

Sino-Global Shipping America, Ltd.
Form 10-Q
May 14, 2018

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 period ended **March 31, 2018**

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.
Incorporation or organization)	employer
	identification
	number)

1044 Northern Boulevard, Suite 305

Roslyn, New York 11576-1514

(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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

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

Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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. As of May 11, 2018, the Company has 12,435,535 issued and outstanding shares of common stock.

SINO-GLOBAL SHIPPING AMERICA, LTD.

FORM 10-Q

INDEX

PART I. FINANCIAL INFORMATION	1
Item 1. Financial Statements	1
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	25
Item 3. Quantitative and Qualitative Disclosures about Market Risk	42
Item 4. Controls and Procedures	42
PART II. OTHER INFORMATION	43
Item 6. Exhibits	43

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:

Our ability to timely and properly deliver our services;

Our dependence on a limited number of major customers and related parties;

Political and economic factors in the Peoples’ Republic of China (“PRC”);

Our ability to expand and grow our lines of business;

Unanticipated changes in general market conditions or other factors, which may result in cancellations or reductions in the need for our services;

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 the demand for the shipping and logistic industry which could, adversely affect the Company’s operations and financial performance;

The acceptance in the marketplace of our new lines of business;

Foreign currency exchange rate fluctuations;

Hurricanes or other natural disasters; and

Our ability to attract, retain and motivate skilled personnel.

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 unless required by applicable law or regulations.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SINO-GLOBAL SHIPPING AMERICA, LTD. AND AFFILIATES

INDEX TO FINANCIAL STATEMENTS

	PAGE
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS:	
Condensed Consolidated Balance Sheets as of March 31, 2018 (unaudited) and June 30, 2017	2
Unaudited Condensed Consolidated Statements of Operations and Comprehensive Income for the Three and Nine Months Ended March 31, 2018 and 2017	3
Unaudited Condensed Consolidated Statements of Cash Flows for the Nine Months Ended March 31, 2018 and 2017	4
Notes to the Unaudited Condensed Consolidated Financial Statements	5

SINO-GLOBAL SHIPPING AMERICA, LTD. AND AFFILIATES

CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2018 (Unaudited)	June 30, 2017
Assets		
Current assets		
Cash and cash equivalents	\$9,549,942	\$8,733,742
Accounts receivable, less allowance for doubtful accounts of \$1,350,531 and \$185,821 as of March 31, 2018 and June 30, 2017, respectively	4,757,547	2,569,141
Other receivables, less allowance for doubtful accounts of \$145,244 and \$145,244 as of March 31, 2018 and June 30, 2017, respectively	167,018	37,811
Advances to suppliers-third parties	442,137	54,890
Advances to suppliers-related party	3,601,421	3,333,038
Prepaid expenses and other current assets	397,368	311,136
Due from related parties, net	2,249,544	1,715,130
Total Current Assets	21,164,977	16,754,888
Property and equipment, net	536,282	187,373
Intangible assets, net	168,889	-
Prepaid expenses	-	6,882
Other long-term assets	137,850	117,478
Deferred tax assets	1,670,100	749,400
Total Assets	\$23,678,098	\$17,816,021
Liabilities and Equity		
Current Liabilities		
Advances from customers	\$373,172	\$369,717
Accounts payable	472,085	206,211
Taxes payable	2,401,934	1,886,216
Due to related parties	-	206,323
Accrued expenses and other current liabilities	423,877	418,029
Total Current Liabilities	3,671,068	3,086,496
Income tax payable - noncurrent portion	440,219	-
Total Liabilities	4,111,287	3,086,496

Commitments and Contingencies

Equity

Preferred stock, 2,000,000 shares authorized, no par value, none issued.	-	-
Common stock, 50,000,000 shares authorized, no par value; 12,611,032 and 10,281,032 shares issued as of March 31, 2018 and June 30, 2017, respectively; 12,435,535 and 10,105,535 outstanding as of March 31, 2018 and June 30, 2017, respectively	22,046,330	20,535,379
Additional paid-in capital	2,386,864	688,934
Treasury stock, at cost, 175,497 shares as of March 31, 2018 and June 30, 2017	(417,538)	(417,538)
Retained earnings (accumulated deficit)	105,939	(893,907)
Accumulated other comprehensive income (loss)	153,775	(414,564)
Total Sino-Global Shipping America Ltd. Stockholders' Equity	24,275,370	19,498,304
Non-controlling Interest	(4,708,559)	(4,768,779)
Total Equity	19,566,811	14,729,525
Total Liabilities and Equity	\$23,678,098	\$17,816,021

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

SINO-GLOBAL SHIPPING AMERICA, LTD. AND AFFILIATES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(UNAUDITED)

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,	
	2018	2017	2018	2017
Net revenues - third parties	\$4,699,170	\$1,984,834	\$14,179,256	\$4,591,381
Net revenues - related party	501,000	762,777	1,621,406	2,229,180
Total revenues	5,200,170	2,747,611	15,800,662	6,820,561
Cost of revenues	(3,405,435)	(1,132,213)	(10,447,231)	(1,789,348)
Gross profit	1,794,735	1,615,398	5,353,431	5,031,213
General and administrative expenses	(1,477,514)	(612,441)	(4,067,885)	(2,248,639)
Selling expenses	(35,363)	(41,245)	(393,090)	(153,429)
Total operating expenses	(1,512,877)	(653,686)	(4,460,975)	(2,402,068)
Operating income	281,858	961,712	892,456	2,629,145
Other income (expense)				
Financial income (expense), net	170,134	34,167	392,729	(57,737)
Total other income (expense)	170,134	34,167	392,729	(57,737)
Net income before provision for income taxes	451,992	995,879	1,285,185	2,571,408
Income tax benefit (expense)	(216,095)	303,196	58,597	158,184
Net income	235,897	1,299,075	1,343,782	2,729,592
Net income (loss) attributable to non-controlling interest	150,943	4,021	343,936	(104,083)
Net income attributable to Sino-Global Shipping America, Ltd.	\$84,954	\$1,295,054	\$999,846	\$2,833,675
Comprehensive income (loss)				
Net income	\$235,897	\$1,299,075	\$1,343,782	\$2,729,592
Foreign currency translation income (loss)	164,446	4,871	309,763	(114,011)
Comprehensive income	400,343	1,303,946	1,653,545	2,615,581
Less: Comprehensive income (loss) attributable to non-controlling interest	30,785	(19,419)	92,150	4,702

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

Comprehensive income attributable to Sino-Global Shipping America Ltd.	\$369,558	\$1,323,365	\$1,561,395	\$2,610,879
Earnings per share				
-Basic	\$0.01	\$0.14	\$0.10	\$0.33
-Diluted	\$0.01	\$0.14	\$0.10	\$0.33
Weighted average number of common shares used in computation				
-Basic	10,835,535	8,994,146	10,433,272	8,514,080
-Diluted	10,870,221	9,028,928	10,479,555	8,534,701

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

SINO-GLOBAL SHIPPING AMERICA LTD. AND AFFILIATE

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	For the Nine months ended March 31,	
	2018	2017
Operating Activities		
Net income	\$1,343,782	\$2,729,592
Adjustment to reconcile net income to net cash provided by (used in) operating activities:		
Amortization of stock options	9,665	77,320
Amortization of stock - based compensation to consultants	432,125	547,138
Amortization of stock - based compensation to employees	182,000	-
Depreciation and amortization	63,402	36,432
Provision for (recovery of) doubtful accounts - accounts receivable	1,164,710	(107,608)
Provision for doubtful accounts - due from related parties	243,433	-
Deferred tax benefit	(920,700)	(387,900)
Changes in assets and liabilities		
Accounts receivable	(3,246,911)	517,463
Other receivables	(80,145)	184,753
Advances to suppliers - third parties	50,465	816,715
Prepaid expense and other current assets	(84,147)	65,279
Due from related parties	(784,363)	(2,843,131)
Other long-term assets	-	(14,185)
Advances from customers	(23,218)	324,476
Accounts payable	243,380	312,883
Taxes payable	798,012	201,259
Due to related parties	(206,323)	156,841
Accrued expenses and other current liabilities	889	514,445
Net cash provided by (used in) operating activities	(813,944)	3,131,772
Investing Activities		
Acquisition of property and equipment	(379,917)	(55,474)
Acquisition of intangible assets	(190,000)	-
Prepayment for intangible assets	(437,357)	-
Net cash used in investing activities	(1,007,274)	(55,474)
Financing Activities		

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

Proceeds from issuance of common stock, net	2,585,091	4,319,988
Proceeds from exercise of stock options	-	82,500
Net cash provided by financing activities	2,585,091	4,402,488
Effect of exchange rate fluctuations on cash and cash equivalents	52,327	(24,591)
Net increase in cash and cash equivalents	816,200	7,454,195
Cash and cash equivalents at beginning of period	8,733,742	1,385,994
Cash and cash equivalents at end of period	\$9,549,942	\$8,840,189
Supplemental information		
Income taxes paid	\$60,162	\$89,324

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

SINO-GLOBAL SHIPPING AMERICA, LTD. AND AFFILIATES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Note 1. ORGANIZATION AND NATURE OF BUSINESS

Founded in the United States (the “U.S.”) in 2001, Sino-Global Shipping America, Ltd., a Virginia corporation (“Sino-Global” or the “Company”), is a non-asset based global shipping and freight logistics integrated solutions provider. The Company provides tailored solutions and value-added services for its customers to drive effectiveness and control in related links throughout the entire shipping and freight logistics chain. The Company conducts its business primarily through its wholly-owned subsidiaries in the U.S., the People’s Republic of China, including Hong Kong (the “PRC”), Australia and Canada. Currently, a significant portion of the Company’s business is generated from clients located in the PRC and the U.S.

The Company’s Chinese subsidiary, Trans Pacific Shipping Limited, a wholly-owned foreign enterprise (“Trans Pacific Beijing”), is the 90% owner of Trans Pacific Logistics Shanghai Limited (“Trans Pacific Shanghai”). Trans Pacific Beijing and Trans Pacific Shanghai are referred to collectively as “Trans Pacific”.

The Company’s inland transportation management services are operated by its subsidiaries in the PRC, Hong Kong and the U.S. The Company’s freight logistics services are operated by its subsidiaries in the PRC and the U.S. The Company’s container trucking services are currently operated by its subsidiaries in the PRC and through a joint venture in the U.S. The Company’s newly added bulk cargo container trucking services are currently operated by its subsidiary in the U.S. The Company has increased its business in the U.S. since the launch of the short haul container truck services web-based platform.

In August 2016, the Company’s Board of Directors (the “Board”) authorized management to move forward with the development of a mobile application that will provide a full-service logistics platform between the U.S. and the PRC for short-haul trucking in the U.S. Upon the completion of the platform, the Company signed two significant agreements with COSCO Beijing International Freight Co., Ltd. (“COSFRE Beijing”) and Sino-Trans Guangxi in December 2016. Pursuant to the agreement with COSFRE Beijing, the Company will receive a percentage of the total amount of each transportation fee for the arrangement of inland transportation services for COSFRE Beijing’s container shipments into U.S. ports. For the strategic cooperation framework agreement with Sino-Trans Guangxi, which is a subsidiary of Sino-Trans Limited, the Company expects to utilize both parties’ existing resources and

establish an integrated logistics plan to provide an end-to-end supply chain solution for customers shipping soybeans and sulfur products from the U.S. to southern PRC via container.

On January 5, 2017, the Company entered into a joint venture agreement and formed a new joint venture company named ACH Trucking Center Corp. (“ACH Center”) with Jetta Global Logistics Inc. (“Jetta Global”). Along with the establishment of ACH Center, the Company began providing short haul trucking transportation and logistics services to customers located in the New York and New Jersey areas. The Company holds a 51% ownership stake in ACH Center. Although the establishment of ACH Center brought benefited for the Company and Jetta Global, it could not satisfy long term development for both the Company and Jetta Global. The Company signed a termination agreement with Jetta Global to terminate the joint venture agreement on December 4, 2017. As ACH Center’s operating revenue was less than 1% of the Company’s consolidated revenue and the termination did not constitute a strategic shift that would have a major effect on the Company’s operations and financial results, the results of operations for ACH Center was not reported as discontinued operations under the guidance of Accounting Standards Codification 205.

On January 9, 2017, the Company entered into a strategic cooperation agreement with China Ocean Shipping Agency Qingdao Co. Ltd. (“COSCO Qingdao”). COSCO Qingdao will utilize the Company’s full-service logistics platform to arrange the transportation of its container shipments into U.S. ports. Sino-Global will receive a percentage of the total amount of each transportation fee in exchange for the arrangement of inland transportation services for COSCO Qingdao’s container shipments into U.S. ports.

On February 18, 2017, the Company entered into a cooperative transportation agreement with a related party, Zhiyuan International Investment & Holding Group (Hong Kong) Co., Ltd. (the “Buyer” or “Zhiyuan Hong Kong”). Zhiyuan Hong Kong, jointly with China Minmetals Corporation and China Metallurgical Group Corporation, acts as the general designer, general equipment provider and general service contractor in the upgrade and renovation project of Perwaja Steel, located in Malaysia (the “Project”). The Company agreed to provide high-quality services, including the design of a detailed transportation plan as well as execution and necessary supervision of the plan at Zhiyuan Hong Kong’s demand, in consideration for which the Company will receive a 1% to 1.25% transportation fee incurred in the Project as a commission for its services rendered (see Note 3 and Note 16). On July 7, 2017, the Company signed a supplemental agreement with the Buyer, pursuant to which the Company will cooperate with Zhiyuan Hong Kong exclusively on the entire Project’s transportation needs. Pursuant to the supplemental agreement, the Company agrees to make prepayments to Zhiyuan Hong Kong for its share of packaging and transporting costs related to the Project; in return, the Company will receive 15% of the cost incurred in the Project from Zhiyuan Hong Kong as a service fee. The Project is expected to be completed in one to two years and the Company will collect its service fee in accordance with Project completion.

