

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

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

**WASHINGTON, DC 20549**

**FORM 10-Q**

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

For the three month period ended **December 31, 2012**

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 (I.R.S. employer  
Incorporation or organization) identification number)

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

**Flushing, New York 11354**

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(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 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 2,903,841 issued shares of common stock and no shares of preferred stock.

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

**FORM 10-Q**

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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, 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 accurately provide shipping agency 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.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

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

|                                 | December<br>31,<br>2012 | June 30,<br>2012 |
|---------------------------------|-------------------------|------------------|
| Assets                          |                         |                  |
| Current assets                  |                         |                  |
| Cash and cash equivalents       | \$885,806               | \$4,433,333      |
| Advances to suppliers           | 945,326                 | 901,654          |
| Accounts receivable, net        | 5,834,559               | 3,788,966        |
| Other receivables, net          | 346,245                 | 377,835          |
| Other current assets            | 23,442                  | 82,257           |
| Prepaid taxes                   | 26,189                  | 27,356           |
| Deferred tax assets             | 87,500                  | 175,000          |
| Total current assets            | 8,149,067               | 9,786,401        |
| Property and equipment, net     | 349,229                 | 415,672          |
| Other long-term assets          | 19,714                  | 30,457           |
| Deferred tax assets - long term | 376,500                 | 344,000          |
| Total Assets                    | 8,894,510               | 10,576,530       |
| Liabilities and Equity          |                         |                  |
| Current liabilities             |                         |                  |
| Advances from customers         | 950,256                 | 303,437          |
| Accounts payable                | 6,100,923               | 7,467,145        |
| Accrued expenses                | 83,094                  | 92,217           |
| Other current liabilities       | 255,544                 | 169,628          |
| Total Current Liabilities       | 7,389,817               | 8,032,427        |
| Total Liabilities               | \$7,389,817             | \$8,032,427      |
| Commitments and Contingency     |                         |                  |
| Equity                          |                         |                  |

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|   |                 |                  |
|---|-----------------|------------------|
| Preferred stock, 1,000,000 shares authorized, no par value  | -               | -                |
| Common stock, 10,000,000 shares authorized, no par value; 3,029,032 shares issued,<br>2,903,841 outstanding | \$7,709,745     | \$7,709,745      |
| Additional paid-in capital  | 1,191,796       | 1,191,796        |
| Treasury stock, at cost - 125,191 shares  | (372,527 )      | (372,527 )       |
| Accumulated deficit   | (3,538,678)     | (3,056,858 )     |
| Accumulated other comprehensive loss  | (214 )          | 16,709           |
| Unearned Stock-based Compensation   | (202,089 )      | (202,089 )       |
| <br>Total Sino-Global Shipping America Ltd. Stockholders' equity  | <br>4,788,033   | <br>5,286,776    |
| <br>Non-Controlling interest  | <br>(3,283,340) | <br>(2,742,673 ) |
| <br>Total equity  | <br>1,504,693   | <br>2,544,103    |
| <br>Total Liabilities and Equity  | <br>\$8,894,510 | <br>\$10,576,530 |

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 LOSS****(UNAUDITED)**

|   | For the six months ended<br>December 31, |                | For the three months<br>ended December 31, |              |
|---|--|----------------|--|--------------|
|   | 2012                                     | 2011           | 2012                                       | 2011         |
| Net Revenues  | \$ 14,311,829                            | \$ 16,615,305  | \$ 6,429,761                               | \$ 8,022,598 |
| Cost of revenues  | (13,124,226)                             | (15,206,693)   | (6,006,063)                                | (7,452,475)  |
| Gross profit  | 1,187,603                                | 1,408,612      | 423,698                                    | 570,123      |
| General and administrative expenses                           | (2,004,611 )                             | (2,826,615 )   | (1,008,338 )                               | (1,444,702 ) |
| Selling expenses  | (183,426 )                               | (212,806 )     | (96,918 )                                  | (108,224 )   |
|   | (2,188,037 )                             | (3,039,421 )   | (1,105,256 )                               | (1,552,926 ) |
| Operating Loss  | (1,000,434 )                             | (1,630,809 )   | (681,558 )                                 | (982,803 )   |
| Financial income, net   | 29,734                                   | 100,857        | 32,302                                     | 144,860      |
| Other income, net   | 41,789                                   | 40,505         | 5,302                                      | 10,473       |
| Loss from equity investment                                   | -  | (188,999 )     | -  | (915 )       |
|   | 71,523                                   | (47,637 )      | 37,604                                     | 154,418      |
| Net loss before provision for income taxes                    | (928,911 )                               | (1,678,446 )   | (643,954 )                                 | (828,385 )   |
| Income tax (expense) benefit                                  | (79,100 )                                | 24,121         | 78,100                                     | 1,000        |
| Net loss  | (1,008,011 )                             | (1,654,325 )   | (565,854 )                                 | (827,385 )   |
| Net loss attributed to non-controlling interest               | (526,192 )                               | (593,537 )     | (274,268 )                                 | (432,384 )   |
| Net loss attributable to Sino-Global Shipping America,<br>Ltd | (481,819 )                               | (1,060,788 )   | (291,586 )                                 | (395,001 )   |
| Net loss  | \$(1,008,011 )                           | \$(1,654,325 ) | \$(565,854 )                               | \$(827,385 ) |
| Other comprehensive income:                                   |  |                |  |              |
| Foreign currency translation adjustments                      | (16,923 )                                | (3,989 )       | (11,104 )                                  | (37,638 )    |
| Comprehensive loss  | (1,024,934 )                             | (1,658,314 )   | (576,958 )                                 | (865,023 )   |

