

Sino-Global Shipping America, Ltd.  
Form 10-Q  
May 13, 2014

**U.S. SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, DC 20549**

**FORM 10-Q**

x Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the period ended **March 31, 2014**

.. Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number 001-34024

**Sino-Global Shipping America, Ltd.**

(Exact name of registrant as specified in its charter)

<b>Virginia</b>	<b>11-3588546</b>
(State or other jurisdiction of	(I.R.S.
Incorporation or organization)	employer
	identification
	number)

**136-56 39th Avenue, Room #305**

**Flushing, New York 11354**

Edgar Filing: Sino-Global Shipping America, Ltd. - Form 10-Q

(Address of principal executive offices and zip code)

**(718) 888-1814**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. The Company is authorized to issue 50,000,000 shares of common stock, without par value per share, and 2,000,000 shares of preferred stock, without par value per share. As of the date of this report, the Company has 4,703,841 issued and outstanding shares of common stock and no shares of preferred stock.

**SINO-GLOBAL SHIPPING AMERICA, LTD.**

**FORM 10-Q**

**INDEX**

<u>PART I. FINANCIAL INFORMATION</u>	1
<u>Item 1. Financial Statements</u>	1
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	1
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	10
<u>Item 4/4T. Controls and Procedures</u>	10
<u>PART II. OTHER INFORMATION</u>	11
<u>Item 1. Legal Proceedings</u>	11
<u>Item 1A. Risk Factors</u>	11
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	11
<u>Item 3. Defaults upon Senior Securities</u>	11
<u>Item 4. Mine Safety Disclosures</u>	11
<u>Item 5. Other Information</u>	11
<u>Item 6. Exhibits</u>	12

## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This document contains certain statements of a forward-looking nature. Such forward-looking statements, including but not limited to projected growth, trends and strategies, future operating and financial results, financial expectations and current business indicators are based upon current information and expectations and are subject to change based on factors beyond the control of the Company. Forward-looking statements typically are identified by the use of terms such as “look,” “may,” “will,” “should,” “might,” “believe,” “plan,” “expect,” “anticipate,” “estimate” and similar words, although forward-looking statements are expressed differently. The accuracy of such statements may be impacted by a number of business risks and uncertainties that could cause actual results to differ materially from those projected or anticipated, including but not limited to the following:

- the ability to timely and properly deliver shipping agency, shipping and chartering and inland transportation management services;
- its dependence on a limited number of major customers and related parties;
- political and economic factors in the Peoples’ Republic of China (“PRC”);
- the Company’s ability to expand and grow its lines of business;
- unanticipated changes in general market conditions or other factors, which may result in cancellations or reductions in the need for the Company’s services;
- a weakening of economic conditions which would reduce demand for services provided by the Company and could adversely affect profitability;
- the effect of terrorist acts, or the threat thereof, on consumer confidence and spending, or the production and distribution of product and raw materials which could, as a result, adversely affect the Company’s shipping agency services, operations and financial performance;
- the acceptance in the marketplace of the Company’s new lines of services;
- foreign currency exchange rate fluctuations;
- hurricanes or other natural disasters;
- the Company’s ability to identify and successfully execute cost control initiatives;
- the impact of quotas, tariffs, or safeguards on the importation or exportation of the Company’s customer’s products; or
- other risks outlined above and in the Company’s other filings made periodically by the Company.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to update this forward-looking information. Nonetheless, the Company reserves the right to make such updates from time to time by press release, periodic report or other method of public disclosure without the need for specific reference to this Report. No such update shall be deemed to indicate that other statements not addressed by such update remain correct or create an obligation to provide any other updates.

## **PART I. FINANCIAL INFORMATION**

### **Item 1. Financial Statements**

See the financial statements following the signature page of this report, which are incorporated herein by reference.

### **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion and analysis of our company's financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and the related notes included elsewhere in this report. This discussion contains forward-looking statements that involve risks and uncertainties. Actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors.

#### **Overview**

Founded in the United States of America ("US") in 2001, Sino-Global Shipping America, Ltd. ("Sino-Global" or the "Company") is a Virginia corporation with its primary US operations in New York. We provide our customers with comprehensive yet customized shipping agency, shipping and chartering, and inland transportation management services. As a general agent, the Company serves ships coming to and departing from a number of countries and regions, including China, Australia, South Africa, Brazil, New Zealand and Canada.

Our principal geographic market has historically been the People's Republic of China ("PRC"). As PRC laws and regulations restrict foreign ownership of shipping agency service businesses, we operate our business in the PRC through Sino-Global Shipping Agency, Ltd. ("Sino-China"), a PRC limited liability company founded by our Chief Executive Officer, Mr. Lei Cao, who is a PRC citizen. Sino-China holds the licenses and permits necessary to provide shipping services in the PRC. Sino-China is headquartered in Beijing and has branches in Qingdao, Xiamen and Fangchenggang. Through Sino-China, we provide general shipping agency services in all commercial ports in the PRC.

Our wholly-owned subsidiary, Trans Pacific Shipping Limited ("Trans Pacific Beijing"), a wholly foreign-owned enterprise, is invested in one 90%-owned subsidiary, Trans Pacific Logistics Shanghai Limited ("Trans Pacific Shanghai". Trans Pacific Beijing and Trans Pacific Shanghai are referred to collectively as "Trans Pacific"). Trans Pacific Beijing and Sino-China do not have a parent-subsidiary relationship. Trans Pacific Beijing has contractual

arrangements with Sino-China and its shareholders that enable us to substantially control Sino-China. Operationally, Trans Pacific Beijing is set up to deliver inland transportation management services for the Company.

To support the Company's integrated international and domestic shipping agency network and broaden our service platform into other related businesses, we have established the following wholly-owned subsidiaries:

**Sino-Global Shipping Australia:** This entity serves the needs of customers shipping into and out of Western Australia. Through the Company's relationship with Monson Agencies Australia (one of the largest shipping agency service providers in Australia), we are able to provide general shipping agency services to all ports in Australia.

**Sino-Global Shipping Hong Kong:** This is the Company's control and management center for southern Chinese ports. It gives us the ability to offer comprehensive shipping agency services to vessels going to and from the PRC as well as customized shipping and chartering services. Through our relationship with Forbes & Company Limited ("Forbes"), a listed company on the Bombay Stock Exchange and one of the largest shipping and chartering service providers in India, we are able to provide general shipping agency services to all ports in India.

**Sino-Global Shipping Canada:** This entity provides services for ships loading commodities at Canadian ports and delivering them to the PRC. It currently provides shipping agency services to Baosteel's vessels in Canada.

**Sino-Global Shipping New York:** This entity is established to facilitate the development of an integrated international and local shipping agency network and help generate new business referral activities.

## Business Segments

The Company is engaged in the delivery of the following services: shipping agency services, shipping and chartering services, and inland transportation management services. Historically, we have been in the business of providing shipping agency services, but during fiscal 2014 we have expanded our service delivery platform to include shipping and chartering services (launched during the quarter ended September 30, 2013) and inland transportation management services (launched during the quarter ended December 31, 2013). These new services are part of the Company's strategic initiatives to diversify its service offering, broaden its service platform, and improve its operating profit.

