SMARTPAY EXPRESS, INC.
Form 10-Q
August 14, 2008

UNITED STATES
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 quarterly period ended June 30, 2008

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12 b - 2 of the Exchange Act) Yes o No x

Commission File Number 0-26573

SMARTPAY EXPRESS, INC.
(Exact name of Registrant as specified in its charter)

Nevada	20-1204606
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

5th Floor, Chigo Sales Center
Fenggang Road, Lishui Town, Nanhai
Guangdong Province, The People’s Republic of China
(Address of principal executive offices)

(011) (852) 6873-0043
(Registrant's telephone number)

Check whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act during the past 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 x No o

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

Large Accelerated Filer o Accelerated Filer o Non-accelerated Filer o Smaller Reporting Company x

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

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: June 30, 2008, 51,000,000 shares.

SMARTPAY EXPRESS, INC.

Form 10-Q for the period ended June 30, 2008

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SMARTPAY EXPRESS, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Period from January 1, 2008 to June 30, 2008

	Note	Three months ended June 30, 2008 US$	Six months ended June 30, 2008 US$
Operating revenue			
Service income		238,571	357,367
Operating expenses			
Subcontracting charges		(105,960)	(152,236)
Staff costs		(76,344)	(155,613)
Depreciation of property, plant and equipment		(3,438)	(6,274)
Amortization of intangible assets		(55,299)	(110,598)
Other general and administrative expenses		(199,366)	(317,650)
Loss from operations		(201,836)	(385,004)
Interest income		108	1,148
Subsidy income		27,671	27,671
Other income		479	479
Gain on disposal of partial interest in a subsidiary	4	-	259,837
Amortization of long-term loans from a related party	6(b)(b)	(13,119)	(45,332)
Loss on partial settlement of long-term loans from a related party	6(b)(b)	-	(24,717)
Share of result of an associate		(3,192)	(3,192)
Loss before income tax and minority interests		(189,889)	(169,110)
Income tax	5	-	-
Loss before minority interests		(189,889)	(169,110)
Minority interests		41,651	58,367
Net loss		(148,238)	(110,743)
Other comprehensive income			
- Foreign currency translation		27,662	114,893
Total comprehensive (loss) income		(120,576)	4,150

Basic loss per share of common stock	(0.29 cents)	(0.22 cents)
Weighted average number of shares of common stock outstanding	51,000,000	50,763,736

The financial statements should be read in conjunction with the accompanying notes.

SMARTPAY EXPRESS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

		As of	
		June 30, 2008	December 31, 2007
		US$	US$
		(Unaudited)	
	Note		
ASSETS			
Current assets			
Trade receivables from third parties		24,530	28,266
Trade receivables from related parties	6(b)(i)	30,659	36,239
Prepayments and deposits		651,561	170,093
Other debtors		123,007	16,960
Amounts due from related parties	6(b)(ii)	31,110	10,084
Loan receivable from a minority shareholder	6(b)(iii)	290,000	274,110
Income tax recoverable		-	3,567
Inventories (smartcards)		43,551	12,604
Cash and bank balances		593,872	1,373,085
Total current assets		1,788,290	1,925,008
Property, plant and equipment, net		57,081	52,143
Intangible assets, net		1,846,459	1,855,881
Interest in an associate	7	18,362	-
Prepayment for a long-term investment	7	50,725	20,548
Total assets		3,760,917	3,853,580
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)			
Current liabilities			
Trade payables		17,882	11,135
Accrued charges and other payables		447,398	575,125
Amounts due to related parties	6(b)(iv)	1,383,472	1,423,636
Temporary receipts		3,301	508,318
Income tax payable		725	4,536
Total current liabilities		1,852,778	2,522,750
Long-term loans from a related party	6(b)(v)	763,964	883,562
Commitments and contingencies			

Minority interests		564,762	472,005
Stockholders' equity (deficit)			
Common stock, par value US$0.001 per share; authorized 300,000,000 shares; issued and outstanding 51,000,000 shares as of June 30, 2008 and 50,000,000 as of December 31, 2007	8	51,000	50,000
Additional paid in capital	8	599,000	-
Dedicated reserve		319	319
Accumulated losses		(185,799)	(75,056)
Accumulated other comprehensive income		114,893	-
Total stockholders' equity (deficit)		579,413	(24,737)
Total liabilities and stockholders' equity (deficit)		3,760,917	3,853,580

The financial statements should be read in conjunction with the accompanying notes.