On September 11, 2017, the Company set up a new wholly-owned subsidiary, Ningbo Saimeinuo Supply Chain Management Ltd. (“Sino Ningbo”), via the wholly-owned entity, Sino-Global Shipping New York Inc. This subsidiary primarily engages in supply chain management and freight logistics services. Sino Ningbo plans to start business activities in the fourth quarter of fiscal year 2018.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”) for information pursuant to the rules and regulations of the Securities Exchange Commission (“SEC”).

In the opinion of management, all adjustments, consisting only of normal recurring adjustments, considered necessary to give a fair presentation have been included. Interim results are not necessarily indicative of results of a full year. The information in this Form 10-Q should be read in conjunction with information included in the annual report for the fiscal year ended June 30, 2017 on Form 10-K filed with the SEC on September 27, 2017.

(b) Basis of Consolidation

The unaudited condensed consolidated financial statements include the accounts of the Company, its subsidiaries, and its affiliates. All significant intercompany transactions and balances are eliminated in consolidation. A subsidiary is an entity in which the Company, directly or indirectly, controls more than one half of the voting power or has the power to: govern the financial and operating policies; appoint or remove the majority of the members of the board of directors; cast a majority of votes at the meeting of the board of directors.

U.S. GAAP provides guidance on the identification of variable interest entity (“VIE”) and financial reporting for entities over which control is achieved through means other than voting interests. The Company evaluates each of its interests in an entity to determine whether or not the investee is a VIE and, if so, whether the Company is the primary beneficiary of such VIE. In determining whether the Company is the primary beneficiary, the Company considers if the Company (1) has power to direct the activities that most significantly affects the economic performance of the VIE, and (2) receives the economic benefits of the VIE that could be significant to the VIE. If deemed the primary beneficiary, the Company consolidates the VIE. Sino-Global Shipping Agency Ltd., a PRC corporation (“Sino-China”), is considered a VIE, with the Company as the primary beneficiary. The Company, through Trans Pacific Beijing, entered into certain agreements with Sino-China, pursuant to which the Company receives 90% of Sino-China’s net income. The Company does not receive any payments from Sino-China unless Sino-China recognizes net income during its fiscal year. These agreements do not entitle the Company to any consideration if Sino-China incurs a net loss during its fiscal year. If Sino-China incurs a net loss during its fiscal year, the Company is not required to absorb such net loss.

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

The Company has consolidated Sino-China’s operating results because the entities are under common control in accordance with ASC 805-10, “Business Combinations”. The agency relationship between the Company and Sino-China and its branches is governed by a series of contractual arrangements pursuant to which the Company has substantial control over Sino-China. Management makes ongoing reassessments of whether the Company remains the primary beneficiary of Sino-China. As mentioned elsewhere in this report, due to the worsening market conditions in the shipping industry, Sino-China’s shipping agency business suffered a significant decrease in revenue due to a reduced number of ships served. As a result, the Company has temporarily suspended this business. Sino-China is also providing services in other related business segments of the Company.

The carrying amount and classification of Sino-China’s assets and liabilities included in the Company’s unaudited condensed consolidated balance sheets were as follows:

	March 31, 2018	June 30, 2017
Total current assets	\$10,509,999	\$9,327,990
Total assets	10,650,688	9,472,651
Total current liabilities	12,785	4,517
Total liabilities	12,785	4,517

(c) Fair Value of Financial Instruments

We follow the provisions of ASC 820, Fair Value Measurements and Disclosures, which clarifies the definition of fair value, prescribes methods for measuring fair value, and establishes a fair value hierarchy to classify the inputs used in measuring fair value as follows:

Level 1 — Observable inputs such as unadjusted quoted prices in active markets for identical assets or liabilities available at the measurement date.

Level 2 — Inputs other than quoted prices that are observable for the asset or liability in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs derived from or corroborated by observable market data.

Level 3 — Unobservable inputs that reflect management’s assumptions based on the best available information.

The carrying value of accounts receivable, other receivables, other current assets and current liabilities approximate their fair values because of the short-term nature of these instruments.

(d) Use of Estimates and Assumptions

The preparation of the Company's unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Estimates are adjusted to reflect actual experience when necessary. Significant accounting estimates reflected in the Company's unaudited condensed consolidated financial statements include revenue recognition, fair value of stock based compensation, cost of revenues, allowance for doubtful accounts, deferred income taxes, and the useful lives of property and equipment. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates.

(e) 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 U.S. dollar (“USD”) while its subsidiaries in the PRC, including Sino-China, report their financial positions and results of operations in Renminbi (“RMB”). The accompanying unaudited condensed consolidated financial statements are presented in USD. Foreign currency transactions are translated into USD 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 the foreign currency financial statements of Sino-China, Sino-Global Shipping Australia, Sino-Global Shipping Hong Kong, Sino-Global Shipping Canada, Trans Pacific Beijing, Trans Pacific Shanghai and Sino Ningbo in accordance with ASC 830-10, “Foreign Currency Matters”. Assets and liabilities are translated at current exchange rates quoted by the People’s Bank of China at the balance sheet dates and revenues and expenses are translated at average exchange rates in effect during the year. The resulting translation adjustments are recorded as other comprehensive income (loss) and accumulated other comprehensive loss as a separate component of equity of the Company, and also included in non-controlling interests.

The exchange rates as of March 31, 2018 and June 30, 2017 and for the three and nine months ended March 31, 2018 and 2017 are as follows:

	March 31, 2018	June 30, 2017	Three months ended		Nine months ended	
			March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Foreign currency	Balance Sheet	Balance Sheet	Profits/Loss	Profits/Loss	Profits/Loss	Profits/Loss
RMB:1USD	6.2753	6.7806	6.3589	6.8885	6.5482	6.7960
AUD:1USD	1.3020	1.3028	1.2722	1.3196	1.2799	1.3249
HKD:1USD	7.8448	7.8059	7.8268	7.7604	7.8164	7.7582
CAD:1USD	1.2896	1.2982	1.2640	1.3233	1.2627	1.3210

(f) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and other highly liquid investments which are unrestricted as to withdrawal or use, and which have an original maturity of three months or less when purchased. The Company maintains cash and cash equivalents with various financial institutions mainly in the PRC, Australia, Hong Kong, Canada and the U.S. As of March 31, 2018 and June 30, 2017, cash balances of \$7,413,222 and \$6,246,337, respectively, were maintained at financial institutions in the PRC, which were not insured by any of the Chinese authorities. As of March 31, 2018 and June 30, 2017, cash balance of \$2,077,680 and \$2,462,792, respectively, were

maintained at U.S. financial institutions, and were insured by the Federal Deposit Insurance Corporation or other programs subject to certain limitations.

(g) Receivables and Allowance for Doubtful Accounts

Accounts receivable are presented at net realizable value. The Company maintains allowances for doubtful accounts and 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 receivable 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 180 days. Accounts Receivable are written off against the allowances only after exhaustive collection efforts.

Other receivables represent mainly prepaid employee insurance and welfare benefits, which will be subsequently deducted from the employee payroll, guarantee deposits on behalf of ship owners as well as office lease deposits.

(h) Property and Equipment, net

Net property and equipment are stated at historical cost less accumulated depreciation. Historical cost comprises the asset's purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

Buildings	20 years
Motor vehicles	5-10 years
Furniture and office equipment	3-5 years
Leasehold improvements	Shorter of lease term or useful life

The carrying value of a long-lived asset is considered impaired by the Company when the anticipated undiscounted cash flows from such asset are less than the asset's carrying value. If impairment is identified, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the long-lived asset. Fair value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved or based on independent appraisals. Management has determined that there were no impairments as of the balance sheet dates.

(i) Intangible Assets, net

Intangible assets are recorded at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the following estimated useful lives:

Software	3-5 years
----------	-----------

The Company evaluates intangible assets for impairment whenever events or changes in circumstances indicate that the assets might be impaired. There was no such impairment as of March 31, 2018.

(j) Revenue Recognition

Revenue is recognized when all of the following have occurred: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the price is fixed or determinable, and (iv) the ability to collect is reasonably assured

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

Revenues from freight logistics services are recognized when the related contractual services are rendered.

Revenues from container trucking services are recognized when the related contractual services are rendered.

Revenues from bulk cargo container services are recognized when the related contractual services are rendered. Bulk cargo container services included shipping of products, arranging cargo container shipping from U.S. to China port. Revenue is recognized upon completion of shipping arrangements agreed with customers at customer's designated port.

(k) Taxation

Because the Company and its subsidiaries and Sino-China are incorporated in different jurisdictions, they file separate income tax returns. The Company uses the asset and liability method of accounting for income taxes in accordance with U.S. GAAP. Deferred taxes, if any, are recognized for the future tax consequences of temporary differences between the tax basis of assets and liabilities and their reported amounts in the unaudited condensed consolidated financial statements. A valuation allowance is provided against deferred tax assets if it is more likely than not that the asset will not be utilized in the future.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits as income tax expense.

Income tax returns for the years prior to 2014 are no longer subject to examination by U.S. tax authorities.

On December 22, 2017, the “Tax Cuts and Jobs Act” (the “Act”) was enacted. Under the provisions of the Act, the U.S. corporate tax rate decreased from 35% to 21%. As the Company has a June 30 fiscal year-end, the lower corporate income tax rate will be phased in, resulting in a U.S. statutory federal rate of approximately 28% for our fiscal year ending June 30, 2018, and 21% for subsequent fiscal years. Additionally, the Tax Act imposes a one-time transition tax on deemed repatriation of historical earnings of foreign subsidiaries, and future foreign earnings are subject to U.S. taxation. The change in rate has caused us to re-measure all U.S. deferred income tax assets and liabilities for temporary differences and net operating loss (“NOL”) carryforwards and recorded one time income tax payable to be paid over 8 years.

PRC Enterprise Income Tax

PRC enterprise income tax is calculated based on taxable income determined under the PRC Generally Accepted Accounting Principles (“PRC GAAP”) at 25%. Sino-China and Trans Pacific are registered in PRC and governed by the Enterprise Income Tax Laws of the PRC.

PRC Business Tax and Surcharges

Revenues from services provided by the Company's PRC subsidiaries and affiliates, including Sino-China and Trans Pacific are subject to the PRC business tax of 5%. Business tax and surcharges are paid on gross revenues generated minus the costs of services which are paid on behalf of the customers.

Enterprises or individuals who sell commodities, engage in services or selling of goods in the PRC are subject to a value added tax ("VAT") in accordance with PRC laws. All of the Company's revenue generated in the PRC are subject to a VAT on the gross sales price. The VAT rates are 6% and 11%, depending on the type of services provided. The Company is entitled to a deduction or offset for VAT paid on the services rendered by the vendors against the VAT when the Company engage in services.

In addition, under PRC regulations, the Company's PRC subsidiaries and affiliates are required to pay city construction taxes (7%) and education surcharges (3%) based on calculated business tax payments.

The Company's PRC subsidiaries and affiliates report revenues net of PRC's VAT, business tax and surcharges for all the periods presented in the consolidated statements of operations.

(l) Earnings per Share

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

For the three and nine months ended March 31, 2018, the basic average shares outstanding and diluted average shares of the Company outstanding were not the same because the effect of potential shares of common stock of the Company was dilutive since the exercise prices for options were lower than the average market price for the related periods. For the three and nine months ended March 31, 2018, a total of 34,686 and 46,283 unexercised options were dilutive and were included, respectively, in the computation of diluted earnings per share. For the three and nine months ended March 31, 2017, a total of 34,782 and 20,621 unexercised options were dilutive, respectively, and were included in the computation of diluted EPS.

(m) Comprehensive Income (loss)

The Company reports comprehensive income (loss) in accordance with the Financial Accounting Standards Board (“FASB”) issued authoritative guidance which establishes standards for reporting comprehensive income (loss) and its component in financial statements. Comprehensive income (loss), as defined, includes all changes in equity during a period from non-owner sources.

(n) Stock-based Compensation

Stock-based payment transactions with employees are measured on the grant-date fair value of the equity instrument issued and recognized as compensation expense over the requisite service period. Valuations are based upon highly subjective assumptions about the future, including stock price volatility and exercise patterns. The fair value of share-based payment awards was estimated using the Black-Scholes option pricing model. Expected volatilities are based on the historical volatility of the Company’s stock. The Company uses historical data to estimate option exercise and employee terminations. The expected term of options granted represents the period of time that options granted are expected to be outstanding. The risk-free rate for periods within the expected life of the option is based on the U.S. Treasury yield curve in effect at the time of the grant.

(o) Risks and Uncertainties

The Company's business, financial position 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 changes 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. Moreover, the Company's ability to grow its business and maintain its profitability could be negatively affected by the nature and extent of services provided to its major customers, Tianjin Zhiyuan Investment Group Co., Ltd. (the "Zhiyuan Investment Group") and Tengda Northwest Ferroalloy Co., Ltd. ("Tengda Northwest").

(p) Reclassification

Certain prior periods amounts have been reclassified to conform to the current period presentation, including reclassification of \$504,815 revenue and \$504,815 cost of revenue from freight logistics service segment to bulk cargo container service segment. These reclassifications have no effect on the results of operations and cash flows.

(q) Recent Accounting Pronouncements

Revenue Recognition: In May 2014, the FASB issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers: Topic 606* (ASU 2014-09), to supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. ASU 2014-09 is effective for the Company in the first quarter of fiscal year 2018 using either of two methods:

(i) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU 2014-09 (full retrospective method); or (ii) retrospective with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional unaudited condensed as defined per ASU 2014-09 (modified retrospective method). The Company is currently assessing the impact to its unaudited condensed financial statements, and has not yet selected a transition approach.

