Sino-Global Shipping America, Ltd.
Form 10-K
September 27, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **June 30, 2017**

or

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ___________to ___________

Commission file number **001-33997**

Sino-Global Shipping America, Ltd.
(Exact name of registrant as specified in its charter)

Virginia **11-3588546**

(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1044 Northern Boulevard, Suite 305

Roslyn, New York 11576-1514
(Address of principal executive offices) (Zip Code)

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

Securities Registered Pursuant to Section 12(b) of the Act:

Common Stock, Without Par Value Per Share	**NASDAQ Capital Market**
(Title of each class)	(Name of exchange on which registered)

Securities Registered Pursuant to Section 12(g) of the Act: **None.**

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

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

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 Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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	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 Act). Yes No

The aggregate market value of voting common stock held by non-affiliates of the registrant as of December 31, 2016, the last business day of the registrant's second fiscal quarter, was approximately $11,404,369.90.

The number of shares of common stock outstanding as of September 25, 2017 was 10,105,535.

DOCUMENTS INCORPORATED BY REFERENCE:

None.

SINO-GLOBAL SHIPPING AMERICA, LTD.

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INTRODUCTION

Unless the context otherwise requires, in this annual report on Form 10-K:

“We,” “us,” “our,” and “our Company” refer to Sino-Global Shipping America, Ltd., a Virginia company incorporated in April 2001, and all of its direct and indirect consolidated subsidiaries;

“Sino-Global” or “Sino” refers to Sino-Global Shipping America, Ltd;

“Sino-China” refers to Sino-Global Shipping Agency Ltd., a Chinese legal entity,

“Trans Pacific” refers to and relates collectively to Trans Pacific Shipping Ltd., our wholly-owned subsidiary located in China, and Trans Pacific Logistics Shanghai Ltd., 90% of whose equity is owned by Trans Pacific Shipping Ltd.;

“Shares” refers to shares of our common stock, without par value per share;

“PRC” refers to the People’s Republic of China, excluding, for the purpose of this annual report, Taiwan, Hong Kong and Macau;

“US” refers to United States of America;

“HK” refers to Hong Kong; and

“RMB” or “Renminbi” refers to the legal currency of China, and “$” or “U.S. dollars” refers to the legal currency of the United States.

Names of certain PRC companies provided in this Form 10-K are translated or transliterated from their original PRC legal names. Discrepancies, if any, in any table between the amounts identified as total amounts and the sum of the amounts listed therein are due to rounding.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Form 10-K contains certain statements that constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Such forward-looking statements, including but not limited to statements regarding our 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 our control. 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 some forward-look statements are expressed differently. The accuracy of such statements may be impacted by a number of business risks and uncertainties we face that could cause our actual results to differ materially from those projected or anticipated, including but not limited to the following:

Our ability to timely and properly deliver shipping agency, shipping and chartering, inland transportation management and ship management services;

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

Political and economic factors in China;

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;

The effect of terrorist acts, or the threat thereof, on consumer confidence and spending or the production and distribution of product and raw materials which could, as a result, adversely affect our services, operations and financial performance;

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

The foreign currency exchange rate fluctuations;

Hurricanes or other natural disasters;

Our ability to identify and successfully execute cost control initiatives;

The impact of quotas, tariffs or safeguards on our customer products that we service;

Our ability to attract, retain and motivate skilled personnel; or

Our expansion and growth into other areas of the shipping industry.

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

PART I

Item 1. Business.

Overview

Sino-Global Shipping America, Ltd. ("Sino" or the "Company"), a Virginia corporation, was founded in the United States (the "U.S.") in 2001. Sino is a non-asset based global shipping and freight logistics integrated solution provider. Sino provides tailored solutions and value-added services to its customers to drive effectiveness and control in related aspects throughout the entire shipping and freight logistic chain. Our current service offerings consist of inland transportation management services, freight logistics services, and container trucking services. We suspended our shipping agency and ship management services from the beginning of the fiscal year 2016, primarily due to changes in market condition. We also suspended our shipping and chartering services primarily as a result of the termination of vessel acquisition in December 2015.