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|  |              |                |              |              |
|--|--------------|----------------|--------------|--------------|
| Less: Comprehensive loss attributable to non-controlling interest    | (540,667 )   | (609,332 )     | (291,707 )   | (441,398 )   |
| Comprehensive loss attributable to Sino-Global Shipping America Ltd. | \$(484,267 ) | \$(1,048,982 ) | \$(285,251 ) | \$(423,625 ) |
| Loss per share   |              |                |              |              |
| -Basic and diluted   | \$(0.17 )    | \$(0.37 )      | \$(0.10 )    | \$(0.14 )    |
| Weighted average number of common shares used in computation         |              |                |              |              |
| -Basic and diluted   | 2,903,841    | 2,903,841      | 2,903,841    | 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 six months ended<br>December 31, |               |
|---|--|---------------|
|   | 2012                                     | 2011          |
|   | US\$                                     | US\$          |
| Operating Activities  |  |               |
| Net loss  | \$(1,008,011)                            | \$(1,654,325) |
| Adjustment to reconcile net loss to net cash used in operating activities |  |               |
| Depreciation and amortization   | 93,096                                   | 137,886       |
| Provision for doubtful accounts   | -  | 95,190        |
| Deferred tax expense (benefit)  | 55,000                                   | (51,000 )     |
| Loss from equity investment   | -  | 188,999       |
| Gain on disposition of property and equipment                             | (3,389 )                                 | -             |
| Changes in assets and liabilities   |  |               |
| Increase in advances to suppliers   | (43,672 )                                | (337,549 )    |
| Increase in accounts receivable   | (2,045,593)                              | (711,501 )    |
| Decrease in other receivables   | 31,590                                   | 44,109        |
| Decrease (Increase) in other current assets                               | 58,815                                   | (20,212 )     |
| Decrease in prepaid taxes   | 1,167                                    | 256,492       |
| Decrease in other long-term assets  | 10,743                                   | 5,696         |
| Increase (Decrease) in advances from customers                            | 646,819                                  | (416,498 )    |
| (Decrease) Increase in accounts payable                                   | (1,366,222)                              | 3,025,716     |
| Decrease in accrued expenses  | (9,123 )                                 | (35,189 )     |
| Increase in other current liabilities                                     | 85,916                                   | 112,403       |
| Net cash (used in) provided by operating activities                       | (3,492,864)                              | 640,217       |
| Investing Activities  |  |               |
| Acquisitions of property and equipment                                    | (50,066 )                                | (37,212 )     |
| Net cash used in investing activities                                     | (50,066 )                                | (37,212 )     |
| Financing Activities  |  |               |
| Decrease in noncontrolling interest in majority-owned subsidiary          | (4,776 )                                 | (15,151 )     |
| Net cash used in financing activities                                     | (4,776 )                                 | (15,151 )     |

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|   |             |             |
|---|-------------|-------------|
| Effect of exchange rate fluctuations on cash and cash equivalents | 179         | (57,708 )   |
| Net (decrease) increase in cash and cash equivalents              | (3,547,527) | 530,146     |
| Cash and cash equivalents at beginning of period                  | 4,433,333   | 4,878,828   |
| Cash and cash equivalents at end of period                        | \$885,806   | \$5,408,974 |
| Supplemental information  |             |             |
| Income taxes paid   | \$13,200    | \$13,200    |

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

## **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 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 and Fangchenggang and provides general shipping agency services in all commercial ports in the PRC.

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-subsiidiary 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. The Company also signed an agreement with Monson Agencies Australia (“Monson”), one of the largest shipping agency service providers in Australia. Through the Company’s relationship with Monson, the Company is able to provide general shipping agency services to all ports in Australia.

The Company established another wholly-owned subsidiary on September 22, 2008, Sino-Global Shipping (HK) Limited ("Sino-Global HK") to perform 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 a new wholly-owned subsidiary, Sino-Global Shipping Canada Inc. in 2012, to provide services for ships loading commodities at Canadian ports and delivering them to China. Sino-Global Shipping Canada is already providing shipping services to Baosteel's vessels in Canada. Baosteel, based in Shanghai, China, is the second largest steel producer in the world with huge demands for iron ore and other commodities.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

There have been no material changes during fiscal year 2013 in the Company's significant accounting policies to those previously disclosed in the 2012 annual report. Therefore only those policies considered by management to be most impactful to the reader have been disclosed in this quarterly form 10-Q.

### (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"). 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.

In the opinion of the Company's management, the unaudited condensed consolidated financial statements include all adjustments necessary to present fairly the consolidated financial position, results of operations and cash flows of the Company for the periods presented. These unaudited condensed consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended June 30, 2012, filed on September 28, 2012 (the "Annual Report").

### (b) Basis of consolidation

The 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, including Sino-Global AUS, Sino-Global HK, Trans Pacific, and Sino-China. 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.

The accounts of Sino-China are consolidated in the accompanying unaudited condensed consolidated financial statements pursuant to Accounting Standards Codification (“ASC”) 810-10, “Consolidation”. 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”. 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 not paid to the Company 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:

|                           | December<br>31,<br>2012 | June 30,<br>2012 |
|---------------------------|-------------------------|------------------|
| Total current assets      | \$ 259,441              | \$ 537,068       |
| Total assets              | 495,624                 | 766,075          |
| Total current liabilities | 318,037                 | 298,948          |
| Total liabilities         | 318,037                 | 298,948          |

**(c) 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 condensed 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 unaudited condensed consolidated statements of operations. The Company translates foreign currency financial statements of Sino-China, Sino-Global AUS, Sino-Global HK 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 periods. 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 December 31, 2012 and the year ended June 30, 2012 are as follows:

| Foreign currency | December 31,<br>2012 |        | June 30,<br>2012 |        |
|------------------|----------------------|--------|------------------|--------|
|                  | BS                   | PL     | BS               | PL     |
| RMB:1USD         | 6.2855               | 6.3009 | 6.3249           | 6.3520 |
| 1AUD:USD         | 1.0585               | 1.0388 | 1.0203           | 1.0323 |
| 1HKD:USD         | 0.1290               | 0.1290 | 0.1289           | 0.1286 |
| 1CAD:USD         | 1.0032               | 1.0068 | -                | -      |

**(d) 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 December 31, 2012 and June 30, 2012, the allowances for doubtful accounts were \$357,211 and \$357,042, respectively.

**(e) Loss per share**

Basic earnings (loss) per share is computed by dividing net income attributable to holders of common shares by the weighted average number of common shares outstanding during the years. Diluted earnings 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 per share if their effects would be anti-diluted.

The effect of 138,000 stock options and 139,032 warrants for all periods presented were not included in the calculation of diluted EPS because they would be anti-dilutive.