Leases: In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) (“ASU 2016-2”), which provides guidance on lease amendments to the FASB Accounting Standard Codification. This ASU will be effective for us beginning in May 1, 2019. The Company is currently in the process of evaluating the impact of the adoption of ASU 2016-2 on unaudited condensed financial statements.

Statement of Cash Flows: In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): The amendments in this Update apply to all entities, including both business entities and not-for-profit entities that are required to present a statement of cash flows under Topic 230. The amendments in this Update provide guidance on the following eight specific cash flow issues. The amendments are an improvement to GAAP because they provide guidance for each of the eight issues, thereby reducing the current and potential future diversity in practice described above. ASU 2016-15 is effective for the Company for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The Company is still evaluating the effect that this guidance will have on the Company’s unaudited condensed financial statements and related disclosures.

Business Combination: In January 2017, the FASB issued Accounting Standards Update No. 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business* (ASU 2017-01), which revises the definition of a business and provides new guidance in evaluating when a set of transferred assets and activities is a business. This guidance will be effective for us in the fiscal year beginning after December 15, 2017 and interim periods within those periods on a prospective basis, and early adoption is permitted. The Company does not expect the standard to have a material impact on its consolidated financial statements.

Stock-based Compensation: In May 2017, the FASB issued ASU No. 2017-09, “Compensation—Stock compensation (Topic 718): Scope of modification accounting” (“ASU 2017-09”). The purpose of the amendment is to clarify which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. For all entities that offer share based payment awards, ASU 2017-09 is effective for interim and annual reporting periods beginning after December 15, 2017. The Company is currently assessing the impact of ASU 2017-09 on its unaudited condensed financial statements.

Stock-based Compensation: In July 2017, the FASB issued ASU 2017-11, “Earnings Per Share (Topic 260)”, Distinguishing Liabilities from Equity (Topic 480), Derivatives and Hedging (Topic 815). The amendments in Part I of this Update change the classification analysis of certain equity-linked financial instruments (or embedded features) with down round features. When determining whether certain financial instruments should be classified as liabilities or equity instruments, a down round feature no longer precludes equity classification when assessing whether the instrument is indexed to an entity’s own stock. The amendments also clarify existing disclosure requirements for equity-classified instruments. The amendments in Part II of this Update recharacterize the indefinite deferral of certain provisions of Topic 480 that now are presented as pending content in the Codification, to a scope exception. Those amendments do not have an accounting effect. For public business entities, the amendments in Part I of this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early

adoption is permitted for all entities, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The Company does not expect that the adoption of this guidance will have a material impact on its unaudited condensed financial statements.

Revenue Recognition and Leases: In September 2017, the FASB issued ASU 2017-13, Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842). The main objective of this pronouncement is to clarify the effective date of the adoption of ASC Topic 606 and ASC Topic 842 and the definition of public business entity as stipulated in ASU 2014-09 and ASU 2016-02. ASU 2014-09 provides that a public business entity and certain other specified entities adopt ASC Topic 606 for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. All other entities are required to adopt ASC Topic 606 for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. ASU 2016-12 requires that “a public business entity and certain other specified entities adopt ASC Topic 842 for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. All other entities are required to adopt ASC Topic 842 for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020”. ASU 2017-13 clarifies that the SEC would not object to certain public business entities electing to use the non-public business entities effective dates for applying ASC 606 and ASC 842. ASU 2017-13, however, limits such election to certain public business entities that “otherwise would not meet the definition of a public business entity except for a requirement to include or inclusion of its financial statements or financial information in another entity’s filings with the SEC”. Management does not expect the adoption of ASU 2017-13 to have any material impact on its financial positions and results of operations or cash flows.

Income taxes: In March 2018, the FASB issued ASU 2018-05 — Income Taxes (Topic 740): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118 (“ASU 2018-05”), which amends the FASB Accounting Standards Codification and XBRL Taxonomy based on the Tax Cuts and Jobs Act (the “Act”) that was signed into law on December 22, 2017 and Staff Accounting Bulletin No. 118 (“SAB 118”) that was released by the Securities and Exchange Commission. The Act changes numerous provisions that impact U.S. corporate tax rates, business-related exclusions, and deductions and credits and may additionally have international tax consequences for many companies that operate internationally. The Company has evaluated the impact of the Act as well as the guidance of SAB 118 and incorporated the changes into the determination of a reasonable estimate of its deferred tax liability and appropriate disclosures in the notes to its consolidated financial statements (See Note 9). The Company will continue to evaluate the impact this tax reform legislation may have on its results of operations, financial position, cash flows and related disclosures.

Except for the ASU’s described above, no ASU’s are expected to have a material impact on the unaudited condensed consolidated financial statements upon adoption.

Note 3. ACCOUNTS RECEIVABLE, NET

The Company's net accounts receivable is as follows:

	March 31, 2018	June 30, 2017
Trade accounts receivable	\$6,108,078	\$2,754,962
Less: allowances for doubtful accounts	(1,350,531)	(185,821)
Accounts receivables, net	\$4,757,547	\$2,569,141

Movement of allowance for doubtful accounts is as follows:

	Nine months ended	Year ended
	March 31, 2018	June 30, 2017
Beginning balance	\$185,821	\$207,028
Provision for doubtful accounts	1,182,832	-
Less: write-off/recovery	(24,638)	(18,912)
Exchange rate effect	6,516	(2,295)
Ending balance	\$1,350,531	\$185,821

For the three and nine months ended March 31, 2018, the provision for doubtful accounts increased by \$586,547 and \$1,182,832, respectively. No provision was made in same period 2017.

Note 4. ADVANCES TO SUPPLIERS

The Company's advances to third - party suppliers are as follows:

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

	March 31, 2018	June 30, 2017
Intelligent logistics system deposit	\$437,356	\$-
Freight fees	-	29,960
Others	4,781	24,930
Total advances to suppliers - third parties	\$442,137	\$54,890

On December 27, 2017, with the approval of the Board of the Company, the Company signed a contract with Tianjin Anboweiye Technology Ltd Co. (“Tianjin Anboweiye”), to develop a more complete and intelligent system based on the Company’s current container trucking platform. The purpose is to help the Company make better connections with the system used by state-owned companies in China, and to satisfy such state-owned companies’ demand for container trucks in the United States. The Company made \$437,356 as prepayment to Tianjin Anboweiye in March, 2018.

As of March 31, 2018, advances to third-party suppliers were primarily related to freight logistics services.

The Company's advances to related-party suppliers are as follows:

	March 31, 2018	June 30, 2017
Freight fees	\$3,601,421	\$3,333,038
Total advances to suppliers - related party	\$3,601,421	\$3,333,038

As discussed in Note 1, on February 18, 2017, the Company entered into a cooperative transportation agreement with Zhiyuan Hong Kong, which is owned by the Company's largest shareholder. Pursuant to this agreement, the Company will be a supplier for part of the project's logistics solutions and, in return, the Company will receive a 1% to 1.25% fee incurred as a commission for its services rendered. On July 7, 2017, the Company signed a supplemental agreement, pursuant to which the Company will cooperate with Zhiyuan Hong Kong exclusively on the Project's transportation needs with respect to transporting construction materials from manufacturers to the port of Malaysia and to the factory site. Pursuant to the supplemental agreement, the Company agrees to make prepayments to Zhiyuan Hong Kong for its share of packaging and transporting costs related to the Project; in return the Company will receive 15% of the cost incurred in the Project from Zhiyuan Hong Kong as a service fee. The Company will complete its services pursuant to the supplemental agreement and will receive approval from Zhiyuan Hong Kong that the related services fees will be earned by June 2018. The Company also expects the entire advance will be collected by October 2018.

Note 5. PREPAID EXPENSES AND OTHER ASSETS

The Company's prepaid expenses and other current assets are as follows:

	March 31, 2018	June 30, 2017
Consultant fees (1)	\$39,537	\$158,150
Advance to employees	74,199	64,160
Other (including prepaid insurance, rent, public relation services)	283,632	95,708
Total	397,368	318,018
Less: current portion	397,368	311,136
Total noncurrent portion	\$-	\$6,882

(1) The Company entered into a management consulting services agreement with a consulting company on November 12, 2015, pursuant to which the consulting company shall assist the Company with its regulatory filings during the period from July 1, 2016 to June 30, 2018. In return for its services, as approved by the Board, a total of RMB 2,100,000 (\$316,298) was paid to the consulting company. The above-mentioned consulting fees have been and will be ratably charged to expense over the terms of the above-mentioned agreement.

Note 6. PROPERTY AND EQUIPMENT, NET

The Company's net property and equipment as follows:

	March 31, 2018	June 30, 2017
Land and Buildings	\$214,497	\$198,512
Motor vehicles	632,130	542,471
Computer equipment	161,440	155,141
Office equipment	88,392	66,097
Furniture and fixtures	169,234	163,219
System software	126,787	117,733
Leasehold improvements	386,629	62,857
Total	1,779,109	1,306,030
Less: Accumulated depreciation	1,242,827	1,118,657
Property and equipment, net	\$536,282	\$187,373

Depreciation expense for the three months ended March 31, 2018 and 2017 were \$15,827 and \$11,025, respectively.

Depreciation expense for the nine months ended March 31, 2018 and 2017 were \$42,291 and \$36,432, respectively.

Note 7. INTANGIBLE ASSETS, NET

Net intangible assets consisted of the following at:

	March 31, 2018	June 30, 2017
Full service logistics platforms	\$190,000	\$ -

Total intangible assets	190,000	-
Less: Accumulated amortization	21,111	-
Intangible asset, net	\$168,889	\$-

As part of the above-mentioned intelligent logistics platform (see Note 3), four information applications were completed by Tianjin Anboweiye in November 2017 and placed into service, including route planning and route execution for customers in China. The platforms are amortized over five years.

Amortization expense of intangible assets amounted to \$15,833 and \$nil for the three months ended March 31, 2018 and 2017, respectively, and \$21,111 and \$nil for the nine months ended March 31, 2018 and 2017, respectively.

Note 8. STOCK OPTIONS

The issuance of the Company's options is exempted from registration under of the Securities Act of 1933, as amended (the "Act"). The Common Stock underlying the Company's options granted may be sold in compliance with Rule 144 under the Act. Each option may be exercised to purchase one share of the common stock of the Company, no par value per share (the "Common Stock"). Payment for the options may be made in cash or by exchanging shares of Common Stock at their fair market value. The fair market value will be equal to the average of the highest and lowest registered sales prices of Company Stock on the date of exercise.

The term of the options granted in 2009 is for 10 years and the exercise price of the 56,000 options is \$7.75 which vested over 5 years and were fully vested as of March 31, 2018. The fair value of the stock options was estimated using the Black-Scholes option-pricing model.

The term of the 10,000 options granted in 2013 is for 10 years and the exercise price of the options is \$2.01. The fair value of the 10,000 stock options was calculated at the grant date using the Black-Scholes option-pricing model with the following assumptions: volatility of 452.04%, risk free interest rate of 0.88% and expected life of 10 years. The total fair value of the options was \$19,400. These options are fully vested as of March 31, 2018.

Pursuant to the Company's 2014 Stock Incentive Plan, effective on July 26, 2016, the Company granted options to purchase a total of 150,000 shares of the Company's Common Stock to two employees with a one-year vesting period, one half of which vested on October 26, 2016, and the other half vested on July 26, 2017. The exercise price of the options is \$1.10, which was equal to the share price of the Company's Common Stock on July 26, 2016. The grant date fair value of such options was \$0.77 per share. The fair value of the options was calculated using the Black-Scholes options pricing model with the following assumptions: volatility of 99.68%, risk free interest rate of 1.15%, and expected life of 5 years. The total fair value of the options was \$115,979. In accordance with the vesting periods, \$nil and \$28,995 were expensed related to these options for the three months ended March 31, 2018 and 2017, respectively. \$9,665 and \$77,320 were expensed related to these options for the nine months ended March 31, 2018 and 2017, respectively. In February 2017, 75,000 of these options were exercised by the two employees.

Pursuant to the Company's 2014 Stock Incentive Plan, the Company granted a total of 800,000 options on December 14, 2016, to purchase an aggregate of 800,000 shares of Common Stock to seven employees, with a vesting period from one to three years. The grant date fair value of such options was \$2.24 per option. The fair value of the options was calculated using the Black-Scholes options pricing model with the following assumptions: volatility of 112.70%, risk free interest rate of 2.02%, with an expected life of 5 years. The total fair value of the options was \$1,788,985. With the seven employees' consent, the Company cancelled the 800,000 options, effective February 16, 2017 and nil was recorded for these options for the three and nine months ended March 31, 2018 and 2017, respectively.

