


For immediate publication

Tower REIT primed for DPU and NAV growth


Kuala Lumpur, 13 November 2007 – Tower REIT posted a net income of RM17.4 mil for the nine-month ended 30 September 2007, an increase of 117% compared to the previous corresponding period of RM8.0 mil.

The significant growth in net income was mainly due to the contribution from Menara ING, which was acquired in March 2007, as well as the higher rental income from the other properties of Tower REIT.

“Based on the excellent results of the past nine months, we are confident that the net income and hence, the distribution per unit (“DPU”) for 2007 will substantially outperform the forecasted net income of RM19.3mil and weighted DPU of 7.17sen as disclosed in the Circular to unitholders dated 14 February 2007 to seek unitholders’ approval for the acquisition of Menara ING. The results reflect the quality and resilience of our portfolio’s underlying properties at strategic and prime locations, i.e. Menara HLA and Menara ING situated within the Golden Triangle while HP Towers is located at Damansara Heights. The properties, with occupancy averaging 95%, experienced strong rental growth via rental revisions and new tenancies” according to Mr. Chan Wan Leong, the acting CEO of GLM REIT Management, the manager of Tower REIT.

For media queries, please contact Group Corporate Affairs & PR.

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Prospects of Tower REIT

Higher DPU expected for 2008 and beyond

With the office rental market trending upwards, fuelled largely by the scarcity of grade A office space within prime locations, we foresee escalating rental and occupancy rates for properties under our portfolio, and hence expect a further increase in DPU for 2008.

Potential improvement in Net Asset Value (NAV)


Due to the strategic positioning of our assets and the expected strong rental growth as a result of the continued interest shown by local and foreign investors toward prime office, the capital value of our portfolio is expected to increase.

A recent property transaction in the Golden Triangle had been done at around RM1,000 per square foot whilst in the Damansara Heights area, a recent transaction had been done at about RM550 per square foot. In comparison, two of our properties within the Golden Triangle, namely Menara HLA and Menara ING, have book values of RM600 and RM500 per square foot respectively whilst the carrying value of HP Towers is RM430 per square foot.

In light of the above, we expect a significant upside to the NAV of Tower REIT at the coming year-end revaluation exercise.

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Challenges In growing The REIT

Given the rapid rise in capital values for prime offices whilst rental rates are still lagging behind, the yield for prime offices has consequently depressed to 4%-5%. With office REITs currently traded/priced at distribution yields of 6%-8%, it is a challenge to acquire yield accretive properties under the current scenario.

Notwithstanding this, we will endeavour to continue creating value for unitholders. With this in mind, we are always on the look out for opportunistic yield accretive acquisitions; properties with potential for upgrading/rebranding that offer capital appreciation and yield enhancement.

"We are also prepared to explore all other avenues to further enhance value to the unitholders" added Chan.

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ABOUT TOWER REIT

Tower Real Estate Investment Trust (Tower REIT) was established on February 21, 2006. Tower REIT is a Malaysian-based property investment trust that invests primarily in quality office buildings and commercial properties.

Tower REIT is managed by GLM REIT Management Sdn Bhd (GLM REIT Management), a wholly-owned subsidiary of public-listed GuocoLand (Malaysia) Berhad ("GLM") and a member of the Hong Leong Group Malaysia.

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