**(f) 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.

**(g) Recent Accounting Pronouncements**

There have been no new significant accounting pronouncements from those disclosed in the Company's latest annual report on Form 10-K for the year ended June 30, 2012.

**3. OTHER RECEIVABLES / OTHER CURRENT LIABILITIES**

(a) Other Receivables

Other receivables represent mainly amounts to be received from customers for advance payments made to the port agent for reimbursed charges to be incurred in connection with the costs of services as well as loans to employees. As of December 31, 2012 and June 30, 2012, the allowances for doubtful accounts totaled \$80,000.

(b) Other Current Liabilities

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

**4. PROPERTY AND EQUIPMENT, AT COST.**

Property and equipment are as follows:

|  | December<br>31,<br>2012 | June 30,<br>2012 |
|--|-------------------------|------------------|
| Land and building                                | \$79,093                | \$78,601         |
| Motor vehicles                                   | 718,536                 | 918,451          |
| Computer equipment                               | 120,703                 | 126,729          |
| Office equipment                                 | 45,539                  | 46,359           |
| Furniture and Fixtures                           | 52,104                  | 53,440           |
| System software                                  | 121,295                 | 120,539          |
| Leasehold improvement                            | 67,809                  | 67,387           |
| Total  | 1,205,079               | 1,411,506        |
| Less : Accumulated depreciation and amortization | 855,850                 | 995,834          |
| Property and equipment, net                      | \$349,229               | \$415,672        |

**5. NON-CONTROLLING INTEREST**

Non-controlling interest in Sino-China consists of the following:

|                                      | December<br>31,<br>2012 | June 30,<br>2012 |
|--------------------------------------|-------------------------|------------------|
| Sino-China:                          |                         |                  |
| Original paid-in capital             | \$356,400               | \$356,400        |
| Additional paid-in capital           | 1,044                   | 1,044            |
| Accumulated other comprehensive loss | (55,213 )               | (45,514 )        |
| Accumulated deficit                  | (3,571,620)             | (3,050,234)      |
| Other adjustments                    | (27,070 )               | (22,265 )        |

|                                       |               |               |
|---------------------------------------|---------------|---------------|
|                                       | (3,296,459)   | (2,760,569)   |
| Trans Pacific Logistics Shanghai Ltd. | 13,119        | 17,896        |
| Total                                 | \$(3,283,340) | \$(2,742,673) |

## 6. COMMITMENTS

### *Office leases*

The Company leases certain office premises and apartments for employees under operating leases through September 30, 2014. Future minimum lease payments under operating leases agreements are as follows:

|                                    | Amount     |
|------------------------------------|------------|
| Tweleve months ending December 31, |            |
| 2013                               | \$ 139,585 |
| 2014                               | 46,044     |
| After 2014                         | -          |
|                                    | \$ 185,629 |

Rent expense for the six months ended December 31, 2012 and 2011 was \$133,218 and \$182,396, respectively. Rent expense for the three months ended December 31, 2012 and 2011 was \$55,338 and \$94,296, respectively.

**7. INCOME TAXES**

The income tax (provision) benefit for the six months ended December 31, 2012 and 2011 and the three months ended December 31, 2012 and 2011 are as follows:

|          | For the six months<br>ended December 31, |            | For the three<br>months ended<br>December 31, |         |
|----------|--|------------|---|---------|
|          | 2012                                     | 2011       | 2012  | 2011    |
| Current  |  |            |   |         |
| USA      | \$(24,100)                               | \$(26,879) | \$100   | \$-     |
| China    | -  | -          | -   | -       |
|          | (24,100)                                 | (26,879)   | 100   | -       |
| Deferred |  |            |   |         |
| USA      | (55,000)                                 | 51,000     | 78,000  | 1,000   |
| China    | -  | -          | -   | -       |
|          | (55,000)                                 | 51,000     | 78,000  | 1,000   |
| Total    | \$(79,100)                               | \$24,121   | \$78,100                                      | \$1,000 |

Deferred tax assets are comprised of the following:

|                                 | December<br>31,<br>2012 | June 30,<br>2012 |
|---------------------------------|-------------------------|------------------|
| Allowance for doubtful accounts | \$175,000               | \$175,000        |
| Stock-based compensation        | 346,000                 | 385,000          |
| Net operating loss              | 407,000                 | 240,000          |
| Total deferred tax assets       | 928,000                 | 800,000          |
| Valuation allowance             | 464,000                 | 281,000          |
| Deferred tax assets, net        | 464,000                 | 519,000          |
| - Current                       | 87,500                  | 175,000          |
| - Long term                     | 376,500                 | 344,000          |

Operations in the USA have incurred a cumulative net operating loss of approximately \$866,000 as of December 31, 2012, which may be available to reduce future taxable income. This carry-forward will expire if not utilized by 2032. Other deferred tax assets relating to the allowance for doubtful accounts and stock compensation expenses amounting to \$175,000 and \$346,000 have been recorded respectively. 50% of the deferred tax assets balance has been provided as valuation allowance as of December 31, 2012 based on management's estimate.

## **8. CONCENTRATIONS**

### *Major Customer*

For the six months ended December 31, 2012 and 2011, approximately 67% and 51%, respectively, of the Company's revenues were from one customer.

### *Major Suppliers*

For the six months ended December 31, 2012, three suppliers accounted for 18%, 13% and 10% of the total cost of revenues, respectively. For the six months ended December 31, 2011, two suppliers accounted for 14% and 13% of the cost of revenues, respectively.

## **9. SUBSEQUENT EVENT**

Dr. Liu will serve on the audit, compensation and corporate governance committees of the Registrant and will serve as the chair of the audit committee. In connection with his appointment to the Board of Directors, Dr. Liu will receive an option grant to purchase 10,000 shares of the Registrant's common stock for an exercise price equal to \$2.01 per share, the average closing stock price for the ten trading days prior to the grant. The options will vest at a rate of 2,000 per year, beginning on January 30, 2014 and will continue to vest only to the extent Dr. Liu remains a director, employee or consultant to the Registrant. The options may be exercised for ten years from the date of grant. In addition to the option grant, Dr. Liu will receive a cash payment of \$8,000 per year.



