

GRAND TOYS INTERNATIONAL LTD

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**GRAND TOYS INTERNATIONAL LIMITED**

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**FOR IMMEDIATE RELEASE**

**GRAND TOYS REPORTS FINANCIAL RESULTS FOR THE THREE AND NINE MONTHS ENDED  
SEPTEMBER 30, 2005**

**Hong Kong November 14, 2005** Grand Toys International Limited (NASDAQ: GRIN) today announced results for its three-month and nine-month periods ended September 30, 2005.

Net sales for the three months ended September 30, 2005 were \$17.3 million, compared to \$7.9 million for the same period of 2004, an increase of 119%. Gross profit percentage increased to 31% for the three months ended September 30, 2005, compared to 30% for the comparable period in 2004. EBITDA decreased from \$1.1 million for the three months of 2004 to \$0.3 million for the three months ended September 30, 2005. Grand posted a net loss of \$0.5 million, or \$(0.03) per basic American depositary share ( ADS ), for the three months ended September 30, 2005. This compares to net earnings of \$0.6 million, or \$0.05 per basic ADS, for the three months ended September 30, 2004. The results for the quarter ended September 30, 2005 included dividends on preference shares of approximately \$0.2 million and one-time charges of \$0.7 million relating to potential acquisition discussions which were abandoned in September 2005. Without the one-time charges, for the three months ended September 30, 2005, Grand would have reported EBITDA of \$1.0 million and net earnings from operations of \$0.4 million, or \$0.02 per basic ADS

Net sales for the nine months ended September 30, 2005 were \$35.8 million, compared to \$22.7 million for the same period of 2004, an increase of 58%. Gross profit percentage increased to 33% for the nine months ended September 30, 2005, compared to 28% for the comparable period in 2004. EBITDA decreased from \$4.0 million for the first nine months of 2004 to a loss of \$1.4 million for the nine months ended September 30, 2005. Grand posted a net loss of \$4.4 million, or (\$0.27) per basic ADS, for the nine months ended September 30, 2005. This compares to net earnings of \$2.8 million, or \$0.26 per basic ADS, for the nine months ended September 30, 2004. The results for the period ended September 30, 2005 included dividends on preference shares of approximately \$1.4 million and one-time charges of \$0.7 million relating to potential acquisition discussions which were abandoned in September 2005. Without the deemed dividend of approximately \$1.0 million and the one-time charges, Grand would have reported an EBITDA loss of \$0.7 million and net loss of approximately \$2.8 million, or (\$0.17) per basic ADS, for the nine months ended September 30, 2005.

Net sales increased in the three and nine-month periods of 2005 as compared to the same period in 2004 primarily due to the addition of sales from Grand Toys International, Inc., including its subsidiaries ( Grand US ), which was acquired in August 2004, and International Playthings, Inc.

( IPI ), which was acquired by Grand US in March 2005, offset by a reduction in the OEM sales from one of the Company's Hong Kong subsidiaries. Gross profit increased as a result of the addition of the higher margin business of Grand US and the acquisition of IPI. Operating expenses increased in the three and nine month periods ended September 30, 2005 due to increased corporate overhead that was incurred in connection with the integration of recent acquisitions and in anticipation of growth tied to future acquisitions, as well as the additional selling and distribution and general and administrative expenses from the Company's newly acquired entities. In addition, operating expenses include one-time charges of \$0.7 million relating to potential acquisition discussions which were abandoned in September 2005.

Henry Hu, Chairman of Grand, noted, "While Grand experienced a net loss for the three and nine months ended September 30, 2005, on an operational basis, our results for the quarter were profitable. We are encouraged by our third quarter results since both net sales and gross profit percentage increased in the quarter. Our business continues to evolve as we focus on higher margin business. Our immediate efforts have been directed at our North American operations and the results of these operations for the quarter reflect the benefits of our efforts. We have aggressively pursued new distribution and product development opportunities and we expect to see the impact of these opportunities in the coming quarters as our new and updated products come to market.

We continue to actively seek strategic business opportunities that will complement Grand's overall business strategy. We have in place the infrastructure that will allow us to pursue opportunities for future growth without incurring significant additional overhead.

**About Grand Toys International Limited:** Grand Toys International Limited is a newly reorganized International company resulting from the acquisition of Playwell International Limited in August 2004 and International Playthings, Inc. in March 2005. Grand Toys, through its U.S. and foreign operating subsidiaries, develops, distributes and supervises the out-sourced manufacturing of toy and toy related products throughout the world. Grand Toys' operating subsidiaries have been in continuous operation for up to 45 years. Grand Toys' strategy is to grow by expanding its proprietary products, adding licenses and by acquiring complementary companies. Grand Toys' goal is to become a leading manufacturer, developer, marketer and distributor of toy and toy related products throughout the world.

Additional information can be sourced on Grand at [www.grand.com](http://www.grand.com).

