

Sino-Global Shipping America, Ltd.
Form 10-K
September 26, 2011

U. S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

x Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended June 30, 2011

Commission File Number 001-34024

Sino-Global Shipping America, Ltd.

(Exact name of registrant as specified in its charter)

Virginia
(State or other jurisdiction of
incorporation or organization)

11-3588546
(I.R.S. employer
identification number)

136-56 39th Avenue,
Room #305
Flushing, NY 11354
(Address of principal executive offices and zip code)

(718) 888-1814
(Registrant's telephone number, including area code)

Securities registered under Section 12(b) of the Exchange Act:

Title of each class	Name of each exchange on which registered
Common Stock, without par value per share	NASDAQ Capital Market

Securities registered under Section 12(g) of the Exchange Act:

None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the issuer 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 if disclosure of delinquent filers in response to Item 405 of Regulation S-K (§232.405 of this chapter) is not contained in this form, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input checked="" type="checkbox"/>

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

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

The aggregate market value of the shares of common stock, without par value ("Common Stock"), of the registrant held by non-affiliates on December 31, 2010 was \$3,488,606.38, based on the closing sales price of \$2.38 per share, as reported on the NASDAQ Capital Market, multiplied by the number of outstanding shares held by non-affiliates on that date (1,465,801 shares).

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the following document are incorporated by reference into Parts I, II and III of this Form 10-K: the Definitive Proxy Statement for the Registrant's 2011 Annual Meeting of Stockholders which will be filed with the Securities and Exchange Commission within 120 days after the end of the Registrant's fiscal year (the "Proxy"); and the registration statements filed with the Commission on January 11 and May 12, 2008, as amended (file nos. 333-150858 and 333-148611) (the "Registration Statements") and prospectus filed pursuant to Rule 424(b)(3) of the Securities Act of 1933 (the "Securities Act") on May 21, 2008 (the "IPO Prospectus").

SINO-GLOBAL SHIPPING AMERICA, LTD.
FORM 10-K

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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 People’s 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 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.
 - the Company’s ability to attract, retain and motivate skilled personnel to serve 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

Item 1. Business.

General

We are a major general shipping agency service provider in China, with operating headquarters in Beijing and branches in Ningbo, Qingdao, Tianjin, Qinhuangdao and Fangchenggang, China. We also have offices in the United States in Flushing, New York, Perth, Australia and Hong Kong. Through these offices, we are able to coordinate our clients' shipping needs, including preparing documents, husbanding vessels, working through customs issues, coordinating matters with port authorities, overseeing and settling cargo claims, tracking shipments, recommending trucking, warehousing and complementary services. We provide these services mainly through our local agent network. We also act as a local agent and attend vessels directly in the ports in which we have branch offices.

We have designed our services to simplify the shipping process for our clients and to keep our clients fully informed about the status of their shipments. To that end, we analyze the information about prospective shipments provided by our clients to determine the most economical and efficient transportation solutions and then leverage our position as a shipping agency to negotiate competitive shipping rates. We also give our clients daily disbursement reports to empower them to monitor and dispute all questionable charges. In addition to allowing clients to monitor disbursements, our Disbursement Department audits all bills provided by ports for unreasonable charges that violate the guidelines issued by China's Ministry of Communications.

We provide shipping agency services to a variety of vessel sizes and types, including Handysize, Panamax, Capesize, Roll-On/Roll-Off RORO, and VLCC class vessels. We have assisted clients with a variety of shipping requirements, including bulk and break-bulk general cargo, vehicle transport and raw materials such as crude oil and oil products and iron, manganese and other metal ores.

Market Background

Since China adopted its open door trade policy in 1978, inviting foreign investment in China, China's economy has steadily developed, both from new investments in China and from increased international trade. As international trade between China and other countries has expanded, the shipping industry in China has also grown.

The evolution of the shipping agency industry has followed that of the shipping industry in general. Prior to the 1980s, China's shipping agency industry was dominated by a single state-owned shipping agency, Penavico. In 1985, a second shipping agency, Sinoagent, was permitted to provide shipping agency services in China.