## 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**

We are a shipping agency service provider for ships coming to and departing from Chinese ports. Our company was incorporated in New York in February 2001. On September 18, 2007, we amended the Articles of Incorporation and Bylaws of our New York corporation to merge into a new Virginia corporation, Sino-Global Shipping America, Ltd.

Our 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, we operate our business in the PRC through Sino-Global Shipping Agency, Ltd. ("Sino-China"), a PRC limited liability company wholly owned by our founder and Chief Executive Officer, Cao Lei, and Chief Financial Officer, Zhang Mingwei, both of whom are PRC citizens. Sino-China holds the licenses and permits necessary to provide shipping services in the PRC. Headquartered in Beijing with branches in Qingdao, Qinhuangdao and Fangchenggang, we provide general shipping agency services in all commercial ports in China.

On November 13, 2007, the Company formed a wholly owned foreign-owned enterprise, Trans Pacific Shipping Limited ("Trans Pacific Beijing"), which invested in one 90%-owned subsidiary on May 31, 2009, 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-subsidary relationship. Trans Pacific Beijing has contractual arrangements with Sino-China and its shareholders that enable the Company to substantially control Sino-China.

For the purpose of building up an international shipping agency service network, we 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. The Company also signed an agreement with Monson Agencies Australia (“Monson”), one of the largest shipping agency service providers in Australia. Through the Company’s relationship with Monson, the Company is able to provide general shipping agency services to all ports in Australia.

We established another wholly-owned subsidiary, Sino-Global Shipping (HK) Limited (“Sino-Global HK”) on September 22, 2008. Sino-Global HK is our control and management center for southern Chinese ports and enables our 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 our relationship with Forbes, we are able to provide general shipping agency services to all ports in India.

The Company established a new wholly-owned subsidiary, Sino-Global Shipping Canada Inc. (Sino-Global Canada) at the end of 2012, to provide services for ships loading commodities at Canadian ports. Sino-Global Canada has already commenced to provide services to Baosteel's vessels in Canada.

On July 5, 2011, Sino-China signed a Strategic Cooperative Agreement with COSCO Container Shipping Agency Co. Limited, one of the largest state-owned shipping agents in China. The Agreement entitles us to use COSCO Container Shipping Agency's name to market business in China and overseas. In addition, we are able to provide shipping agency services through over 50 COSCO's offices in China.

## Revenues

China's economy slowed down in 2012 resulting in reduced volume of iron ore import. Although the number of ships we served increased from 222 to 223 for the six months, it decreased from 116 to 99 for three months ended December 31, 2011 and 2012. Of the total number of ships we served, the number of ships we provided loading/discharging services were significantly decreased. By contrast, our strategic partner, Monson Australia, referred an increased number of ships to us for which we provided protective services. As protective services generate much less agency revenue per ship, our total revenues decreased from \$16.62 million down to \$14.31 million for the six months and from \$8.02 million down to \$6.43 million for the three months ended December 31, 2011 and 2012, respectively.

|                        | For the six months ended December 31, |      |       |        | For the three months ended December 31, |      |       |        |
|------------------------|---------------------------------------|------|-------|--------|---|------|-------|--------|
|                        | 2012                                  | 2011 | Diff. | %      | 2012                                    | 2011 | Diff. | %      |
| Number of ships served | 223                                   | 222  | 1     | 0.45   | 99                                      | 116  | -17   | -14.66 |
| Loading/discharging    | 132                                   | 189  | -57   | -30.16 | 59                                      | 93   | -34   | -36.56 |
| Protective             | 91                                    | 33   | 58    | 175.76 | 40                                      | 23   | 17    | 73.91  |

We recognized more than 99% of our revenues in our locations in the United States, Australia and Hong Kong. The revenues recorded in Sino-China are subject to a 5% business tax as well as an additional 0.5% surcharge after deducting the costs of services. We deduct these business taxes and related surcharges from our gross revenues to arrive at our total revenues.

The Chinese Ministry of Finance and the State Administration of Taxation jointly set out the Value Added Tax (VAT) reform plan, which will see the business taxes replaced by VAT commencing from Shanghai on January 1, 2012, and then be extended to all other provinces and autonomies in mainland China. As we recorded most of our revenues outside of China, there is little effect of ongoing VAT reform to our operating results.

We charge shipping agency fees in two ways: (1) the fixed fees are predetermined with a customer, and (2) the cost-plus fees are calculated based on the actual costs incurred plus a mark up. 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 and so on;
- .. the rate of service fees we charge;
- .. the number of ports at which we provide services; and
- .. the number of customers we serve.

Historically, our services have primarily been driven by the increase in the number of ships and customers, provided that the rate of service fees is determined by market competition. We believe that an increase in the number of ports served generally leads to an increase in the number of ships and customers. We expect that we will continue to earn a substantial majority of our revenues from our shipping agency services. As a result, we plan to continue to focus most of our resources on expanding our business to cover more ports in the PRC and overseas. In addition, we will allocate our resources in marketing our brand to customers, including ship owners and charters, which transport goods from all ports around the world to China. We believe that our diversified focus on loading and discharging cargo in both Chinese and overseas ports will enable us to continue growing quickly and also place us in a better position to manage the exchange rate risk associated with the trend of the U.S. dollar's devaluation against the RMB because our overseas revenues and port charges are normally paid in foreign currencies. To the extent these other foreign currencies devalue against the RMB, of course, we would still face exchange rate risks.

