

Sino-Global Shipping America, Ltd.  
Form 10-Q  
February 13, 2019

**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 **December 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)

<b>Virginia</b>	<b>11-3588546</b>
(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 February 9, 2019, the Company has 15,245,703 issued and outstanding shares of common stock.



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

**FORM 10-Q**

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## **SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This document contains certain statements of a forward-looking nature. Such forward-looking statements, including but not limited to projected growth, trends and strategies, future operating and financial results, financial expectations and current business indicators are based upon current information and expectations and are subject to change based on factors beyond the control of the Company. Forward-looking statements typically are identified by the use of terms such as “look”, “may”, “will”, “should”, “might”, “believe”, “plan”, “expect”, “anticipate”, “estimate” and similar words, although forward-looking statements are expressed differently. The accuracy of such statements may be impacted by a number of business risks and uncertainties that could cause actual results to differ materially from those projected or anticipated, including but not limited to the following:

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

#### CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

	December 31, 2018	June 30, 2018
Assets		
Current assets		
Cash	\$2,454,226	\$7,098,259
Accounts receivable, less allowance for doubtful accounts of \$3,080,328 and \$1,682,228 as of December 31, 2018 and June 30, 2018, respectively	12,148,934	8,428,853
Other receivables, less allowance for doubtful accounts of \$145,186 and \$145,176 as of December 31, 2018 and June 30, 2018, respectively	35,040	69,239
Advances to suppliers-third parties	934,824	704,878
Advances to suppliers-related party	-	3,414,619
Prepaid expense and other current assets	354,969	588,439
Due from related party	1,105,775	2,087,994
Total Current Assets	17,033,768	22,392,281
Property and equipment, net	900,455	956,429
Intangible assets, net	121,389	153,056
Prepaid expenses	1,267,005	1,878,258
Other long-term assets - deposits	3,048,586	143,303
Deferred tax assets, net	755,000	634,500
Total Assets	\$23,126,203	\$26,157,827
Liabilities and Equity		
Current Liabilities		
Advances from customers	\$126,395	\$415,385
Accounts payable	770,077	3,225,661
Taxes payable	3,015,104	2,700,619

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Accrued expenses and other current liabilities	594,082	280,888
Total current liabilities	4,505,658	6,622,553
Total liabilities	4,505,658	6,622,553
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; 15,421,200 and 13,271,032 shares issued as of December 31, 2018 and June 30, 2018, respectively; 15,245,703 and 13,095,535 outstanding as of December 31, 2018 and June 30, 2018, respectively	25,791,830	23,717,330
Additional paid-in capital	2,045,657	1,755,573
Treasury stock, at cost, 175,497 shares as of December 31, 2018 and June 30, 2018	(417,538 )	(417,538 )
Accumulated deficit	(3,225,590 )	(434,856 )
Accumulated other comprehensive loss	(894,641 )	(272,407 )
Total Sino-Global Shipping America Ltd. Stockholders' Equity	23,299,718	24,348,102
Non-controlling Interest	(4,679,173 )	(4,812,828 )
Total Equity	18,620,545	19,535,274
Total Liabilities and Equity	\$23,126,203	\$26,157,827

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  
(LOSS)****(UNAUDITED)**

	<b>For the Three Months Ended December 31,</b>		<b>For the Six Months Ended December 31,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Net revenues - third parties	\$ 10,440,287	\$ 4,665,235	\$ 16,617,820	\$ 9,480,086
Net revenues - related party	75,000	555,246	397,000	1,120,406
Total revenues	10,515,287	5,220,481	17,014,820	10,600,492
Cost of revenues	(8,556,597 )	(3,375,878 )	(13,640,429 )	(7,041,796 )
Gross profit	1,958,690	1,844,603	3,374,391	3,558,696
Selling expenses	(258,229 )	(335,261 )	(366,598 )	(357,727 )
General and administrative expenses	(1,831,746 )	(1,546,305 )	(3,676,579 )	(2,247,289 )
Stock-based compensation	(1,047,376 )	(280,709 )	(1,864,584 )	(343,082 )
Total operating expenses	(3,137,351 )	(2,162,275 )	(5,907,761 )	(2,948,098 )
Operating income (loss)	(1,178,661 )	(317,672 )	(2,533,370 )	610,598
Financial income, net	782	137,799	1,494	222,595
Net income (loss) before provision for income taxes	(1,177,879 )	(179,873 )	(2,531,876 )	833,193
Income tax benefit (expense)	(244,979 )	571,121	(178,513 )	274,692
Net income (loss)	(1,422,858 )	391,248	(2,710,389 )	1,107,885
Net income attributable to non-controlling interest	51,114	93,545	80,345	192,993
Net income (loss) attributable to Sino-Global Shipping America, Ltd.	\$(1,473,972 )	\$ 297,703	\$(2,790,734 )	\$ 914,892
Comprehensive income (loss)				
Net income (loss)	\$(1,422,858 )	\$ 391,248	\$(2,710,389 )	\$ 1,107,885
Other comprehensive income (loss) - foreign currency	(106,762 )	97,600	(568,924 )	145,317
Comprehensive income (loss)	(1,529,620 )	488,848	(3,279,313 )	1,253,202
	26,930	20,618	133,655	61,365

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Less: Comprehensive income attributable to  
non-controlling interest

Comprehensive income (loss) attributable to Sino-Global Shipping America Ltd.	\$(1,556,550 )	\$468,230	\$(3,412,968 )	\$1,191,837
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Earnings (loss) per share

Basic	\$(0.11	) \$0.03	\$(0.21	) \$0.09
Diluted	\$(0.11	) \$0.03	\$(0.21	) \$0.09

Weighted average number of common shares used in  
computation

Basic	13,769,918	10,367,492	13,457,726	10,236,513
Diluted	13,769,918	10,415,503	13,457,726	10,286,683

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

**SINO-GLOBAL SHIPPING AMERICA, LTD. AND AFFILIATES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(UNAUDITED)**

	<b>For the Six Months Ended December 31, 2018                      2017</b>	
Operating Activities		
Net income (loss)	\$ (2,710,389)	\$ 1,107,885
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Stock-based compensation	1,864,584	343,082
Depreciation and amortization	51,280	31,742
Provision for doubtful accounts	1,287,787	837,431
Deferred tax benefit	(120,500 )	(1,073,700)
Changes in assets and liabilities		
Accounts receivable	(5,044,123)	(2,210,485)
Other receivables	79,773	(234,751 )
Advances to suppliers-third parties	(220,166 )	50,465
Advances to suppliers-related party	3,294,701	-
Prepaid expenses and other current assets	408,642	80,952
Other long-term assets - deposits	(2,489,067)	-
Due from related parties	1,091,355	(921,532 )
Advances from customers	(295,619 )	(23,001 )
Accounts payable	(2,508,225)	288,283
Taxes payable	305,603	731,456
Due to related parties	-	(206,323 )
Accrued expenses and other current liabilities	286,613	(61,218 )
Net cash used in operating activities	(4,717,751)	(1,259,714)
Investing Activities		
Acquisition of property and equipment	(9,357 )	(50,278 )
Acquisition of intangible assets	-	(190,000 )
Prepayment for acquisition of intangible assets	-	(10,000 )
Net cash used in investing activities	(9,357 )	(250,278 )
Financing Activities		
Proceeds from issuance of common stock	500,000	-
Net cash provided financing activities	500,000	-

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Effect of exchange rate fluctuations on cash	(416,925 )	(3,902 )
Net decrease in cash	(4,644,033)	(1,513,894)
Cash at beginning of period	7,098,259	8,733,742
Cash at end of period	\$2,454,226	\$7,219,848
Supplemental information		
Income taxes paid	\$16,536	\$60,162

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 solution provider. The Company provides tailored solutions and value-added services to its customers to drive effectiveness and control in related steps 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 (the “PRC”) (including Hong Kong), Australia and Canada. The majority of the Company’s business is generated from clients located in the PRC and the U.S.

The Company operates in four operating segments including (1) shipping agency services, which are operated by its subsidiary in Hong Kong; (2) inland transportation management services, which are operated by its subsidiaries in the U.S.; (3) freight logistics services, which are operated by its subsidiaries in the PRC and the U.S.; (4) container trucking services, which are operated by its subsidiaries in the PRC and the U.S.

The Company developed a mobile application which provides a full-service logistics platform for shipping operations between the U.S. and the PRC for short-haul trucking in the U.S. and signed two significant agreements with COSCO Beijing International Freight Co., Ltd. (“COSFRE Beijing”) and Sino-Trans Guangxi Logistics Co. Ltd., respectively, in December 2016. Pursuant to the agreement with COSFRE Beijing, the Company receives a percentage of the transportation fees for the arrangement of inland transportation services for COSFRE Beijing’s container shipments into U.S. ports. The Company has increased its business in the U.S. since the launch of the short haul container truck services web-based platform. The Board subsequently authorized the Company to upgrade its enterprise resource planning system (“ERP”) in order to manage its operations in real time throughout its multiple locations and to integrate with web applications.

On September 11, 2017, the Company set up a wholly-owned subsidiary, Ningbo Saimeinuo Supply Chain Management Ltd. (“Sino Ningbo”), via its wholly-owned entity, Sino-Global Shipping New York Inc. This subsidiary primarily engages in transportation management and freight logistics services. Sino Ningbo’s operating results were included in the consolidated financial statements starting the fourth quarter of fiscal year 2018. There was no

operation for the three and six months ended December 31, 2018.

Starting with fiscal year 2019, current trade dynamics make it more expensive for the shipping carrier clients to cost-effectively move cargo into U.S. ports, and as a result, the Company saw a lower shipping volumes and less utilization of our online platform, which has caused the Company to shift its focus to shipping agency business. The shipping agency industry in China has improved and the number of shipping agencies overall in the country has decreased, due to both price and the inability of competitors to embrace technology as a resource in serving client needs.

On September 3, 2018, the Company entered into a co-operation agreement with Ningbo Far-East Universal Shipping Agency Co., Ltd to set up a joint venture in Hong Kong named Bright Far East International Shipping Agency Co., Ltd., to engage in worldwide shipping agency and management operations. The Company has 51% ownership stake in the joint venture. There was no operation for the three and six months ended December 31, 2018.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(UNAUDITED)**

**Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“US GAAP”). The unaudited condensed consolidated financial statements include the accounts of all directly, indirectly owned subsidiaries and variable interest entity. All intercompany transactions and balances have been eliminated in consolidation.

**(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. Sino-Global Shipping Agency Ltd., a PRC corporation (“Sino-China”), is considered a variable interest entity (“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.

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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.

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:

	December 31, 2018	June 30, 2018
Total current assets	\$ 15,833	\$3,434,850
Total assets	120,028	3,992,131
Total current liabilities	31,430	21,979
Total liabilities	31,430	21,979



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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(UNAUDITED)**

**(c) Fair Value of Financial Instruments**

The Company follows 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 US 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 consolidated financial statements include revenue recognition, fair value of stock based compensation, cost of revenues, allowance for doubtful accounts, deferred income taxes, income tax expense, the useful lives of property and equipment and intangible assets. 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 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 and Trans Pacific Shanghai 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.

