IMPORTANT

If you are in any doubt as to any aspect of 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.

If you have sold or transferred all your securities in Central China Enterprises Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

CENTRAL CHINA ENTERPRISES LIMITED
中洲控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 351)

PROPOSED SUBDIVISION OF SHARES
AND
CHANGE IN BOARD LOT SIZE

A notice convening an extraordinary general meeting of Central China Enterprises Limited to be held on 28 May 2004 at 2:30 p.m (or so soon thereafter the conclusion of the Company's annual general meeting which is scheduled to be convened on 28 May 2004 at 2:00 p.m.) at Harbour Room, Mezzanine Level, Kowloon Shangri-La, 64 Mody Road, Tsimshatsui, Kowloon is set out on pages 9 to 10 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event no later than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

12 May 2004

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DEFINITIONS

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

"Announcement"	announcement of the Company dated 26 April 2004
"Board"	The board of Directors
"Business Day"	a day (other than a Saturday) on which banks in Hong Kong are open for business
"CCASS"	The Central Clearing and Settlement System established and operated by HKSCC
"Company"	Central China Enterprises Limited, the shares of which are listed on the Stock Exchange
"Director(s)"	director(s) of the Company
"EGM"	The extraordinary general meeting of the Company to be held on 28 May 2004 for the approval of the proposed Share Subdivision
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	The Hong Kong Special Administrative Region of the People's Republic of China
"Latest Practicable Date"	10 May 2004, being the latest practicable date prior to the printing of this circular to ascertain certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"Matching Agent"	Hong Tong Hai Securities Limited, a licensed corporation to carry on type 1 regulated activity (dealing in securities) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)	The holder(s) of shares in the Company
"Share Subdivision"	the proposal that each of the existing issued and unissued shares of HK$0.10 each in the share capital of the Company be subdivided into ten shares of HK$0.01 each in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subdivided Share(s)"	The share(s) of HK$0.01 each in the share capital of the Company as a result of the Share Subdivision
"HK$"	Hong Kong dollars

EXPECTED TIMETABLE

Latest time for lodging forms of proxy for the EGM	2:30 p.m. on Wednesday, 26 May 2004
EGM expected to be convened on (or so soon thereafter the conclusion of the Company's annual general meeting which is scheduled to be convened on 28 May 2004 at 2:00 p.m.)	2:30 p.m. on Friday, 28 May 2004
Effective date of Share Subdivision	Monday, 31 May 2004
Dealing in Subdivided Shares expected to commence on	Monday, 31 May 2004
Existing counter for trading in Shares in board lots of 4,000 Shares temporarily closes	Monday, 31 May 2004
Temporary counter for trading in Subdivided Shares in board lots of 40,000 Subdivided Shares (in the form of existing share certificates (in green)) opens	Monday, 31 May 2004
First day of free exchange of certificates (in green) for Shares for new certificates (in yellow) for the Subdivided Shares	Monday, 31 May 2004
Existing counter for trading in Subdivided Shares in board lots of 10,000 Subdivided Shares (in the form of new certificates (in yellow) for Subdivided Shares) reopens	9:30 a.m. on Monday, 14 June 2004
Parallel trading in Subdivided Shares (in the form of new certificates (in yellow) for Subdivided Shares and existing certificates (in green) for Shares) commences	9:30 a.m. on Monday, 14 June 2004
Temporary counter for trading in Subdivided Shares in board lots of 40,000 Subdivided Shares (in the form of existing certificates (in green) for Shares) ends	4:00 p.m. on Wednesday, 7 July 2004
Parallel trading in Subdivided Shares (in the form of new certificates (in yellow) for Subdivided Shares and existing certificates (in green) for Shares) ends	4:00 p.m. on Wednesday, 7 July 2004
Last day for free exchange of certificates (in green) for Shares for new certificates (in yellow) for Subdivided Shares	4:00 p.m. on Wednesday, 14 July 2004
Matching service for the sale and purchase of odd lots of Subdivided Shares (both dates inclusive)	From Monday, 31 May 2004 to Wednesday, 7 July 2004

* *The events following the EGM are conditional on the result of the EGM.*

CENTRAL CHINA ENTERPRISES LIMITED
中洲控股有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 351)

Executive Directors:
Mr. Chan Tak Chee *(Chairman)*
Ms. Tang Yuk Chee, Josephine
Mr. Chow Ho Tung, Anthony

Non-executive Director:
Mr. Kwong Jimmy Cheung Tim

Independent non-executive Directors:
Mr. Lee Yu Leung
Mr. Cham Yiu Keung

Registered office:
Unit 2017, 20th Floor
Two Pacific Place
88 Queensway
Hong Kong

12 May 2004

To the Shareholders

Dear Sir or Madam,

PROPOSED SUBDIVISION OF SHARES
AND
CHANGE IN BOARD LOT SIZE

INTRODUCTION

On 26 April 2004, the Board announced that it would like to put forward to the Shareholders a proposal for the Share Subdivision. The purpose of this circular is to provide you with details of the Share Subdivision and the arrangement for trading and exchange of share certificates and to set out the notice convening the EGM at which an ordinary resolution will be proposed to consider and, if thought fit, to approve the Share Subdivision.