The following tables present summary information by segment for the nine and three months ended March 31, 2014 and 2013:

	Nine Months Ended March 31, 2014				Nine Months Ended March 31, 2013			
	Shipping Agency Service	Shipping and Chartering Services	Inland Transportation Management Services	Consolidated	Shipping Agency Service	Shipping and Chartering Services	Inland Transportation Management Services	Consolidated
Revenues	\$4,628,578	\$1,937,196	\$1,316,600	\$7,882,374	\$16,650,903	\$ -	\$ -	\$16,650,903
Cost of revenues	\$3,598,641	1,291,048	\$187,396	\$5,077,085	\$15,118,150	\$ -	\$ -	\$15,118,150
Gross profit	\$1,029,937	646,148	\$1,129,204	\$2,805,289	\$1,532,753	\$ -	\$ -	\$1,532,753
Gross margin	22.25	% 33.35	% 85.77	% 35.59	% 9.21	% -	% -	9.21

	Three Months Ended March 31, 2014				Three Months Ended March 31, 2013			
	Shipping Agency Service	Shipping and Chartering Services	Inland Transportation Management Services	Consolidated	Shipping Agency Service	Shipping and Chartering Services	Inland Transportation Management Services	Consolidated
Revenues	\$1,226,015	\$ -	\$866,510	\$2,092,525	\$2,339,074	\$ -	\$ -	\$2,339,074
Cost of revenues	\$825,181	\$ -	\$123,333	\$948,514	\$1,993,924	\$ -	\$ -	\$1,993,924
Gross profit	\$400,834	\$ -	\$743,177	\$1,144,011	\$345,150	\$ -	\$ -	\$345,150

Gross margin	32.69	%	-	85.77	%	54.67	%	14.76	%	-	-	14.76	%
--------------	-------	---	---	-------	---	-------	---	-------	---	---	---	-------	---

## Revenues

### (1) Revenues from Shipping Agency Business

We provide two types of shipping agency services: loading/discharging services and protective services. For protective agency services, we charge fixed fees while our customers are responsible for the payment of port costs and expenses. For loading/discharging agency services, we receive the total amount from our customers and pay the port charges on our customers' behalf. Under these circumstances, we generally require payments in advance from customers and bill them the balances within 30 days after the transactions are completed. We believe the most significant factors that directly or indirectly affect our shipping agency service revenues are:

- the number of ships to which we provide port loading/discharging services;
- the size and types of ships we serve;
- the type of services we provide, for example loading/discharging, protective, owner's affairs, shipping and chartering service;
- the rate of service fees we charge; and
- the number of ports at which we provide services; and the number of customers we serve.

Our shipping agency business continued to be negatively impacted by the softening of the Chinese economy and its import of iron ore as well as the decline in the number of loading/discharging agency services we provided in 2014. As a result, our shipping agency revenues decreased from \$16.7 million for the nine months ended March 31, 2013 to \$4.6 million for the same period in 2014; and decreased from \$2.3 million for the three months ended March 31, 2013 to approximately \$1.2 million for the same period in 2014. In addition, the number of ships we served decreased from 322 to 238 for the nine months ended March 31, 2013 and 2014, respectively, and decreased from 99 for the three months ended March 31, 2013 to 78 for the same period in 2014.



	For the nine months ended				For the three months ended			
	March 31,		Change	%	March 31,		Change	%
	2014	2013			2014	2013		
Number of ships served								
Loading/discharging	46	150	(104 )	(69.3)	6	18	(12 )	(66.7)
Protective	192	172	20	11.6	72	81	(9 )	(11.1)
Total	238	322	(84 )	(26.1)	78	99	(21 )	(21.2)

Historically, our revenues have been primarily driven by the number of ships and customers we serve, provided that the service fees are determined by market competition. To stabilize our shipping agency business, we have shifted our focus to protective agency services, initiated actions to streamline our operations and reduce our overhead. We believe our current efforts to formalize and broaden our integrated international and domestic shipping agency network will strengthen our service revenues and raise our overall profit margin.

## **(2) Revenues from Shipping and Chartering Services**

During September 2013, we executed our first shipping and chartering service agreement with Tianjin Zhi Yuan Investment Group Co., Ltd. (“Zhiyuan”), a company that is owned by Mr. Zhong Zhang, the largest shareholder of our Company. In accordance with the agreement, we assisted Zhiyuan in the transportation of approximately 51,000 tons of chromite ore from South Africa to China.

The Zhiyuan shipping and chartering service agreement resulted in revenues in excess of \$1.9 million and gross profit of approximately \$0.6 million for the nine months ended March 31, 2014.

## **(3) Revenues from Inland Transportation Management Services**

In September 2013, we executed an inland transportation management service contract with Zhiyuan whereby we would provide certain advisory services and help control its potential commodities loss during the transportation process. The inland transportation management services generated approximately \$1,316,600 of service fees, net of taxes, for the nine months ended March 31, 2014.

## **Operating Costs and Expenses**

Our operating costs and expenses consist of cost of revenues, general and administrative expenses, and selling expenses. In light of our new service platform and improvement in gross margin, we were able to reduce our total operating costs and expenses by approximately \$10.1 million for the nine months and approximately \$0.5 million for three months ended March 31, 2014 as compared to the same period of last year. This increased our gross margin from 9.2% to 35.6% for the nine months and from 14.8% to 54.7% for three months ended March 31, 2014 as compared to the same periods ended March 31, 2013.

The following tables set forth the components of our Company's costs and expenses for the periods indicated.

	For the nine months ended March, 31					
	2014		2013		Change	
	US\$	%	US\$	%	US\$	%
Revenues	7,882,374	100.0%	16,650,903	100.0%	(8,768,529 )	-52.7%
Cost of revenues	5,077,085	64.4 %	15,118,150	90.8 %	(10,041,065)	-66.4%
Gross margin	35.6	%	9.2	%	26.4	%
General and administrative expenses	2,492,197	31.6 %	2,543,959	15.3 %	(51,762 )	-2.0 %
Selling expenses	205,871	2.6 %	213,032	1.3 %	(7,161 )	-3.4 %
Total Costs and Expenses	7,775,153	98.5 %	17,875,141	107.4%	(10,099,988)	-56.5%

	For the three months ended March, 31					
	2014		2013		Change	
	US\$	%	US\$	%	US\$	%
Revenues	2,092,525	100.0%	2,339,074	100.0%	(246,549 )	-10.5 %
Cost of revenues	948,514	45.3 %	1,993,924	85.2 %	(1,045,410)	-52.4 %
Gross margin	54.7	%	14.8	%	39.9	%
General and administrative expenses	996,355	47.6 %	539,348	23.1 %	457,007	84.7 %
Selling expenses	77,346	3.7 %	29,606	1.3 %	47,740	161.3%
Total Costs and Expenses	2,022,215	96.6 %	2,562,878	109.6%	(540,663 )	-21.1 %

### Cost of Revenues

In light of our new operating model and positive operating results from our inland transportation management and shipping and chartering services, our overall cost of revenues as a percentage of our total revenues decreased from 90.8% to 64.4% for the nine months and from 85.2% to 45.3% for the three months ended March 31, 2013 and 2014, respectively. Likewise, our gross margin increased from 9.2% to 35.6% for the nine months and from 14.8% to 54.7% for the three months ended March 31, 2013 and 2014, respectively. The improvement in our overall gross margin was due mainly to the launch of the shipping and chartering service and the inland transportation management services during the first half of fiscal 2014, with the support of our largest shareholder and Zhiyuan, as these new business segments feature lower overhead than our core shipping agency business model.

### General and Administrative Expenses

Our general and administrative expenses primarily consist of salaries and benefits for our staff (both operating and administrative personnel), business promotion, office rental, meeting fees, expenses for legal, accounting and other professional services. The decline in our general and administrative expenses for the nine months ended March 31, 2014 as compared to the same period of 2013 was due primarily to tight budgetary control as we reorganized and streamlined our service platform. The increase in our general and administrative expenses for the three months ended March 31, 2014 as compared to the same period of 2013 was mainly due to higher salaries for senior management, increased in listing fees and travelling expenses. Our general and administrative expenses as a percentage of our total revenues increased from 15.3% to 31.6% for the nine months and from 23.1% to 47.6% for three months ended March 31, 2013 and 2014, respectively. The increase was due mainly to expenses incurred to reorganize and expand our service platform.

### **Selling Expenses**

Our selling expenses primarily consist of commissions for our operating staff to the ports at which we provide services. Our selling expenses slightly decreased by \$7,161 for the nine months and increased by \$47,740 for the three months ended March 31, 2014 as compared with the comparable period of 2013. This change was mainly due to higher commission ratio. We paid 50% of related revenues to business partners “Monson” who refer shipping agency business to us as commissions from the first quarter of fiscal 2014, as compared with 30% of related revenues before.

