experience with enhanced and enriched exposures provided to family guests as a result of further optimising offerings in F&B and offerings for children.

Similarly, the opening of The Place Phase 3 (“TP3”) and the link bridge of TP2 is now rescheduled to mid-year 2015 after taking into account of the following contributing factors, namely:

- a) a changing environment for retailers and retailing in China resulting from the increasing popularity of online shopping;
- b) further optimising and fine tuning of the tenant mix of TP1, TP2 and TP3 as a whole to enhance the overall retail experience, in particular for families, by enlarging offerings of F&B and offerings for children;
- c) additional enhancement works resulting from the fine tuning of tenant mix and increase in F&B offerings, as well as to further upgrade the facilities to enhance the overall shopping experience at The Place; and
- d) the well recognized season-centric practice of retailers to launch their stores either before year-end to capitalize on the combined effect of the seasonal Christmas, New Year, and Chinese New Year’s holiday shopping patterns of consumers, or to skip it altogether, and open their store mid-year.

The Place’s rental revenue contribution, upon its opening and stabilisation, is expected to significantly improve the cash flow and financial position of the Trust, and lay a solid foundation for the Trust’s financial operations and future development. Nonetheless, a lot has changed in the China as well as Shanghai’s retail and office market conditions since 28 February 2012, when the Trust first announced its expected development plans for The Place (please see “Market Conditions” below for more information). In addition, in view of these market conditions and challenges, management has adopted a more prudent and realistic approach in its overall development and operational assumptions for The Place. As a result, on a stabilised basis, The Place is expected to realise an annualised gross revenue in excess of RMB500 million.

Management is committed and focused on the successful launch of The Place from December 2014 through mid-year 2015, and continues to prioritize its efforts and resources for delivering a timely and successful opening of The Place.

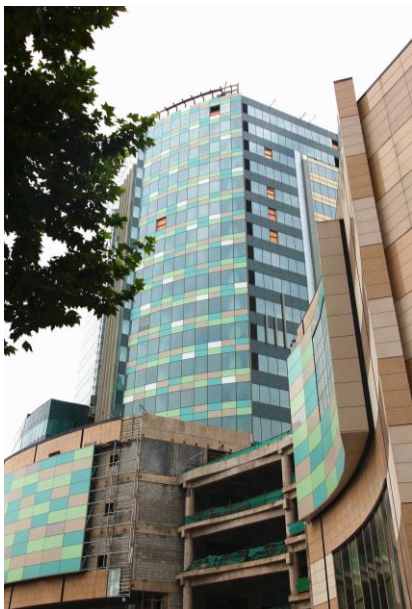


Retail atrium of TP1 after refurbishment

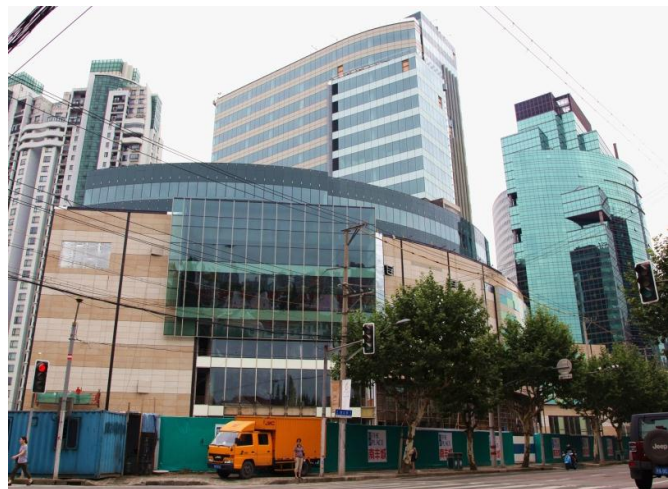


External landscape work of TP1 completed

The refurbishment and development work of The Place is progressing well and in line with the revised opening timeline. For TP1, the external landscape work was completed in June 2014. This follows the completion of TP1's internal refurbishment last quarter. For TP2, topping out of the link bridge occurred during the quarter and marks the last structure top out for the overall project. For TP3, development work continues to move forward including the completion of facade installation for both the retail podium and office tower and the build-up of permanent power supply. Finally, the on-site office mock up room is ready for potential tenants to visit.



