

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

April 16, 2003 (Date of earliest event reported) Commission file number: 0-23329

Charles & Colvard, Ltd.
(Exact name of registrant as specified in its charter)

North Carolina
(State or other jurisdiction of
incorporation or organization)

56-1928817
(I.R.S. Employer
Identification No.)

3800 Gateway Boulevard, Suite 310
Morrisville, North Carolina 27560
(Address of principal executive offices)
(Zip code)

(919) 468-0399
(Registrant's telephone number, including area code)

Item 7. Financial Statements and Exhibits

(c) Exhibits.

Exhibit No.	Description of Exhibit
99.1	Press Release dated April 16, 2003

Item 9. Regulation FD Disclosure (Information provided pursuant to Item 12)

On April 16, 2003, Charles & Colvard, Ltd. issued a press release regarding its financial results for its fiscal 2003 first quarter, ended March 31, 2003. A copy of this press release is attached as Exhibit 99.1.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Charles & Colvard, Ltd.

By: /s/ James R. Braun

James R. Braun
Vice President of Finance and
Chief Financial Officer

Date: April 16, 2003

Charles & Colvard Reports 104% Increase in
First Quarter Operating Income

MORRISVILLE, N.C., April 16, 2003 -- Charles & Colvard, Ltd., (Nasdaq:CTHR) the sole source of moissanite - a created jewel available for use in fine jewelry - today reported operating results for the first quarter ended March 31, 2003.

The Company reported first quarter sales of \$4.4 million resulting in income before taxes of \$954,000 and net income of \$532,000 or \$.04 per diluted share. This represents a 5% increase over last year's first quarter sales of \$4.2 million, a 91% gain over last year's pretax income of \$500,000, a 6% increase in net income and a 97% improvement over 2002 pro forma net income of \$271,000 or \$.02 per diluted share.

During the fourth quarter of 2002, the Company recorded a one-time \$6.7 million non-operating and non-cash addition to earnings due to the expected realization of deferred tax benefits from tax net operating loss carryforwards. Recognition of this deferred tax asset has resulted in the recording of income tax expense in the first quarter of 2003. Pro forma amounts are shown so as to compare net income as if the Company had incurred income tax expense during 2002. A full explanation of this tax reconciliation can be found at the end of this release. A comparison of key operating results for the first quarter are as follows (in thousands, except for per share data):

	First Quarter	
	2003	2002
Net Sales	\$ 4,373	\$ 4,150
Operating Income	\$ 919	\$ 450
Reported after tax net income	\$ 532	\$ 500
Reported after tax net income per diluted share	\$ 0.04	\$ 0.04
Net Income (Pro Forma for 2002)	\$ 532	\$ 271
Net Income per diluted share (Pro Forma for 2002)	\$ 0.04	\$ 0.02

North American carat shipments, which represent 87% of total shipments, were up 5% (14% in dollar volume) for the quarter, primarily due to distribution expansion into a number of new markets and increased volume with retailers. International carat sales for the first quarter decreased 34% and thus shipments of 25,100 carats for the current period were 2% below the 25,700 carats in the same period of 2002.

Gross margin as a percentage of sales for the first quarter was 61.2%, an increase of 10.3 percentage points when compared to the same quarter in 2002. This increase was primarily caused by a 9% increase in average selling price per carat and improved yields during the specific FIFO period being relieved from inventory.

Operating expenses were up 6% for the quarter when compared to last year amounts due to higher sales and marketing expenditures used to promote customer sales opportunities. As a percentage of sales, operating expenses for the quarter were consistent with last year.

Bob Thomas, president and chief executive officer of Charles & Colvard, said, "Doubling our operating income versus the first quarter last year demonstrates our commitment to our shareholders by delivering this outstanding fundamental performance. Although our top line growth did not meet our internal goals, the 14% increase in North American sales volume is, we feel, a major achievement, given the performance of the industry as a whole, the current economic climate and the general concern brought about by the war in Iraq."

Mr. Thomas continued, "We remain optimistic and enthusiastic about our prospects, especially for the second half of this year. We've backed our confidence by an 80,300 share investment in our common stock which we repurchased during the first quarter."

CONFERENCE CALL

Management will host a conference call tomorrow morning, Thursday, April 17/th/ at 9:00 a.m. EDT to discuss these results as well as recent corporate developments. After opening remarks, there will be a question and answer period. Interested parties may participate in the call by dialing 800-863-1575 (973-582-2866 for international callers). Please call in 10 minutes before the conference is scheduled to begin and ask for the Charles & Colvard call. The conference call will also be broadcast live over the Internet. To listen to the live call, please go to www.moissanite.com and click on the Investor Relations section where conference calls are posted. Please go to the website 15 minutes early to download and install any necessary audio software. If you are unable to listen live, the conference call will be archived and can be accessed for approximately 30 days. A recorded telephone replay of the call will also be available for approximately one week following the live call. Listeners may dial 877-519-4471 (973-341-3080 for international callers) and use the code # 3851381 for the telephone replay.