## Critical Accounting Policies

We prepare the condensed unaudited consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). These accounting principles require us to make judgments, estimates and assumptions on the reported amounts of assets and liabilities at the end of each fiscal period, and the reported amounts of revenues and expenses during each fiscal period. We continually evaluate these judgments and estimates based on our own historical experience, knowledge and assessment of current business and other conditions, our expectations regarding the future based on available information and assumptions that we believe to be reasonable.

There have been no material changes during the quarter ended March 31, 2014 in the Company's significant accounting policies to those previously disclosed in the June 30, 2013 annual report.

## 2014 Trends

Fiscal 2014 is a transition year as we reorganized and streamlined our core shipping agency business and expanded our service platform. Our top priority in fiscal 2014 is to cut costs, expand our service platform and improve our overall profitability. In accordance with our revised strategic plan, we have implemented various programs and are in the process of developing other business initiatives designed to strengthen our working capital and operating cash flows as well as our ability to deliver sustainable quarterly earnings. During the nine months ended March 31, 2014, we have:

- reorganized our service platform and refined our cost structure to mitigate our overall business risks and reduce our susceptibility to changes in the macroeconomic factors;
  - diversified our business and expanded our service platform to include the following services: shipping and chartering services, and inland transportation management services;
  - monetized our business relationship with Zhiyuan and launched 2 new business segments: shipping and chartering service during the fiscal first quarter and inland transportation management service during the fiscal second quarter;
  - and
- improved our gross margin and operating profit.

We continue to seek opportunities to strengthen our revenue model. As we continue to streamline our business and make our business more scalable, we expect to continue to improve our cash earnings and profitability in fiscal 2014.

## Results of Operations

### Nine Months Ended March 31, 2014 Compared to Nine Months Ended March 31, 2013

**Revenues.** Our shipping agency business continued to be negatively impacted by the softening of the Chinese economy and its import of iron ore. Our total revenues decreased by \$8,768,529 or 52.7% from \$16,650,903 for the nine months ended March 31, 2013 to \$7,882,374 for the comparable nine months period in 2014. The number of ships we served decreased from 322 to 238 for the nine months ended March 31, 2013 and 2014, respectively.

For the nine months ended March 31, 2014, we provided protective services to 192 ships, as compared to 172 ships for the same period in 2013. In contrast, we only provided loading/discharging services to 46 ships for the nine months ended March 31, 2014 as compared to 150 ships for the same period in 2013. While the protective services result in lower revenues per ship than loading/discharging services, they typically feature higher profit margins.

The decline in revenues from the shipping agency business was partially offset by revenues from our shipping and chartering services and inland transportation management services that were launched in the first and second quarter, respectively. During the nine months ended March 31, 2014, we recognized revenues of approximately:

\$1.94 million from our shipping and chartering business; and  
\$1.32 million from our inland transportation management business.

**Total Operating Costs and Expenses.** Our total operating costs and expenses decreased by \$10,099,988 or 56.5% from \$17,875,141 for the nine months ended March 31, 2013 to \$7,775,153 for the nine months ended March 31, 2014. This decrease was primarily due to decrease in our costs of revenues, as discussed below.

**Cost of Revenues.** Our cost of revenues decreased by 66.4% from \$15,118,150 for the nine months ended March 31, 2013 to \$5,077,085 for the nine months ended March 31, 2014. The decline was primarily driven by lower cost generated from the shipping agency business, partially offset by the launch of the shipping and chartering services in the first quarter and inland transportation management services in the second quarter, which featured lower overhead and allowed our cost of revenues to decrease more quickly than our revenues.

**General and Administrative Expenses.** Our general and administrative expenses decreased by \$51,762 or 2.0% from \$2,543,959 for the nine months ended March 31, 2013 to \$2,492,197 for the nine months ended March 31, 2014. This decrease was driven mainly by reduction in labor expenses of \$232,414, offset by increases in listing fees of \$63,813 and business development expenses of \$118,380.

**Selling Expenses.** Our selling expenses decreased by \$7,161 or 3.4% from \$213,032 for the nine months ended March 31, 2013 to \$205,871 for the nine months ended March 31, 2014, mainly because we paid commissions on lower sales, partially offset by such commissions payments being made at a higher commission ratio. We paid 50% of related revenues to business partners “Monson” who refer shipping agency business to us as commissions from the first quarter of fiscal 2014, as compared with 30% of related revenues before.

**Operating Income.** We had operating income of \$107,221 for the nine months ended March 31, 2014, compared to operating loss of \$1,224,238 for the comparable nine months in 2013. The turnaround was due mainly to net profit from the newly developed shipping and chartering services as well as the inland transportation management services.

**Financial Expense, Net.** Our net financial expense was \$52,174 for the nine months ended March 31, 2014, compared to net financial income of \$22,674 for the nine months ended March 31, 2013. The variance was due largely to the foreign exchange losses recognized in the third quarter in the financial statement consolidation.

**Taxation.** Our income tax benefits were \$5,919 for the nine months ended March 31, 2014, compared to income tax expense of \$64,500 for the nine months ended March 31, 2013. The income tax expense in 2013 was due mainly to the increase valuation allowance for deferred tax assets.

**Net Income.** As a result of the foregoing, we had net income of \$198,137 for the nine months ended March 31, 2014, compared to net loss of \$1,219,051 for the nine months ended March 31, 2013. After deduction of non-controlling interest, net income attributable to Sino-Global was \$1,100,636 for the nine months ended March 31, 2014, as compared to net loss of \$648,329 for the nine months ended March 31, 2013. With other comprehensive loss foreign currency translation, comprehensive income attributable to Sino-Global was \$1,085,746 for the nine months ended March 31, 2014, as compared to comprehensive loss of \$635,442 for the nine months ended March 31, 2013.



### Three Months Ended March 31, 2014 Compared to Three Months Ended March 31, 2013

**Revenues.** Our total revenues decreased by 10.5% from \$2,339,074 for the three months ended March 31, 2013 to \$2,092,525 for the comparable three months in 2014. The number of ships that generated revenues for us decreased from 99 for the three months ended March 31, 2013 to 78 for the comparable period of fiscal 2014. Accordingly, our revenues decreased. In addition, we provided protective agency services for more ships, which generate significantly lower revenues per ship than our loading/discharging services. For the three months ended March 31, 2014, we provided protective services to 72 ships, compared to 81 ships for the same period of 2013. We provided loading/discharging service to 6 and 18 ships for the three months ended March 31, 2014 and 2013, respectively. However, the decline in revenues generated from the shipping agency services was partially offset by revenues from our inland transportation management service agreement with Zhiyuan that generated revenues of approximately \$866,510 for the three months ended March 31, 2014.

**Total Operating Costs and Expenses.** Our total operating costs and expenses decreased by \$540,663 or 21.1% from \$2,562,878 for the three months ended March 31, 2013 to \$2,022,215 for the three months ended March 31, 2014. This decrease was primarily due to decrease in our costs of revenues partially offset by increase in general and administrative expenses, as discussed below.

**Cost of Revenues.** Our cost of revenues decreased by \$1,045,410 or 52.4% from \$1,993,924 for the three months ended March 31, 2013 to \$948,514 for the three months ended March 31, 2014. The decline was primarily driven by lower cost generated from the shipping agency business, partially offset by the launch of the inland transportation management services in the fiscal second quarter.

**General and Administrative Expenses.** Our general and administrative expenses increased by \$457,007 or 84.7% from \$539,348 for the three months ended March 31, 2013 to \$996,355 for the three months ended March 31, 2014. This increase was mainly due to (1) increased salaries and benefits for our staff of \$120,586, (2) increased meeting expenses of \$39,404, (3) increased travelling expenses of \$61,300, (4) an increase of \$70,925 in office expenses, (5) an increased listing expenses of \$138,622 in part due to the issuance of stock in connection with the Zhiyuan transaction, (6) increased business development expenses of \$ 21,270.

