



## MAN SANG HOLDINGS, INC.

Press Release

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### **Man Sang Holdings, Inc. Announces Financial Results for the First Quarter Ended June 30, 2003**

NEW YORK - Man Sang Holdings, Inc. (OTC Bulletin Board: MSHI - news) today announced its financial results for the first quarter ended June 30, 2003.

Net sales decreased 12.9% to HK\$66.9 million (US\$8.6 million) when compared to the same period in 2002. The overall decrease in sales in this quarter was mainly attributable to the impact of the war in Iraq and Severe Acute Respiratory Syndrome (“SARS”) on consumer spending, which adversely affects trade shows and travels by overseas buyers to Hong Kong. This shortfall was partly offset by the contribution of sales revenue generated from the jewelry business acquired in December 2002.

Gross profit decreased 30.0%, to HK\$17.0 million (US\$2.2 million) when compared to the same period in 2002. As a percentage of net sales, gross profit margin decreased 6.2% to 25.5% for the three months ended June 30, 2003 from 31.7% for the same period in 2002. The decrease in gross profit margin was mainly attributable to the newly acquired jewelry business, which has a slightly lower gross profit margin than the Company’s existing pearl and pearl jewelry business and to the Company’s flexible pricing strategy on fresh water pearls.

The Company recorded a net loss of HK\$1.9 million (US\$0.2 million) for the three months ended June 30, 2003, compared to a net income of HK\$4.0 million (US\$0.5 million) for the same period in 2002.

Mr. Ricky Cheng, Chairman of Man Sang, has written to brief investors on the Group’s development as follows:

“Dear Shareholders,

In spite of overall downturn on the economy because of the effect on SARS and Iraq war affecting

consumer spending and trading, there are signs of recovery in the general economic environment after SARS. Our management continues to take measures in improving operating efficiency, effectiveness, and the quality of products in order to enlarge our customer base. With the entry of the PRC into the World Trade Organization, and the recent announcement of the Mainland-Hong Kong Closer Economic Partnership Arrangement (“CEPA”) of which the detail awaits finalization, the management continues to remain optimistic on the performance in the coming period.

Ricky Cheng  
Chairman & CEO”

Man Sang, founded in the early 1980's, is one of the world's largest purchasers and processors of Chinese cultured and freshwater pearls. The Company owns and operates an industrial city in Shenzhen, the PRC, which houses its pearls and jewelry processing facilities. It distributes both its pearls and jewelry products to customers worldwide.

\* The consolidated financial statements of the Company are maintained, and its consolidated financial statements are expressed, in Hong Kong dollars. The translations of Hong Kong dollar into United States dollars are for convenience only and have been made at the rate of HK\$7.8 to US\$1, the approximate free rate of exchange at June 30, 2003. Such translations should not be construed as representations that Hong Kong dollar amounts could be converted into United States dollars at that rate or any other rate.

*This press release contains forward-looking statements that are, by their nature, subject to risks and uncertainties. These forward-looking statements include, without limitation, statements relating to: (a) future supplies, demands, and purchase and sale prices of pearl and pearl jewelry in the international pearl and jewelry markets, and real estate in Hong Kong and the PRC; (b) sales and profitability of the Company's products and its future product mix; (c) the amount and nature of, and potential for, future developments and competitions; (d) expansion, consolidation and other trends in the pearl and jewelry industry; (e) the Company's business strategy; and (f) the Company's estimated financial information regarding its business; (g) tax exemptions and tax rates; (h) potential sales and purchases of real property; (i) potential stock dividends and (j) the stability of interest rates and foreign currency exchange rates. These forward-looking statements are based on assumptions and analyses made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors the Company believes to be appropriate in particular circumstances. However, whether actual results and developments will meet the Company's expectations and predictions depends on a number of known and unknown risks, uncertainties and other factors, any or all of which could cause actual results to differ materially from the Company's expectations, whether expressed or implied by such forward-looking statements (which may relate to, among other things, the Company's sales, costs and expenses, income, inventory performance, and receivables). The Company's ability to achieve its objectives and expectations are derived in part from assumptions regarding economic conditions, consumer tastes, and developments in its competitive environment. The following assumptions, among others, could materially affect the likelihood that the Company will achieve its objectives and expectations communicated through these forward-looking statements: (i) that low or negative growth in the economies or the financial markets of our customers, particularly in the United States and in Europe, will not occur and reduce discretionary spending on good that might be*

*perceived as "luxuries"; (ii) that the Hong Kong dollar will remain pegged to the US dollar at US\$1 to HK\$7.8; (iii) that customer's choice of pearls vis-à-vis other precious stones and metals will not change adversely; (iv) that the Company will continue to obtain a stable supply of pearls in the quantities, of the quality and on terms required by the Company; (v) that there will not be a substantial adverse change in the exchange relationship between Renminbi ("RMB") and the Hong Kong or US dollar; (vi) that there will not be substantial increase in tax burden of subsidiaries of the Company operating in the PRC; (vii) that there will not be substantial change in climate and environmental conditions at the source regions of pearls that could have material effect on the supply and pricing of pearls; and (viii) that there will not be substantial adverse change in the real estate market conditions in the PRC and in Hong Kong. This press release should be read in conjunction with the financial statements and the notes thereto included in the Company's latest Form 10-Q and annual report on Form 10-K for the year ended March 31, 2003.*