Since 1985, the PRC has taken a number of steps to open China's shipping agency industry to private companies. In 1990, the PRC adopted the International Ship Agency Management and Stipulation, which allowed state-owned companies to compete in the shipping agency industry. In 2002, the PRC further relaxed the restrictions on shipping agencies by promulgating the People's Republic of China International Marine Transportation Rule, which permitted Chinese private entities and joint ventures between Chinese and foreign entities to compete in the shipping agency industry. The Chinese and American Marine Transportation Agreement in 2003 and the New Round Chinese and European Union Marine Transportation Agreement in 2002 allowed shipping transportation enterprises that were wholly owned by American and European Union businesses, respectively, to provide shipping agency service for their parent companies.

We believe that there are over 1,400 licensed shipping agencies in China. At present, Penavico and Sinoagent dominate China's shipping agency industry, combining to generate approximately 85% of the revenues in the industry.

The remaining approved shipping agencies in operation share the remaining 15% of revenues in the industry.

China's Economic Development

China's population of approximately 1.3 billion people is expected to grow by roughly 7 million people per year. The country's gross national product has grown at a rate of approximately 10 percent for 25 years, making it the fastest growth rate for a major economy in recorded history. In the same 25-year period, China has moved more than 300 million people out of poverty and quadrupled the average Chinese person's income. The tremendous potential of this market is noted by the fact that 400 of the world's largest 500 companies are investing in China.

These development factors have produced a burgeoning consumer goods market, as the spending power and aspirations of consumers rise. In response, industries are consolidating and modern retailers are penetrating second-tier and even some third-tier Chinese cities. The increased availability of and demand for products throughout China has fueled a corresponding growth in the industries that transport goods within China and between China and other countries.

Our Strategy

Our goals are to increase our market share in the PRC shipping agency market and to expand our business to related service areas. We believe we can meet these goals by continuing to focus on the high quality of our personnel, the positive relationships we enjoy with local ports, businesses and agencies and the breadth of services we offer to clients. Key elements of our strategy include the following:

- Increase our market share. We believe we have advantages over smaller shipping agencies in terms of infrastructure, administration and services we can offer to clients. As a result, we believe we are able to compete on the basis of service with these smaller agencies. In order to continue to increase our market share in China, we will focus on demonstrating to potential clients that typically use the larger shipping agents that we are able to provide a high level of service. We expect that our recent strategic cooperation agreement with COSCO Container Shipping Agency Co. Limited, a large Chinese local shipping agency, will benefit our reputation with such potential clients. Potential customers in the shipping industry are strongly influenced by formal and informal references. We believe that we have the opportunity to expand our market share by providing high levels of customer satisfaction with our current customers so that they continue to use our services and recommend our shipping agency services to other potential customers that wish to ship to China. We have obtained ISO9000 and UKAS certifications from the International Organization for Standardization and the United Kingdom Accreditation Service, respectively, in recognition of the quality of services we provide. Each of these organizations assesses the effectiveness of quality management systems implemented by companies. The International Organization for Standardization consists of a worldwide federation of national standards bodies for approximately 130 countries, and the ISO9000 certification represents an international consensus of these standards bodies, with the aim of creating global standards of product and service quality. UKAS is the sole national body in the United Kingdom recognized by the government to provide accreditation of conformity assessment bodies. UKAS and ISO9000 certifications address the quality of systems only and do not certify the quality of products or services themselves.
- Develop a shipping agency network in China and internationally. Shipping agency services necessarily involve services in both loading ports and discharge ports. As such, we believe the most cost effective way to develop our business is to develop an international network that covers our clients' regular shipping routes from their loading ports to their discharging ports. We believe the following advantages result from being able to develop an international shipping agency network:
 - o In addition to providing agency services in China, we provide agency services to our clients in the overseas ports where their ships load or discharge goods. By doing this, our clients benefit by obtaining control over the shipping process at both ends of the shipping process. On the other hand, we benefit from the additional revenues sources gained by providing loading services in foreign ports through our foreign partner agents and Chinese services referred by our foreign partner agents.
 - o Our largest customers are large Chinese steel manufacturers and traders that import significant amounts of iron ore from overseas to China. Their needs in overseeing loading activities have helped build a foundation for us to establish an international shipping agency network.
 - o We have developed strong relationships with local agents in China, including the two largest Chinese local agency networks, Penavico and Sinoagent. Recently, we signed a strategic cooperation agreement with COSCO Container Shipping, which has more than 50 offices in Chinese commercial ports. We expect that this agreement will enable

our customers to work smoothly through complications that arise in local port issues.