**Selling Expenses.** Our selling expenses increased by \$47,740 or 161.3% from \$29,606 for the three months ended March 31, 2013 to \$77,346 for the three months ended March 31, 2014, mainly due to higher commission payments which were most of selling expenses.

**Operating Income.** We had operating income of \$70,310 for the three months ended March 31, 2014, compared to operating loss of \$223,804 for the comparable three months in 2013. The turnaround was due mainly to net income from the newly developed inland transportation management services business, partially offset by increase in general and administrative expenses.

**Financial Expense, Net.** Our net financial expense was \$91,896 for the three months ended March 31, 2014, compared to \$7,060 for the three months ended March 31, 2013. The increase in net financial expense was due largely to the foreign exchange losses recognized in the financial statements consolidation.

**Taxation.** Our income tax benefit was \$1,186 for the three months ended March 31, 2014, compared to \$14,600 for the three months ended March 31, 2013. As we had a tax expense of \$34,781 and deferred tax benefit of \$35,967, the income tax benefits of the three months ended March 31, 2014 was \$1,186.

**Net Income.** As a result of the foregoing, we had net income of \$86,399 for the three months ended March 31, 2014, compared to net loss of \$211,040 for the three months ended March 31, 2013. After deduction of non-controlling interest, net income attributable to Sino-Global was \$326,121 for the three months ended March 31, 2014, compared to net loss of \$166,510 for the three months ended March 31, 2013. With other comprehensive income foreign currency translation, comprehensive income attributable to Sino-Global was \$303,809 for the three months ended March 31, 2014, compared to comprehensive loss of \$151,175 for the three months ended March 31, 2013.

## Liquidity and Capital Resources

### Cash Flows and Working Capital

We have financed our operations primarily through cash flows from operations and proceeds from issuing common stock in April 2013. As of March 31, 2014, we had \$2,290,635 in cash and cash equivalents. Our cash and cash equivalents primarily consist of cash on hand and cash in banks. We deposited approximately 22.7% of our cash in banks located in New York, Canada and Hong Kong and deposited 76.9% of cash in banks located in China.

The following table sets forth a summary of our cash flows for the periods indicated:

	For the nine months ended March 31,	
	2014	2013
Net cash used in operating activities	\$(627,753 )	\$(4,043,279)
Net cash used in investing activities	\$(203,702 )	\$(50,198 )
Net cash used in financing activities	\$-	\$(9,866 )
Net decrease in cash and cash equivalents	\$(758,196 )	\$(4,102,313)
Cash and cash equivalents at the beginning of Period	\$3,048,831	\$4,433,333
Cash and cash equivalents at the end of Period	\$2,290,635	\$331,020

The following table sets forth a summary of our working capital:

	March 31, 2014	June 30, 2013	Diff.	%
Total Current Assets	\$4,012,356	\$7,145,165	\$(3,132,809)	-43.85 %
Total Current Liabilities	\$1,169,160	\$4,404,905	\$(3,235,745)	-73.46 %
Working Capital	\$2,843,196	\$2,740,260	\$102,936	3.76 %
Current Ratio	3.43	1.62	1.81	111.57 %

### **Operating Activities**

Net cash used in operating activities was \$627,753 for the nine months ended March 31, 2014, as compared to net cash used in operating activities of \$4,043,279 for the comparable period in 2013. The decrease in our operating cash outflows was mainly attributable to an increase in due from related parties of \$566,957 and a decrease in advances from customers of \$537,646, partially offset by a decrease in accounts receivable of \$472,664 for the nine months ended March 31, 2014.

### **Investing Activities**

Net cash used in investing activities was \$203,702 compared to net cash used in investing activities of \$50,198 for the nine months ended March 31, 2014 and 2013, respectively, due to additions of fixed assets of \$203,702 and \$50,198 for the nine months ended March 31, 2014 and 2013, representing 4.5% and 0.7% of our total assets, respectively.

### **Financing Activities**

There are no cash flows used in financing activities for the nine months ended March 31, 2014. We used \$9,866 in financial activities for the nine months ended March 31, 2013.

## Working Capital

Total current assets decreased by \$3,132,809 or 43.85% from \$7,145,165 as at June 30, 2013 to \$4,012,356 as at March 31, 2014. Total current liabilities decreased by \$3,235,745 or 73.46% from \$4,404,905 as at June 30, 2013 to \$1,169,160 as at March 31, 2014. The decrease was mainly due to (1) settlement of related accounts receivable and payable in the amount of approximately \$2.59 million, paid directly by our customer to the local shipping agents, (2) advances to related parties in the amount of \$566,957. Our working capital of approximately \$2.84 million was about \$100,000 or 3.76% higher than the \$2.74 million as at June 30, 2013.

Our current ratio increased from 1.62 at June 30, 2013 to 3.43 at March 31, 2014. The increase in current ratio was mainly attributable to initiatives to strengthen our working capital and the significant reduction in current liabilities in connection with the Shourong settlement agreements during the nine months ended March 31, 2014.

We believe that current cash, cash equivalents, and anticipated cash flow from operations will be sufficient to meet our anticipated cash needs, including cash needs for working capital and capital expenditures, for at least the next 12 months. We may, however, require additional cash due to changing business conditions or other future developments, including any investments or acquisitions we may decide to pursue. If our existing cash is insufficient to meet our requirements, we may seek to sell additional equity securities or borrow from banks. However, financing may not be available in the amounts we need or on terms acceptable to us, if at all. The sale of additional equity securities, including convertible debt securities, would dilute our shareholders. The incurrence of debt would divert cash from working capital and capital expenditures to service debt obligations and could result in operating and financial covenants that would restrict our operations and our ability to pay dividends to our shareholders.

## Contractual Obligations and Commercial Commitments

We have leased certain office premises and apartments for employees under operating leases through December 14, 2015. Below is a summary of our company's contractual obligations and commitments as of March 31, 2014:

	Payment Due by Period			More than 2 years
	Total	Less than 1 year	1 to 2 years	
Contractual Obligations				
Operating leases	\$134,612	\$109,732	\$24,880	\$ —

## Company Structure

We conduct our operations primarily through our subsidiaries, Trans Pacific Beijing, Sino-Global Shipping Australia and Sino-Global Shipping Hong Kong and our variable interest entity, Sino-China. As a result, our ability to pay dividends and to finance any debt we may incur depends upon dividends paid by our subsidiaries and management fees paid by Sino-China. If our subsidiaries incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us. In addition, Trans Pacific is permitted to pay dividends to us only out of its retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Under PRC law, wholly foreign-owned enterprises like Trans Pacific are required to set aside at least 10% of their after-tax profit each year to fund a statutory reserve until the amount of the reserve reaches 50% of such entity's registered capital.

To the extent Trans Pacific does not generate sufficient after-tax profits to fund this statutory reserve, its ability to pay dividends to us may be limited. Although these statutory reserves can be used, among other ways, to increase the registered capital and eliminate future losses in excess of retained earnings of the respective companies, these reserve funds are not distributable as cash dividends except in the event of a solvent liquidation of the companies. Other than as described in the previous sentences, China's State Administration of Foreign Exchange ("SAFE") has approved the company structure between our company and Trans Pacific, and Trans Pacific is permitted to pay dividends to our company.

### **Off-Balance Sheet Commitments and Arrangements**

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholders' equity or that are not reflected in our condensed consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serve as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

This Item is not applicable because we are a smaller reporting company.

### **Item 4/4T. Controls and Procedures**

#### **Evaluation of Disclosure Controls and Procedures**

Our Company maintains a system of controls and procedures designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Act (15 U.S.C. 78a *et seq.*) is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

As of March 31, 2014, our Company carried out an evaluation, under the supervision of and with the participation of management, including our Company's chief executive officer and acting chief financial officer, of the effectiveness of the design and operation of our company's disclosure controls and procedures. Based on the foregoing, the chief executive officer and acting chief financial officer concluded that our Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) were effective in timely alerting them to information required to be included in the Company's periodic Securities and Exchange Commission filings.