SMARTPAY EXPRESS, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Period from January 1, 2008 to June 30, 2008

	Six months ended June 30,	
	2008	2007
	US$	US$
Cash flows from operating activities:		
Net loss	(110,743)	-
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation of property, plant and equipment	6,274	-
Amortization of intangible assets	110,598	-
Interest income	(1,148)	-
Gain on disposal of partial interest in a subsidiary	(259,837)	-
Amortization of long-term loans from a related party	45,332	-
Loss on partial settlement of long-term loans from a related party	24,717	-
Minority interests	(58,367)	-
Share of result of an associate	3,192	-
Exchange difference	15,223	-
Changes in working capital:		
Trade receivables	13,056	-
Inventories	(30,217)	-
Prepayments and deposits	128,332	-
Other debtors	(105,063)	-
Trade payables	6,101	-
Accrued charges and other payables	(161,068)	-
Temporary receipts	(123,523)	-
Income tax recoverable/payable	(300)	-
Net cash used in operating activities	(497,441)	-
Cash flows from investing activities:		
Interest income	1,148	-
Prepayment for a long-term investment	(50,725)	-
Payments for purchase of property, plant and equipment	(8,553)	-
Net advances to related parties	(20,256)	-
Net cash used in investing activities	(78,386)	-
Cash flows from financing activities:		
Issue of share capital	-	* -
Repayments to related parties	(41,238)	-

Settlement of long-term loans from a related party	(240,868)	-
Net cash used in financing activities	(282,106)	-
Net decrease in cash and cash equivalents	(857,933)	* -
Cash and cash equivalents at beginning of period	1,373,085	-
Effect on exchange rate changes	78,720	-
Cash and cash equivalents at end of period, represented by cash and bank balances	593,872	* -

*The amount should be HK$1, which is the cash received from issuance of share capital of Eastern Concept Development Limited on incorporation. The amount is presented as US$nil due to rounding.

The financial statements should be read in conjunction with the accompanying notes.

SMARTPAY EXPRESS, INC.
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Period from January 1, 2008 to June 30, 2008

The condensed consolidated balance sheet as of December 31, 2007, which has been derived from the audited financial statements at that date, and the unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information not misleading.

It is suggested that these condensed consolidated financial statements be read in conjunction with the financial statements and the notes thereto included in the Company's Form 10-KSB for the period ended December 31, 2007.

These condensed consolidated financial statements reflect all adjustments that, in the opinion of management, are necessary for a fair presentation for the period presented, including normal recurring adjustments.

1. ORGANIZATION

The unaudited condensed consolidated financial statements include the accounts of SmartPay Express, Inc. ("SPYX") (formerly known as Axiom III, Inc. ("AXIO")) and its subsidiaries (collectively referred to as the "Company").

On October 10, 2007, AXIO entered into a share exchange agreement with, among others, the shareholders of Eastern Concept Development Limited ("Eastern Concept"), a corporation organized and existing under the laws of Hong Kong, pursuant to which AXIO acquired 100% of the issued and outstanding share capital of Eastern Concept in exchange for 35,351,667 shares of common stock of AXIO, or 70.7% of the total 50,000,000 issued and outstanding shares of common stock of AXIO after giving effect to the share exchange. On October 18, 2007, AXIO entered into a stock purchase agreement with Northeast Nominee Trust, the then major shareholder of AXIO, to dispose of its 100% interest in Axiom First Corporation, the only asset of AXIO just before the share exchange on October 10, 2007, at a consideration of US$1. Since then, AXIO entirely ceased its prior business operations.

