Sino-Global Shipping America, Ltd.
Form 10-Q
November 13, 2013

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 three month period ended **September 30, 2013**

¨ 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)

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

136-56 39th Avenue, Room #305
Flushing, New York 11354
(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 x 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 x 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 x

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

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 10,000,000 shares of common stock, without par value per share, and 1,000,000 shares of preferred stock, without par value per share. As of the date of this report, the Company has 4,703,841 issued shares of common stock and no shares of preferred stock.

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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, altho 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 accurately provide shipping agency and logistic services;
- its dependence on a limited number of larger customers;
- 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.

SINO-GLOBAL SHIPPING AMERICA, LTD. AND AFFILIATES

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SINO-GLOBAL SHIPPING AMERICA, LTD. AND AFFILIATES

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	September 30, 2013		June 30, 2013	
Assets				
Current assets				
Cash and cash equivalents	$	1,986,537	$	3,048,831
Advances to suppliers		129,780		231,772
Accounts receivable, less allowance for doubtful accounts of $690,172 and $690,065 as of September 30, 2013 and June 30, 2012, respectively		2,905,436		3,142,203
Other receivables, less allowance for doubtful accounts of $235,066 and $233,950 as of September 30, 2013 and June 30, 2012, respectively		517,704		142,206
Other current assets		7,807		12,488
Prepaid taxes		26,189		26,288
Due from related parties		1,153,377		541,377
Total current assets		6,726,830		7,145,165
Property and equipment, net		246,110		267,662
Other long-term assets		25,800		18,278
Deferred tax assets		127,600		105,100
Total Assets	$	7,126,340	$	7,536,205
Liabilities and Equity				
Current liabilities				
Advances from customers	$	303,142	$	710,172
Accounts payable		3,185,881		3,219,240
Accrued expenses		107,000		51,352
Other current liabilities		395,681		424,141
Total Current Liabilities		3,991,704		4,404,905
Total Liabilities		3,991,704		4,404,905
Commitments and Contingency				
Equity				
Preferred stock, 1,000,000 shares authorized, no par value, none issued.		-		-
Common stock, 10,000,000 shares authorized, no par value; 4,829,032 shares issued as of September 30, 2013 and June 30, 2013; 4,703,841		10,750,157		10,750,157

outstanding as of September 30, 2013 and June 30, 2013				
Additional paid-in capital		1,144,842		1,144,842
Treasury stock, at cost - 125,191 shares		(372,527)		(372,527)
Accumulated deficit		(4,581,219)		(4,856,613)
Accumulated other comprehensive income		42,907		54,791
Unearned Stock-based Compensation		(15,520)		(15,520)
Total Sino-Global Shipping America Ltd. Stockholders' equity		6,968,640		6,705,130
Non-Controlling interest		(3,834,004)		(3,573,830)
Total equity		3,134,636		3,131,300
Total Liabilities and Equity	$	7,126,340	$	7,536,205

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

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SINO-GLOBAL SHIPPING AMERICA, LTD. AND AFFILIATES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(UNAUDITED)

	For the three months ended September 30,			
	2013		2012	
Net revenues	$	3,317,661	$	7,882,068
Cost of revenues		(2,387,803)		(7,118,163)
Gross profit		929,858		763,905
General and administrative expenses		(896,164)		(996,273)
Selling expenses		(51,088)		(86,508)
		(947,252)		(1,082,781)
Operating loss		(17,394)		(318,876)
Financial income (expense), net		23,867		(2,568)
Other income, net		-		36,487
		23,867		33,919
Net income (loss) before provision for income taxes		6,473		(284,957)
Income tax benefit (expense)		22,500		(157,200)
Net income (loss)		28,973		(442,157)
Net loss attributable to non-controlling interest		(246,421)		(251,924)
Net income (loss) attributable to Sino-Global Shipping America, Ltd	$	275,394	$	(190,233)
Net income (loss)	$	28,973	$	(442,157)
Other comprehensive income:				
Foreign currency translation adjustments		(25,637)		(5,819)
Comprehensive income (loss)		3,336		(447,976)
Less: Comprehensive loss attributable to non-controlling interest		(260,174)		(248,960)
Comprehensive income (loss) attributable to Sino-Global Shipping America Ltd.	$	263,510	$	(199,016)
Earnings (loss) per share				
-Basic and diluted	$	0.06	$	(0.07)
Weighted average number of common shares used in computation				
-Basic and diluted		4,703,841		2,903,841

