ANTARES PHARMA, INC.
Form 424B5
July 24, 2009

Prospectus Supplement **Filed pursuant to Rule 424(b)(5)**

(To Prospectus Dated May 6, 2009) **Registration No. 333-158630**

10,625,000 Units

(each Unit consisting of one share of Common Stock and one Warrant to purchase 0.4 of a share of Common Stock)

Antares Pharma, Inc.

We are offering up to 10,625,000 units, each consisting of one share of our common stock and one warrant to purchase 0.4 of a share of our common stock directly to investors. In connection with this offering, we will pay fees to our placement agents, Cowen and Company, LLC, Oppenheimer & Co., Inc. and Ladenburg Thalmann & Co. Inc. See "Plan of Distribution" on p. S-7 of this prospectus supplement for more information regarding these arrangements.

Our common stock is listed on the NYSE Amex under the symbol "AIS." The last reported sale price of the common stock on the NYSE Amex on July 23, 2009 was $0.90 per share.

Investing in our securities involves a high degree of risk.

See "Risk Factors" beginning on page S-2 of this prospectus supplement and page 4 of the accompanying

prospectus and the documents incorporated by reference herein.

	Per unit		Per share underlying warrant			Total		
Public offering price	$	0.80	$	—		$	8,500,000	
Placement agents' fees	$	0.056	$	—		$	595,000	
Proceeds, before expenses, to us	$	0.744	$	—		$	7,905,000	
Public offering price for shares underlying warrants	$	—	$	1.00	*	$	4,250,000	*
Total proceeds, before expenses, to us from units and shares underlying warrants	$	—	$	—		$	12,155,000	*

* The exercise price of the warrants is subject to potential non-economic adjustments. See "Description of Warrants"

on page S-9 of this prospectus supplement.

We have engaged Cowen and Company, LLC as lead placement agent, and Oppenheimer & Co., Inc. and Ladenburg Thalmann & Co. Inc. as co-placement agents, to use reasonable efforts to solicit offers to purchase our units in this offering. The placement agents are not purchasing or selling any units pursuant to this prospectus supplement or the accompanying prospectus, nor are we requiring any minimum purchase or sale of any specific number of units. We expect that delivery of the units being offered pursuant to this prospectus supplement will be made to investors on or about July 29, 2009. We have not offered any securities pursuant to General Instruction I.B.6. of Form S-3 during the prior 12 calendar month period that ends on and includes the date of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

Sole Bookrunning Agent

Cowen and Company

Oppenheimer & Co., Inc.

Ladenburg Thalmann & Co. Inc.

The date of this prospectus supplement is July 24, 2009.

TABLE OF CONTENTS

Prospectus Supplement

Prospectus

Unless otherwise mentioned or unless the context requires otherwise, all references in this prospectus supplement and the accompanying prospectus to “the company,” “Antares,” “we,” “us,” “our,” or similar references mean Antares Pharma, Inc.

This document is in two parts. The first part is this prospectus supplement, which describes the terms of this offering of our units and also adds to and updates information contained in or incorporated by reference into the accompanying prospectus. The second part is the accompanying prospectus, which gives more information about us and the securities we may offer from time to time under our shelf registration statement. To the extent there is a conflict between the information contained, or referred to, in this prospectus supplement, on the one hand, and the information contained, or referred to, in the accompanying prospectus or any document incorporated by reference therein, on the other hand, the information in this prospectus supplement shall control.

We have not authorized any broker, dealer, salesperson, or other person to give any information or to make any representation other than those contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. You must not rely upon any information or representation not contained or incorporated by reference in this prospectus supplement or the accompanying prospectus. This prospectus supplement and the accompanying prospectus do not constitute an offer to sell or the solicitation of an offer to buy units, nor do this prospectus supplement and the accompanying prospectus constitute an offer to sell or the solicitation of an offer to buy units in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. You should not assume that the information contained in this prospectus supplement and the accompanying prospectus is accurate on any date subsequent to the date set forth on the front of the document or that any information we have incorporated by reference is correct on any date subsequent to the date of the document incorporated by reference, even though this prospectus supplement and any accompanying prospectus is delivered or units are sold on a later date.

It is important for you to read and consider all information contained in this prospectus supplement and the accompanying prospectus, including the documents we have referenced in the section entitled “Incorporation of Certain Information by Reference” in this prospectus supplement.

THE OFFERING

Securities offered by us	Up to 10,625,000 units. Each unit consists of one share of common stock and one warrant to purchase 0.4 of a share of common stock.
Issue price	$0.80 per unit.
Warrants	The exercise price of the warrants shall be $1.00 per share. The Warrants are exercisable beginning any time on or after the date six months following the Closing Date (as defined below) and expiring on the fifth anniversary of the Closing Date. Please refer to the section in this prospectus supplement entitled "Description of the Warrants."
Common stock to be outstanding after the offering	78,674,666 shares, or 82,924,666 shares of common stock if all the warrants are exercised for cash.
Use of proceeds	We intend to use the net proceeds from this offering for general corporate purposes.
Risk factors	See "Risk Factors" on Page S-2 of this prospectus supplement, page 4 of the accompanying prospectus and "Risk Factors" set forth in our annual report on Form 10-K for the year ended December 31, 2008, filed on March 25, 2009 (as such may be supplemented and amended from time to time by our filings under the Securities Exchange Act of 1934, as amended, or the Exchange Act) for a discussion of material risks that prospective purchasers of the units should consider.
NYSE Amex Symbol	AIS

The number of shares of common stock to be outstanding after the offering is based on the number of shares outstanding as of March 31, 2009. As of that date, we had 68,049,666 shares of common stock outstanding, which does not include:

- 7,866,466 shares of common stock underlying options outstanding at a weighted average exercise price of $1.18 per share;
- 13,144,500 shares of common stock underlying warrants outstanding at a weighted average exercise price of $1.83 per share; and
- 1,748,240 shares available for future grant under our stock option plan.

RISK FACTORS

Investing in our securities involves significant risks. Before making an investment decision, you should carefully read and consider the risk factors incorporated by reference into this prospectus supplement, under the heading “Risk Factors” in Item 1A of Part I of our annual report on Form 10-K for the year ended December 31, 2008, as well as those contained in the accompanying prospectus, as the same may be updated from time to time by our future filings with the Securities and Exchange Commission, or SEC, under the Exchange Act. You should also refer to other information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus, including our financial statements and the related notes incorporated by reference herein. Additional risks and uncertainties not presently known to us at this time or that we currently deem immaterial may also materially and adversely affect our business and operations. In that case, the trading price of our securities could decline and you might lose all or part of your investment. See also “Note Regarding Forward-Looking Statements.”

NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained or incorporated by reference into this prospectus supplement, the accompanying prospectus and any free writing prospectus constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Exchange Act, including statements, other than statements of historical facts, included or incorporated in this prospectus supplement regarding our strategy, progress and timing of development programs and related trials and the efficacy of our product candidates, the commercial benefits available to us as a result of our agreements with third parties, future operations, financial position, future revenues, projected costs, prospects, plans and objectives of management. The words “may,” “will,” “should,” “would,” “expect,” “intend,” “plan,” “antici “believe,” “estimate,” “predict,” “potential,” “continue,” or “appear” or the negative of these terms or similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. We cannot guarantee that we actually will achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make. In evaluating such forward-looking statements, you should specifically consider various factors, including the risks outlined under the heading “Risk Factors” contained in any related free writing prospectus and in this prospectus supplement and the accompanying prospectus, and in our most recent annual report on Form 10-K, as well as any amendments thereto reflected in subsequent filings with the SEC. The discussion of risks and uncertainties set forth in those filings is not necessarily a complete or exhaustive list of all risks facing the Company at any particular point in time. We operate in a highly competitive, highly regulated and rapidly changing environment, and our business is in a state of evolution. Therefore, it is likely that new risks will emerge, and that the nature and elements of existing risks will change, over time. It is not possible for management to predict all such risk factors or changes therein, or to assess either the impact of all such risk factors on our business or the extent to which any individual risk factor, combination of factors, or new or altered factors, may cause results to differ materially from those contained in any forward-looking statement. Also, these forward-looking statements represent our estimates and assumptions only as of the date such forward-looking statements are made and do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make. We do not assume any obligation to update any forward-looking statements.

We cannot assure you that the forward-looking statements in this prospectus supplement and the documents incorporated by reference herein and therein will prove to be accurate. In addition, if our forward-looking statements prove to be inaccurate, the inaccuracy may be material. In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified time frame, if at all. We may not update these forward-looking statements, even though our situation may change in the future.

