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KERRY PROPERTIES LIMITED

(Incorporated in Bermuda with limited liability)

嘉里建設有限公司*

website: www.kerryprops.com

(Stock Code: 00683)

**SUPPLEMENTAL CIRCULAR FOR
MAJOR TRANSACTION**

A letter from the board of directors of Kerry Properties Limited is set out on pages 3 to 6 of this supplemental circular.

* *For identification purpose only*

31 August 2005

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DEFINITIONS AND INTERPRETATION

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

“Acquisition”	the proposed acquisition by Kerry Logistics from Huatong of (a) Treasure Lake Shares and (b) Eas PRC Shares in accordance with the terms and conditions of the Sale and Purchase Agreement
“Circular”	the circular issued by the Company dated 29 December 2004 setting out, among other things, details of the Acquisition
“Company”	Kerry Properties Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Eas HK”	Eas Da Tong International Aircargo Company Limited (達通國際空運有限公司), a company incorporated in Hong Kong with limited liability and wholly owned by Treasure Lake
“Eas PRC”	嘉里大通物流有限公司 (Kerry Eas Logistics Limited) (formerly known as 大通國際運輸有限公司 (Eas International Transportation Ltd.)), a sino-foreign joint venture company established in the PRC and owned as to 50% by Eas HK and 50% by Huatong prior to the Acquisition and now owned as to 70% by Eas HK and 30% by Huatong
“Eas PRC Group”	Eas PRC and its subsidiaries, associated companies and other investments, branch offices and representative offices as detailed in the Sale and Purchase Agreement
“Eas PRC Shares”	20% equity interest in Eas PRC
“First Announcement”	the announcement issued by the Company dated 24 September 2004 relating to the Acquisition
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huatong”	華通實業發展有限責任公司 (Huatong Industrial Development Co., Ltd.), a state-owned limited liability company established in the PRC

DEFINITIONS AND INTERPRETATION

“Kerry Logistics”	Kerry Logistics Network Limited, an exempted company incorporated in Bermuda with limited liability and a wholly-owned subsidiary of the Company
“PRC”	The People’s Republic of China, excluding, for the purpose of this supplemental circular, Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Restructuring”	the restructuring of the Eas PRC Group (before the Restructuring) by transferring certain companies, assets and liabilities, into and out of the Eas PRC Group (before the Restructuring) in accordance with the terms and conditions of the agreement dated 10 November 2004 between Huatong and Eas PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	an agreement dated 20 September 2004 entered into between Huatong and Kerry Logistics in relation to the sale and purchase of Treasure Lake Shares and Eas PRC Shares
“Shareholder(s)”	holder(s) of ordinary shares of HK\$1.00 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Treasure Lake”	Treasure Lake Limited, a company incorporated in the British Virgin Islands with limited liability and wholly owned indirectly by Huatong prior to the Acquisition and now wholly owned indirectly by the Company
“Treasure Lake Shares”	the entire issued share capital of Treasure Lake

This supplemental circular has been prepared in both English and Chinese. In the case of any discrepancy, the English text shall prevail.

LETTER FROM THE BOARD OF DIRECTORS



KERRY PROPERTIES LIMITED

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嘉里建設有限公司*

website: www.kerryprops.com

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Executive Directors:

Mr. ANG Keng Lam (*Chairman*)

Mr. WONG Siu Kong

(Deputy Chairman and Managing Director)

Mr. HO Shut Kan

Mr. MA Wing Kai, William

Independent Non-executive Directors:

Mr. William Winship FLANZ

Mr. LAU Ling Fai, Herald

Mr. Christopher Roger MOSS, O.B.E.

Registered Office:

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14 Taikoo Wan Road

Taikoo Shing

Hong Kong

31 August 2005

*To the Shareholders and for information only,
the optionholders of Kerry Properties Limited*

Dear Sir or Madam,

SUPPLEMENTAL CIRCULAR FOR MAJOR TRANSACTION

INTRODUCTION

Reference is made to the First Announcement relating to the proposed acquisition by Kerry Logistics from Huatong of Treasure Lake Shares and Eas PRC Shares in accordance with the terms and conditions of the Sale and Purchase Agreement, the Company's announcement dated 28 December 2004 relating to shareholders' approval, differences between the financial information set out in the Circular as against the First Announcement detected during due diligence and audit and despatch of the Circular, the Circular setting out, among other things, details of the Acquisition and the Company's announcements dated 4 January 2005 and 21 January 2005 respectively relating to completion of the Acquisition by two stages in December 2004 and January 2005.