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

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SINO-GLOBAL SHIPPING AMERICA LTD. AND AFFILIATES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the three months ended September 30, 2013		2012	
Operating Activities				
Net income (loss)	$	28,973	$	(442,157)
Adjustment to reconcile net income (loss) to net cash used in operating activities				
Depreciation and amortization		27,575		39,672
Provision for doubtful accounts		108		-
Deferred tax (benefit) expense		(22,500)		133,000
Gain on disposition of property and equipment		-		(20,475)
Changes in assets and liabilities				
Decrease in advances to suppliers		101,992		69,833
Decrease in accounts receivable		236,660		88,883
Increase in other receivables		(375,498)		(6,354)
Increase (decrease) in other current assets and prepaid taxes		(558)		33,154
Decrease in employee loan receivables		5,338		-
Increase in other long-term assets		(7,522)		-
Increase in due from related parties		(612,000)		-
Decrease in advances from customers		(407,030)		(136,672)
Decrease in accounts payable		(33,359)		(1,010,652)
Increase (decrease) in accrued expenses		76,096		(4,210)
Decrease (increase) in other current liabilities		(48,909)		63,629
Net cash used in operating activities		(1,030,634)		(1,192,349)
Investing Activities				
Acquisitions of property and equipment		(3,399)		(144,248)
Net cash used in investing activities		(3,399)		(144,248)
Financing Activities				
Increase in noncontrolling interest in majority-owned subsidiary		-		(285)
Net cash used in financing activities		-		(285)
Effect of exchange rate fluctuations on cash and cash equivalents		(28,261)		21,105
Net decrease in cash and cash equivalents		(1,062,294)		(1,315,777)
Cash and cash equivalents at beginning of period		3,048,831		4,433,333
Cash and cash equivalents at end of period	$	1,986,537	$	3,117,556

Supplemental information		
Income taxes paid	$ 7,949	$ 6,600

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

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SINO-GLOBAL SHIPPING AMERICA, LTD. AND AFFILIATES

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND NATURE OF BUSINESS

Sino-Global Shipping America, Ltd. (the "Company") was incorporated on February 2, 2001 in New York. On September 18, 2007, the Company amended the Articles of Incorporation and Bylaws to merge into a new corporation, Sino-Global Shipping America, Ltd. in Virginia.

The Company'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 located in Beijing with branches in Qingdao, Qinhuangdao, Xiamen and Fangchenggang and provides general shipping agency services in all commercial ports in the PRC. Effective July 1, 2013, the Company also provides certain logistic services to customers in the PRC. Such services include, among other things, assistance with chartering (such as the identification of suitable ship owner; and the negotiation of related shipping costs) as well as land logistic support.

On November 13, 2007, the Company formed a wholly owned foreign-owned enterprise, Trans Pacific Shipping Limited ("Trans Pacific Beijing"), which invested in a 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") on May 31, 2009. 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.

To build an international shipping agency service network, the Company formed a wholly-owned subsidiary, Sino-Global Shipping Australia Pty Ltd. ("Sino-Global AUS") in Perth, Australia on July 3, 2008, which serves the needs of customers shipping into and out of Western Australia. Through the Company's relationship with Monson Agencies Australia ("Monson"), one of the largest shipping agency service providers in Australia, the Company is able to provide general shipping agency services to all ports in Australia.

Sino-Global Shipping (HK) Limited ("Sino-Global HK"), a wholly-owned subsidiary performs as a control and management center for southern Chinese ports and enables the Company to extend its offering of comprehensive shipping agency services to vessels going to and from one of the world's busiest ports. On July 27, 2009, Sino-Global HK signed an exclusive partnership agreement with Forbes & Company Limited ("Forbes"), which is a listed company on the Bombay Stock Exchange (BOM: 502865) and one of the largest shipping and logistic service providers in India. Through the Company's relationship with Forbes, it is able to provide general shipping agency services to all ports in India.

The Company established another wholly-owned subsidiary, Sino-Global Shipping Canada Inc.("Sino-Global Canada") in 2012, to provide services for ships loading commodities at Canadian ports and delivering them to China.

The Company established a new wholly-owned subsidiary, Sino-Global Shipping New York Inc. in May 2013, to facilitate the development of an integrated overseas and local shipping agency network to help generate new business referral activities.

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. All material intercompany transactions and balances have been eliminated in consolidation. In the opinion of management, all adjustments, consisting only of normal recurring 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 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 inter-company transactions and balances are eliminated in consolidation. Sino-China is considered a variable interest entity ("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. 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. In accordance with these agreements, Sino-China pays consulting and marketing fees equal to 85% and 5%, respectively, of its net income to the Company's wholly owned foreign subsidiary, Trans Pacific Beijing, and Trans Pacific Beijing supplies the technology and personnel needed to service Sino-China. Sino-China was designed to operate in China for the benefit of the Company.
As a VIE, Sino-China's sales are included in the Company's total sales, and its income (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 income 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 90% of Sino-China's net income in the Company's net income, and only the 10% of Sino-China's net income represents the non-controlling interest in Sino-China's income. 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 Unaudited Condensed Consolidated Balance Sheets are as follows:

	September 30, 2013	June 30, 2013
Total current asstes	$ 185,168	$ 145,307
Total assets	355,478	326,480
Total current liabilities	315,072	324,334
Total liabilities	315,072	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 logistic services are recognized upon completion of services.

