

SMARTHEAT INC.  
Form 10-Q  
November 16, 2009

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2009

OR

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

Commission file number 000-53052

SMARTHEAT INC.  
(Exact name of registrant as specified in its charter)

NEVADA  
(State or other jurisdiction of  
incorporation or organization)

98-0514768  
(IRS Employer  
Identification No.)

A-1, 10, Street 7  
Shenyang Economic and Technological Development Zone  
Shenyang, China  
110027  
(Address of principal executive offices, including zip code.)

+86 (24) 2519-7699  
(telephone number, including area code)

(Former name or former address, if changed since last report)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the 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 last 90 days. 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. See the definitions of "large accelerated filer," "accelerated filer," "non-accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

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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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 32,784,825 shares as of November 11, 2009.

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## PART I – FINANCIAL INFORMATION

SMARTHEAT, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETSSEPTEMBER 30, 2009 DECEMBER 31, 2008  
(UNAUDITED)

ASSETS			
<b>CURRENT ASSETS</b>			
Cash & cash equivalents	\$	60,294,695	\$ 1,435,212
Restricted cash		1,043,524	462,048
Accounts receivable, net		20,276,792	11,390,169
Retentions receivable		553,105	290,852
Advances to suppliers		3,474,936	412,524
Other receivables, prepayments and deposits		3,282,014	698,834
Inventories		14,394,162	6,107,583
Note receivable - bank acceptance		70,655	14,631
<b>Total current assets</b>		<b>103,389,881</b>	<b>20,811,853</b>
<b>NON-CURRENT ASSETS</b>			
Restricted cash		19,185	219,472
Accounts receivable, net		582,375	310,810
Retentions receivable		2,309,852	166,912
Construction in progress		60,230	-
Intangible assets, net		4,122,844	1,155,131
Property and equipment, net		7,578,356	2,436,553
<b>Total noncurrent assets</b>		<b>14,672,842</b>	<b>4,288,878</b>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>118,062,723</b>	<b>\$ 25,100,731</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$	6,030,827	\$ 1,210,906
Unearned revenue		2,084,036	850,408
Notes payable - bank acceptance		1,000,543	-
Taxes payable		2,147,376	1,327,775
Accrued liabilities and other payables		7,071,473	1,330,812
Due to minority shareholder		-	5,303
Loans payable		5,564,504	2,443,450
<b>Total current liabilities</b>		<b>23,898,759</b>	<b>7,168,654</b>
<b>DEFERRED TAX LIABILITY</b>		<b>15,519</b>	<b>38,854</b>

## COMMITMENTS AND CONTINGENCIES

## STOCKHOLDERS' EQUITY

Common stock, \$0.001 par value; 75,000,000 shares authorized,  
32,756,575 and 24,179,900 shares issued and outstanding at September  
30, 2009 and December 31, 2008, respectively

	32,757	24,180
Paid in capital	71,679,770	8,223,453
Statutory reserve	2,689,432	1,150,542
Accumulated other comprehensive income	1,255,603	984,629
Retained earnings	18,490,884	7,510,419
Total stockholders' equity	94,148,446	17,893,223
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 118,062,723	\$ 25,100,731

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

SMARTHEAT, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME  
(UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009	FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2009	FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2008
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