**Changes in Internal Control over Financial Reporting**

There were no changes in our Company's internal control over financial reporting (as defined in Rule 13a-15(f) of the Securities Exchange Act of 1934) during the three months ended March 31, 2014 that have materially affected, or are reasonably likely to materially affect, our Company's internal control over financial reporting.



## **PART II. OTHER INFORMATION**

### **Item 1. Legal Proceedings**

We are periodically involved in legal proceedings in the ordinary course of business. During the three months ended March 31, 2014, neither we nor any of our subsidiaries or affiliate was involved in any material pending legal proceedings. Nor was any of our property subject to any such material pending legal proceedings.

### **Item 1A. Risk Factors**

This Item is not applicable because we are a smaller reporting company.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

(a) None.

(b) None.

(c) None.

### **Item 3. Defaults upon Senior Securities**

None.

### **Item 4. Mine Safety Disclosures**

None.

**Item 5. Other Information**

None.

11

**Item 6. Exhibits**

The following exhibits are filed herewith:

Number	Exhibit
3.1	First Amended and Restated Articles of Incorporation of Sino-Global Shipping America, Ltd. <sup>(1)</sup>
3.2	Bylaws of Sino-Global Shipping America, Ltd. <sup>(2)</sup>
4.1	Specimen Certificate for Common Stock <sup>(2)</sup>
10.1	Exclusive Management Consulting and Technical Services Agreement by and between Trans Pacific and Sino-China. <sup>(2)</sup>
10.2	Exclusive Marketing Agreement by and between Trans Pacific and Sino-China. <sup>(2)</sup>
10.3	Proxy Agreement by and among Cao Lei, Zhang Mingwei, the Company and Sino-China. <sup>(2)</sup>
10.4	Equity Interest Pledge Agreement by and among Trans Pacific, Cao Lei and Zhang Mingwei. <sup>(2)</sup>
10.5	Exclusive Equity Interest Purchase Agreement by and among the Company, Cao Lei, Zhang Mingwei and Sino-China. <sup>(2)</sup>
10.6	First Amended and Restated Exclusive Management Consulting and Technical Services Agreement by and between Trans Pacific and Sino-China. <sup>(2)</sup>
10.7	First Amended and Restated Exclusive Marketing Agreement by and between Trans Pacific and Sino-China. <sup>(2)</sup>
14.1	Code of Ethics of the Company. <sup>(3)</sup>
21.1	List of subsidiaries of the Company. <sup>(4)</sup>
31.1	Certifications pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. <sup>(5)</sup>
31.2	Certifications pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. <sup>(5)</sup>
32.1	Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. <sup>(5)</sup>
32.2	Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. <sup>(5)</sup>
99.1	Press release dated May 13, 2014 titled "Sino-Global Announces Fiscal 2014 Third Quarter Financial Results." <sup>(5)</sup>
EX-101.INS	XBRL Instance Document. <sup>(5)</sup>
EX-101.SCH	XBRL Taxonomy Extension Schema Document. <sup>(5)</sup>
EX-101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document. <sup>(5)</sup>
EX-101.DEF	XBRL Taxonomy Extension Definition Linkbase Document. <sup>(5)</sup>
EX-101.LAB	XBRL Taxonomy Extension Label Linkbase Document. <sup>(5)</sup>
EX-101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document. <sup>(5)</sup>

(1) Incorporated by reference to the Company's Form 8-K filed on January 27, 2014, File No. 001-34024.

(2) Incorporated by reference to the Company's Registration Statement on Form S-1, Registration Nos. 333-150858 and 333-148611.

Edgar Filing: Sino-Global Shipping America, Ltd. - Form 10-Q

- (3) Incorporated by reference to the Company's Form 10-KSB filed on September 29, 2008, File No. 001-34024.
- (4) Incorporated by reference to the Company's Form 10-Q filed on November 13, 2013, File No. 001-34024.
- (5) Filed herewith.

**SIGNATURES**

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**SINO-GLOBAL  
SHIPPING  
AMERICA, LTD.**

May 13, 2014 By: /s/ Anthony S. Chan  
Anthony S. Chan  
Acting Chief  
Financial Officer  
(Principal Financial  
and Accounting  
Officer)

**SINO-GLOBAL SHIPPING AMERICA, LTD. AND AFFILIATES**

**Index to Financial Statements**

	<b>PAGE</b>
<b>UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS:</b>	
<u>Condensed Consolidated Balance Sheets as of March 31, 2014 and June 30, 2013</u>	F-1
<u>Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) for the nine and three months ended March 31, 2014 and 2013</u>	F-2
<u>Condensed Consolidated Statements of Cash Flows for the nine months ended March 31, 2014 and 2013</u>	F-3
<u>Notes to the Unaudited Condensed Consolidated Financial Statements</u>	F-4

**SINO-GLOBAL SHIPPING AMERICA, LTD. AND AFFILIATES****CONDENSED CONSOLIDATED BALANCE SHEETS****(UNAUDITED)**

	March 31, 2014	June 30, 2013
Assets		
Current assets		
Cash and cash equivalents	\$2,290,635	\$3,048,831
Advances to suppliers	59,558	231,772
Accounts receivable, less allowance for doubtful accounts of \$426,818 and \$690,065 as of March 31, 2014 and June 30, 2013, respectively	343,047	3,142,203
Other receivables, less allowance for doubtful accounts of \$222,600 and \$233,950 as of March 31, 2014 and June 30, 2013, respectively	204,245	142,206
Other current assets	6,537	12,488
Prepaid taxes	-	26,288
Due from related parties	1,108,334	541,377
Total current assets	4,012,356	7,145,165
Property and equipment, net	343,482	267,662
Other long-term assets	16,709	18,278
Deferred tax assets	145,800	105,100
Total Assets	\$4,518,347	\$7,536,205
Liabilities and Equity		
Current liabilities		
Advances from customers	\$172,527	\$710,172
Accounts payable	350,254	3,219,240
Accrued expenses	31,514	51,352
Other current liabilities	614,865	424,141
Total Current Liabilities	1,169,160	4,404,905
Total Liabilities	1,169,160	4,404,905
Commitments and Contingency		
Equity		
Preferred stock, 1,000,000 shares authorized, no par value, none issued.	-	-

Edgar Filing: Sino-Global Shipping America, Ltd. - Form 10-Q

Common stock, 10,000,000 shares authorized, no par value; 4,829,032 shares issued as of March 31, 2014 and June 30, 2013; 4,703,841 outstanding as of March 31, 2014 and June 30, 2013	10,750,157	10,750,157
Additional paid-in capital	1,144,842	1,144,842
Treasury stock, at cost - 125,191 shares	(372,527 )	(372,527 )
Accumulated deficit	(3,755,977 )	(4,856,613 )
Accumulated other comprehensive income	39,900	54,791
Unearned Stock-based Compensation	(15,520 )	(15,520 )
 Total Sino-Global Shipping America Ltd. Stockholders' equity	 7,790,875	 6,705,130
 Non-Controlling interest	 (4,441,688 )	 (3,573,830 )
 Total equity	 3,349,187	 3,131,300
 Total Liabilities and Equity	 \$4,518,347	 \$7,536,205

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.



