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MAN SANG INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

CHANGE OF THE INTENTION OF THE USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING AND SUBSCRIPTION

The Board would like to inform the Company's shareholders regarding the change of intention of the use of proceeds from those specified in the prospectus in relation to the IPO and the Subscription to reserving the proceeds for i) expansion and improvement of the jewelry manufacturing facilities, ii) promotion of pearl and jewelry businesses and iii) general working capital.

Reference is made to the prospectus of the Company dated September 15, 1997 in relation to the Company's initial public offering (the "IPO") and the announcement made by the Company dated August 6, 1999 in relation to a private placing of shares (the "Subscription"). The Board of Directors (the "Board") proposes to modify the usage of the proceeds from these two exercises.

The proceeds from issue of new shares by the Company in September 1997, net of listing expenses, were approximately HK\$123.4 million. Up to date, the net proceeds have been fully utilized as stated in the prospectus except for the following unutilized balance:

- (a) approximately HK\$26 million for the expansion of processing facilities of Chinese cultured pearls and freshwater pearls; and
- (b) approximately HK\$23 million for the investment in pearl farms in major pearl producing countries.

The net proceeds from the placing of 40,000,000 new shares by the Company in August 1999 were approximately HK\$12.75 million, approximately HK\$8 million would be used for retail market development in pearls and pearl products in the PRC and the remaining balance for general working capital. Up to date, the net proceeds have been fully utilized for the purpose as stated except for approximately HK\$3 million for retail market development in pearls and pearl products in the PRC being unused.

All of the mentioned unutilized proceeds has been placed on short-term bank deposits in Hong Kong banks.

The Board of Directors believes that:-

- (a) the capacity of our existing pearl processing facilities is adequate, no further expansion in the pearl processing facilities is expected for the foreseeable future. Meanwhile, the Company is diversifying to expand on its jewelry business and improve its jewelry manufacturing facilities;
- (b) the risk of investing in pearl farms is comparatively higher than we purchase raw materials from numerous alternate supply sources to correspond with expected market demand;
- (c) the competition in pearl and pearl products retail market in the PRC is severe after the PRC entered the WTO, the Company would reposition itself to focus more on the wholesale distribution.

The Company would continue to engage in the purchasing, processing, assembling, merchandizing and wholesale distribution of pearls and jewelry products. Therefore, the Board recommends to change, with immediate effect, the use of the unutilized proceeds of approximately HK\$52 million for the following purposes:-

- (i) approximately HK\$20 million for the expansion and improvement of the jewelry manufacturing facilities;
- (ii) approximately HK\$12 million for the promotion of pearl and jewelry businesses;
- (iii) approximately HK\$20 million for general working capital of the Group.

In view of the above, the Board considers that it is in the best interests of the Company and the Company's shareholders to modify the usage of the unutilized balance of the proceeds.

On behalf of the Board
Man Sang International Limited
Cheng Chung Hing
Chairman