Curtain wall installation of TP3 office tower completed



Facade installation of TP3 retail podium completed

For the fourth consecutive year, Forterra was conferred The 9th Capital Outstanding China Enterprise Award by Capital Magazine in Hong Kong in June 2014. The awards honour model China enterprises and business leaders who have achieved excellent performance for the previous year and contributed positively to the local Chinese communities they operate in.

The Trust engages an independent valuer to perform valuation of all of its investment properties in June and December of each year. The valuation amounts of the investment properties as at 30 June 2014 are as follows:

Investment Properties	As at 30 Jun 2014 (RMB million) ⁽¹⁾	As at 31 Dec 2013 (RMB million) ⁽¹⁾	Variance %	As at 30 Jun 2013 (RMB million) ⁽²⁾
<i>Stabilised Assets</i>				
Forterra House, <i>Shanghai</i>	658	720	-8.6%	727
<i>Transitional Assets</i>				
The Place Existing, <i>Shanghai</i>	5,687	6,077	-6.4%	6,191
Huai Hai Mall, <i>Shanghai</i>	816	816	-	816
Central Park Mall (Phase I), <i>Qingdao</i>	520	624	-16.7%	669
<i>Total Transitional Assets</i>	<i>7,023</i>	<i>7,517</i>	<i>-6.6%</i>	<i>7,676</i>
<i>Development Asset</i>				
The Place Extension, <i>Shanghai</i>	2,020	2,057	-1.8%	1,910
<i>Land-Bank Asset</i>				
Central Park Mall (Phase II-IV), <i>Qingdao</i>	1,007	1,379	-27.0%	1,366
Total Portfolio Valuation	10,708	11,673	-8.3%	11,679
Total Portfolio reflecting 55% ownership of Central Park Mall	10,021	10,772	-7.0%	10,763

Note:

(1) The independent valuation analysis was undertaken by DTZ Debenham Tie Leung.

(2) The independent valuation analysis was undertaken by CB Richard Ellis.

As at 30 June 2014, the real estate portfolio reflected a total value of RMB10.7 billion (S\$2.2 billion) and RMB10.0 billion (S\$2.0 billion) after accounting for the Trust's 55% interest in Central Park Mall Qingdao. The latter outcome represented a 7.0% decrease in RMB terms compared to the value as of 31 December 2013.

The changes in valuation amounts reflect the general market trend tracking a more cautious environment for retailers and retailing business in China as well as the expected ample new office supply in Shanghai in the coming years. Please see "Market Conditions" below for more current market information. The lower valuation of The Place also reflects the revised opening timelines, updated development construction budget and the expected rental from the further optimisation and fine-tuning of the tenant mix for longer term and more sustainable operational retail model. For Central Park Mall, the decline in valuation was also attributable, in part, to the softening property market in Qingdao and management's on going plan and discussions in securing a long term tenancy for the entirety of the Phase I so as to achieve an optimal occupancy and operating cashflow for the Trust.

Subsequent to the official launch of the free trade zone ("FTZ") in Shanghai in September 2013, on 1 July 2014, more than 50 rules and restrictions governing foreign investment in the FTZ were lifted in a bid to support the FTZ's continued growth and development. The greater openness of the FTZ will enable the zone

to give full play to its role as the initial launch and testing ground for China as it undergoes a process of industrial restructuring, and aid the cultivation of competitive advantages in international economic cooperation. The step up of financial reform in the FTZ is anticipated to generate stronger demand and higher take-up for office and retail properties in Shanghai, where majority of the Trust's properties reside in, in the long run.

