

GRAND TOYS INTERNATIONAL INC  
Form 8-K  
August 12, 2004  
Grand Toys International, Inc.

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**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, DC 20549**

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**FORM 8-K**

**CURRENT REPORT**

**PURSUANT TO SECTION 13 OR 15(d) OF THE**

**SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported): November 14, 2003

**GRAND TOYS INTERNATIONAL, INC.**

(Exact Name of Registrant as Specified in Charter)

**Nevada**

**0-22372**

**98-0163743**

(State or Other Jurisdiction of  
Incorporation)

(Commission File Number)

(IRS Employer Identification No.)

**1710 Transcanada Highway, Dorval, Quebec, Canada, H9P 1H7**

(Address of Principal Executive Offices)

(ZIP

Code)

Registrant's telephone number, including area code: **(514) 685-2180**

**Not Applicable**

(Former Name or Former Address, if Changed Since Last Report)



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Item 7.

Financial Statements and Exhibits

(c) Exhibits

Exhibit 99.1:

Press Release of GRAND TOYS INTERNATIONAL, INC. dated August 11, 2004.

Item 12. Results of Operations and Financial Condition.

SIGNATURES

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 hereunto duly authorized.

GRAND TOYS INTERNATIONAL, INC.

By: /s/ Tania M. Clarke

Tania M. Clarke

Executive Vice President and

Chief Financial Officer

Date: August 11, 2004

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**FOR IMMEDIATE RELEASE**

**GRAND TOYS ANNOUNCES ANOTHER PROFITABLE SECOND QUARTER**

**MONTREAL, CANADA -- August 11, 2004** -- Grand Toys International, Inc. (NASDAQ: GRIN) today announced results for its second quarter and six months ended June 30, 2004.

Net sales for the second quarter of 2004 were \$2.8 million compared to \$2.6 million for the second quarter of 2003, representing an increase of 7%. Gross profit percentage was 48.72% for the second quarter of 2004 as compared to 46.33% in 2003. EBITDA was \$507,468 representing an improvement of 468% over an EBITDA of \$ 89,320 for the 2003 second quarter. The Company posted net earnings of \$482,284, or \$0.09 per basic share, for the second quarter of 2004. This compares to net earnings of \$188,491, or \$0.07 per basic share, for the second quarter of 2003. During the second quarter of 2003, the Company recorded a gain on discontinued operations of \$129,725. Without this gain, the Company would have had net earnings of \$58,766 or \$0.02 per basic share.

Net sales for the six months ended June 30, 2004 were \$5.6 million, compared to \$5.5 million for the same period of 2003, an increase of 1%. Gross profit percentage was 44.57% for the period ended June 30, 2004 as compared to 43.99% in 2003. EBITDA was \$762,439 representing an improvement of 65% over an EBITDA of \$461,986 for the same period of 2003. The Company posted net earnings of \$718,512, or \$0.13 per basic share, for the six months ended June 30, 2004. This compares to net earnings of \$641,572, or \$0.23 per basic share, for the six months ended June 30, 2003. The Company recorded a gain on discontinued operations of \$ 232,727 for the period ended June 30, 2003. Without this gain, the Company would have net earnings of \$408,845 or \$0.15 per basic share.

Net sales increased in the second quarter of 2004 as compared to the same quarter in 2003 due to an increase in commissions received by the Company. For the six month period ended June 30, 2004, sales increased slightly as a

result of the decreased sales due to the levelling off of certain product lines These decreases were offset by increases in sales of Spiderman product lines and the Art X-press product line and the receipt of commissions.

Operating expenses decreased in the quarter and the six-month period as a result of the continuing benefit of the Company's restructuring plan which was implemented in fiscal 2002. For the second quarter of 2004, operating expenses decreased by \$271,807, or 24%; and for the six month period ended June 30, 2004, operating expenses were reduced by \$232,833, or 12%.

Elliot Bier, Chairman of Grand Toys, noted, Grand is showing another positive quarter as a result of the Company's continued focus on merchandising and expenditure control. The Company is in a good position to take on the future.

Founded in 1960, Grand Toys International, Inc. has become a premier distributor and licensee of a wide variety of toys and ancillary items in Canada; as well as a vendor of proprietary and licensed products in the United States. Grand's strategy is to grow by expanding its proprietary products, adding licenses and by acquisition of companies. Grand's goal is to establish Grand Toys as a marketer of toy and related products throughout the world.