USE OF PROCEEDS

We expect to receive approximately $7,705,000 in net proceeds from the sale of the units in this offering, after deducting fees paid to the placement agents in an aggregate amount equal to $0.056 per unit sold in the offering and after deducting estimated offering expenses payable by us. Pending the use of the net proceeds, we may invest the net proceeds in investment grade, interest-bearing securities.

We intend to use the net proceeds from this offering for general corporate purposes. We will have significant discretion in the use of any net proceeds. The amounts and timing of our actual expenditures may vary significantly depending upon numerous factors, including economic or other conditions.

CAPITALIZATION

The following table sets forth our capitalization as of March 31, 2009:

- on an actual basis; and
- on an as-adjusted basis, to give effect to the sale of 10,625,000 units offered by us in this offering, at a price of $0.80 per unit and after deducting the placement agents’ commissions, fees and reimbursable expenses and estimated offering expenses payable by us.

	As of March 31, 2009	
	Actual	**As Adjusted**
Stockholders’ equity (deficit):		
Preferred stock — $0.01 par value, 3,000,000 shares authorized, no shares issued or outstanding	—	—
Common stock, $0.01 par value; 150,000,000 shares authorized; 68,049,666 shares issued and outstanding as of March 31, 2009	$ 680,496	$ 786,747
Additional paid in capital	128,188,979	135,787,728
Accumulated deficit	(123,328,552)	(123,328,552)
Accumulated other comprehensive Income	(697,868)	(697,868)
Total stockholders’ equity	$ 4,843,055	$ 12,548,055

DILUTION

The net tangible book value of our common stock on March 31, 2009, as adjusted, was approximately $3,117,645 million, or approximately $0.05 per share. Net tangible book value per share is equal to the amount of our total tangible assets, less total liabilities, divided by the aggregate number of shares of common stock outstanding. Dilution in net tangible book value per share represents the difference between the amount per share paid by purchasers of units in this offering and the net tangible book value per share of our common stock immediately after this offering. After giving effect to the sale of the units in this offering at a sales price of $0.80 per share, our net tangible book value at March 31, 2009 would have been approximately $10,822,645 million, or approximately $0.14 per share. This represents an immediate dilution of $0.66 per share to new investors purchasing shares of common stock in this offering. The following table illustrates this dilution:

Public offering price per share	$0.80	
Net tangible book value per share at March 31, 2009		$0.05
Increase per share attributable to new investors for July 2009 (this offering)		$0.09
Net tangible book value per share after giving effect to this offering	$0.14	
Dilution per share to new investors	$0.66	

The number of shares of common stock to be outstanding after the offering is based on the number of shares outstanding as of March 31, 2009. As of that date, we had 68,049,666 shares of common stock outstanding, which does not include:

- 7,866,466 shares of common stock underlying options outstanding at a weighted average exercise price of $1.18 per share;
- 13,144,500 shares of common stock underlying warrants outstanding at a weighted average exercise price of $1.83 per share; and
- 1,748,240 shares available for future grant under our stock option plan.

PLAN OF DISTRIBUTION

We have engaged Cowen and Company, LLC as lead placement agent, and Oppenheimer & Co., Inc. and Ladenburg Thalmann & Co. Inc. as co-placement agents to use reasonable efforts to solicit offers to purchase our units in this offering. The placement agents are not purchasing or selling any units pursuant to this prospectus supplement or the accompanying prospectus, nor are we requiring any minimum purchase or sale of any specific number of units. The placement agents are not obligated to, and have advised us that they will not, purchase any units for their own accounts or otherwise participate in any direct purchases of units with us. We will enter into subscription agreements directly with investors in connection with this offering, and we will only sell to investors who have entered into subscription agreements.

Our obligation to issue and sell shares to investors is subject to the conditions set forth in the subscription agreements, which may be waived by us in our discretion. An investor's obligation to purchase shares is subject to conditions set forth in the subscription agreements, which may be waived by the investor.

Unless investors instruct us otherwise, we will deliver the shares of common stock being issued to the investors electronically upon receipt of investor funds for the purchase of the units offered pursuant to this prospectus supplement, and we will issue the warrants to investors. We expect to deliver the shares of our common stock and the warrants being offered pursuant to this prospectus supplement on or about July 29, 2009.

We have agreed to pay the placement agents an aggregate amount equal to $0.056 per unit sold in the offering. The following table shows the per share and total placement fees we will pay to the placement agents in connection with this offering.

	Per share	Total offering
Cowen and Company, LLC	$0.028	$297,500
Oppenheimer & Co., Inc.	$0.014	$148,750
Ladenburg Thalmann & Co. Inc.	$0.014	$148,750

Because there is no minimum offering amount required as a condition to closing of this offering, the actual total offering commissions, if any, may be substantially less than the total offering amounts set forth above.

The placement agents have informed us that they will not engage in over-allotment, stabilizing transactions or syndicate covering transactions in connection with this offering.

The placement agent agreement provides that the obligations of the placement agents are subject to certain conditions precedent, including the absence of any material adverse change in our business and the receipt of certain certificates, opinions and letters from us, our counsel and our auditors.

We have agreed to indemnify the placement agents and specified other persons against some civil liabilities, including liabilities under the Securities Act or the Exchange Act, and to contribute to payments that the placement agents may be required to make in respect of those liabilities.

All of our directors and executive officers have signed lock-up agreements, pursuant to which they have agreed to not, directly or indirectly, offer, sell, agree to sell or otherwise transfer or dispose of any shares of our common stock or any securities convertible into or exchangeable for shares of our common stock, without the prior written consent of Cowen and Company, LLC for a period of 90 days after the completion of this offering.

The placement agents do not expect sales of units offered by this prospectus supplement and the accompanying prospectus to any accounts over which they exercise discretionary authority to exceed five percent of the shares offered.

The placement agency agreement with Cowen and Company, LLC, Oppenheimer & Co., Inc. and Ladenburg Thalmann & Co. Inc. will be included as an exhibit to a Current Report on Form 8-K that we will file with the SEC and that will be incorporated by reference into the registration statement of which this prospectus supplement forms a part.

The placement agents have from time to time performed and may in the future perform various financial advisory, commercial banking and investment banking services for us in the ordinary course of business, for which they received, or will receive, customary fees and expenses. The placement agents may receive up to $85,000 in fees and expenses, including legal fees, relating to this offering. The maximum commission or discount to be received in this offering by the placement agents, as members of the Financial Industry Regulatory Authority, Inc., or FINRA, or independent broker dealer will not be greater than 8% of the initial gross proceeds from the sale of any securities offered hereby.

DESCRIPTION OF WARRANTS

Each unit will include one warrant to purchase 0.4 of a share of our common stock. The warrants will be exercisable by the holders at any time on or after the date six months following the date of the closing of the offering and will expire on the fifth anniversary of the closing of the offering.

The warrants will be issued in the form of warrant certificates. The exercise price per share of common stock purchasable upon exercise of the warrant is $1.00 per share of common stock. The warrants will, among other things, include provisions for the appropriate adjustment in exercise price of the warrants and the class and number of shares of common stock to be issued upon exercise of the warrants upon the occurrence of certain events, including any subdivision, consolidation or reclassification of our common stock, the payment of stock dividends, our amalgamation, and certain distributions.

The shares of common stock underlying the warrants, when issued upon exercise of a warrant in accordance with its terms, will be fully paid and non-assessable, and we will pay any transfer tax, transfer agent fee or other incidental tax or expense incurred as a result of the issuance of shares of common stock to the holder upon its exercise.

We are not required to issue fractional shares upon the exercise of a warrant. In lieu of any fractional share that would otherwise be issuable, we will pay the warrant holder cash equal to the product of such fraction multiplied by the closing price of one share of common stock as reported on the applicable trading market. The holder of a warrant will not possess any rights as our shareholder until such holder exercises the warrant.

At any time in which the registration statement of which this prospectus supplement is a part is effective, a warrant may be exercised upon delivery to us, prior to the expiry date of the warrant, of the exercise form found on the back of the warrant certificate completed and executed as indicated, accompanied by payment of the exercise price in immediately available funds for the number of shares of common stock with respect to which the warrant is being exercised. At any time in which the registration statement of which this prospectus supplement is a part is not effective and prior to the warrant expiry date, by proper election on the exercise form a warrant may be exercised through a cashless exercise, in which event we will issue to the holder of the warrant a number of shares determined by a formula set forth in the warrant certificate, which will result in fewer shares of common stock being issued to the holder.