For financial reporting purposes, the acquisition of Eastern Concept by AXIO has been treated as a reverse acquisition whereby Eastern Concept is considered as the acquirer, i.e. the surviving entity. On this basis, the historical financial information prior to October 10, 2007 represents that of Eastern Concept. Since Eastern Concept was incorporated on June 29, 2007 and there was no income derived or expenses incurred by Eastern Concept during the period from June 29, 2007 to June 30, 2007, no comparative information has been presented in the unaudited condensed consolidated statements of operations for the three-month and six-month periods ended June 30, 2008.

SPYX has six subsidiaries: Eastern Concept, Eastern Concept Corporate Consulting (Shenzhen) Limited, Foshan Wanzhi Electron S&T Company Limited ("Wanzhi"), Foshan Information Technology Company Limited ("Foshan Company"), Foshan JiaXun Information Technology Company Limited ("JiaXun") and Foshan JinCheng Information Technology Company Limited ("JinCheng"). Except for Eastern Concept, all subsidiaries are established in the People's Republic of China (the "PRC").

The Company is principally engaged in the provision of smartcard payment system and related value-added services in Guangdong province, the PRC.

2. BASIS OF PRESENTATION

The Company had negative working capital as of June 30, 2008 of US$64,488, which raise substantial doubt about its ability to continue as a going concern.

Continuation of the Company as a going concern is dependent upon attaining profitable operations in the future and obtaining adequate finance as and when required. The unaudited condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The negative working capital position of the Company as of June 30, 2008 was mainly because of the amount due to the sole director who is also a major shareholder of SPYX of US$1,362,151. The sole director has agreed not to call upon the Company to repay any of the amount due to him until it is in a financial position to do so. He has also undertaken to make available adequate funds to the Company as and when required to maintain the Company as a going concern.

As a result, management is confident that the Company will be able to continue as a going concern.

3. ADOPTION OF NEW ACCOUNTING STANDARDS

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, “Fair Value Measurements” (“SFAS 157”), which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 applies under other existing accounting pronouncements that require or permit fair value measurement, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, SFAS 157 does not require any new fair value measurements. However, the application of this statement may change the current practice for fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The adoption of SFAS 157 did not have a material impact on these condensed consolidated financial statements.

SMARTPAY EXPRESS, INC.
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Period from January 1, 2008 to June 30, 2008

4. GAIN ON DISPOSAL OF PARTIAL INTEREST IN A SUBSIDIARY

In February 2008, Wanzhi disposed of its 45% equity interest in Foshan Company at a consideration of US$410,961 (the “Disposal”), resulted in a gain of US$259,837 as recorded in the condensed consolidated statement of operations. The consideration for the Disposal was received in 2007 and recorded as temporary receipts in the consolidated balance sheet as of December 31, 2007. After the Disposal, SPYX holds 55% equity interest in Foshan Company through Wanzhi.

5. TAXATION

Entities that carry on business and derive income in Hong Kong are subject to Hong Kong profits tax at the rate of 17.5%. Entities that carry on business and derive income in the PRC are subject to PRC enterprise income tax at the rate of 25%.

No provision for Hong Kong profits tax and PRC enterprise income tax has been made as the subsidiaries in Hong Kong and the PRC incurred losses for taxation purpose during the three-month and six-month periods ended June 30, 2008.

6. RELATED PARTY TRANSACTIONS

In addition to the transactions / information disclosed elsewhere in these financial statements, the Company had the following transactions with related parties.

(a) Name and relationship of related parties

Name	Existing relationships with the Company
Benny Lee	The sole director and a major shareholder of SPYX
Li Xing Hao	A director of Wanzhi
Guangdong Chigo Air Conditioning Company Limited (“Chigo”)	A company in which Li Xing Hao has control and beneficial interest
Tang Jin Cheng	A director of JinCheng
Foshan JinCheng Technology Company Limited	Minority shareholder of JinCheng
Foshan Shancheng JiaXun Technology Services Centre (“Shancheng JiaXun”)	Minority shareholder of JiaXun
Foshan KaiEr Information Technology Company Limited (“KaiEr”)	An associate

(b) Balances with related parties

(i) Trade receivables from related parties

	As of

	June 30, 2008	December 31, 2007
	US$	US$
	(Unaudited)	
Chigo	29,559	24,496
Foshan JinCheng Technology Company Limited	1,100	11,743
	30,659	36,239

The amounts due are unsecured, interest-free and have no fixed repayment term.