*This news release contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on Grand Toys management's current expectations and are subject to risks and uncertainties and changes in circumstances. All forward-looking statements included in this press release are based upon information available to Grand Toys as of the date of the press release, and it assumes no obligation to update or alter its forward-looking statements whether as a result of new information, future events or otherwise.*

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*Further information on risks or other factors that could affect Grand Toys' results of operations is detailed in the filings of Grand Toys International Limited with the SEC, and the filings of its predecessor, Grand Toys International, Inc., now a subsidiary of Grand Toys International Limited*

| <b>Balance Sheet Data:</b> | <b>September 30, 2005</b> | <b>December 31, 2004</b> |
|----------------------------|---------------------------|--------------------------|
| Total assets               | \$ 65,127,638             | \$ 44,071,672            |
| Working capital            | 15,894,006                | 13,036,036               |
| Total shareholders' equity | 41,710,532                | 35,270,192               |

**CONSOLIDATED STATEMENTS OF OPERATIONS (in US\$)**

|                                   | <b>Three Months ended</b> |              | <b>Nine Months ended</b> |               |
|-----------------------------------|---------------------------|--------------|--------------------------|---------------|
|                                   | <b>2005</b>               | <b>2004</b>  | <b>2005</b>              | <b>2004</b>   |
| Net sales                         | \$ 17,321,330             | \$ 7,916,181 | \$ 35,823,993            | \$ 22,711,495 |
| Cost of goods sold                | 11,911,347                | 5,552,831    | 23,837,076               | 16,289,161    |
| Gross profit                      | 5,409,983                 | 2,363,350    | 11,986,917               | 6,422,334     |
| Gross profit %                    | 31.23%                    | 29.85%       | 33.46%                   | 28.28%        |
| Operating expenses, net           | 5,610,672                 | 1,527,017    | 14,754,386               | 2,839,550     |
| Operating (loss) income           | (200,689)                 | 836,333      | (2,767,469)              | 3,582,784     |
| Interest expense, net             | 95,102                    | (2,669)      | 264,275                  | 1,550         |
| (Loss) earnings before taxes      | (295,791)                 | 839,002      | (3,031,744)              | 3,581,234     |
| Income tax expense                | 18,336                    | 200,860      | 30,300                   | 733,686       |
| (Loss) earnings from operations   | (314,127)                 | 638,142      | (3,062,044)              | 2,847,548     |
| Earnings from operations %        | (1.81)%                   | 8.06%        | (8.55)%                  | 12.54%        |
| Dividends                         | (201,469)                 | -            | (1,361,155)              | -             |
| Net (loss) earnings               | \$(515,596)               | \$ 638,142   | \$ (4,423,199)           | \$ 2,847,548  |
| Net (loss) earnings %             | (2.98)%                   | 8.06%        | (12.35)%                 | 12.54%        |
| (Loss) earnings per ADS:          |                           |              |                          |               |
| Basic                             | \$ (0.03)                 | \$ 0.05      | \$ (0.27)                | 0.26          |
| Diluted                           | N/A                       | N/A          | N/A                      | N/A           |
| Weighted average ADS outstanding: |                           |              |                          |               |
| Basic                             | 16,234,937                | 12,729,467   | 16,209,567               | 10,930,041    |
| Diluted                           | 19,039,537                | 12,942,989   | 17,935,474               | 11,806,200    |

In this Press Release, Grand discusses financial measures in accordance with GAAP and also on a non-GAAP basis. Grand's definition of EBITDA is earnings before interest, income taxes, depreciation and amortization. All references in this press release to EBITDA are to a non-GAAP financial measure. EBITDA, a measure widely used among toy related businesses, is used because management believes that it is an effective way of monitoring the operating performance of our company relative to the industry. Additionally, Grand believes that the use of non-GAAP financial measures enables it and investors to evaluate, and compare from period to period, the results from ongoing operations in a more meaningful and consistent manner.

Reconciliations of GAAP to Non-GAAP financial measures are provided below.

**Reconciliation of Earnings before interest, taxes, amortization and depreciation (EBITDA):**

**Three months ended September 30,      Nine months ended September 30,**

|                                     | <b>2005</b>       | <b>2004</b>         | <b>2005</b>           | <b>2004</b>         |
|-------------------------------------|-------------------|---------------------|-----------------------|---------------------|
| Net (loss) earnings from operations | \$ (314,127)      | \$ 638,142          | \$ (3,062,044)        | \$ 2,847,548        |
| Interest expense (income), net      | 95,102            | (2,669)             | 264,275               | 1,550               |
| Depreciation and amortization       | 470,950           | 219,439             | 1,337,098             | 431,530             |
| Depreciation Cost of Goods Sold     | 18,166            | 9,993               | 57,274                | 29,788              |
| Income tax expense                  | 18,336            | 200,860             | 30,300                | 733,686             |
| <b>EBITDA</b>                       | <b>\$ 288,427</b> | <b>\$ 1,065,765</b> | <b>\$ (1,373,097)</b> | <b>\$ 4,044,102</b> |