o We have developed experience in establishing an international network. Since our IPO, we have contributed significant efforts in building up strategic relationships in countries where China imports significant amounts of mining materials. We opened offices in Australia and Hong Kong. We have signed strategic cooperative agreements with Monson Agency in Australia and Forbes in India. Our Hong Kong office also handles loading services in ports in South Africa and Canada. For the 2011 fiscal year, the revenues from our overseas loading services were approximately 18% of our total revenues. Along with our efforts in developing the international agency network, the overseas loading services appear to be our fastest-growing area.

- React quickly to opportunities to offer new services to our clients. We believe that our company is currently small enough to have close working relationships with our customers. As a result, we believe we encourage our customers to raise any concerns, comments or recommendations for additional services that they would like to see provided with our shipping agency services. We also believe that we are large enough to implement many of these recommendations and strive to offer new services when we feel that the services will benefit our customers.
- Maintain working relationships with third parties in port cities. We currently enjoy good working relationships with a variety of entities that operate in commercial ports, including port authorities, tugboat companies, pilot stations, stevedore companies, customs agencies, shipping agency associations and local government authorities. By increasing the number of ports at which we provide services, we believe we can develop positive working relationships in additional port cities for the benefit of our customers. Because success in shepherding shipments through China's ports may be affected by personal relationships with local personnel, we believe that strong personal relationships in local ports may enable us to enjoy faster loading and discharging rates and decreased port stay periods than if we did not have positive personal relationships in those ports.

Customers

We currently provide shipping agency services to a variety of international vessels. The majority of our customers are large Chinese steel manufacturers, traders and international shipping companies that wish to ship goods to and from China. Our largest customer is Beijing Shou-Rong Forwarding Service Co., Ltd, an affiliate of Capital Steel, a steel company in China. We provide shipping agency services for all vessels carrying iron ore for Capital Steel. Revenues from this company accounted for approximately 64% of our revenues in fiscal 2011 and fiscal 2010, respectively.

In addition to these companies, we provide shipping agency services to a variety of shipping companies from Greece, Spain, Italy, Hong Kong, Australia, Switzerland, the United States, Thailand and South Korea. We have provided shipping agencies services for vessels carrying bulk and break-bulk cargoes, raw materials, consumer goods, and vehicles.

Our Strengths

We believe that the following strengths differentiate us from our competitors in China's shipping agency industry:

- Experience in general shipping agency services. We are one of relatively few shipping agents specialized in providing a full range of general shipping agency services in China. Unlike local agents who specialize in dealing with procedures when a vessel arrives or departs in a port, general agents focus on serving clients' needs for comprehensive services in multiple ports, including shipping arrangement; appointing local agents; coordinating with local agents before, in process and after the vessel arrival or departure; managing parking time and loading/discharging costs and sometimes taking responsibility for a vessel's dispatch or demurrage. Comparably speaking, a general agent serves larger clients with shipments in multiple local ports. We believe our experience in providing general agency services gives us a comparative advantage in attracting large clients, such as Capital Steel, and maintaining the client relationships for longer time once we start working with a client.

- Strength of personnel and administration. Most of our employees have marine business working experience, and all of our managers/chief operators once served in either Penavico or Sinoagent prior to joining our company. With these professionals and experienced staff, we believe that we can provide competitive services to our customers.
- Reputation for reliability and responsiveness to customer requests. Our operators provide services 24 hours per day so that we can respond quickly to any customer's inquiries regardless of any time difference between our customers and us. Our marketing staff also pays regular visits to customers so that we can continually improve our services in response to customer feedback.