A summary of the options is presented in the table below:

	Shares	Weighted Average Exercise Price
Options outstanding, as of June 30, 2017	141,000	\$ 3.81
Granted	-	-
Exercised	-	-
Cancelled	-	-
Options outstanding, as of March 31, 2018	141,000	\$ 3.81
Options exercisable, as of March 31, 2018	139,000	\$ 3.83

Following is a summary of the status of options outstanding and exercisable as of March 31, 2018

Outstanding Options			Exercisable Options		
Exercise Price	Number	Average Remaining Contractual Life	Average Exercise Price	Number	Average Remaining Contractual Life
\$7.75	56,000	0.13 years	\$7.75	56,000	0.13 years
\$2.01	10,000	4.84 years	\$2.01	8,000	4.84 years
\$1.10	75,000	3.32 years	\$1.10	75,000	3.32 years
	141,000			139,000	

Note 9. EQUITY TRANSACTIONS

On June 6, 2014, the Company entered into management consulting and advisory services agreements with two consultants, pursuant to which the consultants assisted the Company in, among other things, financial and tax due diligence, business evaluation and integration, and development of pro forma financial statements. In return for their services, as approved by the Company's Board of Directors, a total of 600,000 shares of the Company's common stock were to be issued to these two consultants. In June 2014, 200,000 shares of the Company's common stock were issued to the consultants as a prepayment for their services. The value of their consulting services was determined using the fair value of the Company's common stock of \$2.34 per share when the shares were issued to the consultants. Their service agreements were for the period July 1, 2014 to December 31, 2016. The remaining 400,000 shares of the Company's common stock were then issued to the consultants on September 30, 2014 at \$1.68 per share, and the service terms are from September 2014 to November 2016. These shares were valued at \$1,140,000 and the related consulting fees have been ratably charged to expense over the term of the agreements. Consulting expenses for the above services were \$nil and \$nil for the three months ended March 31, 2018 and 2017, respectively. Consulting expenses for the above services were \$nil and \$218,045 for the nine months ended March 31, 2018 and 2017, respectively.

On May 5, 2015, the Company entered into management consulting and advisory services agreements with three consultants, pursuant to which the consultants assisted the Company in, among other things, review of time charter agreements; crew management advisory; development of permanent and preventive maintenance standards related to dry dockings and ship repairs; development of regular technical and marine vessel inspections and quality control procedures; and development and implementation of alternative remedial actions to address technical problems that may arise. In return for their services, as approved by the Company's Board of Directors, a total of 500,000 shares of the Company's common stock were to be issued to these three consultants at \$1.50 per share. Their service agreements are for a period of 18 months, effective May 2015. These shares were valued at \$750,000 and the related consulting fees have been ratably charged to expense over the term of the agreements. Consulting expenses for the above services

were \$nil and \$ nil for the three months ended March 31, 2018 and 2017, respectively. Consulting expenses for the above services were \$nil and \$173,137 for the nine months ended March 31, 2018 and 2017, respectively

On December 9, 2015, the Company entered into a consulting and advisory services agreement with a consultant, pursuant to which the consultant will assist the Company with corporate restructuring, business evaluation and capitalization during the period from November 20, 2015 to November 19, 2016. In return for such services, the Company issued 250,000 shares of the Company's common stock to this consultant for services to be rendered during the first half of the service period. Such shares were issued as restricted shares at \$1.02 per share on December 9, 2015. On May 23, 2016, the Company issued an additional 250,000 shares of common stock to this consultant at \$0.72 per share to cover the services from the seventh month to November 19, 2016. These shares were valued at \$435,000. Consulting expenses were \$nil and \$ nil for the three months ended March 31, 2018 and 2017, respectively. Consulting expenses were \$nil and \$138,387 for the nine months ended March 31, 2018 and 2017, respectively.

In March 2017, the Company entered into a consulting and advisory services agreement with Jianwei Li, who will provide management consulting services that include marketing program designing and implementation and cooperative partner selection and management. The service period is from March 2017 to February 2020. The Company issued 250,000 shares of common stock as the remuneration for the services, which were issued as restricted shares at \$2.53 per share on March 22, 2017 to the consultant. These shares were valued at \$632,500. Consulting expenses were \$52,708 and \$17,569 for the three months ended March 31, 2018 and 2017 respectively. Consulting expenses were \$158,125 and \$17,569 for the nine months ended March 31, 2018 and 2017, respectively.

On October 23, 2017, the Company issued 130,000 shares to its employees of its restricted common stock valued at \$2.80 per share. Quarter of the total number of common shares shall become vested on each of November 16, 2017, February 16, 2018, May 16, 2018 and August 16, 2018. These shares were valued at \$364,000. \$91,000 and \$nil are recorded in the Company's general and administrative expenses for the three months ended March 31, 2018 and 2017, respectively. \$182,000 and \$nil are recorded in the Company's general and administrative expenses for the nine months ended March 31, 2018 and 2017, respectively.

On October 27, 2017, the Company issued 200,000 shares of restricted common stock on the grant date with a fair value of \$548,000 to a consulting company pursuant to a consulting agreement. The scope of services primarily covers advising on business development, strategic planning and compliance during the one-year service period from October 17, 2017 to October 16, 2018. Consulting expenses were \$137,000 and \$nil for the three months ended March 31, 2018 and 2017, respectively. Consulting expenses were \$274,000 and \$nil for the nine months ended March 31, 2018 and 2017, respectively.

Total consulting expenses were \$280,709 and \$17,569 for the three months ended March 31, 2018 and 2017, respectively. Total consulting expenses were \$432,125 and \$547,138 for the nine months ended March 31, 2018 and 2017, respectively.

On March 12, 2018, the Company entered into a Securities Purchase Agreement with investors pursuant to which the Company sold to the investors in a registered direct offering, an aggregate of 2,000,000 shares of the common stock of the Company, no par value per share, at a purchase price of \$1.50 per Share, for aggregate gross proceeds of \$3 million. The placement agent received a cash commission fee equal to 7.5% of the gross proceeds. The offering was closed on March 14, 2018. The offering of the shares of the 2 million common stock is being made pursuant to the Company's effective shelf registration statement on Form S-3 (File No. 333-222098), which was originally filed with the SEC on December 15, 2017, and was declared effective by the SEC on February 16, 2018. The Company agreed in the purchase agreement that it would not issue any common stock for 60 calendar days following the closing of the offering and each of the Company's executive officers and directors have agreed to a lock-up period of 60 days from the date of the purchase agreement.

The Company also agreed to sell to the investors Series “A” warrants to purchase up to an aggregate of 2,000,000 shares of common stock at an exercise price of \$1.75 per share and Series “B” warrants to purchase up to an aggregate of 2,000,000 shares of common stock at an exercise price of \$1.75 per share. The sale of the Series “A” warrants and Series “B” warrants are a private placement in reliance upon an exemption afforded under Regulation D of the Securities Act. The Series “A” warrants shall be initially exercisable beginning on September 14, 2018, and expire five and a half (5.5) years from the date of issuance. The Series B warrants shall be initially exercisable beginning on September 14, 2018, and expire thirteen (13) months from the date of issuance. The exercise price and the number of shares of Common Stock issuable upon exercise of the Warrants are subject to adjustment in the event of stock splits or dividends, or other similar transactions, but not as a result of future securities offerings at lower prices. Net proceeds to the Company from the sale of the shares and the warrants after deducting offering expenses and placement agent fees is \$2,585,091.

On April 26, 2018, the Company filed a registration statement on Form S-1 to register the resale of an aggregate of 4,000,000 shares of common stock underlying the Series A and B Warrants mentioned above. The S-1 was declared effective by the SEC on May 8, 2018.

The warrants are classified as equity since they qualify for exception from derivative accounting as they are considered to be indexed to the Company's own stock and require net share settlement. The fair value of the warrants of \$1,074,140 is valued based on Black-Scholes-Merton model and is recorded as additional paid-in capital from common stock based on relative fair value of proceeds received using the following assumptions:

	Series A		Series B
Annual dividend yield	-		-
Expected life (years)	5.5		1.08
Risk-free interest rate	2.72	%	2.16 %
Expected volatility	110.31	%	73.88%

Following is a summary of the status of warrants outstanding and exercisable as of March 31, 2018:

	Shares	Weighted Average Exercise Price
Warrants outstanding, as of June 30, 2017	139,032	\$ 9.30
Issued	4,000,000	1.75
Exercised	-	-
Expired	-	-
Warrants outstanding, as of March 31, 2018	4,139,032	\$ 2.00
Warrants exercisable, as of March 31, 2018	139,032	\$ 9.30

Warrants Outstanding	Warrants Exercisable	Weighted Average Exercise Price	Average Remaining Contractual Life
2008 Warrants	139,032	\$ 9.30	0.13 years
2018 Series A 2,000,000	-	\$ 1.75	5.50 years
2018 Series B 2,000,000	-	\$ 1.75	1.08 years

Note 10. NON-CONTROLLING INTEREST

The Company's non-controlling interest consists of the following:

	March 31, 2018	June 30, 2017
Sino-China:		
Original paid-in capital	\$356,400	\$356,400
Additional paid-in capital	1,044	1,044
Accumulated other comprehensive income	(41,198)	217,379
Accumulated deficit	(5,148,533)	(5,421,578)
	(4,832,287)	(4,846,755)
Trans Pacific Logistics Shanghai Ltd.	123,728	46,047
ACH Trucking Center Corp.	-	31,929
Total	\$(4,708,559)	\$(4,768,779)

Note 11. COMMITMENTS AND CONTINGENCY*Lease Obligations*

The Company leases certain office premises and apartments for employees under operating lease agreements with various terms through April 16, 2020. Future minimum lease payments under the operating lease agreements are as follows:

	Amount
Twelve months ending March 31,	
2019	\$ 165,170
2020	81,666
	\$246,836

Rental expenses for the three months ended March 31, 2018 and 2017 were \$59,183 and \$66,642, respectively. Rental expenses for the nine months ended March 31, 2018 and 2017 were \$178,490 and \$194,532, respectively.

Contingencies

The Labor Contract Law of the PRC requires employers to insure the liability of the severance payments for terminated employees that have worked for the employers for at least two years prior to January 1, 2008. Employers are liable for one month of severance pay per year of service provided by employees. As of March 31, 2018 and June 30, 2017, the Company has estimated its severance payments to be approximately \$58,373 and \$48,713, respectively. Such payments have not been reflected in its unaudited condensed consolidated financial statements because management cannot predict what the actual payment, if any, will be in the future.

From time to time, the Company is involved in routine litigation that arises in the ordinary course of business. The Company was named a defendant in a breach of service contract lawsuit filed with the California Superior Court on January 19, 2018. Management believes it is too early to predict the outcome of the pending lawsuit but believes it will not likely have a material effect on the Company's consolidated operations or financial position.

Note 12. INCOME TAXES

On December 22, 2017, the “Tax Cuts and Jobs Act” (the “Act”) was enacted. Under the provisions of the Act, the U.S. corporate tax rate decreased from 35% to 21%. Since the Company has a June 30 fiscal year-end, a blended U.S. statutory federal rate of approximately 28% for the fiscal year ending June 30, 2018 is applied to the provision for income tax, and a 21% for subsequent fiscal years.

The Company re-measured certain deferred tax assets based on blended rate of 28% at which these deferred tax amounts are expected to reverse in the future and the re-measurement resulted in a tax expense of \$120,400 being recognized during the three months ended March 31, 2018.

In addition, the Company recorded a provisional amount for its one-time transition tax for all of its foreign subsidiaries, resulting in an increase in income tax expense of approximately \$478,000 for the nine months ended March 31, 2018. The one-time transition tax was calculated using the Company’s total post-1986 overseas earnings and profits which amounted to approximately \$5.7 million. The one-time transition tax is taxed at the rate of 15.5% for the Company’s cash and cash equivalents and 8% for the other assets and is to be paid over 8 years.

The Company’s income tax benefit (expense) for the three and nine months ended March 31, 2018 and 2017 are as follows:

	For the three months ended		For the nine months ended	
	March 31,		March 31,	
	2018	2017	2018	2017
Current				
USA	\$-	\$-	\$(60,162)	\$-
Hong Kong	6,250	(36,966)	(3,172)	(71,067)
China	(69,345)	(47,738)	(320,270)	(158,649)
One-time transition tax on accumulated foreign earnings	-	-	(478,499)	-
	(63,095)	(84,704)	(862,103)	(229,716)
Deferred				
USA	(153,000)	387,900	920,700	387,900
Total income tax benefit (expense)	\$(216,095)	\$303,196	\$58,597	\$158,184

The Company recorded income tax expense of \$216,095 and benefit of \$303,196 in the three months ended March 31, 2018 and 2017. The Company recorded income tax benefit of \$58,597 and \$158,184 in the nine months ended March 31, 2018 and 2017, respectively.

The Company's deferred tax assets are comprised of the following:

	March 31, 2018	June 30, 2017
Allowance for doubtful accounts	\$568,000	\$106,000
Stock-based compensation	687,000	790,000
Net operating loss	1,068,000	1,464,000
Total deferred tax assets	2,323,000	2,360,000
Valuation allowance	(652,900)	(1,610,600)
Deferred tax assets, net - long-term	\$1,670,100	\$749,400

The Company's operations in the U.S. for federal tax purposes have incurred a cumulative net operating loss ("NOL") of approximately \$5,250,000 as of March 31, 2018, which may reduce federal future taxable income. For the three and nine months ended March 31, 2018, approximately \$317,000 and \$954,000 of NOL was utilized, respectively.

The Company periodically evaluates the likelihood of the realization of deferred tax assets, and reduces the carrying amount of the deferred tax assets by a valuation allowance to the extent it believes a portion will not be realized. The Company considers many factors when assessing the likelihood of future realization of the deferred tax assets, including its recent cumulative earnings experience, expectation of future income, the carry forward periods available for tax reporting purposes, and other relevant factors. Management has provided an allowance against the deferred tax assets balance as of March 31, 2018. The net increase in the valuation allowance for the three months ended March 31, 2018 amounted to \$140,000 and the net decrease in the valuation allowance for the nine months ended March 31, 2018 amounted to \$957,700, respectively on the basis of management's reassessment of the amount of its deferred tax assets that are more likely than not to be realized. Management considers new evidence, both positive and negative, that could affect its future realization of deferred tax assets. Due to enactment of the Act, NOL could be carried forward indefinitely and the Company has pretax income resulting in utilization of NOL in the current period, management determined that there is sufficient positive evidence to conclude that it is more likely than not that all of its NOL are realizable.