SMARTPAY EXPRESS, INC.
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Period from January 1, 2008 to June 30, 2008

6. RELATED PARTY TRANSACTIONS (CONTINUED)

(ii) Amounts due from an associate / related parties

	As of	
	June 30, 2008	December 31, 2007
	US$	US$
	(Unaudited)	
Shancheng JiaXun (a)	2,124	5,975
Tang Jin Cheng (a)	14,493	4,109
KaiEr (b)	14,493	-
	31,110	10,084

(a) The amounts due are unsecured, interest-free and have no fixed repayment term.

(b) The amount due is unsecured, interest-free and repayable within three months from the date of advance.

(iii) Loan receivable from a minority shareholder

The loan to Shancheng JiaXun is unsecured, interest-free and repayable on 31 December 2008. Mr. Li Xing Hao has undertaken to indemnify the Company against any loss that may arise from the non-recovery of the loan.

(iv) Amounts due to related parties

	As of	
	June 30, 2008	December 31, 2007
	US$	US$
	(Unaudited)	
Chigo	-	3,453
Benny Lee	1,362,151	1,360,746
Li Xing Hao	21,321	59,437
	1,383,472	1,423,636

The amounts due are unsecured, interest-free and have no fixed repayment term.

SMARTPAY EXPRESS, INC.
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Period from January 1, 2008 to June 30, 2008

6. RELATED PARTY TRANSACTIONS (CONTINUED)

(v) Long-term loans from a related party

	As of	
	June 30, 2008	December 31, 2007
	US$	US$
	(Unaudited)	
At beginning of period	883,562	-
Exchange realignment	51,221	-
Additions through acquisition of subsidiaries	-	883,562
Amortization	45,332	-
Repayments	(216,151)	-
At balance sheet date	763,964	883,562

The loans from Li Xing Hao, a director of Wanzhi, are unsecured, interest-free and repayable within two years from the date of advances. The loans were stated at fair value at inception, calculated by using the discount rate of 7.56% per annum, and are subsequently stated at amortized cost.

During the period ended June 30, 2008, the Company paid US$240,868 for partial settlement of a portion of the loans with carrying amount of US$216,151, resulted in a loss of US$24,717 as recorded in the condensed consolidated statements of operations.

(c) Summary of related party transactions

	Three months ended June 30, 2008	Six months ended June 30, 2008
	US$	US$
Service income from Chigo	30,480	46,499
Service income from Foshan JinCheng Technology Company Limited	3,102	8,647

7. INTEREST IN AN ASSOCIATE / PREPAYMENT FOR A LONG-TERM INVESTMENT

In April 2008, JinCheng acquired a 30% equity interest in KaiEr at a consideration of US$18,362. In addition, during the period ended June 30, 2008, JinCheng paid US$50,725 for the purpose of acquiring a further 21% equity interest in KaiEr. The acquisition has not yet completed as of the date of these unaudited condensed consolidated financial statements.

8. ISSUE OF NEW SHARES

In February 2008, SPYX issued 700,000 and 300,000 shares at US$0.6 per share to third parties for consulting and professional services provided/to be provided to the Company for the periods from March 1, 2008 to August 31, 2009 and from March 1, 2008 to February 28, 2009 respectively. The unamortized portion of the service fees as of June 30, 2008 of US$446,667 was included in prepayments and deposits. The excess of the issue price over the par value of the shares issued of US$599,000 has been recorded in additional paid in capital.

