

GRAND TOYS INTERNATIONAL LTD

Form 6-K

January 10, 2007

GRAND TOYS INTERNATIONAL LIMITED

**CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2006 AND CONSOLIDATED STATEMENT OF
OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2006**

GRAND TOYS INTERNATIONAL LIMITED**Consolidated Balance Sheets (\$ in 000 s)**

| | June 30, 2006 | December 31, 2005 |
|---|----------------------|--------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 4,481 | \$ 4,688 |
| Pledged bank deposit | 27 | 27 |
| Investment securities | 6 | 6 |
| Accounts receivable (net of allowance for doubtful accounts of \$4,623; 2005 - \$4,643) | 32,650 | 27,457 |
| Inventory | 24,565 | 20,335 |
| Due from related companies | 2,983 | 3,517 |
| Note receivable | 265 | 266 |
| Deferred tax asset | 210 | - |
| Income tax recoverable | - | 89 |
| Prepaid royalties | 1,994 | 2,025 |
| Other prepaid expenses and current assets | 2,516 | 3,729 |
| Total current assets | 69,697 | 62,139 |
| Fixed assets, net | 21,543 | 21,097 |
| Goodwill | 25,926 | 26,017 |
| Prepaid land lease | 87 | 90 |
| Intangibles, net | 8,562 | 9,041 |
| Note receivable | 111 | 244 |

| | | | | |
|--------------|----|---------|----|---------|
| Total assets | \$ | 125,926 | \$ | 118,628 |
|--------------|----|---------|----|---------|

GRAND TOYS INTERNATIONAL LIMITED**Consolidated Balance Sheets (\$ in 000 s)**

| | June 30, 2006 | December 31, 2005 |
|---|----------------------|--------------------------|
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Bank indebtedness | \$ 29,644 | \$ 22,343 |
| Trade accounts payable | 17,197 | 16,938 |
| Accrued payroll and related costs | 681 | 2,106 |
| Other accounts payable and accrued liabilities | 17,901 | 10,134 |
| Obligations under capital leases | 2,363 | 2,404 |
| Due to related parties | 1,314 | 2,829 |
| Income taxes payable | 785 | 634 |
| Total current liabilities | 69,885 | 57,388 |
| Long term debt | 4,197 | 5,111 |
| Note payable | - | 704 |
| Deferred tax | 2,992 | 3,311 |
| Obligations under capital leases | 2,177 | 3,452 |
| Shareholders' equity: | | |
| Capital stock: | | |
| Voting ordinary shares, \$0.13 par value | | |
| 100,000,000 ordinary shares authorized | | |
| 16,597,169 ordinary shares issued and outstanding, (2005 16,310,467) | 2,158 | 2,120 |
| Preference stock | | |
| 2,000,000 Series A preference shares , \$0.13 par value | 1,669 | 1,669 |
| Deferred non-voting stock | | |
| 2 deferred non-voting share, \$0.13 par value | - | - |

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| | | |
|---|------------|------------|
| Additional paid-in capital | 70,236 | 69,826 |
| Accumulated loss | (27,934) | (25,549) |
| Accumulated other comprehensive income- cumulative currency translation adjustment | 546 | 596 |
| Total shareholders' equity | 46,675 | 48,662 |
| | | |
| Total liabilities and shareholders' equity | \$ 125,926 | \$ 118,628 |

GRAND TOYS INTERNATIONAL LIMITED**Consolidated Statements of Operations (\$ in 000 s except per share data)**

| | Six months ended June 30 | |
|------------------------------------|---------------------------------|-------------|
| | 2006 | 2005 |
| Net sales | \$ 62,672 | \$ 50,514 |
| Cost of goods sold | 46,333 | 37,925 |
| Gross profit | 16,339 | 12,589 |
| Other operating income | (1,062) | (770) |
| Operating costs and expenses: | | |
| General and administrative | 11,052 | 9,529 |
| Selling and distribution expenses | 5,010 | 4,109 |
| Depreciation and amortization | 1,186 | 1,035 |
| Total operating costs and expenses | 17,248 | 14,673 |
| Operating income (loss) | 153 | (1,314) |
| Non-operating expense (income): | | |
| Interest expense | 1,242 | 769 |
| Interest income | (11) | (32) |
| Total non-operating expense | 1,231 | 737 |
| Loss before income taxes | (1,078) | (2,051) |
| Income taxes: | | |
| Current | 495 | 116 |
| Deferred | (316) | (13) |
| Total income taxes | 179 | 103 |
| Net loss from operations | (1,257) | (2,154) |
| Dividends | (1,395) | (1,160) |

| | | | | |
|--|----|---------|----|---------|
| Net loss available to ADS shareholders | \$ | (2,652) | \$ | (3,314) |
|--|----|---------|----|---------|

GRAND TOYS INTERNATIONAL LIMITED

Consolidated Statements of Operations (continued)

| | 2006 | Six months ended June 30 | 2005 |
|---|-------------|---------------------------------|-------------|
| (Loss) earnings per American Depositary Shares (ADS): | | | |
| Weighted average ADS outstanding: | | | |
| Basic | 16,311,437 | | 16,196,166 |
| Diluted | 48,263,043 | | 18,538,469 |
| Net (loss) earnings available to ADS shareholders | | | |
| Basic | \$ (0.16) | \$ | (0.20) |
| Diluted | (0.16) | | (0.20) |