- Reputation for financial responsibility. In order to engage in business in China as a shipping agency, we must demonstrate financial responsibility to customers, our business partners, ports and local governmental agencies. We believe our ability to meet our financial obligations has encouraged customers to choose and continue to do business with us and has resulted in the growth of a strong network of service partners in the 76 ports in which we provide shipping agency services.
- Strength of information management system. We consistently collect and update port information from local ports so that we can share current and accurate port information with our clients through our network. Our newly developed management information system is based on SAP B-One software, which enables us to record accurate and updated commercial and accounting information.
- Quality of services provided to customers. Unlike agencies that provide local agent services in one particular port, we provide our customers with both general agent and local agent services in all of China's commercial ports. Our general agent services provide our customers with accurate port information, which helps our customers make their way smoothly through loading and discharging cargo. Our local agent services have generally resulted in shorter port stays and faster working rates for our customers' ships, reducing their overall port charges.
- Positive relationships with third parties in local ports. In local ports, we maintain positive relationships with stevedore companies, pilot stations, towage companies and other local service providers, which helps our customers enjoy faster loading and discharging rates and a smoother berthing and unberthing process.
- Strong network of local shipping agents in ports without branch offices. In addition to having branch offices in five major Chinese commercial ports, we also have a strong network of other shipping agents. Using feedback from customers and our knowledge of the Chinese shipping agency industry, we can compare and select the most competitive agents as our local agents.

Our Challenges

The successful execution of our strategies is subject to certain risks and uncertainties, including those relating to:

- our limited operating history in general and our recent uncertain profitability;
- limited funds with which to build a nationwide port network in China, to recruit and retain quality personnel, to advertise our services and to develop new information technology for use in providing shipping agency services;
- the continuing devaluation of U.S. dollar against Chinese Renminbi (RMB) as, with the convention, we receive most of our revenues in U.S. dollars and pay the port charges in local currencies, and we pay in RMB to Chinese local agents, the bulk of our port expenses;
- the growth of the shipping agency industry in China and the entrance of new Chinese and foreign competitors into the market;
- our ability to respond to competitive pressures; and
- regulatory environment in China.

Competition

Our ability to be successful in our industry depends on our ability to compete effectively with companies that may be more well-capitalized than we are or may provide shipping agency services we do not or cannot provide to our customers. While China's shipping agency industry has a variety of small shipping agencies, our two primary competitors are Penavico and Sinoagent. Both of these companies are state-owned in part and much larger than we are and derive significantly more revenue from shipping agency services in China.

- Penavico. Penavico was formed in 1953, as a state-owned shipping agency affiliated with COSCO. Beginning in 1955, Penavico took over China's shipping agency business from the foreign agents that previously did business in China and, until 1985, Penavico was the only shipping agency operating in China. Penavico now has more than 80 local agencies and 300 business networks across China. Penavico maintains offices in America, Europe, Japan, Korea, Singapore and Hong Kong. Penavico's shipping agency business, bulk ships and container ships currently account for approximately 64.5% of China's market.

- Sinoagent. Sinoagent was formed in 1985 as a specialized subsidiary of Sinotrans Limited Company (“Sinotrans”), a company that provides integrated ocean transportation, land transport, airfreight, warehousing, express services, shipping agency and freight forwarding services. Due to its relationship with Sinotrans, Sinoagent is able to provide a seamless, integrated set of services to its customers.

We believe that Penavico’s and Sinoagent’s primary strengths include the following:

- the establishment of a complete port network in mainland China;
- the presence of a large base of clients; and
- the availability of funding and financial support from state-owned financial institutions.

As we have developed as a general shipping agency, we have sought to compete with these and other local shipping agencies by opening branch offices in key ports in China and cooperating with other shipping agents to provide local agency services in those ports in which we do not have offices, both in China and internationally. Most recently, we signed a strategic cooperation agreement with COSCO Container Shipping Agency Co. Limited that will allow us to leverage COSCO’s reputation for local agency services to compete for new business.

Regulations on Foreign Exchange

Foreign Currency Exchange. Pursuant to the Foreign Currency Administration Rules promulgated in 1996 and amended in 1997 and various regulations issued by State Administration of Foreign Exchange (“SAFE”), and other relevant PRC government authorities, RMB is freely convertible only to the extent of current account items, such as trade related receipts and payments, interests and dividends. Capital account items, such as direct equity investments, loans and repatriation of investment, require prior approval from SAFE or its provincial branch for conversion of RMB into a foreign currency, such as U.S. dollars, and remittance of the foreign currency outside the PRC. Payments for transactions that take place within the PRC must be made in RMB. Unless otherwise approved, PRC companies must repatriate foreign currency payments received from abroad. Foreign-invested enterprises may retain foreign exchange in accounts with designated foreign exchange banks subject to a cap set by SAFE or its local counterpart. Unless otherwise approved, domestic enterprises must convert all of their foreign currency receipts into RMB.