Item 2. Management's Discussion and Analysis or Plan of Operation

PRELIMINARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This discussion contains forward-looking statements. The reader should understand that several factors govern whether any forward-looking statement contained herein will be or can be achieved. Any one of those factors could cause actual results to differ materially from those projected herein. These forward-looking statements include plans and objectives of management for future operations, including plans and objectives relating to the products and the future economic performance of the company. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions, future business decisions, and the time and money required to successfully complete development projects, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the company. Although the company believes that the assumptions underlying the forward-looking statements contained herein are reasonable, any of those assumptions could prove inaccurate and, therefore, there can be no assurance that the results contemplated in any of the forward-looking statements contained herein will be realized. Based on actual experience and business development, the company may alter its marketing, capital expenditure plans or other budgets, which may in turn affect the company's results of operations. In light of the significant uncertainties inherent in the forward-looking statements included therein, the inclusion of any such statement should not be regarded as a representation by the company or any other person that the objectives or plans of the company will be achieved.

OVERVIEW

We were incorporated in the State of Nevada in June 2004 to engage in any lawful undertaking. Pursuant to a share exchange agreement, dated October 10, 2007, the shareholders of Eastern Concept Development Limited exchanged all of its share capital for 35,351,667 shares of Common Stock of SPYX, or 70.7% of the total then 50,000,000 issued and outstanding shares of common stock of SPYX after giving effect to the share exchange. Subsequently, on December 17, 2007, we filed a Schedule 14C for the adoption of the Company's name of SmartPay Express, Inc. and the increase of our authorized capital to 300,000,000 shares of common stock, authorized capital shares of preferred stock remains the same as 5,000,000 shares.

Through its indirectly wholly-owned subsidiary, Foshan Wanzhi Electron S&T Co., Ltd. ("Foshan"), SPYX is principally engaged in the provision of smart card payment systems and related value-added services mainly in the Guangdong Province of the People's Republic of China. We are an operator of All-in-One Municipal Service Cards ("AIOMS Card"). The AIOMS Card has a built-in microchip containing an electronic purse and other applications which can accurately record the holder's transaction details. Examples of the usages of AIOMS Cards include, but are not limited to, the following: VIP shopping cards, prepaid phone cards, municipal travel cards, student cards, corporate employee cards and lottery sales cards. We have opened a branch in the city of Foshan, in Guangdong Province, and have signed contracts to open additional branches in other major cities in China.

RESULTS OF OPERATIONS

The following table shows the financial data of the consolidated statements of operations of the Company and its subsidiaries for the three-month period and six-month period ended June 30, 2008. The data should be read in conjunction with the audited consolidated financial statements of the Company and related notes thereto.

(In US$ thousands except per share data)	Three-month Period Ended	Six-month Period Ended
	Jun. 30	Jun. 30
	2008	2008

Operating revenues		
Service Income	239	357
Operating expenses		
Subcontracting charges	(106)	(152)
Staff costs	(76)	(156)
Depreciation expenses	(3)	(6)
Amortization of intangible assets	(56)	(110)
Other general and administrative expenses	(199)	(318)
Total Operating expenses	(440)	(742)
Loss from operations	(202)	(385)
Non-operating income		
Interest income	--	1
Other income	12	215
Loss before income tax and minority interests	(190)	(169)
Income tax expense	--	--
Loss before minority interests	(190)	(169)
Minority interests	42	58
Net Loss	(148)	(111)
Other comprehensive income		
--Foreign currency translation	28	115
Total comprehensive income/(loss)	(120)	4
Basic loss per share of		
Common stock (cents)	(0.29)	(0.22)

THREE-MONTH PERIOD ENDED JUNE 30, 2008 COMPARED TO THREE-MONTH PERIOD ENDED JUNE 30, 2007.

The acquisition of Eastern Concept by the Company has been treated as a reverse acquisition whereby Eastern Concept is considered as the acquirer. Eastern Concept was incorporated in Hong Kong on June 29, 2007 and there was no income derived or expenses incurred by Eastern Concept during the period from June 29, 2007 to June 30, 2007. As a result, the Company captures all activities for the three-month period and six-month period ended June 30, 2008 in this report.

OPERATING REVENUE

Since inception in June 2007, the Company has been engaged in the provision of smartcard payment system and related value-added services primarily in Guangdong province, the PRC. The Company generated a total of approximately $239,000 service income as operating revenue for the three-month period ended June 30, 2008, of which approximately 70% was generated from the Nanhai Project to provide the student's all-in-one card services in Nanhai District ("Nanhai Project").