Absent a waiver by the holder, the number of shares of our common stock that may be acquired by a holder upon exercise of a warrant is limited to the extent that, following the exercise, the total number of common shares beneficially owned by the holder and its affiliates whose beneficial ownership is aggregated with the holder does not exceed 4.99% of the total number of issued and outstanding shares of our common stock. In the event a holder waives the foregoing restriction, a holder can not waive the requirement that the number of shares of our common stock that may be acquired by a holder upon exercise of a warrant be limited to the extent that, following the exercise, the total number of common shares beneficially owned by the holder and its affiliates whose beneficial ownership is aggregated with the holder does not exceed 9.99% of the total number of issued and outstanding shares of our common stock.

The foregoing discussion of material terms and provisions of the warrants is qualified in its entirety by reference to the detailed provisions of the warrant certificate, which will be provided to each investor in this offering and will be filed on a Current Report on Form 8-K in connection with this offering.

LEGAL MATTERS

Certain legal matters with respect to the validity of the securities offered under this prospectus supplement will be passed upon for us by Morgan, Lewis & Bockius LLP, Philadelphia, Pennsylvania. Certain legal matters related to the offering will be passed upon for the placement agents by Morrison & Foerster LLP, New York, New York.

WHERE YOU CAN FIND MORE INFORMATION

The SEC allows us to incorporate by reference into this prospectus supplement and the accompanying prospectus the information contained in other documents we file with the SEC, which means that we can disclose

important information to you by referring you to those documents. Any statement contained in any document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for purposes of this prospectus supplement or the accompanying prospectus, to the extent that a statement contained in or omitted from this prospectus supplement and the accompanying prospectus, or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein, modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement or the accompanying prospectus. We incorporate by reference the documents listed below and any future filings we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act until the offering is completed. The following documents filed with the SEC are incorporated by reference in this prospectus supplement:

- Our Annual Report on Form 10-K for the year ended December 31, 2008;
- Our Quarterly Report on Form 10-Q for the quarter ended March 31, 2009;
- Our Current Report on Form 8-K filed with the SEC on June 5, 2009; and
- The description of our common stock contained in our registration statement on Form 8-A filed with the SEC on September 22, 2004 to register our common stock under the Exchange Act, including any amendments or reports filed for the purpose of updating such description.

You may request a copy of these documents, which will be provided to you at no cost, by writing or telephoning us using the following contact information:

Antares Pharma, Inc.

250 Phillips Blvd., Suite 290

Ewing, New Jersey 08618

(609) 359-3020

PROSPECTUS Filed Pursuant to Rule 424(b)(2)

Registration No. 333-158630

$20,000,000

Common Stock

Preferred Stock

Warrants

This prospectus relates to offers and resales of up to $20,000,000 of any combination of the securities described in this prospectus, either individually or in units. We may also offer common stock upon conversion of preferred stock or common stock or preferred stock upon the exercise of warrants. We will bear all costs, expenses and fees in connection with the registration of these securities.

We will provide the specific terms of these offerings and securities in one or more supplements to this prospectus. We may also authorize one or more free writing prospectuses to be provided to you in connection with these offerings. The prospectus supplement and any related free writing prospectus may also add, update or change information contained in this prospectus. You should carefully read this prospectus, the applicable prospectus supplement and any related free writing prospectus, as well as any documents incorporated by reference, before buying any of the securities being offered.

Our Common Stock trades on the NYSE Amex under the symbol "AIS." On April 16, 2009, the last reported sale price of our common stock on the NYSE Amex was $0.46 per share. You are urged to obtain current market quotations for our common stock.

Investing in our securities involves a high degree of risk. You should carefully review and consider the risks and uncertainties described under the heading "Risk Factors" on page 4 of this prospectus and in any applicable prospectus supplement, any free writing prospectus or any documents incorporated by reference.

This prospectus may not be used to offer or sell any securities unless accompanied by a prospectus supplement.

The securities described in this prospectus may be sold directly by us to investors, through agents designated from time to time or to or through underwriters or dealers, on a continuous or delayed basis. For additional information on the methods of sale, you should refer to the section entitled "Plan of Distribution" in this prospectus and in the applicable prospectus supplement. If any agents or underwriters are involved in the sale of any securities with respect to which this prospectus is being delivered, the names of such agents or underwriters and any applicable fees, commissions, discounts and over-allotment options will be set forth in a prospectus supplement. The price to the public of such securities and the net proceeds that we expect to receive from such sale will also be set forth in a prospectus supplement.

The aggregate market value of our outstanding common equity held by non-affiliates on April 15, 2009 was approximately $26,315,637. We have not issued any securities pursuant to Instruction I.B.6 of Form S-3 during the 12 calendar month period that ends on and includes the date hereof.

Neither the SEC nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

This prospectus is dated May 6, 2009.

TABLE OF CONTENTS

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement on Form S-3 that we filed with the SEC utilizing a “shelf” registration process. Under this shelf registration process, we may offer shares of our common stock and preferred stock, as well as warrants to purchase any of such securities, either individually or in units, in one or more offerings, up to a total dollar amount of $20,000,000. This prospectus provides you with a general description of the securities we may offer. Each time we offer a type or series of securities under this prospectus, we will provide a prospectus supplement that will contain more specific information about the terms of those securities. We may also add, update or change in the prospectus supplement any of the information contained in this prospectus or in the documents that we have incorporated by reference into this prospectus. We urge you to carefully read this prospectus and any applicable prospectus supplement, together with the information incorporated by reference herein as described under the headings “Where You Can Find More Information” and “Information Incorporated by Reference” before buying any of the securities being offered. **THIS PROSPECTUS MAY NOT BE USED TO OFFER OR SELL SECURITIES UNLESS IT IS ACCOMPANIED BY A PROSPECTUS SUPPLEMENT**.

You should rely only on the information that we have provided or incorporated by reference in this prospectus, any applicable prospectus supplement and any related free writing prospectus that we may authorize to be provided to you. We have not authorized anyone to provide you with different information. No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus, any applicable prospectus supplement or any related free writing prospectus that we may authorize to be provided to you. You must not rely on any unauthorized information or representation. This prospectus is an offer to sell only the securities offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. You should assume that the information in this prospectus, any applicable prospectus supplement or any related free writing prospectus is accurate only as of the date on the front of the document and that any information we have incorporated by reference is accurate only as of the date of the document incorporated by reference, regardless of the time of delivery of this prospectus, any applicable prospectus supplement or any related free writing prospectus, or any sale of a security.

This prospectus contains summaries of certain provisions contained in some of the documents described herein, but reference is made to the actual documents for complete information. All of the summaries are qualified in their entirety by the actual documents. Copies of some of the documents referred to herein have been filed, will be filed or will be incorporated by reference as exhibits to the registration statement of which this prospectus is a part, and you may obtain copies of those documents as described below under the heading “Where You Can Find Additional Information.”

In this prospectus, unless the context specifically indicates otherwise, the terms “the Company,” “Antares,” “we,” “us” and “our” refer to Antares Pharma, Inc. and its subsidiaries.

ABOUT ANTARES PHARMA, INC.

Antares Pharma, Inc., a Delaware corporation, is a specialty drug delivery/pharmaceutical company utilizing its experience and expertise in drug delivery systems to enhance the performance of established and developing pharmaceuticals. We currently have three established delivery platforms: (i) transdermal gel systems, (ii) oral disintegrating tablets, and (iii) injection devices. Two of these platforms have generated FDA approved products.

Our transdermal gel systems consist of a unique formulation in semisolid dosage forms (preferably gels) that deliver medication efficiently and minimize gastrointestinal impact as well as the initial liver metabolism effect of some orally ingested drugs. Our Easy Tec™ oral disintegrating tablets are designed to help patients who experience difficulty swallowing pills, tablets or capsules, while providing the same effectiveness as conventional oral dosage forms. Our injection device platform features three distinct products: reusable needle-free injectors, disposable pressure assisted auto injectors and disposable pen injectors.

On January 31, 2001, we completed a business combination to acquire the three operating subsidiaries of Permatec Holding AG, or Permatec, headquartered in Basel, Switzerland. The transaction was accounted for as a reverse acquisition, as Permatec’s shareholders initially held a majority of the outstanding stock of Antares. Our corporate headquarters is located in Ewing, New Jersey, with research and production facilities for parenteral products in Minneapolis, Minnesota and research and development facilities for pharmaceuticals in Basel, Switzerland. Our telephone number is (609) 359-3020. Our website address is http://www.antarespharma.com. The information contained on our website is not incorporated by reference into, and does not form any part of, this prospectus.

3

RISK FACTORS

Investing in our securities involves a high degree of risk. Before purchasing our securities, you should carefully consider the risks, uncertainties and forward-looking statements described under "Risk Factors" in Item 1A of our most recent Annual Report on Form 10-K for the year ended December 31, 2008 and filed with the SEC on March 25, 2009, as well as information incorporated by reference into this prospectus, any applicable prospectus supplement or any free writing prospectus. If any of these risks were to occur, our business, financial condition or results of operations would likely suffer. In that event, the value of our securities could decline, and you could lose part or all of your investment. The risks and uncertainties we describe are not the only ones facing us. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations.