Sources:

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-tables to follow-

**MAN SANG HOLDINGS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND**  
**COMPREHENSIVE INCOME (Unaudited)**  
**FOR THE THREE MONTHS ENDED JUNE 30**  
(Amounts expressed in thousands except share data)

	Three Months Ended June 30,		
	2003		2002
	US\$	HK\$	HK\$
Net sales	8,575	66,888	76,776
Cost of sales	(6,391)	(49,846)	(52,457)
Gross profit	2,184	17,042	24,319
Rental income, gross	178	1,388	1,832
	2,362	18,430	26,151
Selling, general and administrative expenses:			
- Pearls	(2,154)	(16,807)	(14,278)
- Real estate investment	(459)	(3,578)	(1,669)
Operating (loss) income	(251)	(1,955)	10,204
Non-operating items:			
- Interest expenses	(17)	(133)	(584)
- Interest income	12	94	228
- Other income	85	661	765
(Loss) income before income taxes and minority interests	(171)	(1,333)	10,613
Income tax expenses	(163)	(1,275)	(3,266)
(Loss) income before minority interests	(334)	(2,608)	7,347
Minority interests	91	713	(3,381)
Net (loss) income	(243)	(1,895)	3,966

Other comprehensive income (loss) net of taxes and minority interests:

- Foreign currency translation adjustments	(1)	(5)	31
- Unrealized holding gain (loss) on marketable securities	50	391	(425)

Other comprehensive income (loss) net of taxes and minority interests

<u>49</u>	<u>386</u>	<u>(394)</u>
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Comprehensive (loss) income

<u>(194)</u>	<u>(1,509)</u>	<u>3,572</u>
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Basic and diluted (loss) earnings per common share

<u>(0.05)</u>	<u>(0.41)</u>	<u>0.88</u>
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Weighted average number of shares

of common stock outstanding:

- basic and diluted

<u>4,595,191</u>	<u>4,595,191</u>	<u>4,514,092</u>
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**MAN SANG HOLDINGS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

(Amounts expressed in thousands except share data)

	<b>June 30, 2003</b>		<b>March 31, 2003</b>
	<b>US\$</b>	<b>HK\$</b>	<b>HK\$</b>
	<b>(Unaudited)</b>		
<b><u>ASSETS</u></b>			
Current assets:			
Cash and cash equivalents	14,404	112,350	83,766
Marketable securities	1,261	9,835	9,978
Accounts receivable, net of allowance for doubtful accounts of HK\$9,216 as of June 30, 2003 and HK\$9,216 as of March 31, 2003	6,413	50,026	69,840
Inventories:			
Raw materials	1,576	12,296	12,917
Work in progress	2,134	16,649	29,399
Finished goods	13,470	105,063	91,894
	17,180	134,008	134,210
Prepaid expenses	799	6,231	6,340
Deposits and other receivables	683	5,326	5,109
Other current assets	1,058	8,258	8,732
Income taxes receivable	59	458	458
Total current assets	41,857	326,492	318,433
Property, plant and equipment	18,038	140,694	101,807
Accumulated depreciation	(4,795)	(37,398)	(35,529)
	13,243	103,296	66,278
Real estate investment	8,874	69,214	108,327
Accumulated depreciation	(1,331)	(10,380)	(11,880)
	7,543	58,834	96,447

Long-term investments, net of impairment loss of

HK\$3,000 as of June 30, 2003 and HK\$3,000 as  
of March 31, 2003

332 2,586 2,586

Total assets

62,975 491,208 483,744

### **LIABILITIES AND STOCKHOLDERS' EQUITY**

Current liabilities:

Short-term borrowings	2,417	18,848	-
Current portion of long-term debts:			
Secured bank loans	715	5,575	5,575
Accounts payable	852	6,649	5,554
Accrued payroll and employee benefits	873	6,813	7,188
Other accrued liabilities	1,144	8,922	9,577
Income taxes payable	<u>314</u>	<u>2,446</u>	<u>2,224</u>
Total current liabilities	6,315	49,253	30,118

Long-term debts:

Secured bank loans 1,307 10,198 16,435

Deferred tax liabilities 152 1,186 -

Minority interests 23,003 179,427 179,844

Stockholders' equity:

Series A preferred stock, par value US\$0.001 - 1 1

- authorized, issued and outstanding: 100,000 shares;  
(entitled in liquidation to US\$2,500 (HK\$19,500))

Series B convertible preferred stock, par value US\$0.001 - - -

- authorized: 100,000 shares; no shares outstanding

Common stock, par value US\$0.001 4 34 37

- authorized: 25,000,000 shares;

issued and outstanding: 4,405,960 shares as of  
June 30, 2003 and 4,815,960 shares as of  
March 31, 2003

Additional paid-in capital	7,788	60,737	60,633
Retained earnings	24,333	189,801	196,491
Accumulated other comprehensive income	<u>73</u>	<u>571</u>	<u>185</u>
Total stockholders' equity	<u>32,198</u>	<u>251,144</u>	<u>257,347</u>
Total liabilities and stockholders' equity	<u>62,975</u>	<u>491,208</u>	<u>483,744</u>

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