Highlights as at 30 June 2014

Financial

- Gross revenue of RMB66.5 million or S\$13.4 million was recorded for the 3 months ended 30 June 2014. The reduction in revenue as compared to Q2 2013 was mainly due to the sale of Central Plaza and BLP in May 2013 and April 2014 respectively, nil occupancy of the retail podium at The Place as a consequence of the on-going refurbishment work and the termination of rent guarantee for Central Park Mall in August 2013.
- Net Property Income ("NPI") of S\$8.3 million for Q2 2014
- 2014-Q2 results are being heavily impacted by the change in fair values of the investment properties. According to the valuation conducted by DTZ Debenham Tie Leung, an independent professional valuation firm, a property valuation loss of S\$246.8 million was recorded as of 30 June 2014.
- Basic Net Asset Value ("NAV") of S\$3.84 per unit as at 30 June 2014 (S\$4.68 per unit as at 31 December 2013). The lower NAV was primarily attributable to the change in the fair value of investment properties as at 30 June 2014.
- As an owner of commercial real estate in China, Forterra's revenues are in RMB and in this context Gross Revenue of RMB66.5 million and Net Property Income of RMB41.1 million was recorded during the period and is detailed in the following table:

NPI Analysis (RMB'000)	2nd Qtr 2014	1st Qtr 2014	2nd Qtr 2013
Gross Revenue	66,489	72,383	100,828
Business and property related taxes	(11,008)	(11,171)	(11,707)
Property management fees	(2,474)	(2,763)	(4,060)
Other property operating expenses	(11,928)	(17,519)	(18,779)
Total Property Operating Expenses	(25,410)	(31,453)	(34,546)
Net Property Income	41,079	40,930	66,282

NPI Analysis (S'000)	2nd Qtr 2014	1st Qtr 2014	2nd Qtr 2013
Gross Revenue	13,427	15,039	20,505
Business and property related taxes	(2,223)	(2,321)	(2,389)
Property management fees	(499)	(574)	(826)
Other property operating expenses	(2,393)	(3,640)	(3,820)
Total Property Operating Expenses	(5,115)	(6,535)	(7,035)
Net Property Income	8,312	8,504	13,470

Trust Deed Covenants

- | | |
|---|-----------------------------------|
| • Maximum debt to assets ratio of 45% | - Actual 35.8% (31/12/13 – 32.6%) |
| • Maximum development assets to total assets of 30% | - Actual 20.9% (31/12/13 – 18.2%) |
| • Minimum payout of Distributable Income of 50% | - N.A. (31/12/13 – N.A.) |

Operational

- Committed occupancy for Forterra House and TP1 office towers as at 30 June 2014 remained satisfactory at 96.6% and 89.9% respectively.
- The external landscape work of TP1 was completed in June 2014 following the completion of its internal refurbishment during last quarter. Modification work resulting from the fine-tuning of tenant mix and shopping experience upgrade is ongoing.
- For TP2, the link bridge was topped out during the quarter marking the completion of the last structure topping out of the overall project. External curtain wall enclosure and interior fit-out work are in progress.
- Meanwhile, the refurbishment work of The Promenade, the food street section of TP2, reached the final stage with lessor work underway before handing over to tenants for fit out.
- The development work of TP3 continues to move forward including the completion of facade installation for both retail podium and office tower and the build-up of permanent power supply. An on-site office mock up room is ready for potential tenants to visit. Internal fit out and mechanical, electrical & plumbing (“MEP”) work is advancing together with the enhancement work resulting from the fine-tuning of tenant mix and shopping experience upgrade.
- As at 30 June 2014, The Place retail pre-commitment remained satisfactory at approximately 80% for TP1, 86%² for TP2 and 37% for TP3, of which written confirmation of interest, including leases under detailed negotiation was approximately 62% (TP1), 57%² (TP2) and 17% (TP3) respectively with the balance represented by work in progress.

² Certain lettable area was reclassified from TP3 to TP2 resulting in a change in pre-commitment in percentage terms compared to end Q1 2014. This reclassification has no impact to the overall leasing of TP.