**SINO-GLOBAL SHIPPING AMERICA, LTD. AND AFFILIATES****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)****(UNAUDITED)**

	For the nine months ended March 31,		For the three months ended March 31,	
	2014	2013	2014	2013
Net revenues	\$7,882,374	\$16,650,903	\$2,092,525	\$2,339,074
Cost of revenues	(5,077,085)	(15,118,150)	(948,514 )	(1,993,924 )
Gross profit	2,805,289	1,532,753	1,144,011	345,150
General and administrative expenses	(2,492,197)	(2,543,959 )	(996,355 )	(539,348 )
Selling expenses	(205,871 )	(213,032 )	(77,346 )	(29,606 )
	(2,698,068)	(2,756,991 )	(1,073,701 )	(568,954 )
Operating Income (loss)	107,221	(1,224,238 )	70,310	(223,804 )
Financial income(expense), net	(52,174 )	22,674	(91,896 )	(7,060 )
Other income, net	137,171	47,013	106,799	5,224
	84,997	69,687	14,903	(1,836 )
Net income (loss) before provision for income taxes	192,218	(1,154,551 )	85,213	(225,640 )
Income tax benefit (expense)	5,919	(64,500 )	1,186	14,600
Net income (loss)	198,137	(1,219,051 )	86,399	(211,040 )
Net loss attributable to non-controlling interest	(902,499 )	(570,722 )	(239,722 )	(44,530 )
Net income (loss) attributable to Sino-Global Shipping America, Ltd.	\$1,100,636	\$(648,329 )	\$326,121	\$(166,510 )
Net income (loss)	\$198,137	\$(1,219,051 )	\$86,399	\$(211,040 )
Other comprehensive income:				
Foreign currency translation adjustments	19,751	(9,596 )	60,145	7,327
Comprehensive income (loss)	217,888	(1,228,647 )	146,544	(203,713 )
	(867,858 )	(593,205 )	(157,265 )	(52,538 )

Edgar Filing: Sino-Global Shipping America, Ltd. - Form 10-Q

Less: Comprehensive loss attributable to non-controlling interest

Comprehensive income (loss) attributable to Sino-Global Shipping America Ltd.	\$1,085,746	\$(635,442)	) \$303,809	\$(151,175)	)
---	-------------	-------------	-------------	-------------	---

Earnings (loss) per share

-Basic and diluted	\$0.23	\$(0.22)	) \$0.07	\$(0.06)	)
--------------------	--------	----------	----------	----------	---

Weighted average number of common shares used in computation

-Basic and diluted	4,703,841	2,903,841	4,703,841	2,903,841
--------------------	-----------	-----------	-----------	-----------

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

**SINO-GLOBAL SHIPPING AMERICA LTD. AND AFFILIATES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(UNAUDITED)**

	For the nine months ended March 31,	
	2014	2013
Operating Activities		
Net income (loss)	\$ 198,137	\$(1,219,051 )
Adjustment to reconcile net income (loss) to net cash used in operating activities		
Depreciation and amortization	103,041	139,859
Recovery of doubtful accounts	(263,247 )	
Deferred tax (benefit) expense	(40,700 )	64,500
Gain on disposition of property and equipment	(28,666 )	(3,398 )
Changes in assets and liabilities		
Decrease in advances to suppliers	172,214	96,151
Decrease (increase) in accounts receivable	472,664	(1,825,731 )
(Increase) decrease in other receivables	(62,039 )	84,825
Decrease in other current assets	5,951	52,950
Decrease in prepaid taxes	26,288	1,167
Decrease in other long-term assets	1,568	12,443
Increase in due from related parties	(566,957 )	
(Decrease) increase in advances from customers	(537,646 )	18,848
Decrease in accounts payable	(279,246 )	(1,536,468 )
Decrease in accrued expenses	(19,838 )	(9,252 )
Increase in other current liabilities	190,723	79,878
Net cash used in operating activities	(627,753 )	(4,043,279 )
Investing Activities		
Acquisitions of property and equipment	(203,702 )	(50,198 )
Net cash used in investing activities	(203,702 )	(50,198 )
Financing Activities		
Increase in noncontrolling interest in majority-owned subsidiary	-	(9,866 )
Net cash used in financing activities	-	(9,866 )
Effect of exchange rate fluctuations on cash and cash equivalents	73,259	1,030

Edgar Filing: Sino-Global Shipping America, Ltd. - Form 10-Q

Net decrease in cash and cash equivalents	(758,196 )	(4,102,313 )
Cash and cash equivalents at beginning of period	3,048,831	4,433,333
Cash and cash equivalents at end of period	\$2,290,635	\$331,020
Supplemental information:		
Income taxes paid	\$16,961	\$19,800
Non-cash transactions of operating activities:		
Settlement of related accounts receivable and payable	\$2,589,739	\$-

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

F-3

## **SINO-GLOBAL SHIPPING AMERICA, LTD. AND AFFILIATES**

### **NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

#### **1. ORGANIZATION AND NATURE OF BUSINESS**

Founded in the United States of America (“US”) in 2001, Sino-Global Shipping America, Ltd. (“Sino-Global” or the “Company”) is a Virginia corporation with its primary US operations in New York. Sino-Global provides its customers with comprehensive yet customized shipping agency, shipping and chartering, and inland transportation management services. As a general agent, the Company serves ships coming to and departing from a number of countries, including China, Australia, South Africa, Brazil, New Zealand and Canada..

Sino-Global’s principal geographic market is in the People’s Republic of China (“PRC”). As PRC laws and regulations restrict foreign ownership of shipping agency service businesses, the Company provides its shipping agency services in the PRC through Sino-Global Shipping Agency Ltd. (“Sino-China”), a Chinese legal entity, which holds the licenses and permits necessary to operate shipping services in the PRC. Sino-China is headquartered in Beijing with branches in Qingdao, Xiamen and Fangchenggang. Through Sino-China, the Company provides general shipping agency services in all commercial ports in the PRC.

The Company’s subsidiary, Trans Pacific Shipping Limited (“Trans Pacific Beijing”), a wholly owned foreign-owned enterprise, which invested in one 90%-owned subsidiary, Trans Pacific Logistics Shanghai Limited (“Trans Pacific Shanghai”. Trans Pacific Beijing and Trans Pacific Shanghai are referred to collectively as “Trans Pacific”). Trans Pacific Beijing and Sino-China do not have a parent-subsidiary relationship. Trans Pacific Beijing has contractual arrangements with Sino-China and its shareholders that enable the Company to substantially control Sino-China. Operationally, Trans Pacific Beijing is set up to deliver inland transportation management services for the Company

To support the Company’s integrated international and domestic shipping agency network and broaden its service platform into other related businesses, Sino-Global has established the following wholly-owned subsidiaries:

***Sino-Global Shipping Australia:*** This entity serves the needs of customers shipping into and out of Western Australia. Through the Company’s relationship with Monson Agencies Australia (one of the largest shipping agency service providers in Australia), Sino-Global is able to provide general shipping agency services to all ports in Australia.

***Sino-Global Shipping Hong Kong:*** This is the Company's control and management center for southern Chinese ports. It enables Sino-Global the ability to offer comprehensive shipping agency services to vessels going to and from the PRC as well as customized shipping and chartering services.

***Sino-Global Shipping Canada:*** This entity provides services for ships loading commodities at Canadian ports and delivering them to the PRC. It currently provides shipping agency services to Baosteel's vessels in Canada.

***Sino-Global Shipping New York:*** This entity is established to facilitate the development of an integrated overseas and local shipping agency network and help generate new business referral activities.

F-4

## 2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a)Basis of presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”) for interim financial information pursuant to the rules and regulations of the Securities Exchange Commission (“SEC”). The financial statements include the accounts of all directly, indirectly owned subsidiaries and variable interest entity (VIE”). All material intercompany transactions and balances have been eliminated in consolidation. In the opinion of management, all adjustments considered necessary to give a fair presentation have been included. Interim results are not necessarily indicative of results of a full year. The information in this Form 10-Q should be read in conjunction with information included in the Company’s 2013 annual report in the Form 10-K filed on September 27, 2013.

### (b)Basis of consolidation

The unaudited condensed consolidated financial statements include the accounts of the Company, its subsidiaries, and its affiliates. All significant intercompany transactions and balances are eliminated in consolidation. Sino-China is considered a VIE, and the Company is the primary beneficiary. The Company through Trans Pacific Beijing entered into agreements with Sino-China, pursuant to which the Company receives 90% of Sino-China’s net income. Sino-China was designed to operate in China for the benefit of the Company. The Company does not receive any payment from Sino-China unless Sino-China recognizes net income during its fiscal year. These agreements do not entitle the Company to any consideration if Sino-China incurs a net loss during its fiscal year. If Sino-China incurs a net loss during its fiscal year, we are not required to absorb such net loss.