The Company's taxes payable consists of the following:

	March 31, 2018	June 30, 2017
VAT tax payable	\$558,452	\$520,436
Corporate income tax payable	2,213,939	1,290,832
Others	69,762	74,948

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

Total	2,842,153	1,886,216
Less: current portion	2,401,934	1,886,216
Income tax payable - noncurrent portion	\$440,219	\$-

21

Note 13. CONCENTRATIONS

Major Customers

For the three months ended March 31, 2018, three customers accounted for 70%, 18% and 10% of the Company's revenues, respectively. As of March 31, 2018, one of these four customers accounted for 100% of the Company's accounts due from related parties and the remaining two customers accounted for approximately 84% of the Company's accounts receivable.

For the three months ended March 31, 2017, three customers accounted for 28%, 28% and 27% of the Company's revenues, respectively. At March 31, 2017, one of these three customers accounted for 27% of the Company's accounts due from related parties and the remaining two customers accounted for approximately 75% of the Company's accounts receivable.

For the nine months ended March 31, 2018, three customers accounted for 59%, 17% and 10% of the Company's revenues, respectively. As of March 31, 2018, one of these four customers accounted for 100% of the Company's accounts due from related parties and the remaining two customers accounted for approximately 84% of the Company's accounts receivable.

For the nine months ended March 31, 2017, three customers accounted for 33%, 33% and 16% of the Company's revenues, respectively. At March 31, 2017, one of these three customers accounted for 27% of the Company's accounts due from related parties and the remaining two customers accounted for approximately 75% of the Company's accounts receivable.

Major Suppliers

For the three months ended March 31, 2018, two suppliers accounted for 82% and 15% of the total costs of revenue, respectively. For the three months ended March 31, 2017, two suppliers accounted for 65% and 13% of the total costs of revenue.

For the nine months ended March 31, 2018, two suppliers accounted for 48% and 6% of the total costs of revenue, respectively. For the nine months ended March 31, 2017, one supplier accounted for 51% of the total costs of revenue, respectively.

Note 14. SEGMENT REPORTING

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

The Company's chief operating decision maker is the Chief Executive Officer, who reviews the financial information of the separate operating segments when making decisions about allocating resources and assessing the performance of the group. The Company has determined that it has six operating segments: (1) shipping agency and shipping management services; (2) shipping and chartering services; (3) inland transportation management services; (4) freight logistics services; (5) container trucking services; (6) bulk cargo container services. However, due to the downturn in the shipping industry, the Company has decided to suspend its shipping agency and shipping management services and shipping and chartering services.

As stated in Note 1, ACH Center's operating revenue was less than 1% of the Company's consolidated revenue and the results of operations for ACH Center was not reported as discontinued operations and was included in the container trucking services segment and freight logistics services segment below. For the three and nine months ended March 31, 2018, revenue from ACH Center for container trucking services amounted to \$nil and \$42,968 respectively, representing 0% and 6% of the segment's revenue. For the three and nine months ended March 31, 2018, gross profit from ACH Center for container trucking services amounted to \$nil and \$4,297 respectively, representing 0% and 2% of the segment's gross profit. For the three and nine months ended March 31, 2018, revenue from ACH Center for freight logistics services amounted to \$nil and \$46,937 respectively, representing 0% and 1% of the segment's revenue. For the three and nine months ended March 31, 2017, gross profit from ACH Center for freight logistics services amounted to \$nil and \$13,989 respectively, representing 0% and 2% of the segment's gross profit.

The following tables present summary information by segment for the three and nine months ended March 31, 2018 and 2017, respectively:

	For the three months ended March 31, 2018				
	Inland Transportation Management Services	Freight Logistics Services	Container Trucking Services	Bulk Cargo Container Services	Total
Revenues					
- Related party	\$501,000	\$-	\$-	\$-	\$501,000
- Third parties	\$934,872	\$3,577,293	\$187,005	\$-	\$4,699,170
Total revenues	\$1,435,872	\$3,577,293	\$187,005	\$-	\$5,200,170
Cost of revenues	\$91,276	\$3,195,492	\$118,667	\$-	\$3,405,435
Gross profit	\$1,344,596	\$381,801	\$68,338	\$-	\$1,794,735
Depreciation and amortization	\$26,268	\$475	\$4,917	\$-	\$31,660
Total capital expenditures	\$-	\$-	\$10,929	\$-	\$10,929

	For the three months ended March 31, 2017				
	Inland Transportation Management Services	Freights Logistic Services	Container Trucking Services	Bulk Cargo Container Services	Total
Revenues					
- Related party	\$762,777	\$-	\$-	\$-	\$762,777
- Third parties	\$771,063	\$827,908	\$385,863	\$-	\$1,984,834
Total revenues	\$1,533,840	\$827,908	\$385,863	\$-	\$2,747,611
Cost of revenues	\$79,983	\$699,578	\$352,652	\$-	\$1,132,213
Gross profit	\$1,453,857	\$128,330	\$33,211	\$-	\$1,615,398
Depreciation and amortization	\$5,655	\$5,370	\$-	\$-	\$11,025
Total capital expenditures	\$55,474	\$-	\$-	\$-	\$55,474

Prior to second quarter of fiscal 2018, bulk cargo container services were included in our freight logistics services segment and were operated by our New York subsidiary. As the Company develops this business line and to enable our CODM to better assess the financial performance of the Company, we separated bulk cargo container services as a separate segment starting from last quarter. The Company reclassified \$504,815 of revenue from freight logistics services to bulk cargo container services for the nine months ended March 31, 2018 for better comparison.

	For the nine months ended March 31, 2018				
	Inland Transportation Management Services	Freight Logistics Services	Container Trucking Services	Bulk Cargo Container Services	Total

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

	Services		Services		
Revenues					
- Related party	\$ 1,621,406	\$ -	\$ -	\$ -	\$ 1,621,406
- Third parties	\$ 2,626,773	\$ 10,177,505	\$ 736,751	\$ 638,227	\$ 14,179,256
Total revenues	\$ 4,248,179	\$ 10,177,505	\$ 736,751	\$ 638,227	\$ 14,179,256
Cost of revenues	\$ 447,451	\$ 9,023,600	\$ 481,731	\$ 494,449	\$ 10,447,231
Gross profit	\$ 3,800,728	\$ 1,153,905	\$ 255,020	\$ 143,778	\$ 5,353,431
Depreciation and amortization	\$ 46,665	\$ 1,426	\$ 15,311	\$ -	\$ 63,402
Total capital expenditures	\$ -	\$ 326,508	\$ 53,409	\$ -	\$ 379,917

For the nine months ended March 31, 2017

	Inland Transportation Management Services	Freight Logistics Services	Container Trucking Services	Bulk Cargo Container Services	Total
Revenues					
- Related party	\$ 2,229,180	\$ -	\$ -	\$ -	\$ 2,229,180
- Third parties	\$ 2,241,998	\$ 1,803,641	\$ 545,742	\$ -	\$ 4,591,381
Total revenues	\$ 4,471,178	\$ 1,803,641	\$ 545,742	\$ -	\$ 6,820,561
Cost of revenues	\$ 271,784	\$ 1,068,951	\$ 448,613	\$ -	\$ 1,789,348
Gross profit	\$ 4,199,394	\$ 734,690	\$ 97,129	\$ -	\$ 5,031,213
Depreciation and amortization	\$ 20,322	\$ 16,110	\$ -	\$ -	\$ 36,432
Total capital expenditures	\$ 55,474	\$ -	\$ -	\$ -	\$ 55,474

Total assets:	March 31, 2018	June 30, 2017
Inland Transportation Management Services	\$21,460,889	\$15,552,593
Freight Logistic Services	162,504	1,704,946
Container Trucking Services	1,538,860	558,482
Bulk Cargo Container Services	515,845	-
Total Assets	\$23,678,098	\$17,816,021

Note 15. OTHER RELATED PARTY TRANSACTIONS

As of March 31, 2018 and June 30, 2017, the outstanding amounts due from related party consist of the following:

	March 31, 2018	June 30, 2017
Tianjin Zhiyuan Investment Group Co., Ltd.	\$2,499,493	\$1,715,130
Less: allowance for doubtful accounts	(249,949)	-
Total	\$2,249,544	\$1,715,130

In June 2013, the Company signed a five-year global logistics service agreement with Tianjin Zhiyuan Investment Group Co., Ltd. (the "Zhiyuan Investment Group") and TEWOO Chemical & Light Industry Zhiyuan Trade Co., Ltd. (together with Zhiyuan Investment Group, "Zhiyuan"). Zhiyuan Investment Group is owned by Mr. Zhang, the largest shareholder of the Company. In September 2013, the Company executed an inland transportation management service contract with the Zhiyuan Investment Group, whereby it would provide certain advisory services and help control potential commodities loss during the transportation process. As a result of the inland transportation management services provided to Zhiyuan, the Company generated revenue of \$501,000 (10% of the Company's total revenue) and \$762,777 (28% of the Company's total revenue) for the three months ended March 31, 2018 and 2017, respectively. The Company generated revenue of \$1,631,000 (10% of the Company's total revenue) and \$2,229,180 (33% of the Company's total revenue) for the nine months ended March 31, 2018 and 2017, respectively. During the nine months ended March 31, 2018, the Company continued to provide inland transportation management services to Zhiyuan and collected \$846,536 from Zhiyuan. As of March 31, 2018, the Company provided a 10% allowance for doubtful accounts of the amount due from Zhiyuan. The Company expects that the above balance will be collected by March 2019.

As of March 31, 2018 and June 30, 2017, the outstanding amounts of advance to suppliers-related party consist of the following:

	March 31, 2018	June 30, 2017
Zhiyuan International Investment & Holding Group (Hong Kong) Co., Ltd.	\$3,601,421	\$3,333,038
Total	\$3,601,421	\$3,333,038

On February 18, 2017, Trans Pacific Beijing (subsidiary) and Sino China (VIE) (collectively, the “Seller”), a subsidiary and VIE of the Company, entered into a Cooperative Transportation Agreement (the “Agreement”) with Zhiyuan International Investment & Holding Group (Hong Kong) Co., Ltd. (the “Buyer” or “Zhiyuan Hong Kong”). Mr. Zhang is the largest shareholder of the Company and has also invested in the Buyer. Pursuant to the Agreement, the Buyer, jointly with China Minmetals Corporation and China Metallurgical Group Corporation, acts as the general designer, general equipment provider and general service contractor in the upgrade and renovation project of Perwaja Steel Indonesia, which is located in Malaysia (the “Project”). The Seller shall be appointed as general agent to handle related logistics and transportation occurring in the Project and in return the Company will receive a 1% to 1.25% fee incurred as a commission for its services rendered. On July 7, 2017, the Company signed a supplemental agreement, pursuant to which the Company will cooperate with Zhiyuan Hong Kong exclusively on the Project’s transportation needs with respect to transporting construction materials from manufacturers to the port of Malaysia and to the factory site. The Company will complete its services pursuant to the supplemental agreement and will receive approval from Zhiyuan Hong Kong that the related services fees will be earned by June 2018. The Company also expects the entire advance will be collected by October 2018.

Note 16. SUBSEQUENT EVENTS

On May 4, 2018, the Company's board approved issuance of 660,000 shares of its common stock under the 2014 Stock Incentive Plan to its management team and the Board of directors. These shares are vested immediately and are valued at \$1.15 per share on grant date with a total fair value of \$759,000.

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

Third Quarter 2018 Highlights

Revenues in the three months ended March 31, 2018 increased by \$2,452,559, or 89.3%, over the comparable period in 2017. The increase was primarily due to:

We continued to expand our freight logistics segment through cooperating with our major customers. Revenue from the freight logistics segment increased by about \$2.75 million or 332.1% compared to 2017. Revenues from inland transportation management services remained relatively the same, and a decrease of \$198,858 or 51.5% revenue in container trucking segment was due to the discontinued operation of ACH trucking in last quarter.

Our increase in revenue in the freight logistics services segment was mainly due to our increased revenue of \$2.91 million, offset by a decrease of about \$0.16 million due to the discontinued operations of ACH trucking. For the three months ended March 31, 2018, our subsidiary, Trans Pacific Shanghai, increased sales to BAO-NYK Shipping PTE. Ltd., which totaled approximately \$3.39 million, as compared to \$nil for the corresponding period of the year 2017, while our sales to other smaller customers decreased by about \$0.67 million. Given that our primary goal is to develop our U.S. market, maintaining long term relationships with our major customers in China will enable us to further develop our freight logistics and trucking business in the U.S. via the logistics platform that is currently in development. We will focus on integrating the intelligence logistics platform to increase our freight logistics business in the U.S. in order increase our revenue and cash flows.

Fiscal Year 2018 Trend

Historically, containers shipping from the U.S. to China have low utilization rates. As a result, large shipping lines in China, including COSCO Shipping Lines Co., Ltd ("COSCO Shipping Lines"), have to bear the shipping costs of empty

containers and are seeking solutions to work strategically with local logistics companies in the U.S. With the Chinese government's ban on the import of environmental wastes by the end of 2017, the empty container rate of COSCO Group's container shipping from the United States to China has been and will likely continue to be further reduced. In light of this development, COSCO Shipping Lines signed a strategic cooperation agreement with us to jointly promote bulk cargo container transportation. Bulk freight rate is usually lower than that of container freight rate; however the transit time is much longer and customers have limited flexibility in their arrangements with freight carriers. COSCO Group headquarters will give us the same container freight rate as bulk freight, even lower than bulk shipping fee, to support our expansion from bulk to container shipping, so as to transport more cargoes from the United States to China. In the first six months of fiscal year 2018, we cooperated with Guangxi Sinotrans Group and Sichuan Minmetals Import and Export Company, for trial operation. Based on the two trial runs with positive response, we signed a service agreement with Chengdu Dingxu International Trade Co., Ltd. ("Chengdu Dingxu") to coordinate sulfur suppliers in the United States to supply 100,000 tons of sulfur to Chengdu Dingxu on annual basis. Pursuant to the agreement, we will organize the shipping carriers, help customer to complete the duty and customs declaration and arrange transportation to the destination designated by Chengdu Dingxu. We will not take title to any of their purchases and we will not take any inventory risks. We will be reimbursed by Chengdu Dingxu once our performance obligations are completed for the money we advanced on these purchases. In the remaining period of fiscal year 2018, we will continue to focus on developing business to increase revenue and cash flow in the U.S. and continue to use the bulk cargo container business between container shipping lines from the U.S. to China as the major part of our growth.