- Despite the challenging market environment observed in Puxi, during the quarter (see “Market Conditions” for more detail), 12 leases were successfully negotiated in the Forterra House and TP1 office portfolio consisting of both new lettings and renewals, producing an aggregated per square metre rental which remained flat over the expiring leases. A selection of leasing activities for the second quarter is detailed in the following table:

The Place (Phase 1)	✓ Hitachi Household Appliances	1,652 sqm (Renewal)
	✓ Person Management Consulting	586 sqm (Renewal)
	✓ Crimson Asia Capital	415 sqm (Renewal)
	✓ Nichias Trading	312 sqm (Renewal)
Forterra House	✓ Axtrion China	755 sqm (Renewal)
	✓ Ethereal IMC Consulting	267 sqm (New)

- With respect to the remainder of Forterra’s portfolio:
 - ✓ Huai Hai Mall – All leases expired as planned with the last tenant moving out from the premise by the end of March 2014. The premise is ready for pre-development in support of the repositioning plan which management is currently reviewing.
 - ✓ Central Park Mall – The committed occupancy for the existing mall at the Phase 1 premise remained flat at 65.7% as at 30 June 2014 (66.3% as at 30 June 2013) while the pre-development work is ongoing with respect to the balance of the development sites. Subsequent to the termination of rent guarantee with TRIO in August 2013, management is working on a plan to secure a long term tenant for the entirety of the Phase I to achieve an optimal occupancy and cashflow for the Trust.

Capital Markets Activity

There was no capital markets activity during the quarter.

Significant Events Since Period End

There was no significant event to report since the end of the quarter.

Market Conditions³

China's GDP growth stabilised at 7.5% year-on-year ("YoY") in Q2 2014 compared to 7.4% YoY in Q1 2014 as the "mini-stimulus" package including railway investments, affordable housing investments as well as favorable tax treatment for small businesses launched during the quarter kicked in. Chinese Premier recently reiterated that the government will continue to make anticipatory and moderate adjustments when necessary to maintain the steady operation of the economy and ensure major economic indicators such as growth, employment and inflation are kept within reasonable ranges.

CPI inflation averaged 2.3% YoY in Q2 2014, still well below the government's 2014 annual target of 3.5%. Subdued inflation would leave more room for the monetary policy to maintain a relatively supportive stance.

The market performance of Puxi (location of all Forterra's office assets) and Pudong Grade A office market in Shanghai continued to diverge during the second quarter. In Puxi, most MNCs companies, except for retailers, were inactive in the leasing market and preferred to renew their existing space. Meanwhile, new supplies in the Puxi area also led to more competition, resulting in landlords taking a more accommodating approach in the negotiation of lease terms. Due to the quiet leasing demand, vacancy rate in Puxi stayed high at 13.4% with rent up slightly by 0.4% quarter-on-quarter ("QoQ") to RMB9.0/sqm/day. In Pudong, average rents continued to increase, up by 2.5% QoQ to RMB9.8/sqm/day, with vacancy rate falling further to 2.4%, being its lowest since Q4 2007. The strong office demand in Pudong is mainly from domestic financial institutions combined while available space is limited.

Shanghai's retail property market performance remained at a stable level in prime market and has showed signs of softening in emerging / secondary market in Q2 2014. Foreign retailers focused their interest in prime retail locations for expansion in Shanghai and are cautious in opening new stores in emerging / secondary market. Fast fashion retailers stayed on their expansion plan in Shanghai and their bargaining power with landlord increased amid more competition. F&B retailers, in general, are relatively active in expanding both in prime and secondary market compared to other retailers but they have recently taken a more conservative approach to open large floor space stores or fine dining restaurants. Average ground floor rent in prime locations rose 0.8% QoQ to RMB51.7/sqm/day but vacancy edged up to 5.7% by the end of Q2 2014 as several anchor tenants vacated their space. For emerging / secondary market, the take-up of retail space is slowing down with the average ground floor rent remaining flat and vacancy rate rising.

Distribution

The board has determined that it is prudent, with regard to the Trust's revenue budget, operations and strategy, to devote all resources of the Trust to the completion of The Place and that accordingly there will not be a distribution declared for the six months ended 30 June 2014.

