

Sino-Global Shipping America, Ltd.
Form 10-Q
May 13, 2015

U.S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

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

For the period ended **March 31, 2015**

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

For the transition period from _____ to _____.

Commission File Number 001-34024

Sino-Global Shipping America, Ltd.

(Exact name of registrant as specified in its charter)

Virginia	11-3588546
(State or other jurisdiction of	(I.R.S.
Incorporation or organization)	employer
	identification
	number)

1044 Northern Boulevard, Suite 305

Roslyn, New York 11576-1514

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(Address of principal executive offices and zip code)

(718) 888-1814

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer

Accelerated filer

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. The Company is authorized to issue 50,000,000 shares of common stock, without par value per share, and 2,000,000 shares of preferred stock, without par value per share. As of the date of this report, the Company has 7,400,841 issued and outstanding shares of common stock and no shares of preferred stock.

SINO-GLOBAL SHIPPING AMERICA, LTD.

FORM 10-Q

INDEX

<u>PART I. FINANCIAL INFORMATION</u>	2
<u>Item 1. Financial Statements</u>	2
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	2
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	10
<u>Item 4/4T. Controls and Procedures</u>	10
<u>PART II. OTHER INFORMATION</u>	10
<u>Item 1. Legal Proceedings</u>	10
<u>Item 1A. Risk Factors</u>	11
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	11
<u>Item 3. Defaults upon Senior Securities</u>	11
<u>Item 4. Mine Safety Disclosures</u>	11
<u>Item 5. Other Information</u>	11
<u>Item 6. Exhibits</u>	12

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 shipping agency, ship management, shipping and chartering and inland transportation management services;
- Assuming we acquire the Vessel, our ability to integrate the Vessel into our operations in a seamless manner without causing disruption to our current businesses as well as, among other items, our ability to successfully generate revenues and cash flows from the Vessel;
- 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 consumer confidence and spending, or the production and distribution of product and raw materials which could, as a result, adversely affect the Company’s shipping agency services, operations and financial performance;
- The acceptance in the marketplace of our new lines of services;
- Foreign currency exchange rate fluctuations;
- Hurricanes or other natural disasters;
- The impact of quotas, tariffs or safeguards on our customer products that we service; and
- Our ability to attract, retain and motivate skilled personnel.

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

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

See the Company's unaudited condensed consolidated financial statements following the signature page of this report, which are incorporated herein by reference.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our Company's financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and the related notes included elsewhere in this report. This discussion contains forward-looking statements that involve risks and uncertainties. Actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors.

Overview

Founded in the United States ("US") in 2001, we are a shipping agency, logistics and ship management services company. Our current service offerings consist of shipping agency services, shipping and chartering services, inland transportation management services and ship management services. We conduct our business primarily through our wholly-owned subsidiaries in the People's Republic of China (the "PRC" or "China"), Hong Kong ("HK"), Australia, Canada and New York. Substantially all of our business is generated from clients located in China. Our subsidiaries in Hong Kong and Australia operate our shipping agency business. Our HK subsidiary operates our shipping and chartering services and ship management services. Our subsidiary in China operates our inland transportation management services.

Our subsidiary in China, Trans Pacific Shipping Limited ("Trans Pacific Beijing"), a wholly owned foreign enterprise, invested in one 90%-owned subsidiary, Trans Pacific Logistics Shanghai Limited ("Trans Pacific Shanghai". Trans Pacific Beijing and Trans Pacific Shanghai are referred to collectively as "Trans Pacific"). As PRC laws and regulations restrict foreign ownership of shipping agency service businesses, we used to provide shipping agency services in the PRC through Sino-Global Shipping Agency Ltd. ("Sino-China"), a Chinese legal entity, which holds the licenses and permits necessary to operate local shipping agency services in the PRC. Trans Pacific Beijing and Sino-China do not have a parent-subsidiary relationship. Trans Pacific Beijing has contractual arrangements with Sino-China and its shareholders that enable us to substantially control Sino-China. Through Sino-China, we have the ability to provide

local shipping agency services in all commercial ports in the PRC. During fiscal year 2014, we completed a number of cost reduction initiatives and reorganized our shipping agency business in the PRC to improve our operating margin. In light of our decision not to pursue the local shipping agency business and as a result of the business reorganization efforts, we no longer provide shipping agency services through our VIE structure and have not undertaken any business through or with Sino-China since approximately June 30, 2014.