FORWARD-LOOKING STATEMENTS

Certain statements contained or incorporated by reference into this prospectus, any applicable prospectus supplement and any free writing prospectus, constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Securities Exchange Act, including statements, other than statements of historical facts, included or incorporated in this prospectus regarding our strategy, progress and timing of development programs and related trials and the efficacy of our product candidates, the commercial benefits available to us as a result of our agreements with third parties, future operations, financial position, future revenues, projected costs, prospects, plans and objectives of management. The words “may,” “will,” “should,” “would,” “expect,” “intend,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “potential,” “continue,” or “appear” or the neg or similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. We cannot guarantee that we actually will achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make. In evaluating such forward-looking statements, you should specifically consider various factors, including the risks outlined under the heading “Risk Factors” contained in any related free writing prospectus and any applicable prospectus supplement, and in our most recent annual report on Form 10-K, as well as any amendments thereto reflected in subsequent filings with the SEC. The discussion of risks and uncertainties set forth in those filings is not necessarily a complete or exhaustive list of all risks facing the Company at any particular point in time. We operate in a highly competitive, highly regulated and rapidly changing environment, and our business is in a state of evolution. Therefore, it is likely that new risks will emerge, and that the nature and elements of existing risks will change, over time. It is not possible for management to predict all such risk factors or changes therein, or to assess either the impact of all such risk factors on our business or the extent to which any individual risk factor, combination of factors, or new or altered factors, may cause results to differ materially from those contained in any forward-looking statement. Also, these forward-looking statements represent our estimates and assumptions only as of the date such forward-looking statements are made and do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make. We do not assume any obligation to update any forward-looking statements.

We cannot assure you that the forward-looking statements in this registration statement and the documents incorporated by reference herein and therein will prove to be accurate. In addition, if our forward-looking statements prove to be inaccurate, the inaccuracy may be material. In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified time frame, if at all. We may not update these forward-looking statements, even though our situation may change in the future.

USE OF PROCEEDS

Except as described in any prospectus supplement or in any related free writing prospectus that we may authorize to be provided to you, we currently intend to use the net proceeds from the sale of the securities offered hereby for research and development and general corporate purposes. We may also use a portion of the net proceeds to acquire or invest in businesses, products and technologies that are complementary to our own, but we currently have no commitments or agreements relating to any of these types of transactions. In addition, we may use any proceeds to pay existing contractual obligations and to repay indebtedness. The amount and timing of the expenditures will depend on numerous factors, such as the timing and progress of our clinical trials and research and development efforts, commercialization efforts and the competitive environment for our product candidates. Pending the use of the net proceeds from this offering as described above, we intend to invest the net proceeds in short-term, interest-bearing, investment-grade securities.

THE SECURITIES WE MAY OFFER

We may, from time to time, offer under this prospectus, separately or together, the following securities with a total value of up to $20,000,000 at prices and on terms to be determined at the time of any offering:

- § shares of common stock;
- § shares of preferred stock; and
- § warrants to purchase shares of common stock, preferred stock or any combination of such shares.

This prospectus provides you with a general description of the securities we may offer. Each time we offer a type or series of securities under this prospectus, we will provide a prospectus supplement that will describe the specific amounts, prices and other important terms of the securities, including, to the extent applicable:

- § designation or classification;
- § aggregate offering price;
- § rates and times of payment of dividends, if any;
- § redemption, conversion, exercise, exchange or sinking fund terms, if any;
- § ranking;
- § restrictive covenants, if any;
- § voting or other rights, if any;
- § conversion prices, if any; and
- § important United States federal income tax considerations.

The prospectus supplement may also add, update or change information contained in this prospectus or in documents we have incorporated by reference. However, no prospectus supplement will offer a security that is not registered and described in this prospectus at the time of the effectiveness of the registration statement of which this prospectus forms a part.

THIS PROSPECTUS MAY NOT BE USED TO OFFER OR SELL SECURITIES UNLESS IT IS ACCOMPANIED BY A PROSPECTUS SUPPLEMENT.

We may sell the securities described in this prospectus directly to investors or to or through agents, underwriters or dealers. We, and our agents or underwriters, reserve the right to accept or reject all or part of any proposed purchase of securities. If we do offer securities to or through agents or underwriters, we will include in the applicable prospectus supplement:

- § the names of those agents or underwriters;
- § applicable fees, discounts and commissions to be paid to them;
- § details regarding over-allotment options, if any; and
- § the net proceeds to us.

Common Stock. We may issue shares of our common stock, par value $0.01 per share, from time to time. The holders of our common stock are entitled to one vote for each share held of record on all matters submitted to a vote of stockholders and do not have cumulative voting rights. Subject to preferences that may be applicable to any outstanding shares of preferred stock, the holders of our common stock are entitled to receive ratably such dividends as may be declared by our board of directors, or a committee thereof, out of legally available funds. Upon our liquidation, dissolution or winding up, holders of our common stock are entitled to share ratably in all assets remaining after payment of liabilities and the liquidation preferences of any outstanding shares of preferred stock.

Preferred Stock. We may issue shares of our preferred stock, par value $0.01 per share, from time to time, in one or more series. Our board of directors will determine the designations, voting powers, preferences and rights of the preferred stock, as well as the qualifications, limitations or restrictions thereof, including any dividend rights, conversion rights, preemptive rights, terms of redemption or repurchase, liquidation preferences, sinking fund terms and the number of shares constituting any series or the designation of any series. Convertible preferred stock will be convertible into shares of our common stock or exchangeable for other securities. Conversion may be mandatory or at your option and would be at prescribed conversion rates.

If we sell any series of our preferred stock under this prospectus, we will fix the designations, voting powers, preferences and rights of such series of preferred stock, as well as the qualifications, limitations or restrictions thereof, in a certificate of designation relating to that series. We will file as an exhibit to the registration statement of which this prospectus forms a part, or file in a Current Report on Form 8-K and incorporate by reference in the registration statement of which this prospectus form a part, the form of any certificate of designation that describes the terms of the series of preferred stock that we are offering before the issuance of the related series of preferred stock. We urge you to read the applicable prospectus supplement relating to the series of preferred stock being offered, as well as the complete certificate of designation that contains the terms of the applicable series of preferred stock.

Warrants. We may issue warrants for the purchase of common stock and preferred stock in one or more series. We may issue warrants independently or together with common stock and preferred stock, and the warrants may be attached to or separate from these securities. In this prospectus, we have summarized certain general features of the warrants. We urge you, however, to read the applicable prospectus supplement (and any free writing prospectus that we may authorize to be provided to you) related to the particular series of warrants being offered, as well as the complete warrant agreements and warrant certificates that contain the terms of the warrants. Each series of warrants may be issued under a separate warrant agreement that we may enter into with a bank or trust company, as warrant agent, as detailed in the applicable prospectus supplement. The warrant agreement will be filed as an amendment to the registration statement of which this prospectus forms a part or filed in a Current Report on Form 8-K and incorporated by reference in the registration statement of which this prospectus forms a part.

DESCRIPTION OF CAPITAL STOCK

General

Our authorized capital stock consists of 150,000,000 shares of common stock, par value $0.01 per share, and 3,000,000 shares of preferred stock, par value $0.01 per share. As of March 31, 2009, there were 68,049,666 shares of our common stock outstanding, outstanding options to purchase 7,866,466 shares of our common stock, outstanding warrants to purchase 13,144,500 shares of our common stock and no shares of preferred stock outstanding.

The following description of our capital stock is based on the provisions of our certificate of incorporation, as amended to date, or certificate of incorporation, our by-laws, as amended to date, or by-laws, and the applicable provisions of the General Corporation Law of the State of Delaware. This description summarizes the material terms and provisions of these securities, but it is not complete. For the complete terms of our common stock and preferred stock, please refer to our certificate and our by-laws that are incorporated by reference into the registration statement of which this prospectus forms a part and, with respect to our preferred stock, any certificate of designation that we may file with the SEC for a series of preferred stock we may designate, if any, as well as the applicable provisions of the General Corporation Law of the State of Delaware. For information on how to obtain copies of our certificate of incorporation and by-laws, which are exhibits to the registration statement of which this prospectus forms a part, see the sections of this prospectus entitled “Where You Can Find More Information” and “Information Incorporated by Reference.”

We will describe in a prospectus supplement the specific terms of any common stock or preferred stock we may offer pursuant to this prospectus. If indicated in a prospectus supplement, the terms of such common stock or preferred stock may differ from the terms described below.