## Operating Costs and Expenses

Our operating costs and expenses consist of costs of revenues, general and administrative expenses, selling expenses. Our total operating costs and expenses decreased in absolute amount and as a percentage of total revenues for the six and three months ended December 31, 2012 compared to the same periods ended December 31, 2011 mainly due to our budget control efforts on general and administrative expenses. The following table sets forth the components of our Company's costs and expenses for the periods indicated.

|                                    | For the six months ended December 31, |        |              |        | Change      |         |
|------------------------------------|---------------------------------------|--------|--------------|--------|-------------|---------|
|                                    | 2012<br>US\$                          | %      | 2011<br>US\$ | %      | US\$        | %       |
| Revenues                           | 14,311,829                            | 100.00 | 16,615,305   | 100.00 | (2,303,476) | (13.86) |
| Costs and expenses                 |                                       |        |              |        |             |         |
| Cost of revenues                   | 13,124,226                            | 91.70  | 15,206,693   | 91.52  | (2,082,467) | (13.69) |
| General and administrative expense | 2,004,611                             | 14.01  | 2,826,615    | 17.01  | (822,004 )  | (29.08) |
| Selling expense                    | 183,426                               | 1.28   | 212,806      | 1.28   | (29,380 )   | (13.81) |
| Total costs and expenses           | 15,312,263                            | 106.99 | 18,246,114   | 109.82 | (2,933,851) | (16.08) |

|                                    | For the three months ended December 31, |        |              |        | Change      |         |
|------------------------------------|---|--------|--------------|--------|-------------|---------|
|                                    | 2012<br>US\$                            | %      | 2011<br>US\$ | %      | US\$        | %       |
| Revenues                           | 6,429,761                               | 100.00 | 8,022,598    | 100.00 | (1,592,837) | (19.85) |
| Costs and expenses                 |   |        |              |        |             |         |
| Cost of revenues                   | 6,006,063                               | 93.41  | 7,452,475    | 92.89  | (1,446,412) | (19.41) |
| General and administrative expense | 1,008,338                               | 15.68  | 1,444,702    | 18.01  | (436,364 )  | (30.20) |
| Selling expense                    | 96,918                                  | 1.51   | 108,224      | 1.35   | (11,306 )   | (10.45) |
| Total costs and expenses           | 7,111,319                               | 110.60 | 9,005,401    | 112.25 | (1,894,082) | (21.03) |

**Costs of Revenues.** Costs of revenues represent the expenses incurred in the periods when a ship docks in a harbor to load and discharge cargo. We believe the most significant factors that directly or indirectly affect our costs of revenues are:

- the number of ships to which we provide port loading/discharging services;
- the size of ships we serve, as large ship requires more towboats to park at harbor;

- the nationality of ships we serve, as a foreign ship pays different tonnage taxes;
- the complexity of service processing;
- the operating condition of a particular port for ships loading or discharging;
- the number of days a ship loading or discharging; and
- the number of days ships loading or discharging during overtime period and public holidays.

We typically pay the costs of revenues on behalf of our customers. Except for Australia and Canada where our revenues and costs are settled in the local currencies, we receive most revenues from our clients in U.S. dollars and pay most costs of revenues to the local port agents in local currency, for example RMB in China. As such, the costs of revenues will change if the foreign currency exchange rates change.

Our costs of revenues as a percentage of our total revenues increased slightly from 91.52% to 91.70% for the six months and from 92.89% to 93.41% for the three months ended December 31, 2012 and 2011, respectively. The increase was due primarily to the devaluation of the U.S. dollars against Chinese RMB by 1.34% and 1.67% for the six and three months ended December 31, 2012 and 2011, respectively. Because the U.S. government imposed a third round of quantitative easing (QE3), we expect that the U.S. dollar's devaluation against the Chinese RMB will continue in fiscal 2013. Consequently, we expect that our costs of revenues as a percentage of our total revenues will continue to increase and our gross margin will continue to decrease.

**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, depreciation expenses, office rental expenses and expenses for legal, accounting and other professional services. For the six and three months ended December 31, 2012, our general and administrative expenses as a percentage of our total revenues decreased from 17.01% to 14.01% and from 18.01% to 15.68% over the same periods in 2011, mainly due to our expense cuts in business expansion, office expenditures and travel expenses. In particular, the general and administrative expenses of our Australian and Hong Kong offices constituted about 8.89% of our total general and administrative expenses for the period ended December 31, 2012, compared to that of 10.33% for the period ended December 31, 2011.

**Selling Expenses.** Our selling expenses primarily consist of commissions and traveling expenses for our operating staff to the ports at which we provide services. In line with the decrease in our revenues, our selling expenses decreased in absolute amount and kept same as a percentage of our total net revenues for the six months ended December 31, 2012. Selling expenses decreased in absolute amount and slightly increased as a percentage of our total net revenues for the three months ended December 31, 2012.

### **Critical Accounting Policies**

We prepare the 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 2013 in the Company’s significant accounting policies to those previously disclosed in the 2012 annual report.

### **2013 Trends**

Because our principal operating market is based in the PRC, our business strategies are heavily influenced by the development of Chinese economy and political environments. Since the end of 2011, the Chinese government has exercised significant control to slow the pace of growth of the Chinese economy. Our revenues decreased 13.86% for the six months and 19.85% for the three months ended December 31, 2012. This is largely attributed to the reduced number of ships we served for Beijing Shourong Forwarding Service Co., Ltd. (“Shourong”), our major customer from which we have generated more than 60% of total revenues. Although it is difficult for us to predict future trends given current economic uncertainties, we still believe that growth is key for a small company like us to survive and develop.

As such, we will continue setting top line growth as our first priority. We are trying to maintain our revenues in fiscal 2013 equal to or slightly less than that in fiscal 2012. To fulfill the objective, we will leverage our efforts in maintaining our current clients and attracting new clients, particularly increasing revenues from our agency services to vessels coming to Chinese ports as well as expanding business activities at the loading ports in Australia, Canada, South Africa, Brazil and other countries to which China has major trading activities..

In addition to revenue challenges, we have experienced significant difficulties in managing our foreign exchange risks. Because we receive most of our revenues in U.S. dollars and pay most of our expenses in Chinese RMB, we have faced increased costs of revenues due to the devaluation of the U.S. dollar against the RMB over the last few years. Although the U.S. dollar devaluation appears to be slowing down, we anticipate the trend will continue in fiscal 2013 and our gross margin will continue to be negatively affected by the devalued U.S. dollar.

In accordance with our budget control efforts, our general and administrative expenses decreased significantly for the six and three months ended December 31, 2012. In the 2013 fiscal year, we will continue our combined effort to control our budget and promote business growth.

