

SMARTHEAT INC.
Form 10-Q
November 10, 2010

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, 2010

OR

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

Commission file number: 001-34246

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
(Address of principal executive offices)

110027
(Zip Code)

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

Indicate by checkmark 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 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

Non-accelerated filer

Smaller reporting company

(do not check if a smaller reporting company)

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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: 32,811,125 shares of common stock outstanding as of November 8, 2010.

TABLE OF CONTENTS

| | Page |
|--------------------------------------|--|
| PART I. FINANCIAL INFORMATION | |
| Item 1. | Financial Statements 3 |
| Item 2. | Management's Discussion and Analysis of Financial Condition and Results of Operations 20 |
| Item 3. | Quantitative and Qualitative Disclosures About Market Risk 26 |
| Item 4. | Controls and Procedures 26 |
| PART II. OTHER INFORMATION | |
| Item 1. | Legal Proceedings 27 |
| Item 1A. | Risk Factors 27 |
| Item 2. | Unregistered Sales of Equity Securities and Use of Proceeds 27 |
| Item 3. | Defaults Upon Senior Securities 27 |
| Item 5. | Other Information 27 |
| Item 6. | Exhibits 27 |
| SIGNATURES | 28 |

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

SMARTHEAT INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

September 30, 2010 (Unaudited) December 31, 2009

| ASSETS | | | |
|---|-----------|--------------------|-----------------------|
| CURRENT ASSETS | | | |
| Cash & cash equivalents | \$ | 14,724,091 | \$ 48,967,992 |
| Restricted cash | | 1,296,318 | 1,301,573 |
| Accounts receivable, net | | 50,052,608 | 31,887,785 |
| Retentions receivable | | 2,096,943 | 885,642 |
| Advances to suppliers | | 12,623,696 | 7,657,791 |
| Other receivables, prepayments and deposits | | 5,352,081 | 3,572,600 |
| Inventories | | 32,457,863 | 11,259,273 |
| Notes receivable - bank acceptances | | 944,769 | 397,248 |
| Total current assets | | 119,548,369 | 105,929,904 |
| NON-CURRENT ASSETS | | | |
| Deferred tax asset | | 14,837 | - |
| Restricted cash | | 92,013 | 48,361 |
| Accounts receivable, net | | 219,725 | 237,384 |
| Retentions receivable | | 734,238 | 349,931 |
| Deposit for land use right | | 9,597,390 | - |
| Intangible assets, net | | 4,127,767 | 4,071,021 |
| Construction in progress | | 80,254 | - |
| Property and equipment, net | | 8,044,911 | 7,739,609 |
| Total noncurrent assets | | 22,911,135 | 12,446,306 |
| TOTAL ASSETS | \$ | 142,459,504 | \$ 118,376,210 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable | \$ | 5,421,730 | \$ 3,493,196 |
| Unearned revenue | | 4,283,004 | 2,130,637 |
| Taxes payable | | 2,799,694 | 2,140,627 |
| Accrued liabilities and other payables | | 4,887,566 | 3,685,272 |
| Notes payable - bank acceptances | | 1,516,865 | 1,806,564 |
| Loans payable | | 4,476,877 | 4,393,544 |
| Total current liabilities | | 23,385,736 | 17,649,840 |
| DEFERRED TAX LIABILITY | | - | 8,526 |

COMMITMENTS AND CONTINGENCIES

STOCKHOLDERS' EQUITY

| | | |
|--|-------------|-------------|
| Common stock, \$0.001 par value; 75,000,000 shares authorized, 32,811,125 and 32,794,875 shares issued and outstanding at September 30, 2010 and December 31, 2009, respectively | 32,811 | 32,795 |
| Paid in capital | 75,163,813 | 74,917,370 |
| Statutory reserve | 4,613,151 | 2,872,006 |
| Accumulated other comprehensive income | 2,901,709 | 969,988 |
| Retained earnings | 35,673,363 | 21,231,484 |
| Total Company stockholders' equity | 118,384,847 | 100,023,643 |

NONCONTROLLING INTEREST