Description of Common Stock

Each holder of our common stock is entitled to one vote for each share on all matters to be voted upon by the stockholders and there are no cumulative voting rights. Subject to the preferential rights of any holders of our preferred stock, dividends may be declared and paid or set apart for payment to holders of our common stock out of any of our assets or funds legally available, but only when and as declared by our board of directors. In the event of a liquidation, dissolution or winding up of us, holders of our common stock would be entitled to share in our assets remaining after the payment of our debts and liabilities and the satisfaction of any liquidation preference granted to any holders of our outstanding shares of preferred stock. Holders of our common stock have no preemptive or conversion rights or other subscription rights and there are no redemption or sinking fund provisions applicable to our common stock. The rights, preferences and privileges of the holders of our common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock that we may designate in the future.

Our common stock is not convertible into, or exchangeable for, any other class or series of our capital stock. Holders of our common stock do not have preemptive or other rights to subscribe for or purchase additional securities of ours. The transfer agent and registrar for our common stock isWells Fargo Shareholder Services, whose address is 161 North Concord Exchange, South St. Paul, MN 55075, and whose telephone number is (651) 450-4093. Our common stock is listed on the NYSE Amex under the symbol “AIS.”

Description of Preferred Stock

Our board of directors is authorized, without stockholder approval, subject to any limitations prescribed by applicable law or the NYSE Amex, to issue from time to time up to an aggregate of 3,000,000 shares of our preferred stock in one or more series. Our certificate of incorporation does not restrict the repurchase or redemption of shares of our preferred stock while there are arrears in the payment of any dividends or sinking fund installments. Each series of preferred stock will have the rights and preferences, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences, as our board of directors determines.

The issuance of preferred stock could adversely affect the voting power of holders of our common stock and the likelihood that holders of our common stock will receive dividend payments and payments upon liquidation. In addition, the issuance of preferred stock could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from attempting to acquire, a majority of our outstanding voting stock.

Whenever preferred stock is to be sold pursuant to this prospectus, we will file a prospectus supplement relating to that sale which will specify, among other things:

- § the number of shares in the series of preferred stock;
- § the number of shares we are offering;
- § the purchase price;
- § the designation for the series of preferred stock by number, letter or title that will distinguish the series from any other series of preferred stock;
- § the dividend rate, if any, and whether dividends on that series of preferred stock will be cumulative, noncumulative or partially cumulative;
- § the voting rights of that series of preferred stock, if any;
- § any conversion provisions applicable to that series of preferred stock;
- § any redemption or sinking fund provisions applicable to that series of preferred stock;
- § the liquidation preference per share of that series of preferred stock;
- § the terms of preemptive rights, if any, applicable to that series of preferred stock;
- § whether the preferred stock will be convertible into our common stock, and, if applicable, the conversion price, or how it will be calculated, and the conversion period;
- § any listing of the preferred stock on any securities exchange or market;
- § restrictions on transfer, sale or other assignment, if any; and
- § any other specific terms, preferences, rights or limitations of, or restrictions on, the preferred stock.

Warrants

As of March 31, 2009, warrants to purchase 13,144,500 shares of our common stock were outstanding. These warrants have a weighted average exercise price of $1.83 per share and expire between June 22, 2009 and July 11, 2013.

Registration Rights

We entered into investor rights agreements with certain of our stockholders in July 2007 and March 2006 in connection with private placements of our common stock. Under the terms of these investor rights agreements, certain of our stockholders had registration rights with respect to certain shares of our common stock purchased in the private placements. All of the shares of our common stock subject to the registration rights in these investor rights agreements have been registered.

DESCRIPTION OF WARRANTS

General

This prospectus describes the general terms and provisions of the warrants we may offer and sell under this prospectus. The applicable prospectus supplement will describe the specific terms of the warrants offered through that prospectus supplement as well as any general terms described in this section that will not apply to those warrants.

We may issue warrants for the purchase of shares of our common stock, preferred stock or any combination of such shares. We may issue warrants independently or together with other securities, and they may be attached to or separate from the other securities. Each series of warrants may be issued under a separate warrant agreement that we may enter into with a bank or trust company, as warrant agent, as detailed in the applicable prospectus supplement. Any warrant agent would act solely as our agent in connection with the warrants and would not assume any obligation or relationship of agency or trust for or with any holder of warrants or beneficial owners of warrants. A form of warrant agreement and warrant will be filed as an amendment to the registration statement of which this prospectus forms a part or filed in a Current Report on Form 8-K and incorporated by reference into the registration statement of which this prospectus form a part. Any warrant agent will act solely as our agent in connection with the warrants and will not assume any obligation, agency or trust relationship with you.

The following summaries of the material provisions of the warrants and the warrant agreements are subject to, and qualified in their entirety by reference to, all the provisions of the warrant agreement and warrant certificate applicable to the particular series of warrants that we may offer under this prospectus. We urge you to read the applicable prospectus supplements related to the particular series of warrants that we may offer under this prospectus and the complete warrant agreements and warrant certificates that contain the terms of the warrants.

The prospectus supplement relating to a particular issue of warrants will describe the terms of those warrants, including, where applicable:

- the aggregate number of the securities covered by the warrant;
- the designation, amount and terms of the securities purchasable upon exercise of the warrant;
- the exercise price for shares of our preferred stock, any provisions relating to changes or adjustments in the exercise price, the number of shares of preferred stock to be received upon exercise and a description of that series of our preferred stock;
- the exercise price for shares of our common stock, any provisions relating to changes or adjustments in the exercise price and the number of shares of common stock to be received upon exercise;
- the expiration date for exercising the warrant;
- the minimum or maximum amount of warrants that may be exercised at any time;
- a discussion of United States federal income tax consequences; and
- any other material terms of the securities warrants.

After the warrants expire they will become void. The prospectus supplement will describe how to exercise the warrants. The prospectus supplement may also provide for certain adjustments of the exercise price of the warrants.

Until a holder exercises the warrants to purchase our common stock or preferred stock, that holder will not have any rights as a holder of our common stock or preferred stock by virtue of ownership of the warrants.

ANTI-TAKEOVER EFFECTS OF DELAWARE LAW,

OUR CERTIFICATE OF INCORPORATION AND OUR BY-LAWS

The following paragraphs summarize certain provisions of the General Corporation Law of the State of Delaware, our certificate of incorporation and our by-laws. The summary does not purport to be complete and is subject to and qualified in its entirety by reference to the General Corporation Law of the State of Delaware and to our certificate of incorporation and by-laws, copies of which are on file with the SEC and may be obtained as set forth in the section of this prospectus entitled “Where You Can Find More Information.”

General

Certain provisions of our certificate of incorporation and by-laws and the General Corporation Law of the State of Delaware could make our acquisition by a third party, a change in our incumbent management or a similar change of control more difficult, including:

- an acquisition of us by means of a tender or exchange offer;
- an acquisition of us by means of a proxy contest or otherwise; or
- the removal of a majority or all of our incumbent officers and directors.

These provisions, which are summarized below, are likely to discourage certain types of coercive takeover practices and inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of us to first negotiate with our board of directors. We believe that these provisions help to protect our potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us, and that this benefit outweighs the potential disadvantages of discouraging such a proposal because our ability to negotiate with the proponent could result in an improvement of the terms of the proposal.

Delaware Anti-Takeover Law

We are subject to Section 203 of the General Corporation Law of the State of Delaware. Subject to certain exceptions, Section 203 prevents a publicly-held Delaware corporation from engaging in a business combination with any interested stockholder for three years following the date that the person became an interested stockholder, unless the interested stockholder attained such status with the approval of our board of directors or unless the business combination is approved in a prescribed manner. A “business combination” includes, among other things, a merger or consolidation involving us and the interested stockholder and the sale of more than 10% of our assets. In general, an interested stockholder is any entity or person beneficially owning 15% or more of our outstanding voting stock and any entity or person affiliated with or controlling or controlled by such entity or person.

Removal of Directors and Vacancies

Our certificate of incorporation provides that directors may be removed only for cause and only by the affirmative vote of the holders of 70% of our shares of capital stock entitled to vote at an election of directors. Under our certificate of incorporation, any vacancy on our board of directors, including a vacancy resulting from an enlargement of our board of directors, may be filled only by vote of a majority of our directors then in office. The limitations on the ability of our stockholders to remove directors and fill vacancies could make it more difficult for a third-party to acquire, or discourage a third-party from seeking to acquire, control of our company.

Staggered Board of Directors

Our board of directors has been divided into three classes of directors. The term of one class will expire each year. Directors for each class will be chosen for a three-year term upon the expiration of such class’s term, and the directors in the other two classes will continue in office. The staggered terms for directors may affect stockholders’ ability to change control of our company even if a change in control were in the stockholders’ interest.