³ Source: CEIC, China National Bureau of Statistics; Savills; Jones Lang LaSalle; and in-house research

Financial – Profit & Loss

(\$'000)	2 nd Qtr 2014	2 nd Qtr 2013	YTD 2014	YTD 2013
Gross rental income	13,427	20,475	28,443	43,605
Other income	-	30	23	220
Gross revenue	13,427	20,505	28,466	43,825
Business and property related taxes	(2,223)	(2,389)	(4,544)	(5,415)
Property management fees	(499)	(826)	(1,073)	(1,696)
Other property operating expenses	(2,393)	(3,820)	(6,033)	(7,754)
Total property operating expenses	(5,115)	(7,035)	(11,650)	(14,865)
Net property income	8,312	13,470	16,816	28,960
Gain on sale of subsidiaries	20,316	17,964	20,316	17,964
Trustee-Manager's fees	(3,301)	(4,573)	(6,830)	(8,730)
Administrative expenses	(2,139)	(4,812)	(4,401)	(7,869)
Net finance costs	(11,630)	(14,870)	(23,640)	(29,642)
Net foreign exchange gain/(loss)	3,816	(10,355)	4,293	(18,111)
Change in fair values of financial derivatives	-	242	85	570
Change in fair values of investment properties	(246,812)	41,316	(246,812)	41,316
Profit/(Loss) before tax	(231,438)	38,382	(240,173)	24,458
Income tax - Current tax expenses	(279)	(804)	(495)	(1,274)
- Deferred tax benefits/(expenses)	60,275	(11,523)	58,618	(13,874)
Profit/(Loss) after tax	(171,442)	26,055	(182,050)	9,310
Total profit /(loss) attributable to:				
Unitholders of the Trust	(138,246)	24,185	(148,641)	7,244
Non-controlling interests	(33,196)	1,870	(33,409)	2,066
Profit/(Loss) after tax	(171,442)	26,055	(182,050)	9,310

Notwithstanding the positive NPI of over S\$8.3 million for the quarter, the Trust ended with a loss of approximately S\$171.4 million for the quarter that is almost entirely attributable to the loss arising from the “Change in fair values of investment properties”.

Financial – Balance Sheet

Forterra net asset value ("NAV") as at 30 June 2014 was S\$3.84 per unit, a decrease of S\$0.84 per unit to the NAV per unit of S\$4.68 as at 31 December 2013. The lower NAV was primarily attributable to the change in the fair value of investment properties as at 30 June 2014.

As at 30 June 2014, the Trust had total cash holdings equivalent to S\$124.8 million, of which 18.9% was held onshore in China in RMB.

Forterra's direct property loan portfolio as at 30 June 2014 is outlined below.