**SINO-GLOBAL SHIPPING AMERICA, LTD. AND AFFILIATES****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(UNAUDITED)**

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

			Three months ended		Six months ended	
	December 31, 2018	June 30, 2018	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Foreign currency	Balance Sheet	Balance Sheet	Profits/Loss	Profits/Loss	Profits/Loss	Profits/Loss
RMB:1USD	6.8783	6.6186	6.9162	6.6153	6.8595	6.6428
AUD:1USD	1.4193	1.3505	1.3945	1.3007	1.3812	1.2838
HKD:1USD	7.8304	7.8442	7.8294	7.8076	7.8373	7.8112
CAD:1USD	1.3644	1.3141	1.3215	1.2702	1.3142	1.2620

**(f) Cash**

Cash consists of cash on hand and deposits placed with banks which are unrestricted as to withdrawal and use or have a term deposit of three months or less. The Company maintains cash with various financial institutions mainly in the PRC, Australia, Hong Kong, Canada and the U.S. As of December 31, 2018 and June 30, 2018, cash balances of \$2,266,282 and \$6,205,960, respectively, were maintained at financial institutions in the PRC, which were not insured by any of the Chinese authorities. As of December 31, 2018 and June 30, 2018, cash balance of \$102,303 and \$848,657, respectively, were maintained at U.S. financial institutions, and were insured by the Federal Deposit Insurance Corporation or other programs subject to certain limitations. The Hong Kong Deposit Protection Board pays compensation up to a limit of HKD \$500,000 (approximately \$64,000) if the bank with which an individual/a company hold its eligible deposit fails. As of December 31, 2018 and June 30, 2018, cash balance of \$75,865 and \$9,601, respectively, were maintained at financial institutions in Hong Kong and approximately \$64,000 were insured by the Hong Kong Deposit Protection Board.

**(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 its purchase price and any directly attributable costs of bringing the assets 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 lives

The carrying value of a long-lived asset is considered impaired by the Company when the anticipated undiscounted cash flows from such asset is less than its 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 at the balance sheet dates.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(UNAUDITED)**

**(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:

Logistics platform 3 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 December 31, 2018.

**(j) Revenue Recognition**

On July 1, 2018, the Company adopted Accounting Standards Update (“ASU”) 2014-09 Revenue from Contracts with Customers (FASB ASC Topic 606) using the modified retrospective method for contracts that were not completed as of June 30, 2018. This did not result in an adjustment to the retained earnings upon adoption of this new guidance as the Company’s revenue was recognized based on the amount of consideration expected to receive in exchange for satisfying the performance obligations.

The core principle underlying the revenue recognition ASU is that the Company will recognize revenue to represent the transfer of goods and services to customers in an amount that reflects the consideration to which the Company expects to be entitled in such exchange. This will require the Company to identify contractual performance obligations and determine whether revenue should be recognized at a point in time or over time, based on when control of goods and services transfers to a customer. The Company’s revenue streams are recognized at a point in time.

The ASU requires the use of a new five-step model to recognize revenue from customer contracts. The five-step model requires that the Company (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, including variable consideration to the extent that it is probable that a significant future reversal will not occur, (iv) allocate the transaction price to the respective performance obligations in the contract, and (v) recognize revenue when (or as) the Company satisfies the performance obligation. The application of the five-step model to the revenue streams compared to the prior guidance did not result in significant changes in the way the Company records its revenue. Upon adoption, the Company evaluated its revenue recognition policy for all revenue streams within the scope of the ASU under previous standards and using the five-step model under the new guidance and confirmed that there were no differences in the pattern of revenue recognition.

The Company continues to derive its revenues from sales contracts with its customers with revenues being recognized upon performance of services. Persuasive evidence of an arrangement is demonstrated via sales contract and invoice; and the sales price to the customer is fixed upon acceptance of the sales contract and there is no separate sales rebate, discount, or other incentive. The Company's revenues are recognized at a point in time after all performance obligations are satisfied.

Revenues from shipping agency services are recognized upon completion of services, which coincides with the date of departure of the relevant vessel from port. Advance payments and deposits received from customers prior to the provision of services and recognition of the related revenues are presented as advances from customers.

Revenues from 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.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(UNAUDITED)**

**(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 liability method of accounting for income taxes in accordance with US Generally Accepted Accounting Principles (“US 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. The Company had no uncertain tax positions as of December 31, 2018 and June 30 2018, respectively.

Income tax returns for the years prior to 2015 are no longer subject to examination by U.S. tax authorities.

On December 22, 2017, the U.S. enacted the “Tax Cuts and Jobs Act” (the “Act”). 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 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 the Company to re-measure all U.S. deferred income tax assets and liabilities for temporary differences and net operating loss (“NOL”) carryforwards and recorded a one-time transition tax expense.

***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 from shipping agency services minus the costs of services which are paid on behalf of the customers.

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

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

### **(l) Earnings (loss) per Share**

Basic earnings (loss) per share is computed by dividing net income (loss) 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 six months ended December 31, 2018 there was no dilutive effect of potential shares of common stock of the Company because the Company generated a net loss. For the three and six months ended December 31, 2017, 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 six months ended December 31, 2017, a total of 48,011 and 50,170 unexercised options were dilutive, respectively, and were included in the computation of diluted earnings per share.



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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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**(m) Comprehensive Income (loss)**

The Company reports comprehensive income (loss) in accordance with the 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**

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) Recent Accounting Pronouncements**

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) (“ASU 2016-2”) which revises accounting for operating leases by a lessee, among other changes, and requires a lessee to recognize a liability to make lease payments and an asset representing its right to use the underlying asset for the lease term in the balance sheet. This update will be effective for public entities for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. In July 2018, the FASB issued ASU 2018-10, Codification Improvements to Topic 842, Leases, to clarify how to apply certain aspects of the new leases standard. The amendments address the rate implicit in the lease, impairment of the net investment in the lease, lessee reassessment of lease classification, lessor reassessment of lease term and purchase options, variable payments that depend on an index or rate and certain transition adjustments, among other issues. In addition, in July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842), Targeted Improvements*, which provides an additional (and optional) transition method to adopt the new leases standard. Under the new transition method, a reporting entity would initially apply the new lease requirements at the effective date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption, continue to report comparative periods presented in the financial statements in the period of adoption in accordance with current U.S. GAAP (i.e., ASC 840, Leases) and provide the required disclosures under ASC 840 for all periods presented under current U.S. GAAP. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company plans to adopt these new guidance in the first quarter of fiscal year 2019 and is still evaluating the effect that this guidance will have on the Company’s unaudited condensed consolidated financial statements and related disclosures.

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (“ASU No. 2016-15”), to address diversity in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments provide guidance on the following eight specific cash flow issues: (1) Debt Prepayment or Debt Extinguishment Costs; (2) Settlement of Zero-Coupon Debt Instruments or Other Debt Instruments with Coupon Interest Rates That Are Insignificant in Relation to the Effective Interest Rate of the Borrowing; (3) Contingent Consideration Payments Made after a Business Combination; (4) Proceeds from the Settlement of Insurance Claims; (5) Proceeds from the Settlement of Corporate-Owned Life Insurance Policies, including Bank-Owned; (6) Life Insurance Policies; (7) Distributions Received from Equity Method Investees; (8) Beneficial Interests in Securitization Transactions; and Separately Identifiable Cash Flows and Application of the Predominance Principle. The amendments are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The amendments should be applied using a retrospective transition method to each period presented. If it is impracticable to apply the amendments retrospectively for some of the issues, the amendments for those issues would be applied prospectively as of the earliest date practicable. On July 1, 2018, the Company adopted ASU No. 2016-15 and does not believe the adoption of ASU No. 2016-15 will have a material effect on the Company’s unaudited condensed consolidated financial statements.

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. On July 1, 2018, the Company has adopted this ASU. The Company does not believe the adoption of this ASU would have a material effect on the Company’s unaudited condensed consolidated financial statements.

In June 2018, the FASB issued ASU 2018-07, Compensation-Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting. The guidance largely aligns the accounting for share-based payment awards issued to employees and nonemployees, whereby the existing employee guidance will apply to nonemployee share-based transactions (as long as the transaction is not effectively a form of financing), with the exception of specific guidance related to the attribution of compensation cost. The cost of nonemployee awards will continue to be recorded as if the grantor had paid cash for the goods or services. In addition, the contractual term will be able to be used in lieu of an expected term in the option-pricing model for nonemployee awards. The ASU is effective for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. The ASU is required to be

applied on a prospective basis to all new awards granted after the date of adoption. The Company is still evaluating the effect that this guidance but does not expect the standard to have a material impact on its unaudited condensed consolidated financial statements.

The Company does not believe other recently issued but not yet effective accounting standards, if currently adopted, would have a material effect on the Company's unaudited condensed consolidated financial statements.

**(q) Reclassification**

Certain prior year amounts have been reclassified to conform to the current year presentation mainly reclassifying advance to suppliers to prepaid expenses – long term (see Note 4 and 5). These reclassifications have no effect on the reported revenues, net income or total assets.

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

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**Note 3. ACCOUNTS RECEIVABLE, NET**

The Company's net accounts receivable is as follows:

	December 31, 2018	June 30, 2018
Trade accounts receivable	\$ 15,229,262	\$ 10,111,081
Less: allowances for doubtful accounts	(3,080,328 )	(1,682,228 )
Accounts receivables, net	\$ 12,148,934	\$ 8,428,853

Movement of allowance for doubtful accounts is as follows:

	December 31, 2018	June 30, 2018
Beginning balance	\$ 1,682,228	\$ 185,821
Provision for doubtful accounts	1,401,540	1,519,122
Less: write-off/recovery	-	(24,101 )
Exchange rate effect	(3,440 )	1,386
Ending balance	\$ 3,080,328	\$ 1,682,228

For the three months ended December 31, 2018, provision for doubtful accounts was \$445,119. For the same period in 2017, provision for doubtful accounts was \$598,301. For the six months ended December 31, 2018, provision for doubtful accounts was \$1,396,951. For the same period in 2017, provision for doubtful accounts was \$573,765.

**Note 4. ADVANCES TO SUPPLIERS**

The Company's advances to suppliers – third parties are as follows:

	December 31, 2018	June 30, 2018
Freight fees (1)	\$934,824	\$564,365
Other	-	140,513
Total advances to suppliers-third parties	\$934,824	\$704,878

(1) The prepaid freight fee is the Company's advances made for various shipping costs for shipments from January to March 2019.

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

	December 31, 2018	June 30, 2018
Freight fees	\$ -	\$3,414,619
Total advances to suppliers-related party	\$ -	\$3,414,619

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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, which is jointly owned by the Company’s largest shareholder along 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, for which the Company will receive a 1% to 1.25% of the transportation fee incurred in the Project as a commission for its services rendered. On July 7, 2017, the Company signed a supplemental agreement with the Buyer, in which the Company agreed to cooperate with Zhiyuan Hong Kong exclusively on the entire 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 agreed to make prepayments to Zhiyuan Hong Kong for its share of packaging and transporting costs related to the Project; in return, the Company received 15% of the cost incurred in the Project from Zhiyuan Hong Kong as a service fee. The Company has completed its services pursuant to the supplemental agreement and received a \$575,115 service fee in June 2018. The entire advance was reimbursed to the Company in September 2018.