Business Segments

We currently deliver the following services: shipping agency and ship management services, shipping and chartering services, and inland transportation management services. Historically, we were in the business of solely providing shipping agency services. With the support of our largest shareholder, Mr. Zhong Zhang and the company he controls, Tianjin Zhi Yuan Investment Group Co., Ltd. (the “Zhiyuan Investment Group”), we expanded our service platform during fiscal year 2014 to include shipping and chartering services (launched during the quarter ended September 30, 2013) and inland transportation management services (launched during the quarter ended December 31, 2013). With the acquisition of Longhe Ship Management (Hong Kong) Co., Limited (“LSM”), a ship management company that is based in Hong Kong, we added ship management services to our service platform in September 2014.

The following table presents summary information by segment for the nine and three months ended March 31, 2015 and 2014:

	For the nine months ended March 31, 2015				For the nine months ended March 31, 2014			
	Shipping Agency and Ship Management Services	Shipping and Transportation Management Services	Inland Transportation Management Services	Consolidated	Shipping Agency and Ship Management Services	Shipping and Chartering Services	Inland Transportation Management Services	Consolidated
Revenues	\$4,690,972	\$-	\$3,534,295	\$8,225,267	\$4,628,578	\$1,937,196	\$1,316,600	\$7,882,374
Cost of revenues	\$3,756,926	\$-	\$547,665	\$4,304,591	\$3,598,641	\$1,291,048	\$187,396	\$5,077,085
Gross profit	\$934,046	\$-	\$2,986,630	\$3,920,676	\$1,029,937	\$646,148	\$1,129,204	\$2,805,289
Gross margin	19.9 %		84.5 %	47.7 %	22.3 %	33.4 %	85.8 %	35.6 %
	For the three months ended March 31, 2015				For the three months ended March 31, 2014			
	Shipping Agency and Ship Management Services	Shipping and Transportation Management Services	Inland Transportation Management Services	Consolidated	Shipping Agency and Ship Management Services	Shipping and Chartering Services	Inland Transportation Management Services	Consolidated
Revenues	\$1,231,182	\$-	\$1,295,580	\$2,526,762	\$1,226,015	\$-	\$866,510	\$2,092,525
Cost of revenues	\$980,136	\$-	\$240,441	\$1,220,577	\$825,181	\$-	\$123,333	\$948,514
Gross profit	\$251,046	\$-	\$1,055,139	\$1,306,185	\$400,834	\$-	\$743,177	\$1,144,011
Gross margin	20.4 %		81.4 %	51.7 %	32.7 %		85.8 %	54.7 %

Revenues

(1) Revenues from Shipping Agency and Ship Management Services

Shipping Agency Services

We provide two types of shipping agency services: loading/discharging services and protective services. For protective agency services, we charge fixed fees while our customers are responsible for the payment of port costs and expenses. For loading/discharging agency services, we receive the total amount from our customers and pay the port charges on our customers' behalf. Under these circumstances, we generally require payments in advance from customers and bill them the balances within 30 days after the transactions are completed. We believe the most significant factors that directly or indirectly affect our shipping agency service revenues are:

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

For the nine months ended March 31, 2015 and 2014, our shipping agency revenues were \$4,500,897 and \$4,628,578, respectively. The decline in revenues was due mainly to the decrease in the total number of ships we served - from 238 for the nine months ended March 31, 2014 to 117 for the same period in 2015. For the three months ended March 31, 2015 and 2014, our shipping agency revenues were \$1,231,182 and \$1,226,015, respectively. Our quarterly revenues were also negatively impacted by the decrease in the total number of ships we served - from 78 for the three months ended March 31, 2014 to 20 for the same period in 2015. Decreases in the number of ships served were driven by intense competition in the industry, with established and new competitors offering rates that in many cases are much lower than we can offer.