Dividend Distribution. The principal regulations governing dividend distributions by wholly foreign-owned enterprises and Sino-foreign equity joint ventures include:

- Wholly Foreign-Owned Enterprise Law (1986), as amended;
- Wholly Foreign-Owned Enterprise Law Implementing Rules (1990), as amended;
- Sino-Foreign Equity Joint Venture Enterprise Law (1979), as amended; and
- Sino-Foreign Equity Joint Venture Enterprise Law Implementing Rules (1983), as amended.

Under these regulations, wholly foreign-owned enterprises and Sino-foreign equity joint ventures in the PRC may pay dividends only out of their accumulated profits, if any, as determined in accordance with PRC accounting standards and regulations. Additionally, these foreign-invested enterprises are required to set aside certain amounts of their accumulated profits each year, if any, to fund certain reserve funds. These reserves are not distributable as cash dividends.

Regulation of foreign exchange in certain onshore and offshore transactions. Under recent notices issued by SAFE, PRC residents are required to register with and receive approvals from SAFE in connection with offshore investment activities. SAFE has stated that the purpose of these notices is to ensure the proper balance of foreign exchange and the standardization of cross-border flow of funds.

In January 2005, SAFE issued a notice stating that SAFE approval is required for any sale or transfer by PRC residents of a PRC company's assets or equity interests to foreign entities in exchange for the equity interests or assets of the foreign entities. The notice also states that, when registering with the foreign exchange authorities, a PRC company acquired by an offshore company must clarify whether the offshore company is controlled or owned by PRC residents and whether there is any share or asset link between or among the parties to the acquisition transaction.

In April 2005, SAFE issued another notice further explaining and expanding upon the January notice. The April notice clarified that, where a PRC company is acquired by an offshore company in which PRC residents directly or indirectly hold shares, such PRC residents must (i) register with the local SAFE branch regarding their respective ownership interests in the offshore company, even if the transaction occurred prior to the January notice, and (ii) file amendments to such registration concerning any material events of the offshore company, such as changes in share capital and share transfers. The April notice also expanded the statutory definition of the term "foreign acquisition," making the notices applicable to any transaction that results in PRC residents directly or indirectly holding shares in the offshore company that has an ownership interest in a PRC company. The April notice also provided that failure to comply with the registration procedures set forth therein may result in the imposition of restrictions on the PRC company's foreign exchange activities and its ability to distribute profits to its offshore parent company.

On October 21, 2005, SAFE issued a new public notice concerning PRC residents' investments through offshore investment vehicles. This notice took effect on November 1, 2005 and replaces prior SAFE notices on this topic. According to the November 2005 notice:

- any PRC resident that created an off-shore holding company structure prior to the effective date of the November notice must submit a registration form to a local SAFE branch to register his or her ownership interest in the offshore company on or before May 31, 2006;
- any PRC resident that purchases shares in a public offering of a foreign company would also be required to register such shares and notify SAFE of any change of their ownership interest; and
- following the completion of an off-shore financing, any PRC shareholder may transfer proceeds from the financing into China for use within China.

In accordance with the October 2005 notice, on December 12, 2007, Mr. Cao Lei and Mr. Zhang Mingwei obtained appropriate registration from their local SAFE offices.

Employees

As of the date of filing of this report, we have 51 employees, 42 of whom are based in China. Of the total, 7 are in management, 1 is in technical support, 2 are in sales and marketing, 20 are in financial affairs and administration, and 21 are in operation and disbursement. We believe that our relations with our employees are good. We have never had a work stoppage, and our employees are not subject to a collective bargaining agreement.

Item 1A. Risk Factors.

The Company is not required to provide the information required by this Item because the Company is a smaller reporting company.

Item 1B. Unresolved Staff Comments.

The Company is not required to provide the information required by this Item because the Company is a smaller reporting company.

Item 2.

Properties.

We currently rent six (6) facilities throughout China, Hong Kong and the United States. Our headquarters are located in Beijing.

Office

Address

Rental Term