

SMARTHEAT INC.  
Form 4  
July 18, 2008

**FORM 4**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
Staloff Arnold

(Last) (First) (Middle)  
1605 MAYFLOWER LANE  
(Street)  
CHERRY HILL, NJ 08003  
(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol  
SMARTHEAT INC. [SMHT]

3. Date of Earliest Transaction  
(Month/Day/Year)  
07/17/2008

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

Director  10% Owner  
 Officer (give title below)  Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)  
 Form filed by One Reporting Person  
 Form filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Ownership Indirect Beneficial Ownership (Instr. 4) |     |       |
|---------------------------------|--------------------------------------|----------------------------------------------------|--------------------------------|-------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|----------------------------------------------------------|-----------------------------------------------------------------|-----|-------|
|                                 |                                      |                                                    |                                | (A) or (D)                                                        | Code                                                                                          | V                                                        | Amount                                                          | (D) | Price |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474  
(9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)**

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | 5. Number of Securities Acquired (A) | 6. Date Exercisable and Expiration Date (Month/Day/Year) | 7. Title and Amount of Underlying Security (Instr. 3 and 4) |
|--------------------------------------------|------------------------------------|--------------------------------------|----------------------------------------------------|--------------------------------|--------------------------------------|----------------------------------------------------------|-------------------------------------------------------------|
|--------------------------------------------|------------------------------------|--------------------------------------|----------------------------------------------------|--------------------------------|--------------------------------------|----------------------------------------------------------|-------------------------------------------------------------|

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| Derivative Security                        |        |            | or Disposed of (D) (Instr. 3, 4, and 5) |        | Date Exercisable          | Expiration Date           | Title        | Amount or Number of Shares |
|--------------------------------------------|--------|------------|-----------------------------------------|--------|---------------------------|---------------------------|--------------|----------------------------|
|                                            |        |            | Code                                    | V      |                           |                           |              |                            |
| Stock Option (Right to Buy) <sup>(1)</sup> | \$ 4.6 | 07/17/2008 | A                                       | 10,000 | 07/17/2009 <sup>(1)</sup> | 01/17/2013 <sup>(1)</sup> | Common Stock | 10,000                     |

## Reporting Owners

| Reporting Owner Name / Address                                 | Relationships |           |         |       |
|----------------------------------------------------------------|---------------|-----------|---------|-------|
|                                                                | Director      | 10% Owner | Officer | Other |
| Staloff Arnold<br>1605 MAYFLOWER LANE<br>CHERRY HILL, NJ 08003 |               | X         |         |       |

## Signatures

|                                                                                                 |            |
|-------------------------------------------------------------------------------------------------|------------|
| William Uchimoto, Attorney in fact for Arnold Staloff, under Power of Attorney previously filed | 07/18/2008 |
| **Signature of Reporting Person                                                                 | Date       |

## Explanation of Responses:

- \* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).
- \*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) The option was granted to the reporting person on July 17, 2008, and vests over a three year period, with 1/3 vesting on each of the first, second and third anniversaries of the grant date. The option is exercisable for five years from the date of grant.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.