#### **Compliance with Listing Rule 5550((b)(1)**

We received a notification letter from NASDAQ dated November 21, 2012, regarding noncompliance with the NASDAQ Capital Market Listing Rule 5550(b)(1), by virtue of our company maintaining less than \$2,500,000 in shareholders' equity. In accordance with the instructions provided in the notification letter, we responded to NASDAQ, applying for a full extension together with a plan to regain compliance with Listing Rule 5550(b)(1). The application for the full 180-day extension was granted by NASDAQ on January 24, 2013, requiring us to implement our plan and return to compliance with NASDAQ Capital Market Listing Rule 5550(b)(1) on or before May 20, 2013.

## Results of Operations

### *Six Months Ended December 31, 2012 Compared to Six Months Ended December 31, 2011*

**Revenues.** Our total revenues decreased by 13.86% from \$16,615,305 for the six months ended December 31, 2011 to \$14,311,829 in the comparable six months in 2012. The number of ships that generated revenues for us increased from 222 for the six-month period of fiscal 2012 to 223 for the comparable period of fiscal 2013. Despite the increased numbers of ships we served, our revenues decreased. This is because we provided protective services for more ships, which generated significantly lower revenues per ship. For the six months ended December 31, 2012, we provided protective services to 91 ships, compared to 33 ships for the 2011 six month period. In contrast, we provided loading/discharging service to 132 and 189 ships for the six months ended December 31, 2012 and 2011, respectively.

**Total Operating Costs and Expenses.** Our total operating costs and expenses decreased by 16.08% from \$18,246,114 for the six months ended December 31, 2011 to \$15,312,263 for the six months ended December 31, 2012. This decrease was primarily due to decreases in our costs of revenues and general and administrative expenses, as discussed below.

**Costs of Revenues.** Our cost of revenues decreased by 13.69% from \$15,206,693 for the six months ended December 31, 2011 to \$13,124,226 for the six months ended December 31, 2012. The revenues decreased more quickly than costs of revenues and the gross margins decreased from 8.48% down to 8.30% for the comparative six months ended December 31, 2011 and 2012, respectively. The 0.11% decrease in gross margin was largely due to the devaluation of the U.S. dollar against the Chinese RMB. The average foreign exchange rate was \$1.00 to RMB6.3009 for the six months ended December 31, 2012 compared to \$1.00 to RMB6.3865 for the six months ended December 31, 2011, a 1.34% increase during the period.

**General and Administrative Expenses.** Our general and administrative expenses decreased by 29.08% from \$2,826,615 for the six months ended December 31, 2011 to \$2,004,611 for the six months ended December 31, 2012. This mainly due to (1) decreased bad debts provision of \$67,827, (2) a decrease of \$409,140 in business promotion, (3) decreased listing expense of \$108,527, (4) decreased salaries and benefits for our staff of \$40,656. We will continue our budget control efforts to reduce the general and administrative expenses as a percentage of total revenues.

**Selling Expenses.** Our selling expenses decreased by 13.81% from \$212,806 for the six months ended December 31, 2011 to \$183,426 for the period ended December 31, 2012. Most selling expenses are commissions paid to business partners who refer shipping agency business to us.

**Operating Loss.** We had an operating loss of \$1,000,434 for the six months ended December 31, 2012, compared to operating loss of \$1,630,809 for the comparable six months in 2011. The operating loss for the six-month period of fiscal 2013 was decreased primarily due to the reduced general and administrative expenses.

**Financial Income, Net.** Our net financial income was \$29,734 for the six months ended December 31, 2012, compared to our net financial income of \$100,857 for the six months ended December 31, 2011. The net financial income was derived largely from the foreign exchange income recognized in the financial statement consolidation. Foreign exchange losses resulting from the settlement of foreign exchange transactions are recognized in the condensed consolidated statements of operations.

**Taxation.** Our income tax expense was \$79,100 for the six months ended December 31, 2012, compared to income tax benefits of \$24,121 for the six months ended December 31, 2011. As we made a tax provision of \$24,100 and deferred tax provision of \$55,000, the income tax expense of the six month period ended December 31, 2012 was \$79,100.

**Net Loss.** As a result of the foregoing, we had a net loss of \$1,008,011 for the six months ended December 31, 2012, compared to net loss of \$1,654,325 for the six months ended December 31, 2011. After deduction of non-controlling interest in loss, net loss attributable to Sino-Global Shipping America, Ltd. was \$481,819 for the six months ended December 31, 2012, compared to net loss of \$1,060,788 for the six months ended December 31, 2011. With other comprehensive loss foreign currency translation, comprehensive loss was \$484,267 for the six months ended December 31, 2012, compared to comprehensive loss of \$1,048,982 for the six months ended December 31, 2011.

***Three Months Ended December 31, 2012 Compared to Three Months Ended December 31, 2011***

***Revenues.*** Our total revenues decreased by 19.85% from \$8,022,598 for the three months ended December 31, 2011 to \$6,429,761 in the comparable three months in 2012. The number of ships that generated revenues for us decreased from 116 for the three months ended December 31, 2011 to 99 for the comparable quarter of fiscal 2013. Accordingly, our revenues decreased. In addition, we provided protective services for more ships which generated significantly lower revenues per ship. For the three months ended December 31, 2012, we provided protective services to 40 ships, compared to 23 ships for the same quarter of 2011. We provided loading/discharging service to 59 and 93 ships for the three months ended December 31, 2012 and 2011, respectively.

***Total Operating Costs and Expenses.*** Our total operating costs and expenses decreased by 21.03% from \$9,005,401 for the three months ended December 31, 2011 to \$7,111,319 for the three months ended December 31, 2012. This decrease was primarily due to decreases in our costs of revenues and general and administrative expenses, as discussed below.

***Costs of Revenues.*** Our cost of revenues decreased by 19.41% from \$7,452,475 for the three months ended December 31, 2011 to \$6,006,063 for the three months ended December 31, 2012. The revenues decreased faster than costs of revenues, and the gross margins decreased from 7.11% down to 6.59% for the comparative three months ended December 31, 2011 and 2012, respectively. The 0.11% decrease in gross margin was largely due to the reevaluation of the U.S. dollar against the Chinese currency. The average foreign exchange rate was \$1.00 to RMB6.2494 for the three months ended December 31, 2012 compared to \$1.00 to RMB6.3524 for the three months ended December 31, 2011, a 1.67% increase during the period.