The Company conducts its business primarily through its wholly-owned subsidiaries in the U.S. (New York and Los Angeles), the People's Republic of China (the "PRC" or "China"), including Hong Kong, Australia and Canada. Currently, a significant portion of our business is generated from the clients located in the PRC. In the third quarter of fiscal year 2017, the Company established ACH Trucking Center Corp. in New York as a joint venture with Jetta Global Logistics Inc. The Company owns 51% of ACH Trucking Center Corp.

Company Structure and Function

The Company conducts its business primarily through its wholly-owned subsidiaries in the U.S. (New York and Los Angeles), China (including Hong Kong), Australia, and Canada.

The Company's subsidiary in China, Trans Pacific Shipping Limited ("Trans Pacific Beijing"), a wholly owned foreign enterprise, invested in one 90%-owned subsidiary, Trans Pacific Logistics Shanghai Limited ("Trans Pacific Shanghai".

Trans Pacific Beijing and Trans Pacific Shanghai are referred to collectively as “Trans Pacific”). As PRC laws and regulations restrict foreign ownership of local shipping agency service businesses, the Company provided its shipping agency services in the PRC through Sino-Global Shipping Agency Ltd. (“Sino-China” or “VIE”), a Chinese legal entity, which holds the licenses and permits necessary to operate local shipping agency services in the PRC. Trans Pacific Beijing and Sino-China do not have a parent-subsidiary relationship. Trans Pacific Beijing has contractual arrangements with Sino-China and its shareholders that enable the Company to substantially control Sino-China. Through Sino-China, the Company was able to provide local shipping agency services in all commercial ports in the PRC. In light of the Company’s decision not to pursue the local shipping agency business, the Company has suspended its shipping agency services through its VIE and has not undertaken any business through or with Sino-China since June 2014. Nevertheless, the Company continues to maintain its contractual relationship with the VIE because Sino-China is one of the committee members of China Association of Shipping Agencies & Non-Vessel-Operating Common Carriers (“CASA”). CASA was approved to form by China Ministry of Communications. Sino-China is also our only entity that is qualified to do shipping agency business in China. We keep the VIE to prepare ourselves for the market to turn around.

Currently, the Company’s inland transportation management services are operated by its subsidiaries in the PRC (including Hong Kong) and the U.S. Our freight logistic services are operated by the Company’s subsidiaries in the PRC, New York and Los Angeles. Our container trucking services are mainly operated by our subsidiaries and joint venture company in the PRC, New York and Los Angeles.

Corporate History and Our Business

Since inception in 2001 and through our fiscal year ended June 30, 2013, our sole business was providing shipping agency services. In general, we provided two types of shipping agency services: loading/discharging services and protective agency services, in which we acted as a general agent to provide value added solutions to our customers. For loading/discharging agency services, we received the total payment from our customers in U.S. dollars and paid the port charges on behalf of our customers in RMB. For protective agency services, we charged a fixed amount as agent fee while customers are responsible for the payment of port costs and expenses. Under these circumstances, we generally required a portion of a customer's payment in advance and billed the remaining balance within 30 days after the transaction were completed. We believe the most significant factors that directly or indirectly affected our shipping agency service revenues were:

- the number of ship-times to which we provide port loading/discharging services;
- the size and types of ships we serve;
- the type of services we provide;
- the rate of service fees we charge;
- the number of ports at which we provide services; and
- the number of customers we serve.

While we were able to consistently generate net revenues from shipping agency business, this business was not profitable largely due to the rising operating costs associated with doing business in China including the appreciation of RMB against U.S. dollar. In light of consecutive years of operating losses and concerns raised by the U.S. regulators over our VIE structure, the Company decided to reorganize its business structure in fiscal year 2013. Commencing the later part of fiscal year 2013 and continuing in fiscal year 2014, we took various actions to restructure our business with the goal of achieving a certain level of profitability. As a result of these business reorganization efforts, we optimized our cost structure, reduced our dependency on shipping agency business, and shifted our shipping agency operation from our VIE to our wholly-owned subsidiaries in China and Hong Kong.