**Note 5. PREPAID EXPENSES and other assets**

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

	December 31, 2018	June 30, 2018
Advance to employees	\$ 168,737	\$355,294
Prepaid income taxes	-	800
Other (including prepaid insurance, rent, listing fees)	186,232	232,345
Deposit for leasehold improvement on IT infrastructure facility (1)	421,608	438,151
Deposit for ERP (2)	218,678	437,357
Deposit for IT infrastructure (3)	626,719	1,002,750
Total	1,621,974	2,466,697
Less: current portion	(354,969 )	(588,439 )

Total noncurrent portion	\$ 1,267,005	\$ 1,878,258
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The Company paid a \$421,608 deposit for leasehold improvements on its IT infrastructure facility including (1) upgrading the server room of its Shanghai office. The total project cost is approximately \$580,000 and is expected to be completed in October 2019.

On December 27, 2017, with the approval of the Board, the Company signed a contract with Tianjin Anboweiye Technology Ltd Co. (“Tianjin Anboweiye”), to develop a more complete ERP based on the Company’s current operations and projected future growth. In March 2018, the Company paid a deposit to start phase one of the development which includes upgraded accounting and human resources modules, new order processing and customer relationship management system. The Company paid a \$437,357 deposit to Tianjin Anboweiye. The total (2) contract price for phase one amounted to RMB 4,000,000, approximately \$580,000. For the three months ended December 31, 2018, the Company expensed \$218,679 of software development cost incurred during the preliminary project stage, which included planning and determining the functionality of the software. The Company plans to integrate the shipping agencies business with the current ERP platform.

On June 22, 2018, the Company entered into contract to improve its IT infrastructure. The total contract consideration for the services is \$1.2 million and the Company paid a deposit of approximately \$1.0 million. The consideration is allocated as follows: \$420,000 for hardware leasing of twelve months; \$480,000 for onsite services (3) and IT consulting for a two-year period; \$60,000 for operating system set up and \$240,000 for continuing integration with the ERP and data management for two years. For the three months ended December 31, 2018, the Company incurred \$175,481 in hardware leasing costs, \$100,275 IT in consulting costs, \$50,137 in system set up costs, and \$50,137 for continuing integration of the ERP and data management costs.



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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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**Note 6. OTHER LONG-TERM ASSETS - DEPOSITS**

The Company's other long-term assets – deposits are as follows:

	December 31, 2018	June 30, 2018
Rental and utilities deposits	\$59,763	\$59,777
Freight logistic deposits (1)	2,988,823	83,526
Total other long-term assets - deposits	\$3,048,586	\$143,303

Certain customers require the Company to pay deposits for the security of shipments and merchandise. These deposits are refundable at the end of their respective contract term. Approximately \$2.91 million (RMB 20 million) (1) was paid to BaoSteel Resources Co., Ltd. according to the agreement entered in March 2018. This refundable deposit is to cover any possible loss of merchandise, as well as any non-performance on the part of the Company and its vendors.

**Note 7. PROPERTY AND EQUIPMENT, NET**

The Company's net property and equipment as follows:

	December 31, 2018	June 30, 2018
Land and buildings	\$195,963	\$203,371

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Motor vehicles	574,603	598,094
Computer equipment	162,690	165,561
Office equipment	74,033	76,065
Furniture and fixtures	162,158	165,047
System software	116,136	120,485
Leasehold improvements (1)	805,599	828,365
Total	2,090,912	2,156,988
Less: Accumulated depreciation and amortization	(1,190,457)	(1,200,559)
Property and equipment, net	\$900,455	\$956,429

(1) The Company completed its leasehold improvement for its new Ningbo office in June, 2018. The Company subsequently entered into a renegotiation of the lease term with the lessor and the leasehold improvement is subject to inspection and approval by the lessor. The office is not currently in use and thus no amortization expense for the leasehold improvement was recorded for the period ended December 31, 2018.

Depreciation and amortization expense for the three months ended December 31, 2018 and 2017 were \$9,731 and \$13,261, respectively. Depreciation and amortization expense for the six months ended December 31, 2018 and 2017 were \$19,613 and \$26,464, respectively.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(UNAUDITED)**

**Note 8. INTANGIBLE ASSETS, NET**

Net intangible assets consisted of the following at:

	December 31, 2018	June 30, 2018
Full service logistics platforms	\$ 190,000	\$ 190,000
Less: Accumulated amortization	(68,611 )	(36,944 )
Intangible asset, net	\$ 121,389	\$ 153,056

As part of the above-mentioned intelligent logistics platform (see Note 5), 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 being amortized over three years. Amortization expense amounted to \$15,834 and \$5,278 for the three months ended December 31, 2018 and 2017, respectively. Amortization expense amounted to \$31,667 and \$5,278 for the six months ended December 31, 2018 and 2017, respectively.

**Note 9. EQUITY**

Stock issuance:

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 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 closed on March 14, 2018. The offering of the 2 million shares was 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 agreed to a lock-up period of 60 days from the date of the purchase agreement.

Concurrently with the registered direct offering closed on March 14, 2018, the Company sold 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 is a private placement in reliance upon an exemption afforded under Regulation D of the Securities Act. The Series "A" warrants are exercisable as of September 14, 2018, and expire five and a half (5.5) years from the date of issuance. The Series B warrants are exercisable as of 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 were \$2,585,091.

On April 26, 2018, the Company filed a registration statement on Form S-1 ("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.

**SINO-GLOBAL SHIPPING AMERICA, LTD. AND AFFILIATES****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(UNAUDITED)**

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 the Black-Scholes-Merton model and is recorded as additional paid-in capital from common stock based on the 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 December 31, 2018:

	Shares	Weighted Average Exercise Price
Warrants outstanding, as of June 30, 2018	4,000,000	\$ 1.75
Issued	-	-
Exercised	-	-
Expired	-	-
Warrants outstanding, as of December 31, 2018	4,000,000	\$ 1.75
Warrants exercisable, as of December 31, 2018	4,000,000	\$ 1.75

Warrants Outstanding	Warrants Exercisable	Weighted Average Exercise	Average Remaining Contractual
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		<b>Price</b>	<b>Life</b>
2018 Series A 2,000,000	2,000,000	\$ 1.75	4.70 years
2018 Series B 2,000,000	2,000,000	\$ 1.75	0.28 years

The Company entered into a Share Purchase Agreement (the “Purchase Agreement”) with Mr. Xiangbin Huang, an accredited investor based in the People’s Republic of China (the “Investor”) on November 8, 2018, pursuant to which the Company agreed to sell to the Investor and the Investor agreed to purchase from the Company, through a private placement, such number of shares of the common stock, no par value per share, of the Company (“Common Stock”), that shall be issuable at a purchase price per share equal to 120% of the average closing price of the Common Stock on NASDAQ Stock Market over the five consecutive trading day period immediately prior to the closing of the transaction for aggregate gross proceeds to the Company of \$1,000,000. On December 10, 2018, the Company and the Investor entered into an Amended Agreement (the “Amendment Agreement”, together with the Purchase Agreement, the “Agreements”) pursuant to which the parties reduced the aggregate gross proceeds to the Company to \$500,000 (the “Reduced Purchase Price”) in the transaction. The private placement closed (the “Closing”) on December 10, 2018. As a result, the Investor owns a total of 420,168 shares of the Common Stock (the “Shares”), on a \$1.19 per share purchase price, or approximately 3.1% of the Company’s issued and outstanding shares of Common Stock on a pre-transaction basis. The Agreements set forth a one-year restrictive period. An appropriate legend has been affixed to the certificate for the Shares.

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

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Stock based compensation:

In March 2017, the Company entered into a consulting and advisory services agreement with a consulting entity, who provides management consulting services that include marketing program design and implementation and cooperative partner selection and management. The service period began in March 2017 and will end in 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 and consulting expense were \$52,708 and \$52,709 for three months ended December 31, 2018 and 2017, respectively. Consulting expense was \$105,417 for both six months ended December 31, 2018 and 2017.

On October 23, 2017, the Company issued to its employees 130,000 shares of its restricted common stock valued at \$2.80 per share. One quarter of the total number of common shares became vested on each of November 16, 2017, February 16, 2018, May 16, 2018 and August 16, 2018. These shares were valued at \$364,000. \$0 and \$91,000 were recorded as compensation expense for the three and six months ended December 31, 2018, respectively. \$91,000 was recorded as compensation expense for both of the three and six months ended December 31, 2017.

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 covered advising on business development, strategic planning and compliance during the one-year service period from October 17, 2017 to October 16, 2018. \$0 and \$137,000 were recorded as compensation expense for the three and six months ended December 31, 2018, respectively. \$137,000 was recorded as compensation expense for both of the three and six months ended December 31, 2017.

On June 7, 2018, the Company issued 400,000 shares of common stock with a fair value of \$508,000 to a consulting entity pursuant to a service agreement. The scope of services primarily covers legal consultation in PRC during the two-year service period from July 2018 to June 2020. The consulting entity is entitled to be granted the common stock on a quarterly basis in eight equal instalments. The Company recorded legal expense of \$63,500 and \$127,000 for the three and six months ended December 31, 2018, respectively.

On September 21, 2018, the Company issued 430,000 shares of common stock valued at \$1.10 per share on the grant date with a fair value of \$473,000 under the 2014 Stock Incentive Plan to three employees, vesting immediately. The Company recorded compensation expense of \$0 and \$473,000 for the three and six months ended December 31, 2018, respectively.

On December 11, 2018, the Company issued 200,000 shares of common stock valued at \$0.89 per share on the grant date with a fair value of \$178,000 under the 2014 Stock Incentive Plan to three employees, vesting immediately. The Company recorded compensation expense of \$178,000 for both of the three and six months ended December 31, 2018.

On November 7, 2018, the Board of the Company approved the issuance of 50,000 shares of restricted common stock to a consultant pursuant to an existing consulting agreement. The scope of services primarily covers advising on business development, strategic planning and corporate finance. The grant's fair value of approximately \$65,000 will be amortized during the remaining service period from November 3, 2018 to May 2, 2019. The Company recorded compensation expense of \$21,667 for the three and six months ended December 31, 2018.

On December 31, 2018, the Board of the Company and the Compensation Committee of the Board (the "Committee") approved (i) an increase in the annual salaries of Lei Cao, Chief Executive Officer, Tuo Pan, acting Chief Financial Officer, and Zhikang Huang, Chief Operating Officer (the "C-Level Executives"), effective January 1, 2019, and (ii) a one-time award of a total of 950,000 of the common stock from the shares reserved under the Company's 2014 Stock Incentive Plan (the "Plan") to the C-Level Executives, Chief Technology Officer, Yafei Li and the following members of the Board, effective December 31, 2018, for their valuable contributions to the Company in fiscal 2018: Jing Wang, Tieliang Liu and Bradley A. Haneberg. The Committee recommended and the Board determined to make the following stock grants under the Plan: (i) Chief Executive Officer, Lei Cao, is entitled to a one-time stock award grant of 400,000 shares, (ii) acting Chief Financial Officer, Tuo Pan, is entitled to a one-time stock award grant of 140,000 shares, (iii) Chief Operating Officer, Zhikang Huang, is entitled to a one-time stock award grant of 180,000 shares, (iv) Chief Technology Officer, Yafei Li is entitled to a one-time stock award grant of 80,000 shares, (v) Board member Jing Wang is entitled to a one-time stock award grant of 50,000 shares, (vi) Board member Tieliang Liu is entitled to a one-time stock award grant of 50,000 shares and (vii) Board member Bradley A. Haneberg is entitled to a one-time stock award grant of 50,000 shares. The Company recorded compensation expense of \$731,500 for the three and six months ended December 31, 2018.