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LETTER FROM THE BOARD OF DIRECTORS

The Company would like to provide further information in this supplemental circular on the circumstances which gave rise to the differences between the financial information set out in the Circular as against the First Announcement detected during due diligence and audit for the Shareholders' information. The financial and other consequences of these differences had already been discussed and highlighted in the Circular.

CHANGE OF NAME OF EAS PRC

The business licence of Eas PRC confirming the change of the name of Eas PRC, which has become owned as to 70% and 30% by Eas HK and Huatong respectively with effect from 12 January 2005, from 大通國際運輸有限公司 (Eas International Transportation Ltd.) to 嘉里大通物流有限公司 (Kerry Eas Logistics Limited) to reflect the new era of Eas PRC under the control of the Company was issued on 4 February 2005.

DIFFERENCES IN DISCLOSED FINANCIAL INFORMATION ABOUT THE EAS PRC GROUP AND EAS HK DETECTED DURING DUE DILIGENCE AND AUDIT

As noted in the Company's announcement dated 28 December 2004 and the Circular, there are certain material differences in respect of the financial information about the Eas PRC Group and Eas HK between the Circular and the First Announcement. Set out below are the relevant differences and how they have arisen:

Eas PRC Group

- (1) the turnover of the Eas PRC Group for the financial year ended 31 December 2002, 31 December 2003 and the six months ended 30 June 2004 as disclosed in the accountants' report in the Circular was RMB1,847 million, RMB2,390 million and RMB1,340 million respectively, but the amounts disclosed in the First Announcement were RMB2,287 million, RMB2,909 million and RMB1,530 million respectively. Whereas the figures in the Circular represent the audited turnover of the Eas PRC Group before the Restructuring in accordance with the accounting policies of the Company and Hong Kong accounting standards, the figures in the First Announcement were un-audited and prepared (a) based on the information submitted by Huatong for the purpose of due diligence, (b) on the assumption that the Restructuring has been completed at the beginning of the respective financial periods and (c) after making the necessary adjustments in accordance with the accounting policies of the Company and Hong Kong accounting standards. The difference in the figures represented (i) reversal of Restructuring adjustments relating to the investments carved out from the Eas PRC Group as referred to on page 21 of the Circular and made to the figures in the First Announcement but not to those in the accountants' report in the Circular; and (ii) adjustments which represented mainly elimination of intra-group transactions not made to the figures in the First Announcement but to those in the accountants' report in the Circular;
- (2) the profits before tax and extraordinary items of the Eas PRC Group for the financial year ended 31 December 2002, 31 December 2003 and the six months ended 30 June 2004 as disclosed in the accountants' report in the Circular were RMB39.53 million, RMB102.47 million and RMB50.56 million respectively, but the amounts disclosed in the First Announcement were RMB35.91 million, RMB82.23 million and RMB42.93 million respectively. Whereas the figures in the Circular represented the

LETTER FROM THE BOARD OF DIRECTORS

audited profits before tax and extraordinary items of the Eas PRC Group before the Restructuring in accordance with the accounting policies of the Company and Hong Kong accounting standards, the figures in the First Announcement were un-audited and prepared (a) based on the information submitted by Huatong for the purpose of due diligence, (b) on the assumption that the Restructuring has been completed at the beginning of the respective financial periods and (c) after making the necessary adjustments in accordance with the accounting policies of the Company and Hong Kong accounting standards. The difference in the figures represented (i) reversal of Restructuring adjustments relating to the investments carved out from the Eas PRC Group as referred to on page 21 of the Circular and made to the figures in the First Announcement but not to those in the accountants' report in the Circular; and (ii) other adjustments mainly for the share of results of certain associated companies and additional provision made in respect of certain long outstanding receivables, both of which have been accounted for in the accountants' report in the Circular but not in the First Announcement;

