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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)

SCRIP DIVIDEND SCHEME IN RELATION TO

THE INTERIM DIVIDEND

FOR THE SIX MONTHS ENDED 30 JUNE 2005

* *For identification purpose only*

DEFINITIONS

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 Share Option Scheme”	the share option scheme adopted by the Company on Wednesday, 17 April 2002
“2005 Interim Dividend”	the interim dividend of HK\$0.20 per Share for the six months ended 30 June 2005 payable on Wednesday, 30 November 2005 to the shareholders of the Company whose names were recorded on the registers of members of the Company on the Record Date
“2005 Interim Scrip Dividend Scheme”	the scheme approved by the Directors on Friday, 23 September 2005 in relation to the 2005 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
“Company”	Kerry Properties Limited, an exempt company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Directors”	the directors of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Interim Scrip Dividend Shares”	new Shares to be issued under the 2005 Interim Scrip Dividend Scheme

DEFINITIONS

“PRC”	the People’s Republic of China, excluding, for the purpose of this circular, Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Record Date”	Friday, 14 October 2005
“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

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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.

Non-executive Director:

Mr. TSE Kai Chi

Registered Office:

Canon's Court

22 Victoria Street

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

27 October 2005

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

Dear Sir or Madam,

**SCRIP DIVIDEND SCHEME IN RELATION TO
THE INTERIM DIVIDEND
FOR THE SIX MONTHS ENDED 30 JUNE 2005**

INTRODUCTION

On Friday, 23 September 2005, it was announced that the Directors declared the 2005 Interim Dividend. It was also announced that the shareholders of the Company may elect to receive the 2005 Interim Dividend wholly or partly in Interim Scrip Dividend Shares. Accordingly, 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 registers of members of the Company were closed from Wednesday, 12 October 2005 to Friday, 14 October 2005, both days inclusive.

* For identification purpose only

The purpose of this circular is to set out the procedures which apply in relation to the 2005 Interim Scrip Dividend Scheme and the action which should be taken by the shareholders of the Company in relation thereto.

PARTICULARS OF THE 2005 INTERIM SCRIP DIVIDEND SCHEME

Each eligible shareholder of the Company has the following choices in respect of the 2005 Interim Dividend:

- (a) to receive a cash dividend of HK\$0.20 per Share; or
- (b) to be allotted Interim Scrip Dividend 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 2005 Interim Dividend which such shareholder would otherwise receive in cash (Interim Scrip Dividend Shares will be allotted by way of capitalization of profits to the shareholders of the Company electing to receive Interim Scrip Dividend Shares in lieu of cash dividend); or
- (c) to receive the 2005 Interim Dividend 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 2005 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 determined at HK\$19.49 per Share, which is equivalent to the average closing prices of the Shares quoted on the Stock Exchange for the five consecutive trading days immediately after the Record Date. 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 the Record Date and for which elections to receive the Interim Scrip Dividend Shares are lodged with Abacus Share Registrars Limited, the Company's branch share registrar and transfer office in Hong Kong, of G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong on or before 4:00 p.m. on Friday, 18 November 2005 will be calculated as below:

$$\begin{array}{l} \text{Number of Interim Scrip} \\ \text{Dividend Shares} \\ \text{to be received} \end{array} = \begin{array}{l} \text{Number of existing Shares held on} \\ \text{the Record Date for which} \\ \text{election is made under the 2005} \\ \text{Interim Scrip Dividend Scheme} \end{array} \times \frac{\text{HK\$0.20}}{\text{HK\$19.49}}$$

A press announcement dated 21 October 2005 setting out the basis of allotment of the Interim Scrip Dividend Shares was published on Monday, 24 October 2005. **The last day on which the shareholders of the Company will be entitled to select their desired form of dividend is Friday, 18 November 2005.** 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 of the Company is entitled to be issued any fraction of a Share under

the 2005 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 2005 INTERIM SCRIP DIVIDEND SCHEME

The 2005 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 2005 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 2005 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\$243,077,832.60.

Shareholders of the Company should note that the Interim Scrip Dividend Shares may give rise to notification requirements under Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) 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 do not elect to receive any of your 2005 Interim Dividend in Interim Scrip Dividend Shares 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 the Record Date, 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 2005 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 registrar and transfer office in Hong Kong, of G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, to receive new Shares in lieu of all future cash dividends in the event that shareholders of the Company 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 registrar and transfer office in Hong Kong, of G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Friday, 18 November 2005. No acknowledgment of receipt of the form of election will be issued.

OVERSEAS SHAREHOLDERS

None of this circular, the form of election nor the Interim Scrip Dividend Shares will be registered or filed under the securities law or equivalent legislation of any jurisdiction other than, if applicable, Hong Kong and Bermuda.