We will continue our cooperation with COSCO to promote bulk cargo container shipping. Our goal is to promote shipping of not only sulfur products but also others that are in high demand in China, such as petroleum coke, alfalfa and DDGS. We expect to ship these bulk container products to reach 400-500 containers per month. Through the implementation of bulk cargo container transport business, more smaller truck companies can be attracted to join our short-haul container truck online service platform, so that the online service platform can be improved and further upgraded and eventually become a peer-to peer online platform that connects truckers and customers.

Due to our new business in bulk cargo containers and the integrated freight business segment, our overall gross margin rate was affected. We expect as we gradually grow our business in these segments, our overall gross margin will improve.

Company Structure

The following diagram represents the corporate structure of the Company as of the date of this report:

Results of Operations***The Three Months Ended March 31, 2018 Compared to the Three Months Ended March 31, 2017*****Revenues**

Total revenues increased by \$2,452,559, or 89.3%, from \$2,747,611 for the three months ended March 31, 2017 to \$5,200,170 for the comparable period in 2018. This increase was primarily due to the Company's efforts to diversify its business in freight logistics services. The revenues generated from freight logistics services increased by \$2,749,385, or 332.1%, from \$827,908 for the three months ended March 31, 2017 to \$3,577,293 for the comparable period in 2018.

The following tables present summary information by segment for the three months ended March 31, 2018 and 2017:

	For the three months ended March 31, 2018					
	Inland Transportation Management Services	Freight Logistics Services	Container Trucking Services	Bulk Cargo Container Services		Total
Revenues						
- Related party	\$501,000	\$-	\$-	\$-		\$501,000
- Third parties	\$934,872	\$3,577,293	\$187,005	\$-		\$4,699,170
Total revenues	\$1,435,872	\$3,577,293	\$187,005	\$-		\$5,200,170
Cost of revenues	\$91,276	\$3,195,492	\$118,667	\$-		\$3,405,435
Gross profit	\$1,344,596	\$381,801	\$68,338	\$-		\$1,794,735
GM%	93.6	% 10.7	% 36.5	% -		% 34.5

	For the three months ended March 31, 2017					
	Inland Transportation Management Services	Freight Logistics Services	Container Trucking Services	Bulk Cargo Container Services		Total
Revenues						
- Related party	\$762,777	\$-	\$-	\$-		\$762,777
- Third parties	\$771,063	\$827,908	\$385,863	\$-		\$1,984,834
Total revenues	\$1,533,840	\$827,908	\$385,863	\$-		\$2,747,611

Cost of revenues	\$79,983	\$699,578	\$352,652	\$ -	\$1,132,213
Gross profit	\$1,453,857	\$128,330	\$33,211	\$ -	\$1,615,398
Gross margin%	94.8	% 15.5	% 8.6	% -	% 58.8

(1) Revenues from Inland Transportation Management Services

In September 2013, the Company executed an inland transportation management service contract with Zhiyuan Investment Group, a related party, whereby the Company agreed to provide certain solutions to help control the potential loss of commodities during the transportation process. The Company also began providing inland transportation management services to a third-party customer, Tengda Northwest, following the quarter ended September 2014. The fluctuation in revenue from this segment is due to the change in the quantities of commodities transported by both Zhiyuan Investment Group and Tengda Northwest.

For Tengda Northwest, the service fee charge was RMB 32 per ton. For Zhiyuan Investment Group, the service fee charge was RMB 38 per ton.

Revenue from the inland transportation management services segment decreased approximately \$97,968 from \$1,533,840 for the three months ended March 31, 2017 to \$1,435,872 for the three months ended March 31, 2018. Revenue from related party customers decreased \$261,777 from \$762,777 for the three months ended March 31, 2017 to \$501,000 for the three months ended March 31, 2018 since the transported quantities decreased from 139,474 tons to 83,837 tons. Revenue from third parties customers increased \$163,809 from \$771,063 for the three months ended March 31, 2017 to \$934,872 for the three months ended March 31, 2018. The increase was primarily due to the depreciation of USD against RMB from 6.8885 for the three months ended March 31, 2017 to 6.3589 for the corresponding period in 2018 and increased quantities transported from 167,700 tons to 184,706 tons.

For the three months ended March 31, 2018 and 2017, gross profit from inland transportation management services amounted to \$1,344,596 and \$1,453,857, respectively.

Overall gross margins for this segment decreased to 93.6% for the three months ended March 31, 2018 from 94.8% for the three months ended March 31, 2017. The decrease of gross margins in the current quarter was due to the change of product mix with different service fee per ton. However, the decrease was not significant between the two periods.

(2) Revenues from Freight Logistics Services

During the three months ended March 31, 2018, the portion of revenues generated from freight logistics services has increased significantly. The increase was primarily due to increased orders from one of our clients, BAO-NYK Shipping PTE. Ltd. (“BAO-NYK”), during the current period, as compared to \$nil in the corresponding period in 2017. Our primary goal is to maintain long term relationship with our major customers in China so we can focus on developing new business in the U.S. The gross margin decreased to 10.07% from 15.50%, primarily due to the changing variety of services provided between the current period and the corresponding period in 2017. Every single business of freight logistics services has a unique gross margin according to different service scope. Usually, a business in full-scale scope has a higher gross margin, and business with fragmented scope has a lower gross margin. Our fragmented scope business increased significantly, such as revenue from BAO-NYK, and contributed a much higher portion of revenue in this sector than full-scale businesses, as compared to the corresponding period in 2017.

The revenue generated from freight logistics services was \$3,577,293, and the related gross profit was \$381,801 for the three months ended March 31, 2018. For the three months ended March 31, 2017, the revenue generated from freight logistics services was \$827,908, and the related gross profit was \$128,330.

(3) Revenues from Container Trucking Services

Since we completed our web-based short-haul container truck service platform in December 2016, we began generating revenue from short-haul trucking and containers services through the service platform.

On January 5, 2017, we entered into a joint venture agreement and formed a new joint venture company named ACH Trucking Center Corp. (“ACH Center”) with Jetta Global Logistics Inc. (“Jetta Global”). Along with the establishment of ACH Center, we began providing short haul trucking transportation and logistics services to customers located in the New York and New Jersey areas. We held a 51% ownership stake in ACH Center. Although the establishment of ACH Center brought benefits for us and Jetta Global, it could not satisfy long term development for both us and Jetta Global. We signed a termination agreement with Jetta Global to terminate the joint venture agreement on December 4, 2017. As ACH center’s operating revenue was less than 1% of our consolidated revenue and the termination did not constitute a strategic shift that will have a major effect on our operations and financial results, the results of operations for ACH Center were not reported as discontinued operations. For the three months ended March 31, 2018, revenue from container trucking services decreased by \$198,858 from \$385,863 for the three months ended March 31, 2017 to \$187,005. The decrease was primarily due to the termination of our joint venture agreement with Jetta Global.

Operating Costs and Expenses

Total operating costs and expenses increased by \$3,132,143 or 175.4%, from \$1,785,899 for the three months ended March 31, 2017 to \$4,918,312 for the three months ended March 31, 2018. This increase was primarily due to the increase in the cost of revenue, general and administrative expense and selling expenses, as discussed below.

The following table sets forth the components of the Company's costs and expenses for the periods indicated:

	For the three months ended March 31,				Change	
	2018		2017		US\$	%
	US\$	%	US\$	%	US\$	%
Revenues	5,200,170	100.0%	2,747,611	100.0%	2,452,559	89.3 %
Cost of revenues	3,405,435	65.5 %	1,132,213	41.2 %	2,273,222	200.8 %
Gross margin	34.5	%	58.8	%	(24.3)%
General and administrative expenses	1,477,514	28.4 %	612,441	22.3 %	865,073	141.3 %
Selling expenses	35,363	0.7 %	41,245	1.5 %	(5,882) (14.3)%
Total Costs and Expenses	4,918,312	94.6 %	1,785,899	65.0 %	3,132,413	175.4 %

Costs of Revenues

Cost of revenues was \$3,405,435 for the three months ended March 31, 2018, an increase of \$2,273,222, or 200.8%, as compared to \$1,132,213 for the three months ended March 31, 2017. The overall cost of revenues as a percentage of our revenues increased from 41.2% for the three months ended March 31, 2017, to 65.5% for the three months ended March 31, 2018. The increase stemmed from the majority of the revenues during the three months ended March 31, 2018, which comes from the less profitable freight logistics services segment discussed above.

During the three months ended March 31, 2018, 69% of total revenue was from the freight logistics services segment with a gross profit margin of 10.7% and 28% of total revenue was from the inland transportation management services segment with a gross profit margin of 93.6%. During the three months ended March 31, 2017, 30% of total revenue was from the freight logistics services segment with a gross profit margin of 15.5%, and 56% of total revenue was from the inland transportation management service segment with a gross profit margin of 94.8%. The significant decrease of gross profit margin of the freight logistics services segment is due to a change in our variety of services that caused revenue from the fragmented scope to contribute a much larger portion of total revenue under the freight logistics services segment in the current period in comparison with the corresponding period in 2017.

General and Administrative Expenses

Our general and administrative expenses consist primarily of salaries and benefits, office rent, office expenses, regulatory filing and listing fees, amortization of stock-based compensation, legal, accounting and other professional service fees. For the three months ended March 31, 2018, we had \$1,477,514 in general and administrative expenses, as compared to \$612,441 for the three months ended March 31, 2017, an increase of \$865,073, or 141.3%. The increase was primarily due to an increase in labor and benefit costs of \$163,193, plus additional \$569,766 of allowance of accounts receivable for doubtful accounts, and the rest of the increase was due to increases in consulting fees and legal fees. As a result of the increase in general and administrative expenses of 141.3% and the increase in revenues of 89.3%, our general and administrative expenses, as a percentage of revenue, increased from 22.3% for the three months ended March 31, 2017, to 28.4% for the corresponding period in 2018.

Selling Expenses

The Company's selling expenses consist primarily of business development costs, such as traveling expenses for sales purposes, and salaries and benefits for our sales staff. For the three months ended March 31, 2018, we had \$35,363 in selling expenses as compared to \$41,245 for the three months ended March 31, 2017, a decrease of \$5,882, or 14.3%. As a percentage of revenue, our selling expenses decreased from 1.5% for the three months ended March 31, 2017, to 0.7% for the corresponding period in 2018.

Operating Income

The Company had an operating income of \$281,858 for the three months ended March 31, 2018, compared to an operating income of \$961,712 for the comparable period ended March 31, 2017. The decrease was primarily due to the significant increase in the cost of revenues as a result of more fragmented businesses in the freight logistics segment, which has lower margins, and an increase in general and administrative expenses, partially offset by increased revenue generated from the freight logistics services as discussed above.

Financial Income (Expense), Net

The Company's net financial income was \$170,134 for the three months ended March 31, 2018, compared to the net financial expense of \$34,167 for the same period of 2017. We have operations in the U.S., Canada, Australia, Hong Kong and the PRC, and our financial income (expenses) for the three months ended March 31, 2018 and 2017

primarily reflects the foreign currency transaction income or loss expressed in U.S. Dollars.

Taxation

The Company recorded an income tax expense of \$216,095 and a tax benefit of \$303,196 in the three months ended March 31, 2018 and 2017, respectively. Current income tax incurred from operations in China and Hong Kong remained approximately the same compared to the same period last year, while income tax benefit decreased due to changes in deferred tax assets for the three months ended March 31, 2018 and December 31, 2017.

During the three months ended March 31, 2018, the Company recognized a total deferred income tax expense of \$153,000, which was mainly due to the increase in allowance for bad debts, decrease in net operating loss carryover (“NOL”) and the increase in the valuation allowance against the deferred tax assets, based on the Company’s latest projected taxable income.

We periodically evaluate the likelihood of the realization of deferred tax assets, and reduce the carrying amount of the deferred tax assets by a valuation allowance to the extent it believes a portion will not be realized. We consider many factors when assessing the likelihood of future realization of the deferred tax assets, including our recent cumulative earnings, expectation of future income, the carry forward periods available for tax reporting purposes, and other relevant factors. We have provided an allowance against the deferred tax assets balance as of March 31, 2018. The net increase in the valuation allowance for the three months ended March 31, 2018 amounted to \$140,000 on the basis of management’s reassessment of the amount of its deferred tax assets that are more likely than not to be realized. Management considers new evidence, both positive and negative, that could affect its future realization of deferred tax assets. Due to the enactment of the Act and the fact that NOL could be carried forward indefinitely and the Company has pretax income resulting in utilization of NOL in the current period, management determined that there is sufficient positive evidence to conclude that it is more likely than not that all of its NOL are realizable.

Net Income

As a result of the foregoing, the Company had a net income of \$235,897 for the three months ended March 31, 2018, compared to a net income of \$1,299,075 for the three months ended March 31, 2017. After the deduction of non-controlling interest, net income attributable to Sino-Global was \$84,954 for the three months ended March 31, 2018; for the three months ended March 31, 2017, the Company had a net income of \$1,295,054. Comprehensive income attributable to the Company was \$369,558 for the three months ended March 31, 2018, compared to a comprehensive income of \$1,323,365 for the three months ended March 31, 2017.