- (3) the profits after tax, extraordinary items and minority interests of the Eas PRC Group for the financial year ended 31 December 2002, 31 December 2003 and the six months ended 30 June 2004 as disclosed in the accountants' report in the Circular were RMB30.82 million, RMB74.38 million and RMB38.90 million respectively, but the amounts disclosed in the First Announcement were RMB28.47 million, RMB60.55 million and RMB38.43 million respectively. Whereas the figures in the Circular represented the audited profits after tax and extraordinary items of the Eas PRC Group before the Restructuring in accordance with the accounting policies of the Company and Hong Kong accounting standards, the figures in the First Announcement were un-audited and prepared (a) based on the information submitted by Huatong for the purpose of due diligence, (b) on the assumption that the Restructuring has been completed at the beginning of the respective financial periods and (c) after making the necessary adjustments in accordance with the accounting policies of the Company and Hong Kong accounting standards. The difference in the figures represented (i) reversal of Restructuring adjustments relating to the investments carved out from the Eas PRC Group as referred to on page 21 of the Circular and made to the figures in the First Announcement but not to those in the accountants' report in the Circular; and (ii) other adjustments mainly for the share of results of certain associated companies and additional provision made in respect of certain long outstanding receivables, both of which have been accounted for in the accountants' report in the Circular but not in the First Announcement;
- (4) the net asset values of the Eas PRC Group as at 31 December 2003 and 30 June 2004 as disclosed in the accountants' report in the Circular were RMB459.55 million and RMB498.83 million respectively, but the amounts disclosed in the First Announcement were RMB360.15 million and RMB398.62 million respectively. Whereas the figures in the Circular represented the audited net asset values of the Eas PRC Group before the Restructuring in accordance with the accounting policies of the Company and Hong Kong accounting standards, the figures in the First Announcement were un-audited and prepared (a) based on the information submitted by Huatong for the purpose of due diligence, (b) on the assumption that the Restructuring has been completed at the beginning of the respective financial periods and (c) after making the necessary adjustments in accordance with the accounting policies of the Company and Hong Kong accounting standards.

LETTER FROM THE BOARD OF DIRECTORS

The difference in the figures has arisen mainly because the net asset values disclosed in the accountants' report in the Circular were based on historical figures of the Eas PRC Group before (i) the Restructuring; and (ii) the revaluation of the properties held by the Eas PRC Group, whereas the net asset values disclosed in the First Announcement were calculated on the assumption that the Restructuring had been completed at the beginning of the respective financial periods and have taken into account the revaluation of the property portfolio of the Eas PRC Group. Other differences represented additional provision made in respect of certain long outstanding receivables and share of net asset value of certain associated companies, both of which have been accounted for in the accountants' report in the Circular but not in the First Announcement;

Eas HK

- (5) the audited profit before tax and extraordinary items of Eas HK for the financial year ended 31 December 2002 as disclosed in the accountants' report in the Circular was HK\$32.08 million but the amount disclosed in the First Announcement was HK\$1.01 million. The difference has arisen because the amount as disclosed in the Circular included a gain on disposal of freight forwarding business during the year ended 31 December 2002 as part of the operating results which was treated as an extraordinary item in the First Announcement; and
- (6) the net asset values of Eas HK as at 25 December 2002 and 31 December 2003 as disclosed in the accountants' report in the Circular were HK\$18.70 million and HK\$18.11 million respectively, but the amounts disclosed in the First Announcement were HK\$138.49 million and HK\$178.03 million respectively, both having been prepared on a cost accounting basis. The difference represented audit adjustments including (i) an adjustment to reverse the share of profit in an associated company; and (ii) the reclassification of amount due to holding companies from shareholders' funds as disclosed in the First Announcement to long term liabilities as disclosed in the accountants' report in the Circular.

The reconciliation of the differences mentioned above has been subject to certain procedures carried out by PricewaterhouseCoopers. The Directors would like to emphasise that where there are differences between the financial information set out in the Circular as against the First Announcement, Shareholders should refer to the financial information set out in the Circular instead as the financial information set out in the First Announcement was un-audited and prepared based on the information submitted by Huatong for the purpose of due diligence. As noted in the Circular, the Directors are of the view that the terms of the Acquisition are fair and reasonable and are in the interests of the Company and its shareholders as a whole. The reasons for and benefits of the Acquisition have been set out in the Circular and are not affected by these adjustments.

Yours faithfully,
By Order of the Board
Kerry Properties Limited
Chow Yin Ping, Anita
Company Secretary