SUBCONTRACTING CHARGES

For the three-month ended June 30, 2008, subcontracting charges amounted to approximately $106,000. The significant portion of these charges was related to the Nanhai Project, for which the Company engaged the Foshan City branch of China Telecom to provide telecommunication services.

STAFF COSTS

The total staff costs for the reporting period approximated $76,000. Currently, the Company employs 4 managers, 14 technicians, and 10 administrative staff.

DEPRECIATION EXPENSES

Depreciation expenses for the reporting period amounted to $3,438. These expenses were related to the depreciation charged on office equipments and computers.

AMORTIZATION OF INTANGIBLE ASSETS

Amortization charges of intangible assets for the reporting period approximated $55,000. These amortization charges resulted from the operating rights of the Nanhai Project and ShanCheng Project to provide the student's all-in-one card services in ShanCheng District ("ShanCheng Project") in addition to computer software relating to the Nanhai Project. As of June 30, 2008, the carrying value of the operating rights of the Nanshi Project and ShanCheng Project was approximately $1.26 million and $270,000, respectively; and the carrying value of the intangible asset of the computer software was approximately $320,000.

OTHER GENERAL AND ADMINISTRATIVE EXPENSES

Other general and administrative expenses were approximately $199,000 for the reporting period, which include various kinds of expenses incurred by the Company including approximately $137,000 in legal and professional fees.

INTEREST INCOME

Interest income was very minimal for the three-month period ended June 30, 2008. This income was the interest earned on cash in bank deposit.

OTHER INCOME/(NET OF OTHER EXPENSES)

The other income approximated $12,000 for the reporting period ended June 30, 2008. This other income was the result from a one-off government granted subsidy income in the amount of approximately $27,000, which was partially offset by amortization of long-term loans in the amount approximated $13,000.

INCOME TAXES

The Company is subject to PRC Enterprise Income Taxes ("EIT") on an entity basis on income arising in and derived from the PRC. The applicable EIT rate is 25%.

There was no income tax recorded for the reporting period ended June 30, 2008.

NET LOSS

Net loss was approximately $148,000 for the reporting period ended June 30, 2008. The net loss was primarily the result of certain loss from operations.

SIX-MONTH PERIOD ENDED JUNE 30, 2008 COMPARED TO SIX-MONTH PERIOD ENDED JUNE 30, 2007.

OPERATING REVENUE

For the six-month period ended June 30, 2008, the Company generated a total of approximately $357,000 service income as operating revenue, of which approximately 70% of this revenue was generated from the Nanhai Project.

SUBCONTRACTING CHARGES

For the six-month ended June 30, 2008, subcontracting charges amounted to approximately $152,000. The significant portion of these charges was related to the Nanhai Project, for which the Company engaged the Foshan City branch of China Telecom to provide telecommunication services.

STAFF COSTS

The total staff costs for the six-month reporting period ended June 30, 2008 approximated $156,000.

DEPRECIATION EXPENSES

Depreciation expenses for the six-month reporting period amounted to $6,274. These expenses were related to the depreciation charged on office equipments and computers.

AMORTIZATION OF INTANGIBLE ASSETS

Amortization charges of intangible assets for the reporting period approximated $110,000. These amortization charges were resulted from the operating rights of the Nanhai Project and ShanCheng Project, in addition to computer software relating to the Nanhai Project.

OTHER GENERAL AND ADMINISTRATIVE EXPENSES

Other general and administrative expenses were approximately $318,000 for the six-month reporting period, which include various kinds of expenses incurred by the Company including approximately $206,000 in legal and professional fees.

INTEREST INCOME

Interest income was approximately $1,100 for the six-month period ended June 30, 2008. This income was the interest earned on cash in bank deposit.

OTHER INCOME/(NET OF OTHER EXPENSES)

The other income approximated $215,000 for the six-month period ended June 30, 2008. This other income resulted from the gain on disposal of partial interest in a subsidiary in the amount of approximately $259,000, which was offset by amortization of long-term loans in the amount approximated $45,000.