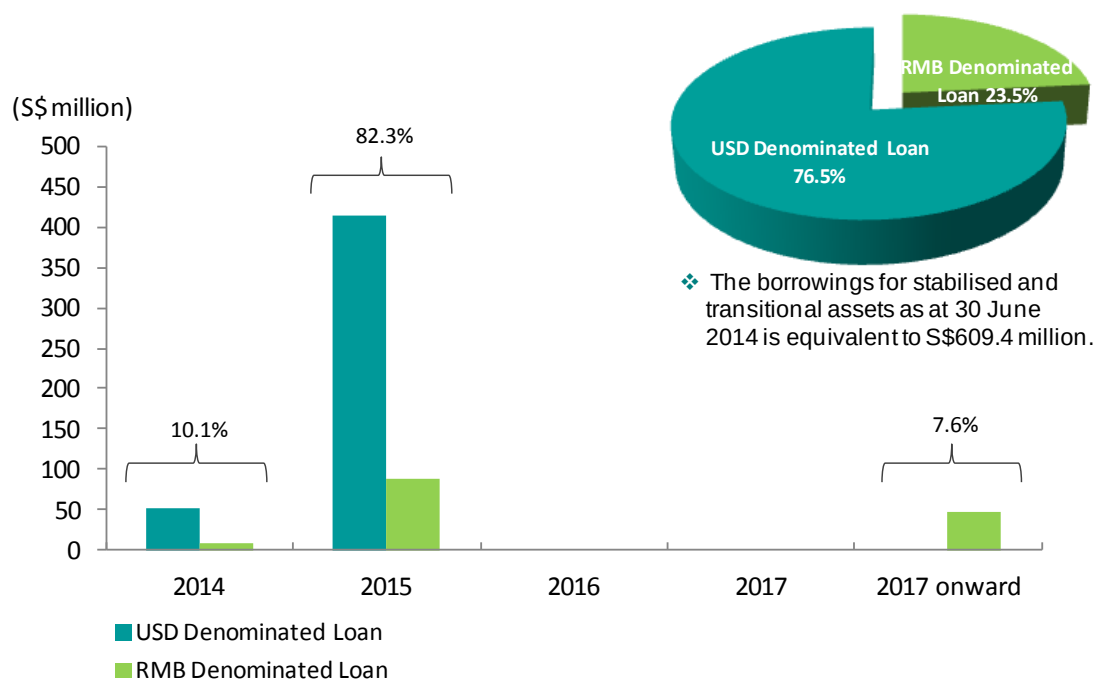
Assets	USD m	RMB m	Total RMB m Equivalent ¹	Gearing % ²
<i>Completed Office/Retail Properties</i>				
The Place Existing - ICBC	283.5	390.9	2,149.2	37.8%
Forterra House - Citic International	47.8	46.0	342.5	52.1%
Central Park Mall - Evergrowing Bank	-	230.0	230.0	44.2%
Huai Hai Mall - Citic International	42.0	45.0	305.5	37.4%
Total Stabilised Portfolio	373.3	711.9	3,027.2	39.4%
<i>Development Property</i>				
The Place Extension - ICBC	-	515.5	515.5	25.5%
Total Development Asset	-	515.5	515.5	25.5%
TOTAL	373.3	1,227.4	3,542.7	36.5%

Notes:

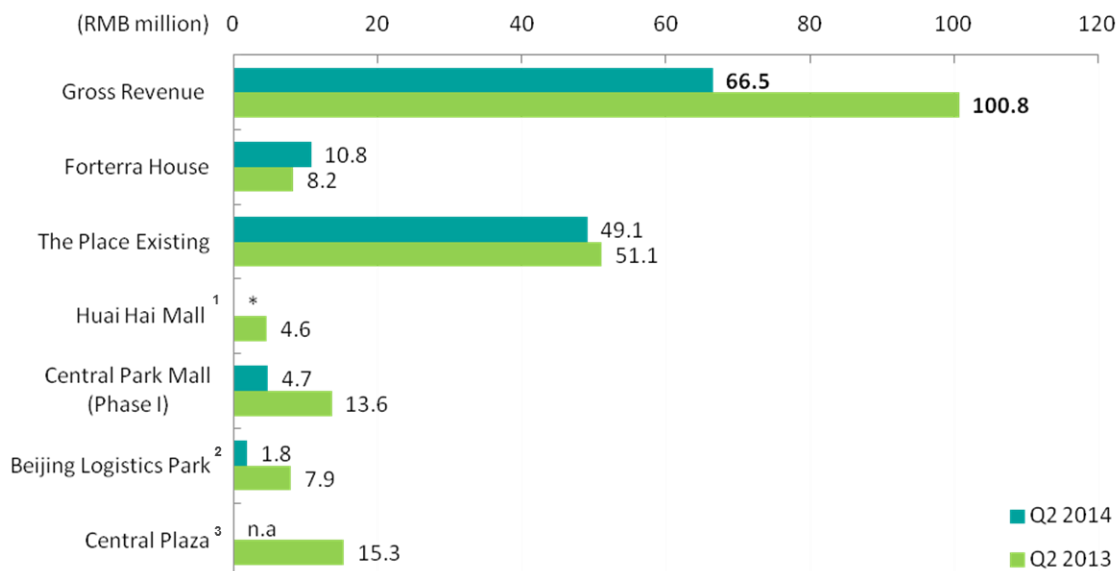
1. USD1 = RMB6.20225 (as at 30 June 2014)