As a VIE, Sino-China’s revenues are included in the Company’s total revenues, and its loss from operations is consolidated with the Company’s. Because of the contractual arrangements, the Company had a pecuniary interest in Sino-China that requires consolidation of the Company’s and Sino-China’s financial statements.

The Company has consolidated Sino-China’s operating results because the entities are under common control in accordance with ASC 805-10, “Business Combinations”. The agency relationship between the Company and Sino-China and its branches is governed by a series of contractual arrangements pursuant to which the Company has substantial control over Sino-China. For this reason, the Company has included Sino-China’s operating results in the Company’s statements of operations. Management makes ongoing reassessments of whether the Company is the primary beneficiary of Sino-China.

The carrying amount and classification of Sino-China's assets and liabilities included in the Company’s Unaudited Condensed Consolidated Balance Sheets are as follows:

F-5



	March 31, 2014	June 30, 2013
Total current assets	\$ 498,250	\$ 145,307
Total assets	780,688	326,480
Total current liabilities	527,913	324,334
Total liabilities	527,913	324,334

**(c) Revenue Recognize Policy**

Revenues from shipping agency services are recognized upon completion of services, which coincides with the date of departure of the relevant vessel from port. Advance payments and deposits received from customers prior to the provision of services and recognition of the related revenues are presented as advances from customers.

Revenues from shipping and chartering services are recognized upon performance of services as stipulated in the underlying contract.

Revenues from inland transportation management services are recognized when commodities are being released from the customer's warehouse.

**(d) Translation of Foreign Currency**

The accounts of the Company and its subsidiaries, including Sino-China and each of its branches are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is the US dollars ("USD") while Sino-China reports its financial position and results of operations in Renminbi ("RMB"). The accompanying unaudited consolidated financial statements are presented in US dollars. Foreign currency transactions are translated into US dollars using the fixed exchange rates in effect at the time of the transaction. Generally foreign exchange gains and losses resulting from the settlement of such transactions are recognized in the condensed consolidated statements of operations. The Company translates foreign currency financial statements of Sino-China, Sino-Global Shipping Australia, Sino-Global Shipping Hong Kong, Sino-Global Shipping Canada and Trans Pacific Beijing in accordance with ASC 830-10, "Foreign Currency Matters". Assets and liabilities are translated at current exchange rates quoted by the People's Bank of China at the balance sheet dates and revenues and expenses are translated at average exchange rates in effect during the year. Resulting translation adjustments are recorded as other comprehensive income (loss) and accumulated as a separate component of equity of the Company and also included in non-controlling interest.

The exchange rates as at March 31, 2014 and June 30, 2013 and for the nine months ended March 31, 2014 and 2013, and for the three months ended March 31, 2014 and 2013 are as follows:

Edgar Filing: Sino-Global Shipping America, Ltd. - Form 10-Q

	March 31,	June 30,	Nine months ended March		Three months ended March	
	2014	2013	31,	2013	31,	2013
Foreign currency	<b>BS</b>	<b>BS</b>	<b>PL</b>	<b>PL</b>	<b>PL</b>	<b>PL</b>
RMB:1USD	6.2163	6.1787	6.1060	6.2757	6.1008	6.2254
AUD:1USD	1.0783	1.0937	1.0958	0.9628	1.1155	0.9630
HKD:1USD	7.7567	7.7580	7.7560	7.7542	7.7591	7.7560
CAD:1USD	1.1047	1.0520	1.0638	0.9984	1.1027	1.0085

F-6

**(e) Accounts receivable**

Accounts receivable are presented at net realizable value. The Company maintains allowances for doubtful accounts for estimated losses. The Company reviews the accounts receivable on a quarterly basis and as needed, makes general and specific allowances when there is doubt as to the collectability of individual balances. In evaluating the collectability of individual receivable balances, the Company considers many factors, including the age of the balances, customers' historical payment history, their current financial condition and credit-worthiness in relation to the overall economic trends. Consistent with current practices, receivables are considered past due after 365 days. Accounts are written off after exhaustive efforts at collection. As of March 31, 2014 and June 30, 2013, the allowance for doubtful accounts totaled \$426,818 and \$690,065, respectively.

**(f) Earnings (loss) per share ("EPS")**

Basic earnings (loss) per share is computed by dividing net income (loss) attributable to holders of common shares by the weighted average number of common shares outstanding during the applicable period. Diluted earnings (loss) per share reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted into common shares. Common share equivalents are excluded from the computation of diluted earnings (loss) per share if their effects would be anti-dilutive.

**(g) Risks and Uncertainties**

The operations of the Company are primarily located in the PRC. Accordingly, the Company's business, financial condition, and results of operations may be influenced by the political, economic, and legal environments in the PRC, as well as by the general state of the PRC economy. The Company's operations in the PRC are subject to special considerations and significant risks not typically associated with companies in North America and Western Europe. These include risks associated with, among others, the political, economic and legal environment and foreign currency exchange. The Company's results may be adversely affected by exchanges in the political, regulatory and social conditions in the PRC, and by changes in governmental policies or interpretations with respect to laws and regulations, anti-inflationary measures, currency conversion, remittances abroad, and rates and methods of taxation, among other things. In addition, the Company only controls Sino-China through a series of agreements. If such agreements were cancelled, modified or otherwise not complied with, the Company may not be able to retain control of this consolidated entity and the impact could be material to the Company's operations. Moreover, the Company's ability to grow its business and maintain its profitability could be negatively affected by the nature and extent of services provided to Zhiyuan (see Note 11).

**(h) Recent Accounting Pronouncements**

There have been no new accounting pronouncements that would have a material impact on the financial position of the Company.

### **3.ACCOUNTS RECEIVABLE / ACCOUNTS PAYABLE**

In July and December 2013, the Company executed a total of four agreements (the “settlement agreements”) with a major customer to settle the related accounts receivable and payable that were associated with the Company’s shipping agency business. In connection with the settlement agreements, the Company will reduce the amount of receivable from this major customer based on payments made by such customer directly to the related local shipping agents. During the nine months ended March 31, 2014, such customer made a total payment of \$2,589,739 to the related local shipping agents; and the Company reduced its reported accounts receivable and payable accordingly.

F-7

**4. OTHER RECEIVABLES / OTHER CURRENT LIABILITIES****(a) Other Receivables**

Other receivables represent mainly guarantee deposit for ship owner, amounts to be received from customers for advance payments made to the port agent for reimbursable charges to be incurred in connection with the costs of services; as well as loans, travel and business advances to employees.

**(b) Other Current Liabilities**

Other current liabilities represent mainly advance payments received from customers for reimbursable port agent charges to be incurred and miscellaneous accrued liabilities.

**5. PROPERTY AND EQUIPMENT**

Property and equipment are as follows:

	March 31, 2014	June 30, 2013
Land and building	\$216,532	\$80,461
Motor vehicles	708,733	731,372
Computer equipment	130,564	122,002
Office equipment	50,407	46,319
Furniture and fixtures	99,863	52,687
System software	127,940	123,391
Leasehold improvement	68,564	68,981
Total	1,402,603	1,225,213
Less : Accumulated depreciation and amortization	1,059,121	957,551
Property and equipment, net	\$343,482	\$267,662

Depreciation and amortization expense for the nine months ended March 31, 2014 and 2013 was \$103,041 and \$139,859, respectively. Depreciation and amortization expense for the three months ended March 31, 2014 and 2013 was \$29,409 and \$46,763, respectively.