INCOME TAXES

The Company is subject to PRC Enterprise Income Taxes (“EIT”) on an entity basis on income arising in and derived from the PRC. The applicable EIT rate is 25%.

There was no income tax recorded for the six-month period ended June 30, 2008.

NET LOSS

Net loss was approximately $111,000 for the reporting period ended June 30, 2008. The net loss was primarily the result of certain loss from operations.

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2008, cash and cash equivalents totaled $593,872. This net decrease of cash position in the amount of $779,213 as compared to the position as of December 31, 2007 was the result of net cash used in all operating, investing, and financing activities in their respective amounts of $497,441, $78,386, and $282,106, offsetting by exchange rate changes in the amount of $78,720. The net cash used in operating activities was mainly the result of decrease of working capital in relation to accrued charges and other payables, in addition to the back out of the non-operating gain on disposal of partial interest in a subsidiary. The net cash used in investing activities was primarily the result of increase in net advances to related parties and prepayment for a long-term investment. The net cash used in financing activities was mainly due to the partial settlement of long-term loans.

We believe that the level of financial resources is a significant factor for our future development, and accordingly we may choose at any time to raise capital through private debt or equity financing to strengthen its financial position, facilitate growth and provide us with additional flexibility to take advantage of business opportunities. However, we do not have immediate plans to have a public offering of our common stock.

CRITICAL ACCOUNTING POLICIES

In response to the SEC's Release No. 33-8040, "Cautionary Advice Regarding Disclosure About Critical Accounting Policy," the Company identified the most critical accounting principals upon which its financial status depends. The Company determined that those critical accounting principles are related to the use of estimates, revenue recognition, income tax and impairment of intangibles and other long-lived assets. The Company presents these accounting policies in the relevant sections in this management's discussion and analysis, including the Recently Issued Accounting Pronouncements discussed below.

In presenting our financial statements in conformity with generally accepted accounting principles, we are required to make estimates and assumptions that affect the amounts reported therein. Several of the estimates and assumptions we are required to make relate to matters that are inherently uncertain as they pertain to future events. However, events that are outside of our control cannot be predicted and, as such, they cannot be contemplated in evaluating such estimates and assumptions. If there is a significant unfavourable change to current conditions, it could result in a material adverse impact to our consolidated results of operations, financial position and liquidity. We believe that the estimates and assumptions we used when preparing our financial statements were the most appropriate at that time. Presented below are those accounting policies that we believe require subjective and complex judgments that could potentially affect reported results. However, the majority of our businesses operate in environments where we pay a fee for a service performed, and therefore the results of the majority of our recurring operations are recorded in our financial statements using accounting policies that are not particularly subjective, nor complex.

Valuation of Long-Lived Assets

We review our long-lived assets for impairment, including property, plant and equipment, and identifiable intangibles with definite lives, whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. To determine recoverability of our long-lived assets, we evaluate the probability that future undiscounted net cash flows will be greater than the carrying amount of our assets. Impairment is measured based on the difference between the carrying amount of our assets and their estimated fair value.

Allowance for Doubtful Accounts

We perform ongoing credit evaluations of our customers and adjust credit limits based upon customer payment history and current creditworthiness. We continuously monitor collections and payments from our customers and maintain a provision for estimated credit losses based upon our historical experience and any specific customer collection issues that have been identified. While such credit losses have historically been within our expectations and the provisions established, we cannot guarantee that we will continue to experience credit loss rates similar to those we have experienced in the past. Measurement of such losses requires consideration of historical loss experience, including the need to adjust for current conditions, and judgments about the probable effects of relevant observable data, including present economic conditions such as delinquency rates and financial health of specific customers.

Off-Balance Sheet Arrangements

The Company has not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. The Company has not entered into any derivative contracts that are indexed to the Company's shares and classified as shareholder’s equity or that are not reflected in the Company's financial statements. Furthermore, the Company does not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. The Company does not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to the Company or engages in leasing, hedging or research and development services with the Company.

Inflation

The Company believes that inflation has not had a material effect on its operations to date.