In June 2013, the Company executed a 5-year global logistics service agreement with TEWOO Chemical & Light Industry Zhiyuan Trade Co., Ltd, which is controlled by Tianjin Zhiyuan Investment Group Co., Ltd ("Zhiyuan"). Zhiyuan is controlled by Mr. Zhong Zhang. Mr. Zhang purchased 1,800,000 shares of our common stock for approximately $3 million in April 2013 as approved by our Board of Directors and shareholders, which made Mr. Zhang our largest shareholder. Leveraging our business relationship with Zhiyuan, we expanded our service offerings to include shipping and chartering services and inland transportation management services to diversify our business. Leveraging our in-depth knowledge of the shipping industry, inland transportation management services are our tailored value-added solution developed for Zhiyuan to prevent high-priced bulk from damage or loss during its inland transportation from warehouses to factories. Given the industry norm of 12% of loss rate during transportation, our integrated inland transportation solution significantly reduces bulk losses and effectively addresses issues in the freight logistics chain. In August 2017, the Company entered into a supplemental agreement with Zhiyuan to extend the service period until September 1, 2018. Furthermore, after we have conducted an effective trial for Zhiyuan to reduce their bulk losses at the end of September 2014, Tengda Northwest Ferroalloy Co., Ltd. ("Tengda Northwest") signed a contract with us to mitigate their bulk losses through our inland transportation management services. In July 2017 the Company entered into a supplemental agreement with Tengda Northwest to extend the service period until July 3, 2018.

In May 2014, the Company signed a strategic cooperation agreement with Qingdao Zhenghe Shipping Group Limited ("Zhenghe"), one of the largest shipping and transportation companies in China, to jointly explore mutually beneficial business development opportunities. In June 2014, Mr. Deming Wang, a major owner of Zhenghe, acquired 200,000 shares of the Company's common stock. In August 2014, the Company executed an agreement to acquire all of the equity of Longhe Ship Management (Hong Kong) Co., Limited ("LSM") through its subsidiary, Sino-Global Shipping (HK) Inc. from Mr. Wang, to further broaden our scope of services and expertise in the ship management business. Due to market condition and high operating costs associated with this business line, the Company decided to suspend the ship management business starting from the fiscal year 2016.

On April 10, 2015, the Company entered into an Asset Purchase Agreement with Rong Yao International Shipping Limited, a Hong Kong company (the "Vessel Seller"), pursuant to which the Company agreed to acquire, subject to a number of closing conditions, "Rong Zhou", an 8,818 gross tonnage oil/chemical transportation tanker (the "Vessel") from the Vessel Seller; and in connection therewith, the Company issued to the Vessel Seller 1.2 million shares of its restricted common stock representing $2,220,000 of the $10.5 million purchase price for the Vessel. On December 7, 2015, the Company and the Vessel Seller entered into a supplemental agreement to terminate the proposed Vessel acquisition.

The Company received $330,000 from the Vessel Seller in December 2015 in connection with the termination. The 1.2 million shares were returned to the Company on February 12, 2016 and were thereafter cancelled. In connection with the termination of the acquisition of Rong Yao International Shipping Limited ("Rong Yao") on December 7, 2015, the Company realigned its development strategy and suspended shipping and chartering services until the economy is improved.

In January 2016, the Company formed a new subsidiary, Sino-Global Shipping LA Inc. ("Sino LA"), for the purpose of expanding its business to provide import security filing services with U.S Customs and Department of Homeland Security, on behalf of importers who ship goods into the U.S. and also providing inland transportation services to these importers in the U.S. On April 18, 2016, Sino LA signed a Memorandum of Understanding ("MOU") with Yaxin International Co., Ltd. ("Yaxin"), pursuant to which Sino LA will provide logistics services to Yaxin, who ship goods via containers into the U.S. and places them on Amazon.com. The services include cargo forwarding, customs filing and declaration, trucking and other services.

In May 2016, the Company entered into a strategic partnership with Shandong Hi-speed TEU Logistics Co., LTD. ("Shandong Hi-speed TEU"), which belongs to one of China's largest state-owned enterprises, Shandong Hi-Speed Group Co., Ltd., to jointly establish a platform for coordinated transport between China and North America. The Company and Shandong Hi-speed TEU intend to cooperate in creating a standardized network that will unite carriers of the twenty-foot equivalent units or TEUs in China via sea and rail and coordinate with parties in North America and Australia. The companies will serve both upstream and downstream customers through the platform, establish a door-to-door logistics and provide supply chain service.