	For the nine months ended				For the three months ended			
	March 31,		Change	%	March 31,		Change	%
	2015	2014			2015	2014		
Number of ships served								
Loading/discharging	49	46	3	6.5	19	6	13	216.7
Protective	68	192	(124)	(64.6)	1	72	(71)	(98.6)
Total	117	238	(121)	(50.8)	20	78	(58)	(74.4)

Ship Management Services

On September 8, 2014, we acquired LSM, a ship management services company based in Hong Kong from Mr. Deming Wang. From September to December 2014, LSM managed seven vessels and outsourced the actual ship management duties (which include among other things, crew, technical and insurance arrangements) to Qingdao Longhe Ship Management Services Co., Ltd., a company controlled by Mr. Deming Wang. Based on industry publications and information received from third parties, we grew concerned about the financial viability of vessel owners who were our customers and determined to suspend service to such customers since early January 2015. Because we acted swiftly to suspend such services, we avoided any payment and collection issues with these customers. While we do not currently serve any other customers in this business segment, we are in discussions with a number of potential customers to provide such services. The ship management services generated revenues of \$190,075 for the nine months ended March 31, 2015 (from the closing date to March 31, 2015) and none for the three months ended March 31, 2015.

(2) Revenues from Shipping and Chartering Services

During September 2013, we executed shipping and chartering service agreement with the Zhiyuan Investment Group whereby we were engaged to assist in the transportation of approximately 51,000 tons of chromite ore from South Africa to China. The service agreement with the Zhiyuan Investment Group resulted in revenues of \$1,937,196 and gross profit of \$646,148 for the nine months ended March 31, 2014, and no revenue and cost were occurred for the three months ended March 31, 2014. We did not provide any shipping and chartering service to the Zhiyuan Investment Group or other customer in the nine and three months ended March 31, 2015.

(3) Revenues from Inland Transportation Management Services

In September 2013, we executed an inland transportation management service contract with the Zhiyuan Investment Group whereby we would provide certain advisory services to help control potential commodities loss during the transportation process. We started to provide inland transportation management services to a third-party customer, Tengda Northwest Ferroalloy Co., Ltd., since the quarter ended September 2014. As a result, for the nine months

ended March 31, 2015 and 2014, the inland transportation management services generated revenues of \$3,534,295 and \$1,316,600, and gross profit of \$2,986,630 and \$1,129,204, respectively. For the three months ended March 31, 2015 and 2014, the inland transportation management services generated revenues of \$1,295,580 and \$866,510, and gross profit of \$1,055,139 and \$743,177, respectively.

Operating Costs and Expenses

Our operating costs and expenses consist of cost of revenues, general and administrative expenses (“G&A expenses”), and selling expenses. As a result of a change in our service mix year over year toward lower cost services, we were able to reduce our total operating costs and expenses by \$76,916 for the nine months ended March 31, 2015 as compared to the same period of 2014. For the three months ended March 31, 2015 as compared to the same period of 2014, our total operating costs and expenses increased \$268,141 due mainly to higher G&A expenses attributable to legal, accounting and other professional fees incurred in connection with our securities registration activities as well as higher business development expenses.

The following tables set forth the components of our costs and expenses for the periods indicated.

	For the nine months ended March 31,					
	2015		2014		Change	
	US\$	%	US\$	%	US\$	%
Revenues	8,225,267	100.0%	7,882,374	100.0%	342,893	4.4 %
Cost of revenues	4,304,591	52.3 %	5,077,085	64.4 %	(772,494)	-15.2%
Gross margin	47.7	%	35.6	%	12.1	%
General and administrative expenses	3,326,769	40.4 %	2,492,197	31.6 %	834,572	33.5 %
Selling expenses	66,877	0.8 %	205,871	2.6 %	(138,994)	-67.5%
Total Costs and Expenses	7,698,237	93.7 %	7,775,153	98.6 %	(76,916)	-1.0 %

	For the three months ended March 31,					
	2015		2014		Change	
	US\$	%	US\$	%	US\$	%
Revenues	2,526,762	100.0%	2,092,525	100.0%	434,237	20.8%
Cost of revenues	1,220,577	48.3 %	948,514	45.3 %	272,063	28.7%
Gross margin	51.7	%	54.7	%	-3.0	%