Income Taxes

Provision for income and other taxes has been made in accordance with the tax rates and laws in effect in the PRC.

Income tax is computed on the basis of pre-tax income. Deferred taxes are provided using the liability method for all significant temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and net operating loss carry forwards. The tax consequences of those differences are classified as current or non-current based on the classification of the related assets or liabilities in the financial statements.

Revenue Recognition

The Company generally recognizes service revenues when persuasive evidence of an arrangement exists, services are rendered, the fee is fixed or determinable, and collectibility is probable. Service revenues are recognized net of discounts.

Recently Issued Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations, which replaces SFAS No. 141. The statement retains the purchase method of accounting for acquisitions, but requires a number of changes, including changes in the way assets and liabilities are recognized in the purchase accounting. It also changes the recognition of assets acquired and liabilities assumed arising from contingencies, requires the capitalization of in-process research and development at fair value, and requires the expensing of acquisition-related costs as incurred. SFAS No. 141(R) is effective for the Company beginning January 1, 2009 and will apply prospectively to business combinations completed on or after that date. While the Company has not yet evaluated this statement for the impact, if any, that SFAS 141(R) will have on its consolidated financial statements, the Company will be required to expenses costs related to any acquisitions after December 31, 2008.

In December 2007, the FASB issued SFAS No. 160, Non Controlling Interests in Consolidated Financial Statements, an amendment of ARB 51, which changes the accounting and reporting for minority interests. Minority interests will be recharacterized as noncontrolling interests and will be reported as a component of equity separate from the parents' equity, and purchases or sales of equity interests that do not result in a change in control will be accounted for as equity transactions. In addition, net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement and, upon a loss of control, the interest sold, as well as any interest retained, will be recorded at fair value with any gain or loss recognized in earnings. SFAS No. 160 is effective for the Company beginning January 1, 2009 and will apply prospectively, except for the presentation and disclosure requirements, which will apply retrospectively. The Company does not expect the adoption of SFAS No. 160 will have a material impact on its financial statements.

ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business, operations of the Company are exposed to fluctuations in interest rates. These fluctuations can vary the costs of financing and investing yields. During the first six months of 2008, the Company has not utilized any financing arrangements or investing arrangements and is not currently subject to any market risk.

ITEM 4(A) - CONTROLS AND PROCEDURES

The Chief Executive Officer and Chief Financial Officer (the principal executive officer and principal financial officer, respectively) of the Company have concluded, based on their evaluation as of June 30, 2008, that the design and operation of the Company's "disclosure controls and procedures" (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended ("Exchange Act")) are, to the best of their knowledge, effective to ensure that information required to be disclosed in the reports filed or submitted by the Company under the Exchange Act is accumulated, recorded, processed, summarized and reported to the management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding whether or not disclosure is required.

During the quarter ended June 30, 2008, there were no changes in the internal controls of the Company over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, the internal controls of the Company over financial reporting.

ITEM 4(A)T – INTERNAL CONTROL OVER FINANCIAL REPORTING

(a) The Company’s management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). Management conducted an evaluation of the effectiveness of the Company’s internal control over financial reporting based on the criteria set forth in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, management has concluded that the Company’s internal control over financial reporting was effective as of June 30, 2008.

(b) This quarterly report does not include an attestation report of the company’s registered public accounting firm regarding internal control over financial reporting. Management’s report was not subject to attestation by the company’s registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the company to provide only management’s report in this annual report.

(c) There were no changes in the Company's internal controls over financial reporting, known to the chief executive officer or the chief financial officer that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

None.

ITEM 2 - UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5 - OTHER INFORMATION

None.

ITEM 6 - EXHIBITS

31 Certification of the Chief Executive Officer and Chief Financial Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934

32 Certification of the Company's Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. SS. 1350 Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

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

SMARTPAY EXPRESS, INC.
(Registrant)

August 14, 2008 /s/ Benny Lee
Benny Lee
Chairman, Chief Executive Officer and
Chief Financial Officer
(Principal Executive Officer and Principal
Accounting Officer)