PROPOSAL FOR SHARE SUBDIVISION

The Share Subdivision

The Board would like to propose that each of the issued and unissued shares of HK$0.10 each in the capital of the Company be subdivided into ten shares of HK$0.01 each. Upon completion of the Share Subdivision and the change of the board lot size, the monetary value of each board lot of the Subdivided Shares will be less than the value of the existing board lot of Shares. The Board considers that the Share Subdivision may improve liquidity of the Subdivided Shares and enable the Company to attract more investors and widen its shareholder base.

As at the Latest Practicable Date, the authorised share capital of the Company was HK$1,200,000,000 which was divided into 12,000,000,000 Shares, of which 56,133,710 Shares were in issue. Immediately upon completion of the Share Subdivision, the authorised share capital of the Company will be HK$1,200,000,000 comprising 120,000,000,000 Subdivided Shares, of which 561,337,100 Subdivided Shares will be in issue and fully paid assuming that no further Shares are issued or repurchased prior to the completion of the Share Subdivision. The Subdivided Shares will rank pari passu in all respects with the Shares in issue prior to the Share Subdivision (but their nominal value will be different) and the rights attaching to the Subdivided Shares will not be affected by the Share Subdivision.

Conditions of the Share Subdivision

The Share Subdivision is conditional upon, inter alia,

(a) the passing of an ordinary resolution by the Shareholders at the EGM; and

(b) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Subdivided Shares and the Subdivided Shares to be issued pursuant to the exercise of options granted in accordance with the Company's share option schemes.

Save as the expenses payable for the Share Subdivision, implementation of the Share Subdivision will not, of itself, alter the underlying assets, business operations or financial position of the Company or the proportional shareholdings of its existing Shareholders in the Company. The Board considers that the Share Subdivision will not have any material adverse impact on the financial position of the Group.

CHANGE OF BOARD LOT SIZE

At present, the Shares are traded in board lots of 4,000 Shares and upon fulfillment of the conditions of the Share Subdivision, the board lot will be increased to 10,000 Subdivided Shares.

ADJUSTMENT TO THE OUTSTANDING SHARE OPTIONS

As at the Latest Practicable Date, the Company had a total of 1,190,000 outstanding share options. In accordance with the terms of the share option schemes of the Company, the Share Subdivision will result in adjustments to the exercise price and the number of outstanding share options of the Company in relation to the outstanding share options.

The formula adopted by the Company for the computations of the adjustments to the exercise prices and number of the outstanding share options of the Company as a result of the Share Subdivision is set out as follows:

$$\text{Adjusted exercise price} = A \times \frac{C}{D}$$

$$\text{Adjusted number of outstanding share options} = B \times \frac{D}{C}$$

where

A	=	exercise price in force immediately before the Share Subdivision
B	=	number of outstanding share options before the Share Subdivision
C	=	the revised nominal value per Subdivided Share after the Share Subdivision
D	=	the former nominal value per Share before the Share Subdivision

The Company's auditors have confirmed to the Directors that the adjustments satisfy the requirements set out in the note under Rule 17.03(13) of the Listing Rules. A notice regarding such adjustments will be served to the holders of the outstanding share options when the Share Subdivision becomes effective.

LISTING AND DEALING

An application has been made to the Stock Exchange for the listing of, and permission to deal in, the Subdivided Shares and the Subdivided Shares to be issued pursuant to the exercise of options granted in accordance with the Company's share option schemes.

Subject to the granting of the listing of, and permission to deal in the Subdivided Shares on the Stock Exchange, the Subdivided Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Subdivided Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

FREE EXCHANGE OF SHARE CERTIFICATES AND TRADING ARRANGEMENTS FOR SUBDIVIDED SHARES

Subject to the fulfillment of the conditions of the Share Subdivision, the Shareholders may submit their existing share certificates for existing Shares in exchange for new share certificates for Subdivided Shares on the basis of every existing Share for ten Subdivided Shares free of charge at the office of the Company's share registrar, Secretaries Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong from 9:30 a.m. to 4:00 p.m. from 31 May 2004 to 14 July 2004 (both dates inclusive). Thereafter, share certificate for existing Shares will be accepted for exchange only on payment of a fee of HK$2.50 or such higher amount as from time to time be allowed by the Stock Exchange for each new share certificate issued.

