THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

KERRY PROPERTIES LIMITED

(Incorporated in Bermuda with limited liability)

嘉里建設有限公司

SCRIP DIVIDEND SCHEME IN RELATION TO

THE INTERIM DIVIDEND

FOR THE SIX MONTHS ENDED 30 JUNE 2002

12 September 2002

In this circular, the following expressions shall have the following meanings unless the context otherwise requires:

"1997 Share Option Scheme"	the executive share option scheme adopted by the Company on Thursday, 27 March 1997 and terminated on Wednesday, 17 April 2002 such that thereafter no further share options shall be offered but the share options which had been granted during the life thereof shall continue to be valid and exercisable in accordance with their terms of issue and in all other respects the provisions thereof shall remain in full force and effect
"2002 Interim Dividend"	the interim dividend of HK$0.18 per Share for the six months ended 30 June 2002 payable on Tuesday, 22 October 2002 to the shareholders whose names were recorded on the registers of members of the Company on Wednesday, 4 September 2002
"2002 Interim Scrip Dividend Scheme"	the scheme approved by the Directors on Monday, 12 August 2002 in relation to the 2002 Interim Dividend to offer the shareholders of the Company a scrip alternative to elect to receive such dividend wholly or partly by allotment of new Shares credited as fully paid in lieu of cash
"2002 Share Option Scheme"	the share option scheme adopted by the Company on Wednesday, 17 April 2002
"Company"	Kerry Properties Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
"Convertible Bonds"	the 2% convertible guaranteed bonds due 2007 issued by Kerry Properties Capital Limited, an indirect wholly-owned subsidiary of the Company, convertible into Shares in, and unconditionally and irrevocably guaranteed by, the Company
"Directors"	the directors of the Company
"Group"	the Company and its subsidiaries (within the meaning of the Companies Ordinance)
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"HK$"	Hong Kong dollars
"Interim Scrip Dividend Shares"	new Shares to be issued under the 2002 Interim Scrip Dividend Scheme
"Share(s)"	ordinary share(s) of par value HK$1.00 each in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

KERRY PROPERTIES LIMITED

(Incorporated in Bermuda with limited liability)

嘉里建設有限公司

Executive Directors:
Mr. KUOK Khoon Loong, Edward
(Chairman)
Mr. ANG Keng Lam
(Deputy Chairman and Joint Managing Director)
Mr. WONG Siu Kong
(Joint Managing Director)
Mr. HO Shut Kan
Mr. Thaddeus Thomas BECZAK

Independent Non-executive Directors:
Dr. FUNG Kwok King, Victor
Mrs. LEE Pui Ling, Angelina
Mr. Christopher Roger MOSS, O.B.E.

Registered Office:
Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda

Head Office and Principal Place of Business in Hong Kong:
13-14/F, Cityplaza 3
14 Taikoo Wan Road
Taikoo Shing
Hong Kong

12 September 2002

To the shareholders of Kerry Properties Limited

Dear Sir or Madam,

SCRIP DIVIDEND SCHEME IN RELATION TO THE INTERIM DIVIDEND FOR THE SIX MONTHS ENDED 30 JUNE 2002

INTRODUCTION

On Monday, 12 August 2002, it was announced that the Directors declared the 2002 Interim Dividend. It was also announced that the shareholders of the Company may elect to receive the 2002 Interim Dividend wholly or partly in Interim Scrip Dividend Shares. The shareholders of the Company may exercise their option to receive an allotment of Shares credited as fully paid by way of capitalization of profits in lieu of cash dividend.

The purpose of this circular is to set out the procedures which apply in relation to the 2002 Interim Scrip Dividend Scheme and the action which should be taken by the shareholders of the Company in relation thereto.

PARTICULARS OF THE 2002 INTERIM SCRIP DIVIDEND SCHEME

Each entitled shareholders of the Company shall have the following choices in respect of the 2002 Interim Dividend:

(a) a cash dividend of HK$0.18 per Share; or

(b) an allotment of new Shares credited as fully paid and having an aggregate market value (as described below), save for adjustment for fractions, equal to the total amount of the 2002 Interim Dividend which such shareholder would otherwise receive in cash (new Shares will be allotted by way of capitalization of profits to the shareholders of the Company electing to receive new Shares in lieu of cash dividend); or

(c) partly in cash and partly in Interim Scrip Dividend Shares.