During the three and six months ended December 31, 2018, \$1,047,376 and \$1,864,584 were charged to general and administrative expenses, respectively. During the three and six months ended December 31, 2017, \$280,709 and \$333,417 were charged to general and administrative expenses, respectively.



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Stock Options:

The issuance of the Company's options is exempted from registration under the Securities Act of 1933, as amended (the "Securities Act"). The common stock underlying the Company's options granted may be sold in compliance with Rule 144 of the Securities Act. Each option may be exercised to purchase one share of 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 common stock on the date of exercise.

The term of the 10,000 options granted in 2013 is 10 years and the exercise price is \$2.01. The total fair value of the options was \$19,400. All options were vested as of June 30, 2018.

Pursuant to the Company's 2014 Stock Incentive Plan, effective on July 26, 2016, the Company granted options to purchase 150,000 shares of Common Stock to two employees with a one-year vesting period, one half of which vested on October 26, 2016, and the other half on July 26, 2017. The exercise price of the 150,000 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 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. 75,000 of these options were exercised in February 2017. In accordance with the vesting periods, \$0 was expensed related to these options for the three and six months ended December 31, 2018. \$0 and \$9,665 were expensed related to these options for the three and six months ended December 31, 2017, respectively.

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

Shares	Weighted Average
--------	---------------------

		<b>Exercise Price</b>
Options outstanding, as of June 30, 2018	85,000	\$ 1.21
Granted	-	-
Exercised	-	-
Cancelled, forfeited or expired	-	-
Options outstanding, as of December 31, 2018	85,000	\$ 1.21
Options exercisable, as of December 31, 2018	85,000	\$ 1.21

Following is a summary of the status of options outstanding and exercisable at December 31, 2018:

<b>Outstanding Options</b>			<b>Exercisable Options</b>		
<b>Exercise Price</b>	<b>Number</b>	<b>Average Remaining Contractual Life</b>	<b>Exercise Price</b>	<b>Number</b>	<b>Average Remaining Contractual Life</b>
\$2.01	10,000	4.08 years	\$2.01	10,000	4.08 years
\$1.10	75,000	2.57 years	\$1.10	75,000	2.57 years
	85,000			85,000	

**SINO-GLOBAL SHIPPING AMERICA, LTD. AND AFFILIATES****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(UNAUDITED)****Note 10. NON-CONTROLLING INTEREST**

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

	December 31, 2018	June 30, 2018
Sino-China:		
Original paid-in capital	\$ 356,400	\$ 356,400
Additional paid-in capital	1,044	1,044
Accumulated other comprehensive income	271,024	142,902
Accumulated deficit	(5,588,362 )	(5,521,640 )
	(4,959,894 )	(5,021,294 )
Trans Pacific Logistics Shanghai Ltd.	280,721	208,466
Total	\$ (4,679,173 )	\$ (4,812,828 )

**Note 11. COMMITMENTS AND CONTINGENCIES*****Lease Obligations***

The Company leases certain office premises and apartments for employees under various operating lease agreements with terms through April 16, 2020. Rental expenses for the three and six months ended December 31, 2018 were \$56,675 and \$113,033, respectively. Rental expense for the three and six months ended December 31, 2017 were \$54,445 and \$119,307, respectively.

***Contractual Obligations:***

The Company entered into a contract to upgrade its ERP. The total contract costs amounted to RMB 4,000,000, or approximately \$580,000, and on which the Company made a deposit of \$437,357 during the year ended June 30, 2018. The remaining balance will be settled upon the completion of services during fiscal year 2021.

On June 22, 2018, the Company entered into a contract to improve its IT infrastructure. The total contract price for the services is \$1.2 million and the Company paid a deposit of \$1.0 million during the year ended June 30, 2018. The remaining \$0.2 million will be paid upon completion of services during fiscal year 2020.

<b>Leases</b>	<b>Contractual</b>	<b>Total</b>
---------------	--------------------	--------------

Twelve months ending December 31,

2019	\$ 159,075	\$ -	\$ 159,075
2020	13,463	200,000	213,463
2021	-	142,643	142,643
	\$ 172,538	\$ 342,643	\$ 515,181

### ***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. The employers will be liable for one month for severance pay for each year of the service provided by the employees. As of December 31, 2018 and June 30, 2018, the Company has estimated its severance payments of approximately \$56,700 and \$58,543, respectively, which 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.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(UNAUDITED)**

Sino-Global has employment agreements with each of Mr. Lei Cao, Ms. Tuo Pan and Mr. Zhikang Huang. These employment agreements provide for five-year terms that extend automatically in the absence of termination provided at least 60 days prior to the anniversary date of the agreement. If we fail to provide this notice or if we wish to terminate an employment agreement in the absence of cause, then we are obligated to provide at least 30 days' prior notice. In such case during the initial term of the agreement, we would need to pay such executive (i) the remaining salary through the date of December 31, 2023, (ii) two times of the then applicable annual salary if there has been no Change in Control, as defined in the employment agreements or three-and-half times of the then applicable annual salary if there is a Change in Control.

From time to time, the Company is involved in routine litigation that arises in the ordinary course of business. The Company was named as a defendant in a breach of service contract lawsuit in the amount of \$225,000 filed with the California Superior Court on January 19, 2018. The Company filed a motion with the court to force the plaintiff to arbitration rather than to litigate the dispute in court based on the arbitration provision in the contract. The California Superior Court approved to stay the case pending the resolution of the arbitration and has scheduled a status conference for March 19, 2019 to get another update about the status of the arbitration. In Indianapolis, this matter is currently set for a hearing before the arbitrator on May 14, 2019. Management believes it is premature to assess the outcome of the pending arbitration, 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 U.S. enacted the "Tax Cuts and Jobs Act" (the "Act"). 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% rate for subsequent fiscal years.

As of December 31, 2018, the Company re-measured deferred tax assets based on the current effective rate of 21% at which these deferred tax amounts are expected to reverse in the future.

The Company's income tax benefit (expense) for the three and six months ended December 31, 2018 and 2017 are as follows:

	For the three months Ended December 31		<b>For the six months Ended December 31</b>	
	2018	2017	2018	2017
Current				
U.S.	\$282	\$-	\$(30,315 )	\$(60,162 )
Hong Kong	(881 )	(5,113 )	(881 )	(9,422 )
PRC	(170,380)	(118,867 )	(267,817)	(250,925 )
One-time transition tax on accumulated foreign earnings	-	(478,499 )	-	(478,499 )
	(170,979)	(602,479 )	(299,013)	(799,008 )
Deferred				
U.S.	(74,000 )	1,173,600	120,500	1,073,700
Total income tax benefit (expense)	\$(244,979)	\$571,121	\$(178,513)	\$274,692

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(UNAUDITED)**

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

	December 31, 2018	June 30, 2018
Allowance for doubtful accounts	\$ 891,000	\$540,000
Net operating loss	552,000	355,000
Total deferred tax assets	1,443,000	895,000
Valuation allowance	(688,000 )	(260,500)
Deferred tax assets, net - long-term	\$ 755,000	\$634,500

The Company's operations in the U.S. have incurred a cumulative pre-2017 NOL of approximately \$1,421,000 as of June 30, 2018 which may reduce future federal taxable income. The NOL will expire in 2036. During the three and six months ended December 31, 2018, a total of approximately \$495,000 and \$725,000 of NOL were generated, respectively. Tax benefit derived from such NOL were approximately \$104,000 and \$152,000 during the three and six months ended December 31, 2018, 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 December 31, 2018. The net increase in valuation for the three and six months ended December 31, 2018 amounted to approximately \$308,000 and \$427,500, respectively, based on management's reassessment of the amount of the Company's deferred tax assets that are more likely than not to be realized. Management considers new evidence, both positive and negative, that could affect the Company's future realization of deferred tax assets. Due to the Company's forecasted pretax income and continuing utilization of its NOL, management determined that there is sufficient positive evidence to conclude that it is more likely than not that all of the Company's deferred taxes are realizable.

The Company's taxes payable consists of the following:

	December 31, 2018	June 30, 2018
VAT tax payable	\$ 723,563	\$531,337
Corporate income tax payable	2,227,580	2,104,232
Others	63,961	65,050
Total	\$ 3,015,104	\$2,700,619

### **Note 13. CONCENTRATIONS**

#### ***Major Customer***

For the three months ended December 31, 2018, one customer accounted for 62.9% of the Company's revenues. At December 31, 2018, this customers accounted for approximately 10.4% of the Company's accounts receivable.

For the three months ended December 31, 2017, three customers accounted for 60%, 16% and 11% of the Company's revenues, respectively. As of December 31, 2017, one of these three customers accounted for 100% of the Company's accounts due from related parties and the remaining two customers accounted for approximately 74% of the Company's accounts receivable.



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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(UNAUDITED)**

For the six months ended December 31, 2018, three customers accounted for 38.9%, 15.6% and 10.6% of the Company's revenues, respectively. At December 31, 2018, these three customers accounted for approximately 25.3% of the Company's accounts receivable.

For the six months ended December 31, 2017, three customers accounted for 54%, 16% and 11% of the Company's revenues, respectively. As of December 31, 2017, one of these three customers accounted for 100% of the Company's accounts due from related parties and the remaining two customers accounted for approximately 74% of the Company's accounts receivable.

***Major Suppliers***

For the three months ended December 31, 2018, two suppliers accounted for 41.2% and 19.9% of the total costs of revenue, respectively.

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

For the six months ended December 31, 2018, four suppliers accounted for 25.8%, 16.9%, 12.5% and 10.4% of the total costs of revenue, respectively.

For the six months ended December 31, 2017, one supplier accounted for 71% of the total costs of revenue.

**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 four operating segments: (1) shipping agency services; (2) inland transportation management services; (3) freight logistic services; and (4) container trucking services. The Company combined freight logistic services and bulk cargo container services into one segment starting from first quarter of 2019 as both segments have similar nature of services (cargo freight) and was provided to the same customer base. Due to the current economic trade dynamic, the Company has not generated any revenue from bulk cargo container services for the three and six months ended December 31, 2018 and expects revenue from bulk container trucking to generate less than 5% of its revenue for fiscal year 2019. Revenue from bulk cargo container services accounted for 1.9% and 5.7% of total revenue for the three and six months ended December 31, 2017, respectively.