*This news release contains certain forward-looking statements and potential benefits from the Company's acquisition strategy, which are within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on Grand's 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 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. Further information on risks or other factors that could affect Grand's results of operations is detailed in its filings with the SEC, including the Annual Report on Form 10-K for the year ended December 31, 2003 filed on March 30, 2004, as amended on April 1, 2004 and June 2, 2004.*

Note: Further information on Grand Toys International, Inc. is available through the Company's website on the World Wide Web at <http://www.grand.com>.

| <b>Balance Sheet Data:</b> | <b>June 30, 2004</b> | <b>December 31, 2003</b> |
|----------------------------|----------------------|--------------------------|
|                            | <b>Unaudited</b>     | <b>Audited</b>           |
| Total assets               | \$ 8,260,717         | \$ 7,343,459             |

|                           |           |           |
|---------------------------|-----------|-----------|
| Working capital           | 4,660,578 | 3,495,070 |
| Total stockholders equity | 4,867,785 | 4,236,148 |

**Financial Tables Follow**

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**CONSOLIDATED STATEMENTS OF OPERATIONS****(in US\$)****Three Months Ended June 30,****Six Months Ended June 30,**

|                                       | 2004<br><b>Unaudited</b> | 2003<br><b>Unaudited</b> | 2004<br><b>Unaudited</b> | 2003<br><b>Unaudited</b> |
|---------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Net sales                             | \$ 2,775,237             | \$ 2,602,474             | \$ 5,588,935             | \$ 5,509,806             |
| Cost of goods sold                    | 1,423,243                | 1,396,821                | 3,097,848                | 3,086,339                |
| Gross profit                          | 1,351,994                | 1,205,653                | 2,491,087                | 2,423,467                |
| Gross profit %                        | 48.72%                   | 46.33%                   | 44.57%                   | 43.99%                   |
| Operating expenses                    | 844,526                  | 1,116,333                | 1,728,648                | 1,961,481                |
| EBITDA                                | 507,468                  | 89,320                   | 762,439                  | 461,986                  |
| EBITDA %                              | 18.29%                   | 3.43%                    | 13.64%                   | 8.00%                    |
| Interest expense net                  | 11,748                   | 13,040                   | 17,064                   | 18,883                   |
| Depreciation and amortization         | 13,436                   | 17,514                   | 26,863                   | 33,933                   |
| Earnings before taxes                 | 482,284                  | 58,766                   | 718,512                  | 409,170                  |
| Income tax expense                    | -                        | -                        | -                        | 325                      |
| Earnings from continuing operations   | 482,284                  | 58,766                   | 718,512                  | 408,845                  |
| Earnings from continuing operations % | 17.38%                   | 0.00%                    | 12.85%                   | 7.42%                    |
| Discontinued operation, net           | -                        | 129,725                  | -                        | 232,727                  |
| Net earnings                          | \$ 482,284               | \$ 188,491               | \$ 718,512               | \$ 641,572               |
| Net Earnings %                        | 17.38%                   | 7.24%                    | 12.85%                   | 11.64%                   |
| Earnings per share:                   |                          |                          |                          |                          |
| Basic                                 | \$ 0.09                  | \$ 0.07                  | \$ 0.13                  | \$ 0.23                  |



|   |           |           |           |           |
|---|-----------|-----------|-----------|-----------|
| Diluted                                     | 0.08      | 0.03      | 0.12      | 0.11      |
| Weighted average common shares outstanding: |           |           |           |           |
| Basic                                       | 5,355,244 | 2,752,254 | 5,355,244 | 2,752,254 |
| Diluted                                     | 5,909,480 | 5,690,853 | 5,945,619 | 5,690,853 |

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. EBITDA does not include gains or losses from the sale of subsidiaries. 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):**

|                               | Unaudited Quarter ended June 30, |                  |
|-------------------------------|----------------------------------|------------------|
|                               | 2004                             | 2003             |
| Net earnings                  | \$ 482,284                       | \$ 188,491       |
| Interest expense, net         | 11,748                           | 13,040           |
| Depreciation and amortization | 13,436                           | 17,514           |
| Discontinued operations, net  | -                                | (129,725)        |
| <b>EBITDA</b>                 | <b>\$ 507,468</b>                | <b>\$ 89,320</b> |

|                               | Unaudited Six Months ended June 30, |                   |
|-------------------------------|-------------------------------------|-------------------|
|                               | 2004                                | 2003              |
| Net earnings                  | \$ 718,512                          | \$ 641,572        |
| Interest expense, net         | 17,064                              | 18,883            |
| Depreciation and amortization | 26,863                              | 33,933            |
| Income tax expense            | -                                   | 325               |
| Discontinued operations, net  | -                                   | (232,727)         |
| <b>EBITDA</b>                 | <b>\$ 762,439</b>                   | <b>\$ 461,986</b> |