The Interim Scrip Dividend Shares will rank pari passu in all respects with the existing issued Shares except that they shall not rank for the 2002 Interim Dividend.

BASIS OF ALLOTMENT OF THE INTERIM SCRIP DIVIDEND SHARES

For the purpose of calculating the number of Interim Scrip Dividend Shares to be allotted, the market value of Interim Scrip Dividend Shares has been set at HK$6.69 per Share, which is equivalent to the average closing prices of the Shares on the Stock Exchange for the five consecutive trading days immediately preceding and including Wednesday, 11 September 2002. Accordingly, the number of Interim Scrip Dividend Shares which the shareholders of the Company will receive, in respect of the existing Shares registered in their names as at Wednesday, 4 September 2002 and for which elections to receive the Interim Scrip Dividend Shares are lodged with Abacus Share Registrars Limited, the Company's branch share registrars in Hong Kong, of 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong on or before Thursday, 3 October 2002 will be calculated as below:

$$\text{Number of Interim Scrip Dividend Shares to be received} = \text{Number of existing Shares held on Wednesday, 4 September 2002 for which interim scrip dividend election is made} \times \frac{\text{HK\$0.18}}{\text{HK\$6.69}}$$

A press announcement dated 12 September 2002 setting out the basis of allotment of the Interim Scrip Dividend Shares was published on Friday, 13 September 2002. **The last day on which the shareholders of the Company will be entitled to select their desired form of dividend is Thursday, 3 October 2002.** The number of Interim Scrip Dividend Shares to be received will be rounded down to the nearest whole number of the Interim Scrip Dividend Shares. No shareholder is entitled to be issued any fraction of a Share under the 2002 Interim Scrip Dividend Scheme. Fractional entitlements to the Interim Scrip Dividend Shares in respect of alternatives (b) and (c) above will be aggregated and sold for the benefit of the Company.

ADVANTAGES OF THE 2002 INTERIM SCRIP DIVIDEND SCHEME

The 2002 Interim Scrip Dividend Scheme will give the shareholders of the Company an opportunity to increase their investment in the Company at market value without incurring brokerage fees, stamp duty and related dealing costs. The 2002 Interim Scrip Dividend Scheme will also benefit the Company because, to the extent that the shareholders of the Company elect to receive the Interim Scrip Dividend Shares, in whole or in part in lieu of a cash dividend, such cash which would otherwise have been paid to the shareholders will be retained for use by the Company.

EFFECT OF THE 2002 INTERIM SCRIP DIVIDEND SCHEME

If no elections for Interim Scrip Dividend Shares were received, the total cash dividend payable by the Company would be HK$210,675,390.66.

Shareholders of the Company should note that the Interim Scrip Dividend Shares may give rise to notification requirements under the Securities (Disclosure of Interests) Ordinance for those shareholders who may have notifiable interests in the Company. Shareholders of the Company who are in any doubt as to how these provisions may affect them are recommended to seek their own professional advice.

The Company, being an exempted company incorporated in Bermuda, has been designated as non-resident for Bermuda exchange control purposes and has been granted an assurance by the Minister of Finance in Bermuda under the Exempted Undertakings Tax Protection Act 1966. Accordingly, no Bermuda withholding tax on dividends or other distributions, nor any Bermuda tax computed on profits or income or on any capital assets, gain or appreciation will be payable by it or its operations, nor is there any Bermuda tax in the nature of estate duty or inheritance tax applicable to Shares, debentures or other obligations of the Company held by non-residents of Bermuda.

FORM OF ELECTION

If you elect to receive your 2002 Interim Dividend wholly in cash or if you have already lodged a form of election electing to receive new Shares in lieu of all future cash dividends, you do not need to take any action.