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

	For the three months ended December 31, 2018					
	Shipping Agency Services	Inland Transportation Management Services	Freight Logistic Services	Container Trucking Services	Total	
Revenues						
- Related party	\$ -	\$75,000	\$ -	\$ -		\$75,000
- Third parties	\$889,070	\$345,000	\$8,978,923	\$227,294		\$10,440,287
Total revenues	\$889,070	\$420,000	\$8,978,923	\$227,294		\$10,515,287
Cost of revenues	\$809,040	\$20,000	\$7,497,666	\$229,891		\$8,556,597
Gross profit	\$80,030	\$400,000	\$1,481,256	\$(2,596 )		\$1,958,690
Depreciation and amortization	\$ -	\$20,339	\$475	\$4,751		\$25,565
Total capital expenditures	\$ -	\$ -	\$ -	\$8,534		\$8,534
Gross margin%	9.0	% 95.2	% 16.5	% (1.1	%)	18.6 %

**SINO-GLOBAL SHIPPING AMERICA, LTD. AND AFFILIATES****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(UNAUDITED)****For the three months ended December 31, 2017**

	<b>Inland</b>		<b>Freight</b>	<b>Container</b>		
	<b>Shipping</b>	<b>Transportation</b>	<b>Logistic</b>	<b>Trucking</b>	<b>Total</b>	
	<b>Agency</b>	<b>Management</b>	<b>Services</b>	<b>Services</b>		
	<b>Services</b>	<b>Services</b>				
Revenues						
- Related party	\$ -	\$ 555,246	\$-	\$-	\$ 555,246	
- Third parties	\$-	\$ 838,595	\$3,699,775	\$126,865	\$4,665,235	
Total revenues	\$-	\$ 1,393,841	\$3,699,775	\$126,865	\$5,220,481	
Cost of revenues	\$-	\$ 174,025	\$3,152,005	\$49,848	\$3,375,878	
Gross profit	\$-	\$ 1,219,816	\$547,770	\$77,017	\$1,844,603	
Depreciation and amortization	\$-	\$ 12,736	\$476	\$5,327	\$18,539	
Total capital expenditures	\$-	\$ -	\$2,721	\$42,480	\$45,201	
Gross margin%	-	87.5	% 14.8	% 60.7	% 35.3	%

**For the six months ended December 31, 2018**

	<b>Inland</b>		<b>Freight</b>	<b>Container</b>		
	<b>Shipping</b>	<b>Transportation</b>	<b>Logistic</b>	<b>Trucking</b>	<b>Total</b>	
	<b>Agency</b>	<b>Management</b>	<b>Services</b>	<b>Services</b>		
	<b>Services</b>	<b>Services</b>				
Revenues						
- Related party	\$-	\$ 397,000	\$-	\$-	\$397,000	
- Third parties	\$889,070	\$ 943,000	\$14,466,476	\$319,274	\$16,617,820	
Total revenues	\$889,070	\$ 1,340,000	\$14,466,476	\$319,274	\$17,014,820	
Cost of revenues	\$809,040	\$ 79,874	\$12,463,658	\$287,857	\$13,640,429	
Gross profit	\$80,030	\$ 1,260,126	\$2,002,818	\$31,417	\$3,374,391	
Depreciation and amortization	\$-	\$ 40,826	\$951	\$9,503	\$51,280	
Total capital expenditures	\$-	\$ -	\$-	\$9,357	\$9,357	
Gross margin%	9.0	% 94.0	% 13.8	% 9.8	% 19.8	%

**SINO-GLOBAL SHIPPING AMERICA, LTD. AND AFFILIATES****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(UNAUDITED)****For the six months ended December 31, 2017**

	<b>Inland</b>		<b>Freight</b>	<b>Container</b>	<b>Total</b>	
	<b>Shipping</b>	<b>Transportation</b>	<b>Logistic</b>	<b>Trucking</b>		
	<b>Agency</b>	<b>Management</b>	<b>Services</b>	<b>Services</b>		
	<b>Services</b>	<b>Services</b>				
Revenues						
- Related party	\$ -	\$ 1,120,406	\$-	\$-	\$ 1,120,406	
- Third parties	\$-	\$ 1,691,901	\$7,208,479	\$579,706	\$9,480,086	
Total revenues	\$-	\$ 2,812,307	\$7,208,479	\$579,706	\$10,600,492	
Cost of revenues	\$-	\$ 356,175	\$6,292,597	\$393,024	\$7,041,796	
Gross profit	\$-	\$ 2,456,132	\$915,882	\$186,682	\$3,558,696	
Depreciation and amortization	\$-	\$ 20,397	\$951	\$10,394	\$31,742	
Total capital expenditures	\$-	\$ -	\$7,798	\$42,480	\$50,278	
Gross margin%	-	87.3	% 12.7	% 32.2	% 33.6	%

Total assets as of:

	<b>December 31,</b>	<b>June 30,</b>
	<b>2018</b>	<b>2018</b>
Shipping Agency Services	\$ 587,700	\$-
Inland Transportation Management Services	13,316,748	18,338,099
Freight Logistic Services	409,622	591,519
Container Trucking Services	8,812,133	7,228,209
Total Assets	\$ 23,126,203	\$ 26,157,827

**Note 15. RELATED PARTY TRANSACTIONS**

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

	December 31, 2018	June 30, 2018
Tianjin Zhiyuan Investment Group Co., Ltd.	\$1,228,639	\$2,319,993
Less: allowance for doubtful accounts	(122,864 )	(231,999 )
Total	\$1,105,775	\$2,087,994

In June 2013, the Company signed a five-year global logistic 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 \$397,000 (2.3% of the Company’s total revenue for the six months ended December 31, 2018). The amount due from Zhiyuan Investment Group as of December 31, 2018 was \$1,228,639. As of December 31, 2018, the Company provided a 10% allowance for doubtful accounts of the amount due from Zhiyuan. The Company entered into a supplemental service agreement with Zhiyuan to extend the service period to September 1, 2019.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(UNAUDITED)**

As of December 31, 2018 and June 30, 2018, the outstanding amounts advances to suppliers-related party consist of the following:

	December 31, 2018	June 30, 2018
Zhiyuan International Investment & Holding Group (Hong Kong) Co., Ltd.	\$ -	\$3,414,619
Total	\$ -	\$3,414,619

On February 18, 2017, the Company entered into a cooperative transportation agreement with a related party, Zhiyuan Hong Kong (the “Buyer”) which is owned by the Company’s largest shareholder, jointly with China Minmetals Corporation and China Metallurgical Group Corporation, and which acted as the general designer, general equipment provider and general service contractor in the upgrade and renovation project of a facility owned by 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 received a 1% to 1.25% transportation fee incurred in the Project as a commission for its services rendered. On July 7, 2017, the Company signed a supplemental agreement with the Buyer, in which the Company agreed to cooperate with the Buyer exclusively on the entire 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 agreed to make prepayments to the Buyer for its share of packaging and transporting costs related to the Project; in return, the Company received 15% of the cost incurred in the Project from the Buyer as a service fee. The Company has completed its services pursuant to the supplemental agreement and received a \$575,115 service fee in June 2018. The entire advance was reimbursed in September 2018.

**Note 16. SUBSEQUENT EVENTS**

On January 1, 2019, the Company signed a shipment service agreement with Chongqing Iron and Steel Company (“Chongqing Iron and Steel”) which appointed the Company to ship 1 million tons of iron ore and coal to their designated port with service period from January 1, 2019 to December 31, 2019.

On January 30, 2019, the Company signed an agency agreement with Zhejiang Baoming International Shipping Agency Co., Ltd. and assigned them as the port agent.

## **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 the 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**

#### **Second Quarter 2019 Highlights**

Sales in the three months ended December 31, 2018 increased by \$5,294,806 or 101.4%, from \$5,220,481 for the three months ended December 31, 2017, to \$10,515,287. The increase was mainly due to the fact that we continued to expand our freight logistics segment through continuing co-operations with our major customers. Revenue from the freight logistics segment increased approximately \$5.4 million or 149.7% compared to the same period in fiscal year 2018.

We decided to transition back into the shipping agency business since we have an integrated online logistics platform that allows us to handle a wider base of customers in both China and other ports throughout the world. During the quarter ended December 31, 2018, we had approximately \$0.9 million revenue generated from providing shipping agency services.

#### **2019 Trends**

In the past few years, we have sought diversification for our business and have developed freight logistics, container trucking and inland transportation management segments and temporarily suspended our shipping agency business. However, with our decades of experiences in shipping agency business and solid business relationships, we believe it is for the Company's best interest to redirect our focus to this segment in 2019 based on our assessment of current global trading environments. To our understanding, we are one of the few shipping agents specialized in providing a full range of general shipping agency services in China and the only shipping agency company listed on a major stock exchange in the United States ("U.S.") as most other shipping agencies are much smaller. The market in this industry is fragmented. The setup of Bright Far East International Shipping Agency allows us to use our resources such as our customer base, our IT infrastructure currently under development, and our business insight to build a global network



of shipping agencies. In addition, our current business segments like freight logistics and container trucking can also be integrated and provide more comprehensive logistics services for our customers.

Our plan is to develop a shipping agency network in China and South East Asia during the next three years and to expand our shipping agency network worldwide. We plan to build the network through acquisitions or strategic partnerships with other shipping agencies in different ports worldwide. Our shipping agency business will be mostly conducted through our subsidiaries in China, Hong Kong, Australia, and Canada.

On November 1, 2018, the Company signed a five-year strategic cooperation agreement with a Hong Kong listed Company, Sinco Pharmaceuticals Holdings Ltd (“Sinco”) pursuant to which both Companies will contribute their resources and expertise to develop cold chain logistics in China.

On January 1, 2019, the Company signed a shipment service agreement with Chongqing Iron and Steel Company (“Chongqing Iron and Steel”) which appointed the Company to ship 1 million tons of iron ore and coal to their designated port with service period from January 1, 2019 to December 31, 2019. The business relationship we have with Chongqing Iron and Steel will further enhance and develop our freight logistic business.

During the three months ended December 31, 2018, we signed a shipping agency agreement with Y&D Marine Limited Co. On January 30, 2019, we signed an agency agreement with Zhejiang Baoming International Shipping Agency Co., Ltd. and assigned them as the port agent due to the aforementioned shipping agency agreement with Y&D Marine Limited Co. We will cooperate with more port agents in the near future to further expand our shipping agency business.

## Company Structure

The Company, founded in 2001, is a non-asset based global shipping and freight logistics integrated solution provider. We provide tailored solutions and value-added services for our customers to drive effectiveness and control in related steps throughout the entire shipping and freight logistics chain. We conduct our business primarily through our wholly-owned subsidiaries in the U.S., the People's Republic of China (the "PRC") (including Hong Kong), Australia and Canada. The majority of our business is generated from clients located in the PRC and the U.S.

We operate in four operating segments, including (1) shipping agency services, which are operated by our subsidiary in Hong Kong; (2) inland transportation management services, which are operated by our subsidiaries in the U.S.; (3) freight logistic services, which are operated by our subsidiaries in the PRC and the U.S.; (4) container trucking services, which are operated by our subsidiaries in the PRC and the U.S. We combined freight logistics and bulk cargo container services into one segment starting from first quarter of 2019 as both segments have similar nature of services (cargo freight) and was provided to the same customer base. Due to the current economic trade dynamic, we have not generated any revenue from bulk cargo container services for the three and six months ended December 31, 2018 and expect revenue from bulk container trucking to generate less than 5% of our revenue for fiscal year 2019. Revenue from bulk cargo container services accounted for 1.9% and 5.7% of our total revenue for the three and six months ended December 31, 2017, respectively.

On September 11, 2017 we also set up Ningbo Saimeinuo Supply China Management Ltd. (Sino Ningbo) which mainly engages in transportation management and freight logistics services. Sino Ningbo's operating results were included in the consolidated financial statements for fiscal year 2018.