No Cumulative Voting

Our certificate of incorporation and by-laws do not provide for cumulative voting.

Stockholder Meetings

Our certificate of incorporation and our by-laws provide that any action required or permitted to be taken by our stockholders at an annual meeting or special meeting of stockholders may only be taken if it is properly brought before such meeting and may not be taken by written action in lieu of a meeting. Our certificate of incorporation and our by-laws also provide that, except as otherwise required by law, special meetings of the stockholders may only be called by a resolution approved by the majority of our board of directors. In addition, our by-laws establish an advance notice procedure for stockholder proposals to be brought before an annual meeting of stockholders, including proposed nominations of candidates for election to our board of directors. Stockholders may only consider proposals or nominations at an annual meeting specified in the notice of the meeting or brought before the meeting by or at the direction of our board of directors or by a stockholder of record on the record date for the meeting who is entitled to vote at the meeting and who has delivered timely written notice in proper form to our secretary of the stockholder's intention to bring such business before the meeting. These provisions could have the effect of delaying until the next stockholder meeting stockholder actions that are favored by the holders of a majority of our outstanding voting securities.

Undesignated Preferred Stock

The authorization in our certificate of incorporation of undesignated preferred stock makes it possible for our board of directors, without obtaining further stockholder approval, to issue preferred stock with voting rights or other rights or preferences that could impede the success of any attempt to take control of us.

Supermajority Voting for Certain Amendments to Our Certificate of Incorporation and By-laws

The General Corporation Law of the State of Delaware provides generally that the affirmative vote of a majority of the shares entitled to vote on any matter is required to amend a corporation's certificate of incorporation or by-laws, unless a corporation's certificate of incorporation or by-laws, as the case may be, requires a greater percentage. Our certificate of incorporation requires the affirmative vote of at least 70% of the shares entitled to vote, as well as the affirmative vote of at least 70% of the shares of each class of capital stock entitled to vote as a class, to amend or repeal any provision of Articles VI, VII, VIII, IX or X of our certificate of incorporation. Our certificate of incorporation also requires the affirmative vote of at least 70% of the shares entitled to vote, voting as a single class, to amend or repeal our by-laws, except that if our board of directors recommends that our stockholders approve an amendment or repeal, then such recommended amendment or repeal shall only require the affirmative vote of the majority of the outstanding shares entitled to vote, voting as a single class.

PLAN OF DISTRIBUTION

Pursuant to General Instruction I.B.6 of Form S-3, we are permitted to utilize the registration statement of which this prospectus forms a part to sell a maximum amount of securities equal to one-third of the aggregate market value of the outstanding voting and non-voting common equity held by our non-affiliates in any 12 month period. We may, from to time, offer the securities registered hereby up to this maximum amount.

We may sell the securities, from time to time, to or through underwriters or dealers, through agents or remarketing firms, or directly to one or more purchasers pursuant to:

- underwritten public offerings;
- negotiated transactions;
- block trades;
- "at the market offerings," within the meaning of Rule 415(a)(4) of the Securities Act, to or through a market maker or into an existing trading market, on an exchange or otherwise, at prevailing market prices;
- through a combination of these methods.

We may distribute securities from time to time in one or more transactions:

- at a fixed price or prices, which may be changed;
- at market prices prevailing at the time of sale;
- at prices related to such prevailing market prices; or
- at negotiated prices.

A prospectus supplement or supplements will describe the terms of the offering of the securities, including:

- the name or names of the underwriters, if any;
- if the securities are to be offered through the selling efforts of brokers or dealers, the plan of distribution and the terms of any agreement, arrangement, or understanding entered into with broker(s) or dealer(s) prior to the effective date of the registration statement, and, if known, the identity of any broker(s) or dealer(s) who will participate in the offering and the amount to be offered through each;
- the purchase price of the securities and the proceeds we will receive from the sale;
- if any of the securities being registered are to be offered otherwise than for cash, the general purposes of the distribution, the basis upon which the securities are to be offered, the amount of compensation and other expenses of distribution, and by whom they are to be borne;
- any delayed delivery arrangements;
- any over-allotment options under which underwriters may purchase additional securities from us;
- any agency fees or underwriting discounts and other items constituting agents' or underwriters' compensation;
- any public offering price;
- any discounts, commissions or commissions allowed or reallowed or paid to dealers;
- the identity and relationships of any finders, if applicable; and

- any securities exchange or market on which the securities may be listed.

Only underwriters named in the prospectus supplement will be underwriters of the securities offered by the prospectus supplement.

If underwriters are used in the sale, they will acquire the securities for their own account and may resell the securities from time to time in one or more transactions at a fixed public offering price or at varying prices determined at the time of sale. The obligations of the underwriters to purchase the securities will be subject to the conditions set forth in the applicable underwriting agreement. We may offer the securities to the public through underwriting syndicates represented by managing underwriters or by underwriters without a syndicate. Unless otherwise indicated in the prospectus supplement, subject to certain conditions, the underwriters will be obligated to purchase all of the securities offered by the prospectus supplement, other than securities covered by any over-allotment option. Any public offering price and any discounts or concessions allowed or reallowed or paid to dealers may change from time to time. We may use underwriters with whom we have a material relationship. We will describe in the prospectus supplement, naming the underwriter, the nature of any such relationship.

We may use a remarketing firm to offer the securities in connection with a remarketing arrangement upon their purchase. Remarketing firms will act as principals for their own account or as agents for us. These remarketing firms will offer or sell the securities pursuant to the terms of the securities. A prospectus supplement will identify any remarketing firm and the terms of its agreement, if any, with us and will describe the remarketing firm's compensation. Remarketing firms may be deemed to be underwriters in connection the securities they remarket.

If we offer and sell securities through a dealer, we or an underwriter will sell the securities to the dealer, as principal. The dealer may resell the securities to the public at varying prices to be determined by the dealer at the time of resale. Any such dealer may be deemed to be an underwriter of the securities offered and sold. The name of the dealer and the terms of the transaction will be set forth in the applicable prospectus supplement.

We may sell securities directly or through agents we designate from time to time. We will name any agent involved in the offering and sale of securities and we will describe any commissions we will pay the agent in the prospectus supplement. Unless the prospectus supplement states otherwise, our agent will act on a best-efforts basis for the period of its appointment.

We may sell securities directly to one or more purchasers without using underwriters or agents. Underwriters, dealers and agents that participate in the distribution of the securities may be underwriters as defined in the Securities Act, and any discounts or commissions they receive from us and any profit on their resale of the securities may be treated as underwriting discounts and commissions under the Securities Act.

We may authorize agents or underwriters to solicit offers by certain types of institutional investors to purchase securities from us at the public offering price set forth in the prospectus supplement pursuant to delayed delivery contracts providing for payment and delivery on a specified date in the future. We will describe the conditions to these contracts and the commissions we must pay for solicitation of these contracts in the prospectus supplement.

The maximum commission or discount to be received by any member of the Financial Industry Regulatory Authority or independent broker-dealer will not be greater than 8% of the aggregate amount of securities offered pursuant to this prospectus and any applicable prospectus supplement.

Agents, underwriters, dealers and remarketing firms may be entitled under relevant agreements entered into with us to indemnification by us against certain civil liabilities, including liabilities under the Securities Act or to contribution with respect to payments which the agents, underwriters or dealers may be required to make.

Each series of the offered securities will be a new issue and, other than the shares of common stock which are listed on the NYSE Amex, will have no established trading market. Any underwriters to whom we sell the offered securities for public offering and sale may make a market in the securities, but such underwriters will not be obligated to do so and may discontinue any market making at any time without notice. We may elect to list any series of offered securities on an exchange, and in the case of common stock, on any additional exchange, but, unless otherwise specified in the applicable prospectus supplement, we will not be obligated to do so. We cannot predict the liquidity of the trading market for any of the offered securities.

In connection with an offering, the underwriters may purchase and sell the offered securities in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of offered securities than they are required to purchase in an offering. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the offered securities while an offering is in progress.

The underwriters also may impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the underwriters have repurchased offered securities sold by or for the account of that underwriter in stabilizing or short-covering transactions.

These activities by the underwriters may stabilize, maintain or otherwise affect the market price of the offered securities. As a result, the price of the offered securities may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the underwriters at any time. These transactions may be effected on an exchange or automated quotation system, if the offered securities are listed on that exchange or admitted for trading on that automated quotation system, or in the over-the-counter market or otherwise.

Underwriters, dealers, agents and remarketing firms, or their affiliates, may be customers of, engage in transactions with, or perform services for, us and our subsidiaries in the ordinary course of business.