F-8

**6. NON-CONTROLLING INTEREST**

Non-controlling interest consists of the following:

	March 31, 2014	June 30, 2013
Sino-China:		
Original paid-in capital	\$ 356,400	\$ 356,400
Additional paid-in capital	1,044	1,044
Accumulated other comprehensive Loss	(57,743 )	(85,653 )
Accumulated deficit	(4,748,842)	(3,849,640)
	(4,449,141)	(3,577,849)
Trans Pacific Logistics Shanghai Ltd.	7,453	4,019
Total	\$(4,441,688)	\$(3,573,830)

**7. COMMITMENTS***Office leases*

The Company leases certain office premises and apartments for employees under operating leases expiring through December 14, 2015. Future minimum lease payments under operating leases agreements are as follows:

	Amount
Twelve months ending March 31,	
2014	\$ 109,732
2015	24,880
	\$ 134,612

Rent expense for the nine months ended March 31, 2014 and 2013 was \$157,036 and \$173,075, respectively. Rent expense for the three months ended March 31, 2014 and 2013 was \$68,986 and \$39,858, respectively.

**8. INCOME TAXES**

Edgar Filing: Sino-Global Shipping America, Ltd. - Form 10-Q

The income tax (provision) benefit for the nine months and three months ended March 31, 2014 and 2013, are as follows:

	For the nine months ended March 31,		For the three months ended March 31,	
	2014	2013	2014	2013
Current				
USA	\$ (34,659 )	\$ -	\$ (34,659 )	\$ 24,100
China	(122 )	-	(122 )	-
	(34,781 )	-	(34,781 )	24,100
Deferred				
USA	40,700	(64,500 )	35,967	(9,500 )
China	-	-	-	-
	40,700	(64,500 )	35,967	(9,500 )
Total	\$ 5,919	\$ (64,500 )	\$ 1,186	\$ 14,600

F-9



Deferred tax assets are comprised of the following:

	March 31, 2014	June 30, 2013
Allowance for doubtful accounts (A)	\$208,000	\$301,000
Stock-based compensation	408,000	307,000
Net operating loss	842,000	443,000
Total deferred tax assets	1,458,000	1,051,000
Valuation allowance (A)	(1,312,200)	(945,900 )
Deferred tax assets, net - long-term (A)	\$145,800	\$105,100

Note (A): Net balance was not significant, therefore, considered as part of long-term portion

Operations in the US have incurred a cumulative net operating loss of approximately \$1,605,124 as of March 31, 2014, which may be available to reduce future taxable income. This carry-forward will expire if not utilized by 2034. Other deferred tax assets relating to the allowance for doubtful accounts, stock compensation expenses and net operating loss amounting to \$208,000, \$408,000 and \$842,000 have been recorded respectively. 90% of the deferred tax assets balance has been provided as valuation allowance as of March 31, 2014 based on management's estimate of realizability.

## 9. CONCENTRATIONS

### *Major Customer*

For the nine months ended March 31, 2014, two customers accounted for 41% and 19% of the Company's revenues. For the nine months ended March 31, 2013, approximately 65% of the Company's revenues were from one customer.

### *Major Suppliers*

For the nine months ended March 31, 2014, two suppliers accounted for 31% and 25% of the total cost of revenues. For the nine months ended March 31, 2013, three suppliers accounted for 25%, 12% and 10% of the cost of revenues.

## **10.SEGMENT REPORTING**

ASC 280, "Segment Reporting", establishes standards for reporting information about operating segments on a basis consistent with the Company's internal organizational structure as well as information about geographical areas, business segments and major customers in financial statements for details on the Company's business segments.

The Company's chief operating decision maker has been identified as the Chief Executive Officer who reviews the financial information of separate operating segments when making decisions about allocating resources and assessing performance of the group. Based on management's assessment, the Company has determined that it has three operating segments: shipping agency service, shipping and chartering services, and in land transportation management services.

F-10

Historically, the Company engages primarily in the delivery of shipping agency services but during fiscal 2014,,it has expanded its service delivery platform to include shipping and chartering services (launched during the quarter ended September 30, 2013) and inland transportation management services (launched during the quarter ended December 31, 2013). These new services are part of the Company's strategic initiatives to diversify its service offering, broaden its service platform, and improve its operating profit.

The following tables present summary information by segment for the nine and three months ended March 31, 2014 and 2013, respectively:

	For the Nine Months Ended March 31, 2014			
	Shipping Agency	Shipping & Chartering	Inland Transportation	Total
	Service	Services	Management Services	
Revenues	\$4,628,578	\$1,937,196	\$1,316,600	\$7,882,374
Cost of revenues	\$3,598,641	\$1,291,048	\$187,396	\$5,077,085
Gross profit	\$1,029,937	\$646,148	\$1,129,204	\$2,805,289
Depreciation and amortization	\$74,525	\$699	\$27,817	\$103,041
Total capital expenditures	\$193,001	\$-	\$10,701	\$203,702
Total assets	\$3,099,046	\$446,594	\$972,707	\$4,518,347

  

	For the Nine Months Ended March 31, 2013			
	Shipping Agency	Shipping & Chartering	Inland Transportation	Total
	Service	Services	Management Services	
Revenues	\$16,650,903	\$-	\$-	\$16,650,903
Cost of revenues	\$15,118,150	\$-	\$-	\$15,118,150
Gross profit	\$1,532,753	\$-	\$-	\$1,532,753
Depreciation and amortization	\$139,859	\$-	\$-	\$139,859
Total capital expenditures	\$50,198	\$-	\$-	\$50,198
Total assets	\$7,878,407	\$-	\$-	\$7,878,407

  

	For the Three Months Ended March 31, 2014			
	Shipping Agency	Shipping & Chartering	Inland Transportation	Total
	Service	Services	Management Services	
Revenues	\$1,226,015	\$-	\$866,510	\$2,092,525
Cost of revenues	\$825,181	\$-	\$123,333	\$948,514
Gross profit	\$400,834	\$-	\$743,177	\$1,144,011
Depreciation and amortization	\$19,852	\$233	\$9,324	\$29,409
Total capital expenditures	\$1,472	\$-	\$8,861	\$10,333
Total assets	\$3,099,046	\$446,594	\$972,707	\$4,518,347

Edgar Filing: Sino-Global Shipping America, Ltd. - Form 10-Q

For Three Months Ended March 31, 2013

	Shipping Agency	Shipping & Chartering	Inland Transportation	Total
	Service	Services	Management Services	
Revenues	\$2,339,074	\$-	\$-	\$2,339,074
Cost of revenues	\$1,993,924	\$-	\$-	\$1,993,924
Gross profit	\$345,150	\$-	\$-	\$345,150
Depreciation and amortization	\$86,435	\$-	\$-	\$86,435
Total capital expenditures	\$132	\$-	\$-	\$132
Total assets	\$7,878,407	\$-	\$-	\$7,878,407

F-11

## 11. RELATED PARTY TRANSACTIONS

In June 2013, the Company signed a 5-year global logistic service agreement with TEWOO Chemical & Light Industry Zhiyuan Trade Co., Ltd. and TianJin Zhi Yuan Investment Group Co., Ltd. (together “Zhiyuan”). TianJin Zhi Yuan Investment Group Co., Ltd. is owned by Mr. Zhong Zhang, the largest shareholder of the Company. During the quarter ended September 30, 2013, the Company executed its first shipping and chartering services agreement with Zhiyuan whereby it assisted in the transportation of approximately 51,000 tons of chromite ore from South Africa to China. In September 2013, the Company executed an inland transportation management service contract with Zhiyuan whereby it would provide certain advisory services and help control its potential commodities loss during the transportation process. In addition, the Company executed a one-year short-term loan agreement with Zhiyuan, effective January 1, 2014, to facilitate the working capital needs of Zhiyan on an as-needed basis. As of March 31, 2014, the net amount due from Zhiyuan was \$735,826, inclusive of a cash advance of \$180,000 during October 2013 for the purpose of settling any related transportation costs and/or chartering fees.

As of March 31, 2014, the Company is owed \$372,508 from Sino-G Trading Inc. (“Sino-G”), an entity that is owned by the brother-in-law of the Company’s CEO. Sino-G used to act as a funds transfer agent for the Company’s services in Tianjin, PRC. In accordance with a repayment agreement between the Company and Sino-G, the amount is expected to be repaid during 2014.