(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 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 consolidated statements of operations. The Company translates foreign currency financial statements of Sino-China, Sino-Global AUS, Sino-Global HK, Sino-Global Canada and Trans Pacific 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 for the three months ended September 30, 2013 and 2012 and at September 30, 2013 and June 30, 2013 are as follows:

	September 30,	June 30,	Three months ended September 30,	
	2013	2013	2013	2012
Foreign currency	BS	BS	PL	PL
RMB:1USD	6.1211	6.1787	6.1266	6.3524
1AUD:USD	0.9343	0.9143	0.9154	1.0395
1HKD:USD	0.1289	0.1289	0.1289	0.1289
1CAD:USD	0.9723	0.9506	0.9625	0.9951

(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 periodic basis and 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 credit-worthiness and current economic trends. Receivables are considered past due after 365 days. Accounts are written off after exhaustive efforts at collection. As of September 30, 2013 and June 30, 2013, the allowance for doubtful accounts totaled $690,172 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 years. Diluted earnings (loss) per share reflects 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.

(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. 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 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.

4. PROPERTY AND EQUIPMENT

Property and equipment are as follows:

	September 30, 2013		June 30, 2013	
Land and building	$	150,848	$	80,461
Motor vehicles		735,026		731,372
Computer equipment		130,127		122,002
Office equipment		48,740		46,319
Furniture and Fixtures		50,669		52,687
System software		124,553		123,391
Leasehold improvement		-		68,981
Total		1,239,963		1,225,213
Less : Accumulated depreciation and amortization		993,853		957,551
Property and equipment, net	$	246,110	$	267,662

Depreciation and amortization expense for the three months ended September 30, 2013 and 2012 was $27,575 and $39,672, respectively.

5. NON-CONTROLLING INTEREST

Non-controlling interest consists of the following:

	September 30, 2013		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		(106,129)		(85,653)
Accumulated deficit		(4,085,017)		(3,849,640)
		(3,833,702)		(3,577,849)

Trans Pacific Logistics Shanghai Ltd.		(302)		4,019
Total	$	(3,834,004)	$	(3,573,830)

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6. COMMITMENTS

Office leases

The Company leases certain office premises and apartments for employees under operating leases expiring through May 17, 2015. Future minimum lease payments under operating leases agreements are as follows:

		Amount
Twevle months ending September 30,		
2014	$	142,808
2015		19,503
	$	162,311

Rent expense for the three months ended September 30, 2013 and 2012 was $46,525 and $77,880, respectively.

7. INCOME TAXES

The income tax (provision) benefit for the quarter ended September 30, 2013 and 2012 are as follows:

	For the three months ended September 30,			
	2013		2012	
Current				
USA	$	-	$	(24,200)
China		-		-
		-		(24,200)
Deferred				
USA		22,500		(133,000)
China		-		-
		22,500		(133,000)
Total	$	22,500	$	(157,200)

Deferred tax assets are comprised of the following:

	September 30, 2013		June 30, 2013	
Allowance for doubtful accounts	$	301,000	$	301,000
Stock-based compensation		307,000		307,000
Net operating loss		668,000		443,000
Total deferred tax assets		1,276,000		1,051,000
Valuation allowance		1,148,400		945,900
Deferred tax assets, net-Long term	$	127,600	$	105,100

Operations in the USA have incurred a cumulative net operating loss of approximately $1,434,000 as of September 30, 2013, 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 and stock compensation expenses amounting to $301,000 and $307,000 have been recorded respectively. 90% of the deferred tax assets balance has been provided as valuation allowance as of September 30, 2013 based on management’s estimate of realizability.

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8. CONCENTRATIONS

Major Customer

For the three months ended September 30, 2013, two customers accounted for 57% and 21% of the Company's revenues. For the three months ended September 30, 2012, approximately 70% of the Company's revenues were from one customer. At September 30, 2013, one customer accounted for approximately 88% of the total net accounts receivable balance.

Major Suppliers

For the three months ended September 30, 2013, two suppliers accounted for 53% and 40% of the total cost of revenues. For the three months ended September 30, 2012, one supplier accounted for 21% of the cost of revenues.

9. 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.
During the three months ended September 30, 2013, the Company began to engage in the delivery of shipping agency and logistic services. 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 two operating segments: shipping agency service and logistic services.
The following tables present summary information by segment for the three months ended September 30, 2013 and 2012, respectively:

	Three Months Ended September 30, 2013			
	Shipping Agency Service		Logistic Service		Consolidated
Revenues	$	1,430,661	$	1,887,000	