***General and Administrative Expenses.*** Our general and administrative expenses decreased by 30.20% from \$1,444,702 for the three months ended December 31, 2011 to \$1,008,338 for the three months ended December 31, 2012. This decrease was mainly due to (1) decreased salaries and benefits for our staff of \$48,845, (2) a decrease of ¥137,178 in business promotion, (3) decreased listing expense of \$94,271. We will continue our budget control efforts to reduce the general and administrative expenses as a percentage of total revenues.

***Selling Expenses.*** Our selling expenses decreased by 10.45% from \$108,224 for the three months ended December 31, 2011 to \$96,918 for the three months ended December 31, 2012, mainly due to lower commission payments related to the sales decrease.

***Operating Loss.*** We had an operating loss of \$681,558 for the three months ended December 31, 2012, compared to operating loss of \$982,803 for the comparable three months in 2011. The operating loss for the second quarter of fiscal 2012 was primarily due to the decrease in costs of revenues and general and administrative expenses.

**Financial Income, Net.** Our net financial income was \$32,302 for the three months ended December 31, 2012, compared to our net financial income of \$144,860 for the three months ended December 31, 2011. The net financial income was derived largely from the foreign exchange gains recognized in the financial statement consolidation. Foreign exchange losses resulting from the settlement of foreign exchange transactions are recognized in the condensed consolidated statements of operations.

**Taxation.** Our income tax benefits were \$78,100 for the three months ended December 31, 2012, compared to income tax benefits of \$1,000 for the three months ended December 31, 2011. As we provided for tax benefits of \$100 and deferred tax benefits of \$78,000, the income tax benefits of the three months ended December 31, 2012 was \$78,100.

**Net Loss.** As a result of the foregoing, we had a net loss of \$565,854 for the three months ended December 31, 2012, compared to net loss of \$827,385 for the three months ended December 31, 2011. After deduction of non-controlling interest in loss, net loss attributable to Sino-Global Shipping America, Ltd. was \$291,586 for the three months ended December 31, 2012, compared to net loss of \$395,001 for the three months ended December 31, 2011. With other comprehensive loss foreign currency translation, comprehensive loss was \$285,251 for the three months ended December 31, 2012, compared to comprehensive loss of \$423,625 for the three months ended December 31, 2011.

## Liquidity and Capital Resources

### *Cash Flows and Working Capital*

We have financed our operations primarily through cash flows from operations. As of December 31, 2012, we had \$885,806 in cash and cash equivalents. Our cash and cash equivalents primarily consist of cash on hand and cash in banks. We deposited approximately 91.53% of our cash in banks in the USA, Australia and Hong Kong.

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

|  | For the six months ended December 31, |              |
|--|---------------------------------------|--------------|
|  | 2012                                  | 2011         |
| Net cash provided by (used in) operating activities  | \$ (3,492,864                         | ) \$ 640,217 |
| Net cash provided by (used in) investing activities  | (50,066                               | ) (37,212    |
| Net cash provided by (used in) financing activities  | (4,776                                | ) (15,151    |
| Net increase (decrease) in cash and cash equivalents | (3,547,527                            | ) 530,146    |
| Cash and cash equivalents at beginning of Period     | 4,433,333                             | 4,878,828    |
| Cash and cash equivalents at end of Period           | 885,806                               | 5,408,974    |

### *Operating Activities*

Net cash used in operating activities was \$3,492,864 for the six months ended December 31, 2012, compared to net cash provided by operating activities of \$640,217 for the comparable period in 2011. The increased use in operating cash flows is mainly attributable to a net loss of \$1,008,011, an increase in accounts receivable of \$2,045,593, a decrease in accounts payable of \$1,366,222, offset by an increase in advances from customers of \$646,819. According to the Agreement signed with Shourong, we are entitled to receive fixed agency fees prior to provision of our services. Notwithstanding this obligation, Shourong had not paid any fees to us since September 2012, except for the payments made by a third party on Shourong's behalf. Accordingly, we have not made payment to local ports for amounts due from Shourong to such ports. As at December 31, 2012, our accounts receivable from Shourong amounted to approximately \$4.3 million. Since Shourong is state-owned, we expect Shourong will settle these accounts receivable either by (a) paying us the full accounts receivable, at which point we will pay the ports or (b) paying us the accounts receivable, less the amount of port fees, which it would then pay directly to the ports. Because most of the balance due from Shourong represents port charges, we do not believe the unpaid amount from Shourong will severely damage our solvency. As of the date of this report, we are still coordinating between Shourong and local port agents on a best settlement solution for all parties involved. Because Shourong is a state-owned entity, we do not expect any bad debt on these receivables based on our experience with Shourong and local port agents. On the other hand, under the

tightened financing policies imposed by the Chinese government, we had to accelerate our payments to local port agents for their services provided to our other customers. Thus, our accounts payable balance was significantly reduced.

Since we collect most of our revenues in U.S. dollars and pay most of our costs and expenses in RMB, the increase in the valuation of RMB against U.S. dollar has caused a decline in gross margin and higher expenses for our Company for the period ended December 31, 2012.

We expect we will be substantially dependent on the value of the U.S. dollar for the foreseeable future, even where the revenues are not paid in U.S. dollars.

### *Investing Activities*

Net cash used in investing activities was \$50,066 compared to net cash used in investing activities of \$37,212 for the six months ended December 31, 2012 and 2011, respectively. We made capital expenditures of \$50,066 and \$37,212 for the six months ended December 31, 2012 and 2011, representing 0.56% and 0.37% of our total assets, respectively.

### ***Financing Activities***

Net cash used in financing activities was \$4,776 for the six months ended December 31, 2012 from the increase of non-controlling interest in majority-owned subsidiary.

### ***Working Capital***

Total working capital amounted to \$759,250 as at December 31, 2012 compared to \$1,753,974 as at June 30, 2012. Total current assets decreased by \$1,637,334 from \$9,786,401 as at June 30, 2012 to \$8,149,067 as at December 31, 2012.