On September 3, 2018, we entered into a co-operation agreement with Ningbo Far-East Universal Shipping Agency Co., Ltd ("Ningbo Far-East") to set up a joint venture in Hong Kong named Bright Far East International Shipping Agency Company, to engage in worldwide shipping agency and management business. The Company has a 51% ownership in the joint venture. Ningbo Far-East is one of the top ranking shipping agencies for private enterprises in Ningbo and Zhoushan ports in China.

Our corporate structure diagram as of the date of this report is as below:

## Results of Operations

***The Three Months Ended December 31, 2018 Compared to the Three Months Ended December 31, 2017***

***Revenues***

Revenues increased by \$5,294,806 or 101.4%, from \$5,220,481 for the three months ended December 31, 2017 to \$10,515,287 for the same period in 2018. The increase was mainly due to our continuing efforts to diversify our business, resulting in the rise in revenues generated from its freight logistics services segment.

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

For the three months ended December 31, 2018

	Shipping Agency Services	Inland Transportation Management Services	Freight Logistic Services	Container Trucking Services	Total
Revenues					
- Related party	\$-	\$ 75,000	\$-	\$-	\$75,000
- Third parties	\$889,070	\$ 345,000	\$8,978,923	\$227,294	\$10,440,287
Total revenues	\$889,070	\$ 420,000	\$8,978,923	\$227,294	\$10,515,287
Cost of revenues	\$809,040	\$ 20,000	\$7,497,666	\$229,891	\$8,556,597
Gross profit	\$80,030	\$ 400,000	\$1,481,256	\$(2,596 )	\$1,958,690
Depreciation and amortization	\$-	\$ 20,339	\$475	\$4,751	\$25,565
Total capital expenditures	\$-	\$ -	\$-	\$8,534	\$8,534
Gross margin%	9.0	% 95.2	% 16.5	% (1.1 )%	18.6 %

For the three months ended December 31, 2017

	Shipping Agency Services	Inland Transportation Management Services	Freight Logistic Services	Container Trucking Services	Total
Revenues					
- Related party	\$ -	\$ 555,246	\$-	\$-	\$555,246
- Third parties	\$-	\$ 838,595	\$3,699,775	\$126,865	\$4,665,235
Total revenues	\$-	\$ 1,393,841	\$3,699,775	\$126,865	\$5,220,481
Cost of revenues	\$-	\$ 174,025	\$3,152,005	\$49,848	\$3,375,878
Gross profit	\$-	\$ 1,219,816	\$547,770	\$77,017	\$1,844,603
Depreciation and amortization	\$-	\$ 12,736	\$476	\$5,327	\$18,539
Total capital expenditures	\$-	\$ -	\$2,721	\$42,480	\$45,201
Gross margin%	-	87.5	% 14.8	% 60.7	% 35.3 %

## % Changes for the three months ended December 31, 2018 to 2017

	Shipping Agency Services	Inland Transportation Management Services		Freight logistic Services		Container Trucking Services		Total
Revenues								
- Related party	-	(86.5	%)	-		-		(86.5 %)
- Third parties	100 %	(58.9	%)	142.7	%	79.2	%	123.8 %
Total revenues	100 %	(69.9	%)	142.7	%	79.2	%	101.4 %
Cost of revenues	100 %	(88.5	%)	137.9	%	361.2	%	153.5 %
Gross profit	100 %	(67.2	%)	170.4	%	(74.3	%)	6.2 %
Depreciation and amortization	--	59.7	%	(0.2	%)	(10.8	%)	37.9 %
Total capital expenditures	--	--		(100.0	%)	(100	%)	(81.1 %)
Gross margin%	9.0 %	7.7	%	1.7	%	(61.9	%)	(16.7 %)

**Revenues*****(1) Revenues from Shipping Agency Services***

In mid-2018, the Company decided to transition back into the shipping agency business, because the Company now has an integrated online logistics platform that allows it to handle a wider base of customers in both China and other ports throughout the world. For the three months ended December 31, 2018 and 2017, shipping agency services generated revenues of \$889,070 and \$0, respectively, representing a 100.0% increase in both revenues and gross profit.

***(2) 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. Both contracts have been extended to FY 2019. The service fee charge was RMB 32 per ton for Tengda Northwest and RMB 38 per ton for Zhiyuan Investment Group. The service fee charge rates are determined by the scope of services provided.

For the three months ended December 31, 2018 and 2017, inland transportation management services generated related party revenue of \$75,000 and \$555,246, respectively, representing an 86.5% decrease. The decrease was mainly from a decrease in quantity transported of 13,651 tons for the three months ended December 31, 2018, compared to 97,489 tons for the same period in 2017, coupled with the effects of appreciation of USD against RMB. The exchange rate for US\$1 to RMB was 6.9162 for the three months ended December 31, 2018, as compared to US\$1 to RMB 6.6153 for the same period in 2017.

Revenue generated from Tengda Northwest for the three months ended December 31, 2018 and 2017 amounted to \$345,000 and \$838,595, respectively. The overall decrease in revenue of \$493,595 or 58.9% was mainly due to the decrease in quantity transported. Transported quantities were 74,566 tons for the months ended December 31, 2018, compared to 173,652 tons for the same period in 2017. The decrease in quantity was combined with the effect of currency fluctuations resulted in the decrease in revenue.

For the three months ended December 31, 2018 and 2017, gross profit of inland transportation management services amounted to \$400,000 and \$1,219,816, respectively, which represented a 67.2% decrease. Overall gross margins for this segment increased to 95.2% for the quarter ended December 31, 2018, from 87.5% for the same period in 2017. The increase of gross margins in the current period was due to an increase in revenue from customers with higher margin revenue.

***(3) Revenues from Freight Logistic Services***

Freight Logistic Services mainly include cargo forwarding, brokerage and other freight services. During the three months ended December 31, 2018, revenues increased \$5,279,149 or 142.7%. As discussed previously, we combined freight logistics and bulk cargo container services into one segment starting from first quarter of 2019 and we have not generated any revenue from bulk cargo container services for the three months ended December 31, 2018 while revenue from bulk cargo container services accounted for 1.9% of total revenue 2.8% of segment revenue and for the three months ended December 31, 2017, respectively.

The revenue increase was primarily due to the increase of our customer base with larger transaction amounts. One of our major customers during the three months ended December 31, 2018 attributed, in aggregate, approximately \$6.6 million or 62.9 % of the revenues generated. Our gross profit margin increase by 1.7% from 14.8% for the three months ended December 31, 2017 to 16.5% for the same period in 2018, which was due to higher percentage increase in revenues. Even with the same customers, every transaction has a unique gross margin due to differing service scopes. Usually, an engagement where the Company provides a broader set of services generates a higher gross margin and an engagement with a more limited scope generates a lower gross margin. Our proportion of limited scope engagements increased significantly, including revenue from our two largest customers, and contributed a greater portion of revenue in this sector than full-service business, as compared to the prior period.

***(4) Revenues from Container Trucking Services***

For the three months ended December 31, 2018 and 2017, revenues generated from container trucking services were \$227,294 and \$126,865, respectively. Overall revenues from this segment increase by \$100,429 or 79.2%. The related gross loss was 2,596 and decreased by \$79,613, from a gross profit of \$77,017 for the three months ended December 31, 2017. Gross profit margin decrease by 61.9%.

**Operating Costs and Expenses**

Operating costs and expenses increased by \$6,155,795 or 111.2%, from \$5,538,153 for the three months ended December 31, 2017 to \$11,693,948 for the three months ended December 31, 2018. This increase was due to an increase in general and administrative expenses and cost of revenues 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 December 31,					
	2018		2017		Change	
	US\$	%	US\$	%	US\$	%
Revenues	10,515,287	100.0%	5,220,481	100.0%	5,294,806	101.4%
Cost of revenues	8,556,597	81.4 %	3,375,878	64.7 %	5,180,719	153.5 %
Gross margin	18.6	%	35.3	%	(16.7	%)
Selling expenses	258,229	2.5 %	335,261	6.4 %	(77,032 )	(23.0 %)
General and administrative expenses	1,831,746	17.3 %	1,546,305	29.6 %	285,441	18.5 %
Stock-based compensation	1,047,376	10.0 %	280,709	5.4 %	766,667	273.1 %
Total Costs and Expenses	11,693,948	111.2%	5,538,153	106.1%	6,155,795	111.2%



### ***Cost of Revenues***

Cost of revenues was \$8,556,597 for the three months ended December 31, 2018, an increase of \$5,180,719 or 153.5%, as compared to \$3,375,878 for the same period in 2017. The overall cost of revenues as a percentage of our revenues increased from 64.7% for the three months ended December 31, 2017 to 81.4% for the three months ended December 31, 2018. The increase of costs was mainly from the freight logistics services segment, which was due to an increase in freight cost of carriers, as well as a result of rising fuel costs. Cost of revenues for freight logistics and container trucking services are mainly freight costs to various freight carriers.

Cost of revenues for inland transportation segment consisted mainly of sundry costs. The decrease in overall gross profit margin of 16.7% is mainly due to different scopes of services we provided to customers.

### ***Selling Expenses***

Our selling expenses consist primarily of business promotion, salaries and commissions for our operating staff at the ports at which we provide services. For the three months ended December 31, 2018, we had \$258,229 of selling expenses, as compared to \$335,261 for the three months ended December 31, 2017, which represents a decrease of \$77,032 or 23.0%. We were able to maintain our current customer relationships while decreasing our selling expenses slightly. As a percentage of revenue, our selling expenses was 2.5% for the three months ended December 31, 2018, as compared to 6.4% for the corresponding period in 2017.

### ***General and Administrative Expenses***

The Company's general and administrative expenses consist primarily of salaries and benefits, office rent, office expenses, regulatory filing and listing fees, amortization of stock-based compensation expenses, legal, accounting and other professional service fees. For the three months ended December 31, 2018, we had \$1,831,746 of general and administrative expenses, as compared to \$1,546,305 for the three months ended December 31, 2017, which represents an increase of \$285,441 or 18.5%. The Company's provision for doubtful accounts was \$416,706 for the three months ended December 31, 2018, compared with a provision for doubtful accounts of \$861,967 for the same period in 2017. The decrease was due to faster collections from customers. As we continue our business relationship with several large customers, we are monitoring the collection closely with respect to our trade accounts receivable. General and administrative expenses as a percentage of revenue decreased from 29.6% for the three months ended December 31, 2017 to 17.3% for the same period in 2018, which is mainly attributable to higher operating efficiency with increased revenue.

***Stock-based compensation***

Stock-based compensation was \$1,047,376 for the three months ended December 31, 2018, an increase of \$766,667, or 273.1%, as compared to \$280,709 for the three months ended December 31, 2017. The significant increase in stock-based compensation was due to additional common stocks issued to employees and management with increase in revenue.

***Operating Income (Loss)***

We had an operating loss of \$1,178,661 for the three months ended December 31, 2018, compared to an operating loss of \$317,672 for the comparable period in 2017. The increase was mainly due to the increased costs of revenue, selling, general and administrative and stock compensation expenses discussed above.

### ***Financial Income, Net***

Our net financial income was \$782 for the three months ended December 31, 2018, compared to \$137,799 for the same period in 2017. We have operations in the U.S., Canada, Australia, Hong Kong and the PRC; our financial income for this reporting period primarily reflects the foreign currency transaction income or loss expressed in U.S. dollars.