Existing share certificates for existing Shares will only be valid for delivery and settlement in respect of trading for period up to 7 July 2004 and thereafter will not be acceptable for trading purposes. However, such share certificates will continue to be good evidence of legal title to the Subdivided Shares on the basis of every existing Share for ten Subdivided Shares. It is expected that the share certificates for the Subdivided Shares will be available for collection within a period of ten business days after the submission of the existing share certificates to Secretaries Limited for exchange.

Subject to the Share Subdivision becoming effective, parallel trading arrangements will be implemented from 14 June 2004 to 7 July 2004 (both dates inclusive), details of which are set out below:

(a) From 9:30 a.m. on 31 May 2004, the original counter for trading in the Shares will be temporarily closed;

(b) From 9:30 a.m. on 31 May 2004, a temporary counter for trading in the Subdivided Shares (in the form of green share certificates for the Shares) will be established. Only existing green share certificates can be traded at this counter and such green certificates will be valid for settlement and delivery for trading transacted at this counter on the basis of one Share for ten Subdivided Shares for the period up to and including 7 July 2004;

(c) From 9:30 a.m. on 14 June 2004, the original counter will be reopened for trading in the Subdivided Shares in board lots of 10,000 (in the form of yellow share certificates for the Subdivided Shares). Only the yellow share certificates for the Subdivided Shares can be traded at this counter;

(d) From 14 June 2004 to 7 July 2004 (both dates inclusive), there will be parallel trading at the two counters as mentioned in paragraphs (b) and (c);

(e) After 4:00 p.m. on 7 July 2004, the temporary counter for trading in the Subdivided Shares (in the form of existing green share certificates) will be closed;

(f) Thereafter, trading will only be in the form of yellow share certificates for the Subdivided Shares and the existing green share certificates will cease to be marketable and will not be acceptable for delivery and settlement purposes but will remain effective as documents of title on the basis of one Share for ten Subdivided Shares as referred to above.

ARRANGEMENT FOR ODD LOT TRADING

In order to facilitate the trading of odd lots of Subdivided Shares as a result of the Share Subdivision and the change of the board lot size, the Company will appoint Hong Tong Hai Securities Limited to act as agent in providing matching service to those Shareholders who wish to top-up or sell their holdings of odd lots of the Subdivided Shares.

The Matching Agent will provide the service to match the sale and purchase of odd lots of Subdivided Shares during the period from Monday, 31 May 2004 to Wednesday, 7 July 2004, both dates inclusive. Holders of Subdivided Shares in odd lots who wish to take advantage of this facility either to dispose of or top-up their odd lots to a board lot of 10,000 Subdivided Shares may, directly or through their brokers, contact Ms. Mabel Leung of the Matching Agent at Unit 3606, 36/F., China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong at telephone number 3189-2192 during such period.

THE EGM

Set out on pages 9 to 10 of this circular is a notice convening the EGM to be held on 28 May 2004 at 2:30 p.m. (or so soon thereafter the conclusion of the Company's annual general meeting which is scheduled to be convened on 28 May 2004 at 2:00 p.m.) at Harbour Room, Mezzanine Level, Kowloon Shangri-La, 64 Mody Road, Tsimshatsui, Kowloon.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event by no later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

RECOMMENDATION

The Board considers that the Share Subdivision is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM.

Yours faithfully
For and on behalf of
Central China Enterprises Limited
Chan Tat Chee
Chairman

CENTRAL CHINA ENTERPRISES LIMITED
中洲控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 351)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of **CENTRAL CHINA ENTERPRISES LIMITED** ("Company") will be held at Harbour Room, Mezzanine Level, Kowloon Shangri-La, 64 Mody Road, Tsimshatsui, Kowloon on 28 May 2004 at 2:30 p.m. (or so soon thereafter the conclusion of the Company's annual general meeting which is scheduled to be convened on 28 May 2004 at 2:00 p.m.) for the purpose of considering and, if thought fit, passing the following resolution (with or without amendment) as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the shares of the Company in their subdivided form, every one issued and unissued share of HK$0.10 each in the capital of the Company as at the date on which this resolution is passed be and is hereby subdivided into ten shares of HK$0.01 each in the capital of the Company with effect from 31 May 2004 and that the board of directors of the Company be and is hereby authorized to do all things and execute all documents in connection with or incidental to such subdivision."

By order of the Board
Chan Tat Chee
Chairman

Hong Kong, 12 May 2004

Notes:

1. A form of proxy for use at the meeting is enclosed herewith.

2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.

3. Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him/her. A proxy need not be a member of the Company.

4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be lodged at the Company's registered office at Unit 2017, 20th Floor, Two Pacific Place, 88 Queensway, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting (as the case may be).

5. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or at any adjourned meeting (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.

6. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.