During our fiscal year 2017, Sino continued to provide inland transportation services. In addition, Sino added freight logistics services and container trucking services as new business sectors to provide related transportation logistics services to customers in the U.S. and in China. Sino has signed cooperation agreements with COSCO China and Sinotrans, two state-owned enterprises of China, to provide freight logistics services and container trucking services to them in the U.S. To ensure effective and high-quality services providing to our customers in the U.S., Sino established a joint venture, ACH Trucking Center Corp., in the third quarter of fiscal 2017 with U.S. local freight forwarder, Jetta Global Logistics Inc. This will increase our quantities of commodity transported and improve the quality of service provided to our customers in the eastern region of the U.S.

Our Strategy

Our strategy is to:

Provide better solutions for issues and challenges faced by the entire shipping and freight logistic chain to better serve our customers and explore additional growth avenues.

Diversify our current service offerings organically or through acquisitions and/or strategic alliance; continue to grow our business in the U.S. market;

Continue to streamline our business practice, optimize our cost structure and improve our operating efficiency through effective planning, budgeting, execution and cost control;

Continue to reduce our dependency on our legacy business and few key customers; and

Continue to monetize our relationships with our strategic partners and leverage their support and our innovation to expand our business.

Our Management Team

We believe we have a strong and experienced management team including our Chief Executive Officer and Chairman, Mr. Lei Cao; our Acting Chief Financial Officer, Ms. Tuo Pan; our Chief Operating Officer, Mr. Zhikang Huang; and our Chief Technical Officer, Mr. Yafei Li, who, together as a team, have many years of experience, extensive business connections in the shipping industry in China, and substantial experience in SEC reporting and compliance, business reorganization, mergers and acquisitions, accounting, risk management and operations of both public and private companies.

Business Segments

As of June 30, 2017, Sino-Global delivers inland transportation management services, freight logistics services and container trucking services to our customers.

Historically, the Company was in the business of solely providing shipping agency services. In fiscal year 2014, by leveraging the support of Sino-Global's largest shareholder, Mr. Zhang and the company he controls, Zhiyuan Investment Group, the Company expanded its service platform to include shipping and chartering services during the quarter ended September 30, 2013 and inland transportation management services during the quarter ended December 31, 2013. We suspended shipping and chartering services as a result of the termination of the vessel acquisition in December 2015. With the acquisition of LSM in 2014, we added ship management services to our service platform but we suspended it together with shipping agency services in 2016 primarily due to market conditions. With the establishment of Sino-LA, we added cargo forwarding services to our service platform in the second quarter of fiscal 2017, which is included in our inland transportation business line at the end of June 30, 2016. As we are developing our cargo forwarding services, the Company provides freight logistics services and container trucking services as two new business segments during this fiscal year.

Our Goals and Strategic Plan

By leveraging our fine reputation, extensive business relationships, technical ability and in-depth knowledge of the shipping industry, our goal is to further strengthen our position as a leading global logistic solution provider who offers innovative resolutions to better address complex issues in different aspects in the entire shipping and freight logistic chain.

We historically focused our business on providing our customers with customized shipping agency services. In the past, our business came predominately from our strong business relationships with our key strategic partners in China. To reduce our dependency on a single business line, we have leveraged, and will continue to leverage, our business relationships with strategic partners to introduce new service offerings to the market and to diversify our business. In light of the slowdown of the Chinese economy and its negative impact on the shipping business across Pacific Ocean, our strategic plan for the next 5 years is to continue to diversify our service mix and actively seek new growth opportunities to expand our business footprint in the U.S. market to reduce our dependency on the revenue generated from China. For decades, the shipping industry has been operated under traditional business models without many meaningful changes. Today, technological innovation has already played a big role in changing every conventional industry. We believe the internet will be a big part of the future logistics chain services and a transformative era in shipping and freight logistic business is coming. As an innovative solution provider, we plan to apply our technical ability, industry expertise and cutting-edge information technology in the conventional shipping business to better connect supply and demand and to develop seamless linkages in logistic chains.