LEGAL MATTERS

The validity of any securities offered by us in the applicable prospectus supplement will be passed upon for us by Morgan, Lewis & Bockius LLP, Philadelphia, Pennsylvania.

EXPERTS

KPMG LLP, an independent registered public accounting firm, has audited our consolidated financial statements as included in our Annual Report on Form 10-K for the year ended December 31, 2008, as set forth in their report, which is incorporated by reference in this prospectus and elsewhere in the registration statement. Our consolidated financial statements are incorporated by reference in reliance on KPMG LLP's report, given on their authority as experts in accounting and auditing.

The audit report covering the December 31, 2008 consolidated financial statements contains an explanatory paragraph that states that the Company has incurred recurring losses and negative cash flows from operations since inception. Additional revenue arrangements or financing may be needed to enable the Company to fund the Company's future operations, which raises substantial doubt about the entity's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of that uncertainty.

WHERE YOU CAN FIND MORE INFORMATION

This prospectus is part of a registration statement that we filed with the SEC. Certain information in the registration statement has been omitted from this prospectus in accordance with the rules of the SEC. We are a public company and file proxy statements, annual, quarterly and special reports and other information with the SEC. The registration statement, such reports and other information can be inspected and copied at the Public Reference Room of the SEC located at 100 F Street, N.E., Washington D.C. 20549. Copies of such materials, including copies of all or any portion of the registration statement, can be obtained from the Public Reference Room of the SEC at prescribed rates. You can call the SEC at 1-800-SEC-0330 to obtain information on the operation of the Public Reference Room. Such materials may also be accessed electronically by means of the SEC's home page on the Internet (www.sec.gov).

You should rely only on the information provided in this prospectus. We have not authorized anyone to provide you with different information. You should not assume that the information in this document is accurate as of any date other than that on the front cover of this prospectus.

INFORMATION INCORPORATED BY REFERENCE

The SEC allows us to "incorporate by reference" the information we file with it, which means that we can disclose important information to you by referring to those documents. The information incorporated by reference is an important part of this prospectus. Any statement contained in a document which is incorporated by reference in this prospectus is automatically updated and superseded if information contained in this prospectus, or information that we later file with the SEC, modifies or replaces this information. We incorporate by reference the documents listed below and any future documents we subsequently file pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act (other than information furnished to, and not filed with, the SEC) prior to the termination of this offering:

§ Our Annual Report on Form 10-K for the fiscal year ended December 31, 2008; and

§ The description of our common stock our registration statement on Form 8-A filed with the SEC on September 22, 2004 (File No. 333-06661), including any amendments or reports filed for the purpose of updating such description.

To receive a free copy of any of the documents incorporated by reference in this prospectus, other than any exhibits, unless the exhibits are specifically incorporated by reference into this prospectus, *call* or *write* us at the following address and telephone number:

Antares Pharma, Inc.

250 Phillips Blvd., Suite 290

Ewing, New Jersey 08618

(609) 359-3020

You should rely only on the information incorporated by reference or provided in this prospectus or any prospectus supplement. We have not authorized anyone to provide you with information different from that contained or incorporated by reference in this prospectus. We are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of common stock.

$20,000,000

ANTARES PHARMA, INC.

PROSPECTUS

Common Stock

Preferred Stock

Warrants

May 6, 2009

10,625,000 Units

(each Unit consisting of one share of Common Stock and one Warrant to purchase 0.4 of a share of Common Stock)

Antares Pharma, Inc.

PROSPECTUS SUPPLEMENT

July 24, 2009

Cowen and Company

Oppenheimer & Co., Inc.

Ladenburg Thalmann & Co. Inc.

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The following is a summary of cash provided by or used in each of the indicated types of activities during the years ended December 31, 2009 and 2008:

	2009	2008
Cash provided, by (used in):		
Operating Activities	$ (37,486,187)	$ (8,822,514)
Investing Activities	(1,510,661)	115,350)
Financing Activities	32,841,386	13,957,150

Net cash flow used in operating activities was $37.49 million during the year ended December 31, 2009, as compared to $8.82 million used in the same period of 2008. The increase in net cash outflow was mainly due to $31.11 million payment for construction in progress of Erdos Phase 11 and III projects and Zhonggang Binhai project, increase in net income as well as less payment for prepaid expenses and accounts payable as compared to 2008. Cash received from collection of principal on sales type leases was $2.58 million in 2009 compared with $0.77 million in 2008, an increase of $1.81 million.

Net cash flow used in investing activities was $1.51 million in the year ended December 31, 2009, as compared to $0.12 million used in the same period of 2008. The increase of net cash used in investing activities was mainly due to restricted cash of $1.46 million deposited in the bank as collateral for bank acceptances to support our payment obligations to our vendors. We spent $33,498 on fixed assets purchases in 2009 while we spent $115,350 on fixed assets purchases in 2008.

Net cash flow provided by financing activities was $33.0 million for the year ended December 31, 2009 compared to net cash provided by financing activities of $13.96 million for 2008. The $33.0 million cash inflow from financing activities mainly consisted of common stock issued for $2 million, convertible note issued for $3 million, $1.46 million bank acceptance and trust plan loan of $25.56 million, while in the same period of 2008 we received $9 million and $5 million from the issuance of common stock and convertible notes, respectively.

The Company's cash balance hit its lowest point during the period at the end of 2009. We believe, however, that our cash resources will continue to increase and our cash position will improve through 2010 due to the steady revenue stream from our current operating projects. As of December 31, 2009, we have six sales-type leases to generate cash inflow, which consisted of two TRT systems, two CHPG systems, one WGPG system and one recycling waste heat power generating system. The company also has commitment from Beijing Trust for additional loans in 2010 under the Trust Plan for the remaining phase of the Erdos project. Additionally, the Company may take advantage of our line of credit, discussed below, if needed for instant working capital. We believe we are going to have sufficient cash resources to cover our anticipated capital expenditures and operating activities for 2010.

We do not believe inflation has had a significant negative impact on our results of operations during 2009.

Off-Balance Sheet Arrangements

Other than as otherwise described herein, we have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as stockholder's equity or that are not reflected in our consolidated financial statements. Furthermore, we do 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. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

Convertible Notes Payable

On April 29, 2008, we issued and sold to certain investors a 5% Secured Convertible Promissory Note of $5,000,000. The terms for the Note were amended and restated on April 29, 2009.

This note bears interest at 5% per annum and matures on April 29, 2011. The principal amount of the note, together with any interest thereon, convert, at the option of the holders at any time on or after March 30, 2010 (or such earlier date if the audited consolidated financial statements of the Company for the fiscal year ending December 31, 2009 are available prior to March 30, 2010) and prior to maturity, into shares of the Company's common stock at an initial conversion price that is tied to the after-tax net profits of the Company for the fiscal year ending December 31, 2009. The obligation of the Company under this note is ranked senior to all other debt of the Company. The note is secured by a security interest granted to the investors pursuant to a share pledge agreement. The note is not considered to have an embedded beneficial conversion feature because the conversion price and convertible shares are contingent upon future net profits.

On April 29, 2009, CREG issued an 8% Secured Convertible Promissory Note of $3 million to Carlyle Asia Growth Partners III, L.P. with maturity on April 29, 2012. The note holder has the right to convert all or any part of the aggregate outstanding principal amount of this note, together with interest, if any, into shares of the Company's common stock, at any time on or after March 30, 2010 (or such earlier date if the audited consolidated financial statements of the Company for the fiscal year ending December 31, 2009 are available on a date prior to March 30, 2010) and prior to the maturity date (or such later date on which this note is paid in full), at a conversion price per share of common stock equal to US $0.80.

Revolving Financing Agreement

On October 26, 2009, Xi'an TCH and Erdos TCH entered into a one-year Non Promissory Short Term Revolving Financing Agreement (the "Citi Agreement"), dated and effective from October 12, 2009, with Citi Bank (China) Co., Ltd., Shanghai Branch ("Citi"). The maximum financing provided under in the Citi Agreement is RMB 20 million ($2.9 million). The Citi Agreement allows for Xi'an TCH and Erdos TCH to borrow money to maintain current liquidity for notes receivable, such as trade notes payable to the Company, or in order to capitalize on discounts for early payment of accounts payable, such as for equipment or raw materials. The maximum maturity date for each financing is six months. The interest rate for any note discount financing will be determined by the relevant note discount documents and the interest rate for accounts payable financing will be determined by the relevant accounts payable documents.

The proceeds received under the financing arrangement are to be used for working capital and to purchase raw materials. The amounts received pursuant to the Citi Agreement are secured by an account maintained by the Company with Citi, accounts receivable of Xi'an TCH and Erdos TCH and the guarantees of Shanghai TCH Energy Technology Co., Ltd , an affiliate of Xi'an TCH, and Guohua Ku, the Chairman of the Board and Chief Executive Officer of the Company.