If you are resident outside Hong Kong, this circular and/or form of election only constitute(s) an invitation to subscribe for Interim Scrip Dividend Shares if such an invitation can be legally made to you without the Company having to meet any legal or registration requirements outside Hong Kong. Shareholders of the Company residing in a jurisdiction where it would be illegal for the Company to make such an invitation will be deemed to have received this circular and/or form of election for information only.

The overseas shareholders of the Company as at the Record Date had registered addresses in Australia (New South Wales), Canada (Ontario), United Arab Emirates (Dubai), Indonesia, Isle of Man, Malaysia, the PRC, Singapore, Thailand, the United Kingdom and the United States of America (California).

The Directors have been advised by legal counsel that, without complying with local approval and/or registration requirements and/or other formalities under the laws of the relevant jurisdictions, subject to certain exceptions as mentioned in the following paragraphs of this section headed "Overseas Shareholders", the 2005 Interim Scrip Dividend Scheme may not be offered to or for the account of shareholders of the Company with registered addresses in the United States of America (including its territories and possessions and the District of Columbia and California), Malaysia and the PRC. As it would not be cost-effective or expedient for the Company to comply with the approval and/or registration requirements and/or other formalities under the laws of the relevant jurisdictions, the Directors have decided that, subject to certain exceptions as mentioned in the following paragraphs of this section headed "Overseas Shareholders", it would be expedient to exclude shareholders of the Company with registered addresses in these jurisdictions (the "Excluded Shareholders") from the 2005 Interim Scrip Dividend Scheme.

The 2005 Interim Scrip Dividend Scheme will be offered to those Excluded Shareholders that can prove to the satisfaction of the Company that such action would not result in a contravention of any applicable legal or regulatory requirements. Excluded Shareholders who wish to participate in the 2005 Interim Scrip Dividend Scheme should notify the Company in writing immediately. Forms of election will be sent to all shareholders of the Company as at the Record Date other than the Excluded Shareholders who did not or could not prove to the satisfaction of the Company that such action will not result in a contravention of any applicable laws or regulatory requirements by the Company. In any event, the completed forms of election should be returned to Abacus Share Registrars Limited, the Company's branch share registrar and transfer office in Hong Kong at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong no later than 4:00 p.m. on Friday, 18 November 2005. Excluded Shareholders, other than those participating in the 2005 Interim Scrip Dividend Scheme in accordance with this paragraph, will receive their dividends in cash in the usual way.

The Directors have also been advised that shareholders of the Company in the Province of Ontario, Canada may be lawfully offered the option to participate in the 2005 Interim Scrip Dividend Scheme without a prospectus, registration or other formalities under Canadian securities legislation. However, unless certain conditions are satisfied, securities obtained by way of scrip dividend can only be traded under a prospectus or in accordance with exemptions from prospectus and registration requirements. While shareholders of the Company in the Province of Ontario will not be excluded from the 2005 Interim Scrip Dividend Scheme, such shareholders are advised to consult their own professional advisers whether it would be beneficial or expedient for them to participate in the 2005 Interim Scrip Dividend Scheme. The Company is not aware that it has any shareholders in Canada with a registered address outside the Province of Ontario.

For the avoidance of doubt, the 2005 Interim Scrip Dividend Shares are not offered to the public (other than the shareholders of the Company) and the forms of election are non-transferable.

Notwithstanding the legal advice taken by the Company, it is the responsibility of anyone wishing to participate in the 2005 Interim Scrip Dividend Scheme to satisfy themselves as to full observance of the laws of any relevant territory including obtaining any governmental or other consents which may be required. Overseas shareholders of the Company who are in any doubt as to their position should consult their own professional advisers.

STOCK EXCHANGE LISTING AND DEALINGS AND DESPATCH 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 2005 Interim Dividend and/or share certificates with respect to the Interim Scrip Dividend Shares will be despatched at the risk of those entitled thereto on or about Wednesday, 30 November 2005. On this basis, dealings in the Interim Scrip Dividend Shares are expected to commence after the due despatch of the share certificates with respect to the Interim Scrip Dividend Shares to the relevant shareholders of the Company.

The Shares and the HK\$2,500,000,000 zero coupon guaranteed convertible bonds due 2010 issued by the Company's indirect wholly-owned subsidiary, Wise Insight Finance Limited, 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.

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.

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 2005 Interim Dividend in scrip form or if any governmental 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.

GENERAL INFORMATION

As at the date of this circular, the executive Directors are Messrs. Ang Keng Lam, Wong Siu Kong, Ho Shut Kan and Ma Wing Kai, William, the independent non-executive Directors are Messrs. William Winship Flanz, Lau Ling Fai, Herald and Christopher Roger Moss, O.B.E., and the non-executive Director is Mr. Tse Kai Chi.

Yours faithfully,
For and on behalf of
Kerry Properties Limited
Ang Keng Lam
Chairman