### ***Taxation***

On December 22, 2017, the U.S. enacted the “Tax Cuts and Jobs Act” (the “Act”). Under the provisions of the Act, the U.S. corporate tax rate decreased from 35% to 21%. Since we have 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.

As of December 31, 2018, we re-measured deferred tax assets based on a current effective rate of 21% at which these deferred tax amounts are expected to reverse in the future.

We have incurred a cumulative pre-2017 net operating loss (“NOL”) of approximately \$1,421,000, as of June 30, 2018, which may reduce future federal taxable income. The NOL will expire in 2036. During the three months ended December 31, 2018, a total of approximately \$495,000 of NOL was generated and the tax benefit derived from such NOL was approximately \$104,000. We recorded an income tax expense of \$244,979 for the three months ended December 31, 2018, compared to income tax benefit of \$571,121 for the same period in 2017. For the three months ended December 31, 2018, current income tax decreased by \$431,500 or 71.6%, as compare to the same period in 2017; the decrease is mainly caused by the one-time transition tax in 2017. We had approximately \$496,000 of operating loss in the U.S., which includes non-deductible stock compensation expenses of \$909,500 and approximately \$363,000 increase in allowance for doubtful accounts.

During the three months ended December 31, 2018, we did not recognize any income tax benefit. 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 we believe 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 December 31, 2018. The net increase in valuation for December 31, 2018 amounted to approximately \$308,000, based on management’s reassessment of the amount of the Company’s 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 Company's forecasted pretax income and continuing utilization of NOL, management has determined that there is sufficient positive evidence to conclude that it is more likely than not that all of the Company's deferred taxes are realizable.

***Net Income (loss)***

As a result of the foregoing, we had a net loss of \$1,422,858 for the three month ended December 31, 2018, compared to net income of \$391,248 for the three months ended December 31, 2017. After the deduction of non-controlling interest, net loss attributable to the Company was \$1,473,972 for the three month ended December 31, 2018, compared to net income attributable to the Company of \$297,703 for the three months ended December 31, 2017. Comprehensive loss attributable to the Company was \$ 1,556,550 for the three months ended December 31, 2018, compared to a comprehensive income attributable to the Company of \$468,230 for the three months ended December 31, 2017.

***Six Months Ended December 31, 2018 Compared to Six Months Ended December 31, 2017******Revenues***

Revenues increased by \$6,414,328 or 60.5%, from \$10,600,492 for the six months ended December 31, 2017 to \$17,014,820 for the same period in 2018. The increase was due to our continuing efforts to diversify our business, resulting in the rise in revenues generated from the Company's freight logistics services segment and transition back to shipping agency services started from the second quarter of fiscal year 2019.

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

	For the six months ended December 31, 2018									
	Shipping Agency Services		Inland Transportation Management Services		Freight Logistic Services		Container Trucking Services		Total	
Revenues										
- Related party	\$-		\$ 397,000		\$-		\$-		\$ 397,000	
- Third parties	\$889,070		\$ 943,000		\$14,466,476		\$319,274		\$16,617,820	
Total revenues	\$889,070		\$ 1,340,000		\$14,466,476		\$319,274		\$17,014,820	
Cost of revenues	\$809,040		\$ 79,874		\$12,463,658		\$287,857		\$13,640,429	
Gross profit	\$80,030		\$ 1,260,126		\$2,002,818		\$31,417		\$3,374,391	
Depreciation and amortization	\$-		\$ 40,826		\$951		\$9,503		\$51,280	
Total capital expenditures	\$-		\$ -		\$-		\$9,357		\$9,357	
Gross margin%	9.0	%	94.0	%	13.8	%	9.8	%	19.8	%

	For the six months ended December 31, 2017				
	Shipping Agency Services	Inland Transportation Management Services	Freight Logistic Services	Container Trucking Services	Total
Revenues					
- Related party	\$ -	\$ 1,120,406	\$-	\$-	\$1,120,406
- Third parties	\$-	\$ 1,691,901	\$7,208,479	\$579,706	\$9,480,086
Total revenues	\$-	\$ 2,812,307	\$7,208,479	\$579,706	\$10,600,492
Cost of revenues	\$-	\$ 356,175	\$6,292,597	\$393,024	\$7,041,796

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Gross profit	\$-	\$ 2,456,132	\$915,882	\$ 186,682	\$3,558,696	
Depreciation and amortization	\$-	\$ 20,397	\$951	\$10,394	\$31,742	
Total capital expenditures	\$-	\$ -	\$7,798	\$42,480	\$50,278	
Gross margin%	-	87.3	% 12.7	% 32.2	% 33.6	%

## % Changes for the six months ended December 31, 2018 to 2017

	Shipping Agency Services	Inland Transportation Management Services		Freight logistic Services		Container Trucking Services		Total
Revenues								
- Related party	-	(64.6	%)	-		-		(64.6%)
- Third parties	100%	(44.3	%)	100.7	%	(44.9	%)	75.3 %
Total revenues	100%	(52.4	%)	100.7	%	(44.9	%)	60.5 %
Cost of revenues	100%	(77.6	%)	98.1	%	(26.8	%)	93.7 %
Gross profit	100%	(48.7	%)	118.7	%	(83.2	%)	(5.2 %)
Depreciation and amortization	-	100.2	%	-		(8.6	%)	61.6 %
Total capital expenditures	-	-		(100.0	%)	(78.0	%)	(81.4%)
Gross margin%	9.0 %	6.7	%	1.1	%	(22.4	%)	(13.7 %)

**Revenues*****(1) Shipping Agency Services***

In mid-2018, the Company decided to transition back into the shipping agency business, because it now has an integrated online logistics platform that allows it to handle a wider base of customers in both China and other ports throughout the world. For the six months ended December 31, 2018 and 2017, shipping agency services generated revenues of \$889,070 and \$0, respectively, representing a 100.0% increase in both revenues and gross profit.

***(2) 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. Both contracts have been extended to FY 2019. For Tengda Northwest, the service fee charge was RMB 32 per ton and RMB 38 per ton for Zhiyuan Investment Group. The rates are determined by the scope of services provided.

For the six months ended December 31, 2018 and 2017, inland transportation management services generated related party revenue of \$397,000 and \$1,120,406, respectively, representing a 64.6% decrease. The decrease was mainly from a decrease in quantity transported of 71,272 tons for the six months ended December 31, 2018 compared to 197,545 tons for same period in 2017 coupled with the effects of appreciation of USD against RMB. The exchange rate for US\$1 to RMB was 6.8595 for the six months ended December 31, 2018 as compared to 6.6428 for the same period in 2017.



Revenue generated from Tengda Northwest for the six months ended December 31, 2018 and 2017 amounted to \$943,000 and \$1,691,901, respectively. The overall decrease in revenue from third party of \$748,901 or 44.3% was mainly due to the decrease in quantity transported. Transported quantities were 201,641 tons for the six months ended December 31, 2018 compared to 350,834 tons for the same period in 2017. The decrease in quantity was combined with the effect of currency fluctuations resulted in the decrease in revenue.

For the six months ended December 31, 2018 and 2017, gross profit of inland transportation management services amounted to \$1,260,126 and \$2,456,132, respectively, representing a 48.7% decrease. Overall gross margins for this segment increased to 94.0% for the six months ended December 31, 2018 from 87.3% for the same period in 2017. The increase of gross margins in the current period was due to the increase in revenue of the customer with higher margin revenue.

### ***(3) Revenues from Freight Logistic Services***

Freight Logistic Services mainly include cargo forwarding, brokerage and other freight services. During the six months ended December 31, 2018, revenues increased \$7,257,997 or 100.7%. As discussed previously, we combined freight logistics and bulk cargo container services into one segment starting from first quarter of 2019 and we have not generated any revenue from bulk cargo container services for the six months ended December 31, 2018. Revenue from bulk cargo container services accounted for 5.7% of total revenue 8.4% of segment revenue and for the six months ended December 31, 2017, respectively.

The revenue increase was primarily due to the increase of our customer base with larger transaction amounts. Three of our major customers during the six months ended December 31, 2018 collectively attributed approximately \$11.1 million or 65.1% of the revenues generated. Our gross profit margin increased by 1.1% from 12.7% for the six months ended December 31, 2017 to 13.8% for the same period in 2018 due to lower percentage increase in costs. Even with the same customer, every transaction has a unique gross margin due to differing service scopes. Usually, an engagement where the Company provides a broader set of services generates a higher gross margin, and an engagement of a more limited scope has a lower gross margin. Our proportion of limited scope engagements increased significantly, such as revenue from the two major customers, and contributed a much higher portion of revenue in this sector than full-service business compared to the prior period.

### ***(4) Revenues from Container Trucking Services***

For the six months ended December 31, 2018 and 2017, revenues generated from container trucking services were \$319,274 and \$579,706, respectively. Overall revenues from this segment decreased by \$260,432 or 44.9%. The

decrease was partially due to the disposition of our former joint venture company named ACH Trucking Center Corp. (“ACH Center”), which had \$84,250 in revenues for the six months ended December 31, 2017. The decrease in revenues from this segment was primarily due to the pending trade negotiation with China which decreased container shipments from China to the U.S. The related gross profit decreased by \$155,265 from \$186,682 for the six months ended December 31, 2017 to \$31,417 for the same period in 2018. Gross profit margin decreased by 22.4% because we had a higher percentage of a decrease in sales.

## Operating Costs and Expenses

Operating costs and expenses increased by \$9,558,296 or 95.7%, from \$9,989,894 for the six months ended December 31, 2017 to \$ 19,548,190 for the six months ended December 31, 2018. This increase was due to the increase in general and administrative expenses and cost of revenues as discussed below.

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

	For the six months ended December 31,					
	2018		2017		Change	
	US\$	%	US\$	%	US\$	%
Revenues	17,014,820	100.0%	10,600,492	100.0%	6,414,328	60.5 %
Cost of revenues	13,640,429	80.2 %	7,041,796	66.4 %	6,598,633	93.7 %
Gross margin	19.8	%	33.6	%	(13.7	%)
Selling expenses	366,598	2.2 %	357,727	3.4 %	8,871	2.5 %
General and administrative expenses	3,676,579	21.6 %	2,247,289	21.2 %	1,429,290	63.6 %
Stock-based compensation	1,864,584	11.0 %	343,082	3.2 %	1,521,502	443.5 %
Total Costs and Expenses	19,548,190	115.0%	9,989,894	94.2 %	9,558,296	95.7 %

### Cost of Revenues

Cost of revenues was \$13,620,429 for the six months ended December 31, 2018, an increase of \$6,598,633, or 93.7%, as compared to \$7,041,796 for the same period in 2017. The overall cost of revenues as a percentage of our revenues increased from 66.4% for the six months ended December 31, 2017, to 80.2% for the six months ended December 31, 2018. The increase of costs was mainly from the freight logistics services segment due to an increase in freight cost of carriers as well as a result of rising fuel costs. Cost of revenues for freight logistics and container trucking services are mainly freight costs to various freight carriers.

Cost of revenues for inland transportation segment consisted mainly of the cost of labor and other overhead and sundry costs. The decrease in overall gross profit margin of 13.7% is mainly due to different scope of services we provided to customers.