*Nine Months Ended March 31, 2018 Compared to Nine Months Ended March 31, 2017***Revenues**

Total revenues increased by \$8,980,101, or 131.7%, from \$6,820,561 for the nine months ended March 31, 2017 to \$15,800,662 for the comparable period in 2018. This increase was primarily due to the Company's efforts to diversify its business in freight logistics services, container trucking services and bulk cargo container services. The Company separately presented bulk cargo container services as a new segment during second quarter of fiscal year 2018, with a total of \$638,227 bulk cargo container service revenue having been generated, of which \$504,815 was reclassified from freight logistics services for the nine months ended March 31, 2018. The revenues generated from freight logistics services increased by \$8,373,864, or 464.3%, from \$1,803,641 for the nine months ended March 31, 2017 to \$10,177,505 for the comparable period in 2018. The revenues generated from bulk cargo services for the nine months ended March 31, 2018 were \$638,227, as compared to \$nil for the comparable period in 2017.

The following tables present summary information by segment for the nine months ended March 31, 2018 and 2017:

	For the nine months ended March 31, 2018				
	Inland Transportation Management Services	Freight Logistics Services	Container Trucking Services	Bulk Cargo Container Services	Total
Revenues					
- Related party	\$ 1,621,406	\$ -	\$ -	\$ -	\$ 1,621,406
- Third parties	\$ 2,626,773	\$ 10,177,505	\$ 736,751	\$ 638,227	\$ 14,179,256
Total revenues	\$ 4,248,179	\$ 10,177,505	\$ 736,751	\$ 638,227	\$ 15,800,662
Cost of revenues	\$ 447,451	\$ 9,023,600	\$ 481,731	\$ 494,449	\$ 10,447,231
Gross profit	\$ 3,800,728	\$ 1,153,905	\$ 255,020	\$ 143,778	\$ 5,353,431
Gross margin%	89.5	% 11.3	% 34.6	% 22.5	% 33.9

	For the nine months ended March 31, 2017				
	Inland Transportation Management Services	Freight Logistics Services	Container Trucking Services	Bulk Cargo Container Services	Total
Revenues					
- Related party	\$ 2,229,180	\$ -	\$ -	\$ -	\$ 2,229,180
- Third parties	\$ 2,241,998	\$ 1,803,641	\$ 545,742	\$ -	\$ 4,591,381
Total revenues	\$ 4,471,178	\$ 1,803,641	\$ 545,742	\$ -	\$ 6,820,561

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

Cost of revenues	\$271,784	\$1,068,951	\$448,613	\$ -	\$1,789,348
Gross profit	\$4,199,394	\$734,690	\$97,129	\$ -	\$5,031,213
Gross margin%	93.9	% 40.7	% 17.8	% -	% 73.8

(1) Revenues from Inland Transportation Management Services

In September 2013, the Company executed an inland transportation management service contract with Zhiyuan Investment Group, a related party, whereby the Company agreed to provide certain solutions to help control the potential loss of commodities during the transportation process. The Company also began providing inland transportation management services to a third-party customer, Tengda Northwest, following the quarter ended September 2014. The fluctuation in revenue from this segment is due to the change in the quantities of commodities transported by both Zhiyuan Investment Group and Tengda Northwest.

For Tengda Northwest, the service fee charge was RMB 32 per ton. For Zhiyuan Investment Group, the service fee charge was RMB 38 per ton.

Revenue from the inland transportation management services segment decreased approximately \$222,999 from \$4,471,178 for the nine months ended March 31, 2017 to \$4,248,179 for the nine months ended March 31, 2018. Revenue from related-party customers decreased \$607,774 from \$2,229,180 for the nine months ended March 31, 2017 to \$1,621,406 for the nine months ended March 31, 2018 since the transported quantities decreased from 401,938 tons to 281,382 tons. Revenue from third-party customers increased \$384,775 from \$2,241,998 for the nine months ended March 31, 2017 to \$2,626,773 for the nine months ended March 31, 2018 since the transported quantities increased from 481,473 tons to 535,540 tons for the period indicated accordingly.

For the nine months ended March 31, 2018 and 2017, gross profit from inland transportation management services amounted to \$3,800,728 and \$4,199,394, respectively.

Overall gross margins for this segment decreased to 89.5% for the nine months ended March 31, 2018 from 93.9% for the nine months ended March 31, 2017. The decrease of gross margins in the current is due to the change of product mix with different service fee per ton. However, the decrease amount was not significant between the two periods.

(2) Revenues from Freight Logistics Services

Since we formed our new subsidiary, Sino-Global Shipping LA, Inc., in January 2016, we began to provide freight logistics services, including cargo forwarding and truck transportation services. Since the revenue increased significantly for providing such services from period to period, the Company has presented the related revenue as a separated business segment since the first quarter of 2017 fiscal year.

During the nine months ended March 31, 2018, revenues generated from freight logistics services has increased by \$8,373,864 or 464%. The increase was primarily due to orders from one of our clients: approximately \$9.1 million of revenue was generated from BAO-NYK Shipping PTE. Ltd. (“BAO-NYK”) during the current period, as compared to less than \$2,000 in the corresponding period in 2017. The gross margin decreased to 11.3% from 40.7% primarily due to the change in the variety of services currently provided in comparison with those services provided in the corresponding period of 2017. Every single business of freight logistics services has a unique gross margin according to different service scope. Usually, a business in full-scale scope has a higher gross margin, and the business with fragmented scope has a lower gross margin. Our fragmented scope business increased significantly, such as revenue from BAO-NYK, and contributed a much higher portion of revenue in this sector than full-scale business compared to prior period.

The revenue generated from freight logistics services was \$10,177,505, and the related gross profit was \$1,153,905 for the nine months ended March 31, 2018. For the nine months ended March 31, 2017, the revenue generated from freight logistics services was \$1,803,641, and the related gross profit was \$734,690.

Revenue from ACH Center amounted to \$46,937 or 0.7% of the segment's revenue for the nine months ended March 31, 2018 and gross profit from ACH Center amounted to \$13,989 representing 1.8% of the segment's gross profit.

(3) Revenues from Container Trucking Services

Since we completed our web-based short-haul container truck service platform in December 2016, we began generating revenue from short-haul trucking and containers services through the service platform and presented this as a new segment, "Container Trucking Services," from in the second quarter of 2017. Since the second quarter of the fiscal year 2017, the Company has provided container trucking services in PRC regions and, as of the third quarter of the fiscal year 2017, has begun to provide related services in certain U.S. regions. This new business segment is based on a modified and improved version of our freight logistics services business segment.

On January 5, 2017, we entered into a joint venture agreement and formed a new joint venture company named ACH Trucking Center Corp. ("ACH Center") with Jetta Global Logistics Inc. ("Jetta Global"). Along with the establishment of ACH Center, we began providing short haul trucking transportation and logistics services to customers located in the New York and New Jersey areas. We hold a 51% ownership stake in ACH Center. Although the establishment of ACH Center brought benefit for us and Jetta Global, it could not satisfy long term development for both us and Jetta Global. We signed a termination agreement with Jetta Global to terminate the joint venture agreement on December 4, 2017. As ACH center's operating revenue was less than 1% of our consolidated revenue and the termination did not constitute a strategic shift that will have a major effect on our operations and financial results, the results of operations for ACH Center were not reported as discontinued operation.

For the nine months ended March 31, 2018, revenue generated from container trucking services was \$736,751, and the related gross profit was \$255,020. Revenue from ACH Center amounted to \$42,968 or 7.8% of the segment's revenue for the nine months ended March 31, 2018 and gross profit from ACH Center amounted to \$4,297 representing 2.3% of the segment's gross profit.

(4) Revenues from Bulk Cargo Container Services

As we entered into bulk cargo container services as discussed previously, we shipped 140 containers with 18 tons per container of sulfur from Long Beach, CA in the U.S. to China. The arrangement included coordinating the customer's signing of the purchase contract with sulfur suppliers in the United States, organizing the container shipping, and customs clearance. All have been fulfilled at the time we shipped the product to our customer's designated port, Qingdao PRC. For the nine months ended March 31, 2018, revenue generated from bulk cargo container services was \$638,227, and the related gross profit was \$143,778 or 22.5%.

Operating Costs and Expenses

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

Total operating costs and expenses increased by \$10,716,790 or 255.7%, from \$4,191,416 for the nine months ended March 31, 2017 to \$14,908,206 for the nine months ended March 31, 2018. This increase was primarily due to the increase in the cost of revenues and general and administrative expenses as discussed below.

The following table sets forth the components of the Company's costs and expenses for the periods indicated:

	For the nine months ended March 31,				Change	
	2018		2017		US\$	%
	US\$	%	US\$	%	US\$	%
Revenues	15,800,662	100.0%	6,820,561	100.0%	8,980,101	131.7%
Cost of revenues	10,447,231	66.1 %	1,789,348	26.2 %	8,657,883	483.9%
Gross margin	33.9	%	73.8	%	(39.9)%
General and administrative expenses	4,067,885	25.7 %	2,248,639	33.0 %	1,819,246	80.9 %
Selling expenses	393,090	2.5 %	153,429	2.2 %	239,661	156.2%
Total Costs and Expenses	14,908,206	94.3 %	4,191,416	61.4 %	10,716,790	255.7%

Costs of Revenues

Cost of revenues was \$10,447,231 for the nine months ended March 31, 2018, an increase of \$8,657,883, or 483.9%, as compared to \$1,789,348 for the nine months ended March 31, 2017. The overall cost of revenues as a percentage of our revenues increased from 26.2% for the nine months ended March 31, 2017, to 66.1% for the nine months ended March 31, 2018. The increase in the overall costs of revenues in percentage terms for the nine months ended March 31, 2018 stemmed from the majority of the revenues during the nine months ended March 31, 2018 coming from the less profitable freight logistics services segment, rather than the more profitable inland transportation management services segment.

During the nine months ended March 31, 2018, 64% of total revenue was from the freight logistics services segment, with a gross profit margin of 11.3%, and 27% of total revenue was from the inland transportation management services segment with a gross profit margin of 89.5%. During the nine months ended March 31, 2017, 26% of total revenue was from the freight logistics services segment with a gross profit margin of 40.7% and 66% of total revenue was from the inland transportation management service segment with a gross profit margin of 93.0%. The significant decrease of gross profit margin of the freight logistics services segment is due to a change in the variety of services provided, which caused revenue from the fragmented scope to contribute a much larger portion of total revenue under the freight logistics services segment in the current period as compared to the corresponding prior period.

General and Administrative Expenses

Our general and administrative expenses consist primarily of salaries and benefits, office rent, office expenses, regulatory filing and listing fees, amortization of stock-based compensation, legal, accounting and other professional service fees. For the nine months ended March 31, 2018, we had \$4,067,885 of expenses, as compared to \$2,248,639 for the nine months ended March 31, 2017, an increase of \$1,819,246, or 80.9%. The increase was primarily due to an increase in the allowance for doubtful accounts of \$1,407,000, and an increase in salary of about \$273,000 as we hired more operations and IT staff in our New York office. As a percentage of revenue, our general and administrative expenses decreased from 33.0% for the nine months ended March 31, 2017 to 25.7% for the corresponding period in 2018.

Selling Expenses

The Company's selling expenses consist primarily of business development costs, such as traveling expenses for sales purposes, and salaries and benefits for our sales staff. For the nine months ended March 31, 2018, we had \$393,090 of sales expenses as compared to \$153,429 for the nine months ended March 31, 2017, an increase of \$239,661, or

156.2%. During the nine months ended March 31, 2018, especially the first two quarters of such period, we increased our business development efforts to explore new business opportunities while maintaining our current customer relationships. Rising labor costs also increased our overall selling expenses as compared to the same period of 2017. As a percentage of revenue, our selling expenses increased from 2.2% for the nine months ended March 31, 2017, to 2.5% for the corresponding period in 2018.

Operating Income

The Company had an operating income of \$892,456 for the nine months ended March 31, 2018, compared to an operating income of \$2,629,145 for the comparable period ended March 31, 2017. The decrease was primarily due to the increase in general and administrative expenses, partially offset by the increased gross profit generated from freight logistics services and bulk cargo container services as discussed above.

Financial Income (Expense), Net

The Company's net financial income was \$392,729 for the nine months ended March 31, 2018, compared to the net financial expense of \$57,737 for the same period of 2017. We have operations in the U.S., Canada, Australia, Hong Kong and the PRC, and our financial income (expenses) for the nine months ended March 31, 2018 and 2017 primarily reflects the foreign currency transaction income or loss expressed in U.S. Dollars.

Taxation

The Company's income tax benefit was \$58,597 for the nine months ended March 31, 2018, compared to an income tax benefit of \$158,184 for the nine months ended March 31, 2017. The decrease in income tax benefit was due to the effect of the corporate tax rate change.

During the nine months ended March 31, 2018, the Company recognized a total deferred income tax benefit of \$1,194,100, which derived from the utilization of NOL and the decrease in the valuation allowance against the deferred tax assets, based on the Company's latest projected taxable income.

On December 22, 2017, the "Tax Cuts and Jobs Act" (the "Act") was enacted. Under the provisions of the Act, the U.S. corporate tax rate decreased from 35% to 21%. As the Company has a June 30 fiscal year-end, the lower corporate income tax rate will be phased in, resulting in a U.S. statutory federal rate of approximately 28% for our fiscal year ending June 30, 2018, and 21% for subsequent fiscal years. Additionally, the Tax Act imposes a one-time transition tax on deemed repatriation of historical earnings of foreign subsidiaries, and future foreign earnings are subject to U.S. taxation. The change in rate has caused us to re-measure all U.S. deferred income tax assets and liabilities for temporary differences and NOL carryforwards and record a deferred income tax expense of \$140,000.