After going through one and half years on our business restructuring, Sino changed its business models from providing traditional shipping agency services to providing solutions and services focused on inland transportation logistics between the U.S. and China, such as providing freight logistics services or container trucking services. As a result of our continued restructuring efforts, we turned an operating loss for the year ended June 30, 2016 to a profit for the year ended June 30, 2017. As shown in the table below, our current business operating revenue is primarily focused on inland transportation management services as compared to the two previous fiscal years.

	Fiscal Year 2017		Fiscal Year 2016		Fiscal Year 2015	
Key Services	Revenue	%	Revenue	%	Revenue	%
Shipping Agency & Ship Management	$-	-	$2,507,800	34 %	$6,185,653	55 %
Shipping & Chartering	-	-	462,218	7 %	349,125	3 %
Inland Transportation Management	5,758,600	50 %	4,340,522	59 %	4,785,850	42 %
Freight Logistic Services	4,815,450	42 %	-	-	-	-
Container Trucking Services	871,563	8 %	-	-	-	-
Total	$11,445,613	100%	$7,310,540	100%	$11,320,628	100%

The business restructuring of Sino is gradually on track. During this process, we will continue to adjust and develop our strategic plans based on the change of business environment. In the future, we will provide more services to our customers, and we will use our internet platform to connect our worldwide businesses to our customers.

Our Customers

In light of our strategic relationship with Zhiyuan Investment Group that began with the signing of a 5-year global logistics service agreement in June 2013, we expanded our business platform to include additional service offerings. We started to provide inland transportation management services to a third-party customer, Tengda Northwest Ferroalloy Co., Ltd. ("Tengda Northwest"), during the quarter ended September 30, 2014. As we continue to diversify our service platform, we have reduced our dependency on a few customers which we provide freight logistics and container trucking services.

For the year ended June 30, 2017, three customers accounted for 26%, 24% and 19% of the Company's revenues, respectively. For the year ended June 30, 2016, two customers accounted for 31% and 27% of the Company's revenues, respectively.

Our Suppliers

Our operations consist of working directly with our customers to understand in detail their needs and expectations and then managing local suppliers to ensure that our customers' needs are met. Our major suppliers include Oldendorff Carriers, Baoshan Iron and Steel Co., Ltd. and Shanghai Gangcheng Dangerous Goods Logistics Co., Ltd. For the year ended June 30, 2017, two suppliers accounted for 42% and 11% of the total cost of revenue, respectively. For the year ended June 30, 2016, three suppliers accounted for 27%, 15% and 10% of the total cost of revenues, respectively.

Our Strengths

We believe that the following strengths differentiate us from our competitors:

Proven industry experience and problem-solving reputation. We are a non-asset based global shipping and freight logistics solution provider. Unlike a traditional shipping agent, we provide tailored solutions and value-added services to our customers to drive effectiveness and control in related aspects throughout the entire shipping and freight logistic chain. We believe that our years of successful track record of applying integrated solutions to complex issues in the global shipping logistics business gives us a competitive advantage in attracting large clients and helps us maintain strong long terms business relationship with them.

Strong leadership and a competent professional team. Our CEO is an industry veteran with more than thirty years of extensive industry experiences including ten years' working for COSCO, one of the largest shipping companies in the world. Most of our employees have marine business experience, and many of our managers/chief operators served in other large Chinese shipping companies prior to joining us. With these professionals and experienced staff, we believe that we provide the best services to our customers at competitive prices.

Extensive network and positive industry recognition. Doing business in China often requires a strong business network and support of key strategic partners. The Company served as one of the executive directors of China Association of Shipping Agencies & Non-Vessel-Operating Common Carriers (CASA), the authoritative industry association in China. We are the only non-state-owned enterprise represented on the CASA board guiding the development of the industry. Our good reputation and industry recognition enables us to maintain strong relationships with our business partners and have an extensive network of contacts throughout the industry, which helps us gain necessary support to execute our business plans.