### Selling Expenses

Our selling expenses consist primarily of business promotion, salaries and commissions for our operating staff at the ports at which we provide services. For the six months ended December 31, 2018, we had \$366,598 of selling expenses, as compared to \$357,727 for the six months ended December 31, 2017, which represents an increase of \$8,871 or 2.5%. Our selling expenses remained consistent as we continue to grow. As a percentage of revenue, our selling expenses was 2.2% for the six months ended December 31, 2018, as compared to 3.4% for the corresponding period in 2017.

### ***General and Administrative Expenses***

The Company's general and administrative expenses consist primarily of salaries and benefits, office rent, office expenses, regulatory filing and listing fees, legal, accounting and other professional service fees. For the six months ended December 31, 2018, we had \$3,676,579 of general and administrative expenses, as compared to \$2,247,289 for the six months ended December 31, 2017, an increase of \$1,429,290, or 63.6%. The Company's provision for doubtful accounts was \$1,287,787 for the six months ended December 31, 2018 compared with a provision for doubtful accounts of \$837,431 for the same period in 2017. The increase was due to slower collections from customers in the inland transportation segment. As we continue our business relationship with several large customers as we are monitoring the collection closely with respect to our trade accounts receivable. General and administrative expenses as a percentage of revenue increased from 21.2% for the six months ended December 31, 2017 to 21.6% for the same period in 2018.

### ***Stock-based compensation***

Stock-based compensation was \$1,864,584 for the six months ended December 31, 2018, an increase of 1,521,502, or 443.5%, as compared to \$343,082 for the six months ended December 31, 2017. The significant increase in stock-based compensation was due to additional common stocks issued to employees and management as a result of higher revenue.

### ***Operating Income (Loss)***

We had an operating loss of \$2,533,370 for the six months ended December 31, 2018, compared to an operating income of \$610,598 for the comparable period in 2017. The significant operating loss for the current period was mainly due to the increased costs of revenue, general and administrative expenses discussed above.

### ***Financial Income, Net***

Our net financial income was \$1,494 for the six months ended December 31, 2018, compared to \$222,595 for the same period in 2017. We have operations in the U.S., Canada, Australia, Hong Kong and the PRC; our financial income for this reporting period primarily reflects the foreign currency transaction income or loss expressed in U.S. dollars.

### ***Taxation***

On December 22, 2017, the U.S. enacted the “Tax Cuts and Jobs Act” (the “Act”). Under the provisions of the Act, the U.S. corporate tax rate decreased from 35% to 21%. Since we have 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.

As of December 31, 2018, we re-measured deferred tax assets based on a current effective rate of 21% at which these deferred tax amounts are expected to reverse in the future.

We have incurred a cumulative pre-2017 NOL of approximately \$1,421,000 as of June 30, 2018, which may reduce future federal taxable income. The NOL will expire in 2036. During the six months ended December 31, 2018, a total of approximately \$725,000 of NOL was generated and the tax benefit derived from such NOL was approximately \$152,000. We recorded an income tax expense of \$178,513 for the six months ended December 31, 2018, compared to income tax benefit of \$274,692 for the same period in 2017. For the six months ended December 31, 2018, current income tax decreased by \$499,995 or 62.6%, as compare to the same period in 2017; the decrease is mainly caused by the one-time transition tax in 2017. We had approximately \$725,000 of operating loss in the U.S., which includes non-deductible stock compensation expenses of \$1,473,500 and approximately \$1,230,000 increase in allowance for doubtful accounts.

During the six months ended December 31, 2018, we recognized a total deferred income tax benefit of approximately \$120,500, which was mainly due to the increase in allowance for bad debts and the increase in NOL.

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 December 31, 2018. The net increase in valuation for December 31, 2018 amounted to approximately \$427,500, 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 the Company's forecasted pretax income and continuing utilization of NOL, management has determined that there is sufficient positive evidence to conclude that it is more likely than not that all of its deferred taxes are realizable.

### ***Net Income (loss)***

As a result of the foregoing, we had a net loss of \$2,710,389 for the six month ended December 31, 2018, compared to net income of \$1,107,885 for the six months ended December 31, 2017. After the deduction of non-controlling interest, net loss attributable to the Company was \$2,790,734 for the six months ended December 31, 2018, compared to net income attributable to the Company of \$914,892 for the six months ended December 31, 2017. Comprehensive loss attributable to the Company was \$3,412,968 for the six months ended December 31, 2018, compared to a comprehensive income attributable to the Company of \$1,191,837 for the six months ended December 31, 2017.

### **Liquidity and Capital Resources**

#### ***Cash Flows and Working Capital***

As of December 31, 2018, we had \$2,454,226 in cash. We held approximately 7.4% of our cash in banks located in New York, Los Angeles, Canada, Australia and Hong Kong and held approximately 92.6% 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 six months ended
	December 31,
2018	2017

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Net cash used in operating activities	\$(4,717,751)	\$(1,259,714)
Net cash used in investing activities	\$(9,357 )	\$(250,278 )
Net cash provided by financing activities	\$500,000	\$-
Effect of exchange rate fluctuations on cash	\$(416,925 )	\$(3,902 )
Net decrease in cash	\$(4,644,033)	\$(1,513,894)
Cash at the beginning of period	\$7,098,259	\$8,733,742
Cash at the end of period	\$2,454,226	\$7,219,848

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

	December 31, 2018	June 30, 2018	Diff.	%
Total Current Assets	\$17,033,768	\$22,392,281	\$(5,358,513)	(23.9%)
Total Current Liabilities	\$4,505,658	\$6,622,553	\$(2,116,895)	(32.0%)
Working Capital	\$12,528,110	\$15,769,728	\$(3,241,618)	(20.6%)
Current Ratio	3.78	3.38	0.40	11.8 %



We finance our ongoing operating activities primarily by using funds from our operations and raising capital. 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 venture 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 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.

The Company entered into a Share Purchase Agreement (the "Purchase Agreement") with Mr. Xiangbin Huang, an accredited investor based in the People's Republic of China (the "Investor") on November 8, 2018, pursuant to which the Company agreed to sell to the Investor, and the Investor agreed to purchase from the Company, through a private placement, such number of shares of the common stock, no par value per share, of the Company ("Common Stock"), that shall be issuable at a purchase price per share equal to 120% of the average closing price of the Common Stock on NASDAQ Stock Market over the five consecutive trading day period immediately prior to the closing of the transaction for aggregate gross proceeds to the Company of \$1,000,000. On December 10, 2018, the Company and the Investor entered into an Amendment Agreement (the "Amendment Agreement", together with the Purchase Agreement, the "Agreements") pursuant to which the parties reduced the aggregate gross proceeds to the Company to \$500,000 (the "Reduced Purchase Price") in the transaction. The private placement above referenced closed (the "Closing") on December 10, 2018. As a result, the Investor owns a total of 420,168 shares of the Common Stock (the "Shares"), on a \$1.19 per share purchase price, approximately 3.1% of the Company's issued and outstanding shares of the Common Stock on a pre-transaction basis. The Agreements sets forth a one-year restrictive period. An appropriate legend has been affixed to the certificate for the Shares.

### ***Operating Activities***

Our net cash used in operating activities was approximately \$4.7 million for the six months ended December 31, 2018 compared to net cash used in operating activities of approximately \$1.3 million for the same period in 2017. The increase in operating cash outflow is primarily attributable to our net loss of approximately \$2.7 million, in which approximately \$1.9 million was non-cash stock compensation expense. We had an increase of approximately \$5.0 million in accounts receivable offset by approximately \$1.3 million of provision for doubtful accounts, an increase in advances to third party suppliers of approximately \$0.2 million, a decrease in advances to related party supplier as we collected a reimbursement of approximately \$3.3 million from Zhiyuan Hong Kong, an increase in prepaid expenses and other current assets of approximately \$0.4 million, which mainly consisted of software development costs for ERP system, various fees, including fees for leasing system hardware and other related consulting fees, incurred during the three months ended December 31, 2018, an increase of approximately \$2.5 million in deposits offset by a decrease of approximately \$1.1 million due from related parties and a decrease of approximately \$2.5 million in accounts payable.

Net cash used in operating activities was approximately \$1.3 million for the six months ended December 31, 2017, including net income of approximately \$1.1 million from increased revenue generated from freight logistics services, deferred tax benefit of approximately \$1.1 million, provision for doubtful accounts of approximately \$0.8 million and amortization of stock-based compensation to consultants of approximately \$0.3 million as reconciled. In the corresponding period, accounts receivable increased by approximately \$2.2 million and the amount due from related parties increased approximately \$0.9 million because of increased revenue for the period. On the other hand, taxes payable increased by approximately \$0.7 million primarily due to the one-time transition tax on accumulated foreign earnings.

### ***Investing Activities***

Net cash used in investing activities was \$9,357 for the six months ended December 31, 2018, related to making office leasehold improvement.

Net cash used in investing activities was \$250,278 for the six months ended December 31, 2017, because we developed four information platforms, purchased a motor vehicle and office equipment.

### ***Financing Activities***

Net cash provided by financing activities was \$500,000 for the six months ended December 31, 2018 due to cash proceeds received from issuance of common stock to a private investor.

### **Critical Accounting Policies**

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

There have been no other material changes during the three month ended December 31, 2018 in our significant accounting policies from those previously disclosed in the Company's annual report for the fiscal year ended June 30, 2018. The discussion of our critical accounting policies contained in Note 2 to our unaudited condensed consolidated financial statements in this report, "Summary of our Significant Accounting Policies", is incorporated herein by reference.

### **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 December 31, 2018, the Company carried out an evaluation, under the supervision 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 December 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 5. Other Information.

The Company has determined that the annual meeting of the shareholders for the fiscal year ended June 30, 2018 will be held more than thirty days after the anniversary date of the meeting last year. The Company will announce that date once it is set and the date for submitting shareholder proposals will be 15 days after that date.

### Item 6. Exhibits

The following exhibits are filed herewith:

Number	Exhibit
10.1	<u>Securities Purchase Agreement by and between the Company and Mr. Xiangbin Huang, dated November 8, 2018</u> <sup>(1)</sup>
10.2	<u>Amendment Agreement by and between the Company and Mr. Xiangbin Huang dated December 10, 2018</u> <sup>(2)</sup>
10.3	<u>Employment Agreement by and between the Company and Mr. Lei Cao, dated as of January 1, 2019</u> <sup>(3)</sup>
10.4	<u>Employment Agreement by and between the Company and Ms. Tuo Pan, dated as of January 1, 2019</u> <sup>(3)</sup>
10.5	<u>Employment Agreement by and between the Company and Mr. Zhikang Huang, dated as of January 1, 2019</u> <sup>(3)</sup>
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.

(1) Incorporated by reference from the current report on Form 8-K filed with the SEC on November 14, 2018

(2) Incorporated by reference from the current report on Form 8-K filed with the SEC on December 12, 2018.

- (3) Incorporated by reference from the current report on Form 8-K filed with the SEC on January 7, 2019

## **SIGNATURES**

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

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

February 13, 2019 By: /s/ Lei Cao

Lei Cao  
Chief Executive Officer  
(Principal Executive Officer)

February 13, 2019 By: /s/ Tuo Pan

Tuo Pan  
Acting Chief Financial Officer  
(Principal Financial Officer and  
Principal Accounting Officer)