Meanwhile, we accrued a one-time transition tax on accumulated foreign earnings with an amount of \$478,499, which will be paid over eight years. The increase in current income tax expense was also attributable to the increase in the taxable income of Trans Pacific during the nine months ended March 31, 2018 in comparison to the same period in 2017.

We periodically evaluate the likelihood of the realization of deferred tax assets and reduce the carrying amount of the deferred tax assets by a valuation allowance to the extent it believes a portion will not be realized. We consider many factors when assessing the likelihood of future realization of the deferred tax assets, including our recent cumulative earnings, expectation of future income, the carry forward periods available for tax reporting purposes, and other relevant factors. We have provided an allowance against the deferred tax assets balance as of March 31, 2018. The net

decrease in the valuation allowance for the nine months ended March 31, 2018 amounted to \$957,700, on the basis of management's reassessment of the amount of its deferred tax assets that are more likely than not to be realized. We considered new evidence, both positive and negative, that could affect the future realization of deferred tax assets. Due to enactment of the Act, NOL could be carried forward indefinitely and we had pretax income resulting in utilization of NOL in the current period, we believe that there is sufficient positive evidence to conclude that it is more likely than not that all of our NOL are realizable.

Net Income

As a result of the foregoing, the Company had a net income of \$1,343,782 for the nine months ended March 31, 2018, compared to a net income of \$2,729,592 for the nine months ended March 31, 2017. After the deduction of non-controlling interest, net income attributable to Sino-Global was \$999,846 for the nine months ended March 31, 2018; for the nine months ended March 31, 2017, the Company had a net income of \$2,833,675. Comprehensive income attributable to the Company was \$1,561,395 for the nine months ended March 31, 2018, compared to a comprehensive income of \$2,610,879 for the nine months ended March 31, 2017.

Liquidity and Capital Resources

Cash Flows and Working Capital

As of March 31, 2018, the Company had \$9,549,942 in cash. We held approximately 22.3% of our cash in banks located in New York, Los Angeles, Canada, Australia and Hong Kong and held approximately 77.7% of our cash in banks located in the PRC.

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

	For the nine months ended March 31,	
	2018	2017
Net cash provided by (used in) operating activities	\$(813,944)	\$3,131,772
Net cash used in investing activities	\$(1,007,274)	\$(55,474)
Net cash provided by financing activities	\$2,585,091	\$4,402,488
Net increase in cash and cash equivalents	\$816,200	\$7,454,195
Cash and cash equivalents at the beginning of period	\$8,733,742	\$1,385,994
Cash and cash equivalents at the end of period	\$9,549,942	\$8,840,189

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

	March 31, 2018	June 30, 2017	Variation	%
Total Current Assets	\$21,164,977	\$16,754,888	\$4,410,089	26.3%
Total Current Liabilities	\$3,671,068	\$3,086,496	\$584,572	18.9%
Working Capital	\$17,493,909	\$13,668,392	\$3,825,517	28.0%
Current Ratio	5.77	5.43	0.34	6.3 %

We finance our ongoing operating activities primarily by using funds from our operations and equity financing. We routinely monitor current and expected operational requirements to evaluate the use of available funding sources. In assessing liquidity, management monitors and analyzes the Company's cash on-hand, its ability to generate sufficient revenue sources in the future and the Company's operating and capital expenditure commitments. The Company plans to fund continuing operations through identifying new prospective joint ventures and strategic alliance opportunities

for new revenue sources, and by reducing costs to improve profitability and replenish working capital. Considering our existing working capital position and our ability to access other funding sources, management believes that the foregoing measures will provide sufficient liquidity for the Company to meet its future liquidity and capital obligations.

Operating Activities

Our net cash used in operating activities was \$813,944 for nine months ended March 31, 2018, including net income of \$1.34 million from increased revenue generated from freight logistics services, deferred tax benefit of \$0.92 million, provision for doubtful accounts of \$1.41 million and amortization of stock-based compensation to consultants and employees of \$0.61 million as reconciled. In the current period, accounts receivable increased by \$3.25 million and the amount due from related parties increased \$0.78 million because of increased revenue for the period. On the other hand, taxes payable increased by \$0.80 million primarily due to the one-time transition tax on accumulated foreign earnings. Cash outflows from operating activities for the nine months ended March 31, 2018 reflect the above mentioned major factors.

Our net cash derived from operating activities was \$3,131,772 for the nine months ended March 31, 2017, including net income of \$2.73 million from increased revenue generated from inland transportation management services, freight logistics services with strong margin contributions and decreased general and administrative expenses. In addition, advances to suppliers decreased significantly by \$0.82 million because we received certain freight services regarding to our prepayments pursuant to our Memorandum of Understanding with Singapore Metals & Minerals Pte Ltd. and Galasi Jernsiah Sdn BHD. Moreover, accounts receivable decreased by \$0.52 million as a result of our strengthened cash collection efforts and payments received from Tengda Northwest, our major third-party customer for inland transportation management services. However, due from related parties increased by \$2.84 million because a Cooperative Transportation Agreement was signed with Zhiyuan International Investment & Holding Group (Hong Kong) Co., Ltd. (“Zhiyuan Hong Kong”), a related party, pursuant to which we advanced transportation payments of approximately \$3.21 million during the nine months ended March 31, 2017. This increase in due from related parties was partially offset by the cash collections received from Zhiyuan Investment Group, another related party, in the reporting period. Cash inflows from operating activities for the nine months ended March 31, 2017 reflect the above mentioned factors

Investing Activities

The Company’s net cash used in investing activities was \$1,007,274 for the nine months ended March 31, 2018, compared to net cash used in investing activities of \$55,474 for the same period of 2017. For the nine months ended March 31, 2018, we purchased a motor vehicle, office equipment and started leasehold improvements of our new Ningbo office for total amount of \$379,917. We also completed four applications in our logistics information platform which costs \$190,000 and we made a deposit of \$437,357 for the development of our next phase of the platform. For the nine months ended March 31, 2017, we purchased a vehicle in the amount of \$55,474.

Financing Activities

For the nine months ended March 31, 2018, we completed an equity financing in which we sold 2 million shares of our common stock and 4 million warrants for total net proceeds of \$2,585,091.

During the nine months ended March 31, 2017, we received net proceeds in the amount of \$4,319,988 from a registered direct sale of 1.5 million shares of our common stock to three institutional investors. In addition, 75,000 shares of stock options were exercised by the two employees, which resulted in net proceeds of \$82,500 for a total of \$4,402,488 of cash inflows.

Critical Accounting Policies

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

There have been no material changes during the nine months ended March 31, 2018 in our accounting policies from those previously disclosed in the Company's annual report for the fiscal year ended June 30, 2017.

The selection of critical accounting policies, the judgments and other uncertainties affecting the application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors that should be considered when reviewing our financial statements. We believe the following accounting policies involve the most significant judgments and estimates used in the preparation of our unaudited condensed consolidated financial statements.

Revenue Recognition

Revenue is recognized when all of the following have occurred: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the price is fixed or determinable, and (iv) the ability to collect is reasonably assured.

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

Revenues from freight logistics services are recognized when the related contractual services are rendered.

Revenues from container trucking services are recognized when the related contractual services are rendered.

Revenues from bulk cargo container services are recognized when the related contractual services are rendered. Bulk cargo container services included shipping of products, arranging cargo container shipping from the U.S. to the China port. Revenue is recognized upon completion of shipping arrangements agreed with customers, either at customer's designated port.

Basis of Consolidation

The Company's unaudited condensed consolidated financial statements include the accounts of the parent, its subsidiaries and its affiliates. All inter-company transactions and balances are eliminated in consolidation. Sino-Global Shipping Agency Ltd. ("Sino-China") is considered to be a Variable Interest Entity (VIE), and the Company is the primary beneficiary. Because of the contractual arrangements, the Company had a pecuniary interest in Sino-China that requires consolidation of our and Sino-China's financial statements. The accounts of Sino-China are consolidated in the accompanying unaudited condensed consolidated financial statements pursuant to Accounting Standard Codification ("ASC") 810-10, "Consolidation". As a VIE, Sino-China's revenues are included in our total revenues, its net loss from operations is consolidated with our net income before non-controlling interest. Our non-controlling interest in its net loss is then subtracted to calculate the net income attributable to the Company. The Company temporarily suspended its business with Sino-China in June 2014. Therefore, there is no net income generated by Sino-China in the present.

Use of Estimates and Assumptions

The preparation of the Company's unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Estimates are adjusted to reflect actual experience when necessary. Significant accounting estimates reflected in the Company's unaudited condensed consolidated financial statements include revenue recognition, fair value of stock based compensation, cost of revenues, allowance for doubtful accounts, deferred income taxes, and the useful lives of property and equipment. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are presented at net realizable value. The Company maintains allowances for doubtful accounts and 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 receivable 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 180 days. Accounts Receivable are written off against the allowances only after exhaustive collection efforts.

Stock-based Compensation

Stock-based payment transactions with employees are measured on the grant-date fair value of the equity instrument issued and recognized as compensation expense over the requisite service period. Valuations are based upon highly subjective assumptions about the future, including stock price volatility and exercise patterns. The fair value of share-based payment awards was estimated using the Black-Scholes option pricing model. Expected volatilities are based on the historical volatility of the Company's stock. The Company uses historical data to estimate option exercise and employee terminations. The expected term of options granted represents the period of time that options granted are expected to be outstanding. The risk-free rate for periods within the expected life of the option is based on the U.S. Treasury yield curve in effect at the time of the grant.

Taxation

Because the Company and its subsidiaries and Sino-China are incorporated in different jurisdictions, they file separate income tax returns. The Company uses the asset and liability method of accounting for income taxes in accordance with U.S. GAAP. Deferred taxes, if any, are recognized for the future tax consequences of temporary differences between the tax basis of assets and liabilities and their reported amounts in the unaudited condensed consolidated financial statements. A valuation allowance is provided against deferred tax assets if it is more likely than not that the asset will not be utilized in the future.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits as income tax expense.

Income tax returns for the years prior to 2014 are no longer subject to examination by U.S. tax authorities.

On December 22, 2017, the "Tax Cuts and Jobs Act" (the "Act") was enacted. Under the provisions of the Act, the U.S. corporate tax rate decreased from 35% to 21%. As the Company has a June 30 fiscal year-end, the lower corporate income tax rate will be phased in, resulting in a U.S. statutory federal rate of approximately 28% for our fiscal year ending June 30, 2018, and 21% for subsequent fiscal years. Additionally, the Tax Act imposes a one-time transition tax on deemed repatriation of historical earnings of foreign subsidiaries, and future foreign earnings are subject to U.S. taxation. The change in rate has caused us to re-measure all U.S. deferred income tax assets and liabilities for temporary differences and NOL carryforwards and recorded one time income tax payable relating to "deemed repatriated tax" to be paid over 8 years.

PRC Enterprise Income Tax

PRC enterprise income tax is calculated based on taxable income determined under the PRC Generally Accepted Accounting Principles (“PRC GAAP”) at 25%. Sino-China and Trans Pacific are registered in PRC and governed by the Enterprise Income Tax Laws of the PRC.

PRC Business Tax and Surcharges

Revenues from services provided by the Company's PRC subsidiaries and affiliates, including Sino-China and Trans Pacific are subject to the PRC business tax of 5%. Business tax and surcharges are paid on gross revenues generated minus the costs of services which are paid on behalf of the customers.

Enterprises or individuals who sell commodities engage in services or selling of goods in the PRC are subject to a value-added tax ("VAT") in accordance with PRC laws. All of the Company's revenue generated in the PRC are subject to a VAT on the gross sales price. The VAT rates are 6% and 11%, depending on the type of services provided. The Company is entitled to a deduction or offset for VAT paid on the services rendered by the vendors against the VAT when the Company engages in services.

In addition, under PRC regulations, the Company's PRC subsidiaries and affiliates are required to pay city construction taxes (7%) and education surcharges (3%) based on calculated business tax payments.

The Company's PRC subsidiaries and affiliates report revenues net of PRC's VAT, business tax and surcharges for all the periods presented in the consolidated statements of operations.

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 unaudited 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. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company maintains 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 Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

As of March 31, 2018, the Company carried out an evaluation, under the supervision of and with the participation of its management, including the Company's Chief Executive Officer and Acting Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on the foregoing evaluation, Chief Executive Officer and Acting Chief Financial Officer concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) were not effective and adequately designed to ensure that the information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the applicable rules and forms, and that such information was accumulated and communicated to the management, including Chief Executive Officer and Acting Chief Financial Officer, in a manner that allowed for timely decisions regarding required disclosure. The assessment stemmed from the following material weaknesses –

Lack of segregation of duties for accounting personnel who prepared and reviewed the journal entries;

Lack of resources with technical competency to review and record non-routine or complex transactions; and

Lack of a full time U.S. GAAP personnel in the accounting department to monitor the recording of the transactions.

Changes in Internal Control over Financial Reporting.

There were no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) during the three months ended March 31, 2018 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 6. Exhibits

The following exhibits are filed herewith:

Number	Exhibit
31.1	<u>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.</u>
31.2	<u>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.</u>
32.1	<u>Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
EX-101.INS	XBRL Instance Document.
EX-101.SCH	XBRL Taxonomy Extension Schema Document.
EX-101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
EX-101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
EX-101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
EX-101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

SIGNATURES

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

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

May 14, 2018 By: /s/ Lei Cao
Lei Cao
Chief Executive Officer
(Principal Executive Officer)

May 14, 2018 By: /s/ Tuo Pan
Tuo Pan
Acting Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)