Current liabilities amounted to \$7,389,817 as at December 31, 2012, in comparison to \$8,032,427 as at June 30, 2012. The decrease was attributable mainly to a decrease in accounts payable of \$1,366,222, offset by an increase in advances from customers of \$646,819.

The current ratio decreased from 1.22 at June 30, 2012 to 1.10 at December 31, 2012. The change in our current ratio was primarily due to the decrease in our current assets.

In line with our noncompliance with the Listing Rule 5550(b)(1) regarding of maintaining a minimum of \$2,500,000 in shareholders' equity, we anticipate that our cash may not be sufficient. To mitigate the future insolvency, we have prepared a plan to regain compliance with the Listing Rule, and NASDAQ has granted us a full 180-day extension to regain compliance. We believe that additional cash from the plan implementation together with 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. However, financing from the plan 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 September 30, 2014. Below is a summary of our company's contractual obligations and commitments as of December 31, 2012:

## Payment Due by Period

|                         | Total      | Less than 1 year | 1-3 years | More than 3 years |
|-------------------------|------------|------------------|-----------|-------------------|
| Contractual Obligations |            |                  |           |                   |
| Operating leases        | \$ 185,629 | \$ 139,585       | \$ 46,044 | \$ —              |

**Company Structure**

We conduct our operations primarily through our wholly-owned subsidiaries, Trans Pacific, Sino-AUS and Sino-HK 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 December 31, 2012, our company carried out an evaluation, under the supervision of and with the participation of management, including our company's chief executive officer and 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 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 six months ended December 31, 2012 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 six months ended December 31, 2012, 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

Not applicable.

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

(a) None

(b) The annual report filed on September 28, 2012 for the fiscal year ended June 30, 2012 (SEC Accession No. 0001144204-12-053502) is incorporated herein by reference, subject to the replacement of the table under Item 5 thereof with the following table showing the use of proceeds from our initial public offering.

| Description of Use   | Budgeted Use of Net Proceeds |       | As June 30, 2012 |       |   |
|--|------------------------------|-------|------------------|-------|---|
|  | US\$                         | %     | US\$             | %     |   |
| Organization of our company and creation of contractual arrangements among our company, Sino-China and Trans Pacific | 100,000                      | 1.23  | % 103,526        | 1.27  | % |
| Business expansion to main ports in China and overseas   | 5,930,941                    | 72.74 | % 4,384,924      | 53.78 | % |
| Sarbanes-Oxley compliance  | 500,000                      | 6.13  | % 296,689        | 3.64  | % |
| Marketing of company across China, United States and internationally   | 244,621                      | 3.00  | % 1,144,007      | 14.03 | % |
| Develop information exchange system  | 400,000                      | 4.91  | % 112,164        | 1.38  | % |
| Train staff  | 163,081                      | 2.00  | % 406,347        | 4.98  | % |

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|                        |           |        |   |           |        |   |
|------------------------|-----------|--------|---|-----------|--------|---|
| Fixed asset purchase   | 407,702   | 5.00   | % | 583,959   | 7.16   | % |
| Miscellaneous expenses | 407,702   | 5.00   | % | 749,904   | 9.20   | % |
| Stock repurchases      | —         | 0.00   | % | 372,527   | 4.57   | % |
| Total                  | 8,154,047 | 100.00 | % | 8,154,047 | 100.00 | % |

(c) During the six months ended December 31, 2012, the company did not repurchase any shares of common stock.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

The following exhibits are filed herewith:

**Number Exhibit**

- 3.1 Articles of Incorporation of Sino-Global Shipping America, Ltd.(1)
- 3.2 Bylaws of Sino-Global Shipping America, Ltd.(1)
- 4.1 Specimen Certificate for Common Stock.(1)
- 10.1 Exclusive Management Consulting and Technical Services Agreement by and between Trans Pacific and Sino-China.(1)
- 10.2 Exclusive Marketing Agreement by and between Trans Pacific and Sino-China.(1)
- 10.3 Proxy Agreement by and among Cao Lei, Zhang Mingwei, the Registrant and Sino-China.(1)
- 10.4 Equity Interest Pledge Agreement by and among Trans Pacific, Cao Lei and Zhang Mingwei.(1)
- 10.5 Exclusive Equity Interest Purchase Agreement by and among the Registrant, Cao Lei, Zhang Mingwei and Sino-China.(1)
- 10.6 First Amended and Restated Exclusive Management Consulting and Technical Services Agreement by and between Trans Pacific and Sino-China.(1)
- 10.7 First Amended and Restated Exclusive Marketing Agreement by and between Trans Pacific and Sino-China.(1)
- 10.8 Agency Agreement by and between the Registrant and Beijing Shou Rong Forwarding Service Co., Ltd.(2)
- 10.9 Lease Agreement dated December 8, 2009.(3)
- 14.1 Code of Ethics of our company.(4)
- 21.1 List of subsidiaries of our company.(5)
- 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.(6)
- 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.(6)
- 32.1 Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.(6)
- 32.2 Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.(6)

- EX-101.INS XBRL Instance Document. (7)
- EX-101.SCH XBRL Taxonomy Extension Schema Document. (7)
- EX-101.CAL XBRL Taxonomy Extension Calculation Linkbase Document. (7)
- EX-101.DEF XBRL Taxonomy Extension Definition Linkbase Document. (7)
- EX-101.LAB XBRL Taxonomy Extension Label Linkbase Document. (7)
- EX-101.PRE XBRL Taxonomy Extension Presentation Linkbase Document. (7)

- (1) Incorporated by reference to the Company's Registration Statement on Form S-1, Registration No. 333-148611.
- (2) Incorporated by reference to our company's Form 8-K filed on January 15, 2010, File No. 001-34024.
- (3) Incorporated by reference to our company's Form 8-K filed on February 4, 2010, File No. 001-34024.

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- (4) Incorporated by reference to our company's Form 10-KSB filed on September 29, 2008, File No. 001-34024.
- (5) Incorporated by reference to our company's Form 10-K filed on September 22, 2009, File No. 001-34024.
- (6) Filed herewith.
- (7) Furnished 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.**

February 13, 2013 By: /s/ Zhang Mingwei  
Zhang Mingwei  
Chief Financial Officer  
(Principal Financial and Accounting Officer)