If you elect to receive Interim Scrip Dividend Shares, or partly in cash and partly in Interim Scrip Dividend Shares, you should use the enclosed form of election. If you complete the form of election but do not specify the number of Shares in respect of which you wish to receive Interim Scrip Dividend Shares, or if you elect to receive Interim Scrip Dividend Shares in respect of a greater number of Shares than your registered holding on Wednesday, 4 September 2002, you will be deemed to have exercised your election to receive Interim Scrip Dividend Shares in respect of all the Shares of which you were then registered as the holder.

The enclosed form of election enables the shareholders of the Company, choosing to receive their 2002 Interim Dividend wholly in Interim Scrip Dividend Shares, to further elect, until notice in writing to cancel such election is received by Abacus Share Registrars Limited, the Company's branch share registrars in Hong Kong, of 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong, to receive new Shares in lieu of all future cash dividends in the event that shareholders are given the choice of receiving new Shares or cash in respect of future dividends. Such election will be valid only when all the prevailing conditions required by any scrip dividend scheme offered by the Company are fulfilled.

The form of election should be completed in accordance with the instructions printed thereon and returned so that it is received by Abacus Share Registrars Limited, the Company's branch share registrars in Hong Kong, of 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not later than 4:00 p.m. on Thursday, 3 October 2002. No acknowledgment of receipt of the form of election will be issued.

SHAREHOLDERS RESIDENT OUTSIDE HONG KONG

No shareholder whose address as recorded in the registers of members of the Company as being located outside Hong Kong will be permitted to participate in the 2002 Interim Scrip Dividend Scheme. Accordingly, such shareholder will receive the 2002 Interim Dividend wholly in cash. No form of election is being sent to such shareholder.

STOCK EXCHANGE LISTING AND DEALINGS AND DISPATCH OF DIVIDEND WARRANTS AND/OR SHARE CERTIFICATES

Application will be made to the Stock Exchange for the grant of listing of, and permission to deal in, the Interim Scrip Dividend Shares. It is expected that the dividend warrants in relation to the 2002 Interim Dividend and/or share certificates with respect to the Interim Scrip Dividend Shares will be dispatched at the risk of those entitled thereto on or about Tuesday, 22 October 2002. On this basis, dealings in the Interim Scrip Dividend Shares are expected to commence on Tuesday, 22 October 2002 subject to the proper receipt of the share certificates with respect to the Interim Scrip Dividend Shares by the relevant shareholders of the Company.

The Shares are listed and dealt in on the Stock Exchange. Save as disclosed herein, no equity or debt securities of the Company are listed or dealt in on any other stock exchange nor is listing or permission to deal in on any other exchange being or proposed to be sought.

During the six months ended 30 June 2002, the Convertible Bonds, which were listed and dealt in on the Luxembourg Stock Exchange, were redeemed by the Group.

Dealings in Shares may be settled through the Central Clearing and Settlement System and you should seek the advice of your stockbroker or other professional adviser for details of these settlement arrangements and how such arrangements will affect your rights and interests.

ADJUSTMENTS IN RELATION TO SHARE OPTIONS GRANTED UNDER THE COMPANY'S SHARE OPTION SCHEMES

In accordance with the terms of the 1997 Share Option Scheme, the Interim Scrip Dividend Shares may result in adjustments to the subscription price of and/or the number of Shares subject to the share options which had been granted during the life of the 1997 Share Option Scheme as such share options or part thereof remain unexercised. If and when any adjustments have to be made, the Company will give due notification according to the 1997 Share Option Scheme.

The Company has not granted any options under the 2002 Share Option Scheme and accordingly, no adjustments will be required.

RECOMMENDATION AND ADVICE

Whether or not it is to your advantage to receive cash or the Interim Scrip Dividend Shares, in whole or in part, depends upon your own individual circumstances, and the decision in this regard and all effects resulting therefrom are the responsibility of each shareholder. If you are in any doubt as to what to do, you should consult your professional advisers as to whether or not you are permitted to receive the 2002 Interim Dividend in scrip form or if any government or other consent is required. Shareholders of the Company who are trustees are recommended to take professional advice as to whether the choice of the Interim Scrip Dividend Shares is within their powers and as to its effect having regard to the terms of the relevant trust instrument.

Yours faithfully,
For and on behalf of the Board
Kerry Properties Limited
Kuok Khoon Loong, Edward
Chairman