Charles & Colvard, based in the Research Triangle Park area of North Carolina, is the sole source of moissanite, a created jewel used in fine jewelry. Moissanite is near colorless, with more fire, brilliance and luster than a fine diamond, but retails for only a fraction of the cost. For more information, please access www.moissanite.com.

This press release may contain forward-looking statements. Such forward-looking statements are subject to a number of material risks, uncertainties and contingencies that could cause actual results to differ materially from those set forth in the forward-looking statements. Those risks and uncertainties include but are not limited to the Company's ability to manage growth effectively, dependence on Cree Inc. for SiC crystals, dependence on a limited number of distributors such as K&G Creations and Stuller Settings, Inc., limited operating history and dependence on continued growth and consumer acceptance of the Company's products, in addition to other risks and uncertainties set forth in the Company's 10-K for the year ended December 31, 2002 and other filings with the Securities and Exchange Commission.

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CONTACT:
Jim Braun, CFO

-OR-

INVESTOR RELATIONS COUNSEL:
The Equity Group Inc.

Charles & Colvard
(919) 468-0399 Ext. 224
www.moissanite.com

Linda Latman (212) 836-9609
Sarah Torres (212) 836-9611
www.theequitygroup.com

Charles & Colvard, Ltd.

Condensed Consolidated Statements of Operations

	Three Months Ended March 31,	
	(Unaudited)	
	2003	2002
Net sales	\$ 4,373,143	\$ 4,150,146
Cost of goods	1,698,441	2,038,954
Gross profit	2,674,702	2,111,192
Operating expenses:		
Marketing and sales	1,152,012	1,053,646
General and administrative	602,357	607,212
Research and development	1,750	--
Total operating expenses	1,756,119	1,660,858
Operating income	918,583	450,334
Interest income, net	34,920	49,876
Income before taxes	953,503	500,210
Income tax expense	421,052	---
Net income	\$ 532,451	\$ 500,210
Basic net income per share	\$ 0.04	\$ 0.04
Diluted net income per share	\$ 0.04	\$ 0.04
Weighted-average common shares:		
Basic	13,302,867	13,373,747
Diluted	13,648,222	13,561,828

Charles & Colvard, Ltd.
Condensed Consolidated Balance Sheets

	March 31, 2003	December 31, 2002

Assets	(unaudited)	
Current Assets:		
Cash and equivalents	\$ 12,098,933	\$ 13,282,245
Accounts receivable	2,878,864	2,195,952
Interest receivable	9,632	11,926
Inventory	23,270,378	22,365,325
Prepaid expenses and other assets	336,605	327,179
Deferred income taxes	250,601	250,601

Total Current Assets	38,845,013	38,433,228
Long-Term Assets		
Equipment, net	516,025	449,947
Patent and license rights, net	267,987	272,291
Deferred income taxes	6,372,244	6,793,296

Total Long Term Assets	7,156,256	7,515,534

Total Assets	\$ 46,001,269	\$ 45,948,762
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Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable:		
Cree, Inc.	\$ 1,100,038	\$ 780,029
Other	265,166	122,931
Accrued payroll	175,230	723,467
Accrued expenses	380,147	387,417
Deferred revenue	150,499	183,367

Total Current Liabilities	2,071,080	2,197,211
Commitments		
Shareholders' Equity:		
Common stock	54,618,724	54,972,302
Additional paid-in capital - stock options	2,439,499	2,439,734
Accumulated deficit	(13,128,034)	(13,660,485)

Total Shareholders' Equity	43,930,189	43,751,551

Total Liabilities and Shareholders' Equity	\$ 46,001,269	\$ 45,948,762
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Charles & Colvard, Ltd.
 Pro Forma Net Income Reconciliation
 (unaudited)

	Three Months Ended March 31,	
	2003	2002
As reported:		
Income before income tax expense	\$ 953,503	\$ 500,210
Income tax expense	\$ 421,052	\$ --
Net Income	\$ 532,451	\$ 500,210
Pro Forma:		
Income before income tax expense	\$ 953,503	\$ 500,210
Income tax expense (38% of U.S. taxable income)	\$ 421,052	\$ 229,303
Net Income	\$ 532,451	\$ 270,907

Pro forma net income for 2002 is comprised of the Company's net income for the period after adjustment for estimated income taxes utilizing an effective tax rate of 38% of U.S. taxable income. During the fourth quarter of 2002, the Company recorded a one-time, non-operating, non-cash addition to earnings of \$6.7 million which reflects the expected future tax benefits from net operating loss carryforwards (\$16.0 million at December 31, 2002) and other deferred tax assets. Recognition of this deferred tax asset has resulted in the recording of tax expense in the first quarter of 2003. Tax expense will be recorded during all profitable future quarters. However, U.S. Federal tax payments will only resume once the tax net operating loss carryforward has been completely utilized or if alternative minimum taxes are applicable.

Management believes that this pro forma information is useful to investors in comparing results of operations on a U.S. tax-equivalent basis in both periods.