2. Total RMB equivalent loan as at 30/06/14 as a % of total property value as per 30/06/14 valuation.

Loan Expiry Profile



Gross Revenue



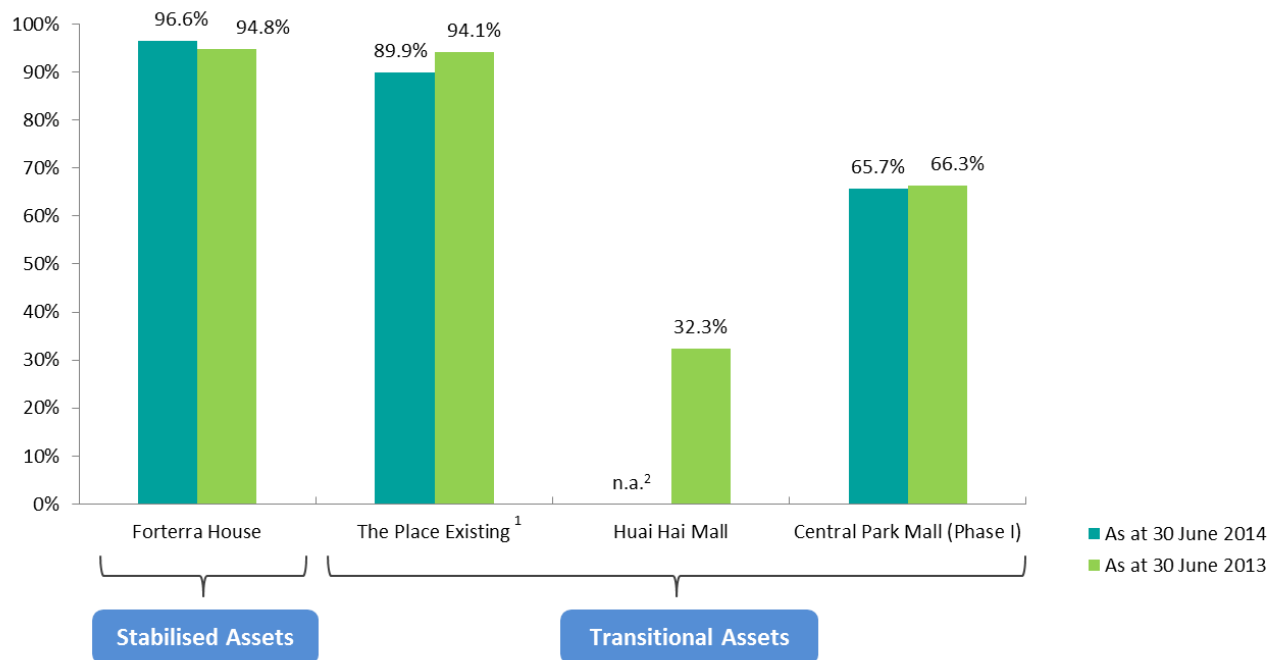
* Represents figure less than one million.

1. Huai Hai Mall is currently vacant for predevelopment in support of the repositioning plan.

2. The sale of Beijing Logistics Park was completed in April 2014.

3. The sale of Central Plaza was completed in May 2013.

Portfolio Committed Occupancy



1. Includes the office component of The Place Existing only.

2. Huai Hai Mall is currently vacant for predevelopment in support of the repositioning plan.

BY ORDER OF THE BOARD

Forterra Real Estate Pte. Ltd.

(as Trustee-Manager of Forterra Trust)

(Company registration no: 201003233M)

Eric CHUNG Chun Kwong

Non-Executive Director and Chairman of the Board

5 August 2014

IMPORTANT NOTICE

The value of units ("Units") in Forterra Trust and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by the Trustee-Manager, or any of its affiliates. An investment in the Units is subject to investment risks, including the possible loss of the principal amount invested. Investors will have no right to request that the Trustee-Manager redeem or purchase the Units while the Units are listed on the SGX-ST. It is intended that holders of the Units may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units. The past performance of Forterra Trust is not necessarily indicative of the future performance of Forterra Trust.