Citi has the discretion to accelerate maturity date of the outstanding loans and request for payment as well as to cancel or terminate the financing. Xi'an TCH and Erdos TCH have agreed not to use the loan to pay for related party transactions without Citi's permission. Xi'an TCH and Erdos TCH also have agreed to deposit their income from sales of products and services into their accounts with Citi with a combined average monthly income amount of no less than RMB 5 million ($0.73 million). Xi'an TCH and Erdos TCH may not draw on the Citi Agreement until the monthly income amount reaches 80% of expected income amount as set forth in the Citi Agreement for that month. Each loan of Xi'an TCH and Erdos TCH should be no more than 35% of the maximum financing limit. If the single monthly income amount for Xi'an TCH and Erdos TCH is less than 70% of the expected income amount of that month, Citi has the right to suspend, cancel or terminate the financing and accelerate the maturity date of any outstanding amount and request for immediate reimbursement. As of December 31, 2009, Xi'an TCH and Erdos TCH had no amounts outstanding under the Citi Agreement

Notes Payable – Bank Acceptances

We had notes payable for bank acceptances of $1,461,060 at December 31, 2009, which was collateralized by depositing the same amount of cash in the bank as restricted cash. We endorsed the bank acceptances to vendors as payment of our obligations. Most of the bank acceptances have a maturity of less than six months.

Loan Payable – Collective Capital Trust Plan

On December 3, 2009, the Company and Beijing International Trust Co., Ltd. ("Beijing Trust") formed a Low Carbon Fortune-Energy Recycling No. 1 Collective Capital Trust Plan ("Plan"). Under the Plan, Beijing Trust raised RMB 181,880,000 (US$ 26.75 million) through the sale of 181,880,000 total trust units at RMB 1 per unit. All amounts raised under the Plan are loaned to Erdos TCH in connection with its waste heat power generation projects Phase II and Phase III construction and operation.

The Plan included 145,500,000 category A preferred trust units ($ 21.4 million), consisting of category A1 preferred trust 12,450,000 units (US$ 1.8 million), category A2 preferred trust 15,000,000 units (US$ 2.2 million), category A3 preferred trust 118,050,000 units (US$ 17.4 million); and 36,380,000 category B secondary trust units (US$ 5.35 million), consisting of category B1 secondary trust 9,100,000 units (US$ 1.34 million) and category B2 secondary trust 27,280,000 units (US$ 4.01 million). The B1 units have been purchased by members of management of Erdos TCH and the B2 units have been purchased by Xi'an TCH. Under the Agreement, the annual base interest rate is 9.94% for A1 preferred trust fund units with a term of two years, 11% for A2 preferred trust fund units with a term of three years, 12.05% for A3 preferred trust fund units and 8.35% for the category B secondary trust fund units, each with a term of four years.

Erdos TCH gave a lien on its equipment, assets and accounts receivable to guarantee the loans under the Agreement. Xi'an TCH and Mr. Guohua Ku (the Company’s CEO) also gave unconditional and irrevocable joint liability guarantees to Beijing Trust for Erdos TCH's performance under the Agreement. Erdos (the minority shareholder and customer of Erdos TCH) provided a commitment letter on minimum power purchase from Erdos TCH.

On December 18, 2009, an additional RMB 25,000,000 (US$3.68 million) was raised to support the Company's Erdos Power Generation Projects. The Company sold 25,000,000 trust units at RMB 1 per unit which included 20,000,000 category A1 preferred trust units (US$ 2.94 million) and 5,000,000 category B2 secondary trust units (US$ 0.74 million). The B2 units were purchased by Xi'an TCH.

Beside the base interest rate, Erdos TCH agrees to share the benefits from the Clean Development Mechanism (“CDM”) under the Kyoto Protocol equally with Beijing Trust during the term of the loan, as well as to pay a management incentive benefit to be calculated by a formula tied to Erdos TCH’s net profit and average registered capital of the fiscal year prior to the maturity date of the loan. Under the formula the management incentive benefit is paid at the end of year four and can range between 0% and 100% of the net profit of Erdos TCH in the fiscal year prior to the maturity date of the loan depending upon the amount of average contributed capital of Erdos TCH at the time of measurement.

At December 31, 2009, the Company sold 206,880,000 units for RMB 206,880,000 ($30.3 million), of which, 9,100,000 units ($1.3 million) was purchased by the management of Erdos TCH, 32,280,000 units purchased by Xi’an TCH for $4.7 million was considered as an investment by Xi’an TCH into Erdos TCH, accordingly, was eliminated in the consolidation. The net long term loan payable under this trust plan was $25.6 million at December 31, 2009.

COMMITMENTS

Zhonggang Binhai 7-Megawatt Capacity Electricity Generation Project

In September, 2008, the Company signed a contract to recycle waste gas and waste heat for China Zhonggang Binhai Enterprise Ltd. (“Zhonggang”) in Cangzhou City, Hebei Province, a world-class nickel- alloy manufacturing joint venture between China Zhonggang Group and Shanghai Baoshan Steel Group. According to the contract, the Company will install a 7-Megawatt capacity electricity-generation system. It will be an integral part of the facilities designed to produce 80,000 tons of nickel-alloy per year. The project will generate 7-megawatt capacity electricity and help reduce in excess of 20,000 tons of carbon dioxide emissions every year. Total investment in this project is $7.8 million (RMB 55 million). Construction on the project started in March of 2009, but the Company did not incur any material expenses for the project in 2009; the Company originally expected the completion of the project within 11 months from the construction commencement date. The construction was delayed due to a delay in the installation of furnace cove by Zhonggang. The construction was resumed in February of 2010; the Company expects the project to be completed in the beginning of 2011. Zhonggang agrees to purchase all the electricity and steam to be generated from the system for the term of 9 years, at a pre-agreed price. Zhonggang also agrees to guarantee the minimal working hours of supplying heat (6,800 hours per year) and the minimum monthly payment of electricity and steam fees, which is no less than $365,000 (RMB 2.5 million) per month, By the end of the term, the system shall be transferred to Zhonggang at a nominal price of RMB 1.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders of China Recycling Energy Corporation:

We have audited the accompanying consolidated balance sheets of China Recycling Energy Corporation (the “Company” or “CREG”) and subsidiaries as of December 31, 2009 and 2008 and the related consolidated statements of income and other comprehensive income, shareholders’ equity, and cash flows for the years ended December 31, 2009 and 2008. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of China Recycling Energy Corporation and Subsidiaries as of December 31, 2009 and 2008 and the consolidated results of their operations and their consolidated cash flows for the years ended December 31, 2009 and 2008, in conformity with U.S. generally accepted accounting principles.

Goldman Parks Kurland Mohidin
Encino, California
March 15, 2010, except for note 24, for which the date is March 30, 2011

CHINA RECYCLING ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	AS OF DECEMBER 31, 2009	2008
ASSETS		
CURRENT ASSETS		
Cash & cash equivalents	$ 1,111,943	$ 7,267,344
Restricted cash	1,461,659	-
Investment in sales-type leases, net	4,396,395	1,970,591
Interest receivable on sales-type leases	437,626	82,406
Prepaid expenses	445,458	3,849,087
Other receivables	1,524,949	102,850
Inventory	-	10,534,633
Total current assets	9,378,030	23,806,911
NON-CURRENT ASSETS		
Investment in sales-type leases, net	48,147,738	14,837,879
Advance for equipment	-	2,642,889
Property and equipment, net	97,311	95,359
Construction in progress	34,858,845	3,731,016
Intangible assets, net	-	3,482
Total non-current assets	83,103,894	21,310,625
TOTAL ASSETS	$ 92,481,924	$ 45,117,536
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 3,583,219	$ 1,186,902
Notes payable - bank acceptances	1,461,659	-
Unearned revenue	-	658,415
Taxes payable	681,707	1,313,949
Accrued liabilities and other payables	2,785,796	3,528,527
Advance from related parties, net	468,475	-
Deferred tax liability	148,193	-
Convertible notes	8,000,000	5,000,000
Total current liabilities	17,129,049	11,687,793
DEFERRED TAX LIABILITY, NET	2,762,115	823,407
ACCRUED INTEREST ON CONVERTIBLE NOTES	353,024	168,494
LOAN PAYABLE	25,570,429	-
CONTINGENCIES AND COMMITMENTS		
STOCKHOLDERS' EQUITY		
	38,779	36,425

Common stock, $0.001 par value; 100,000,000 shares authorized, 38,778,035 and 36,425,094 shares issued and outstanding as of December 31, 2009 and 2008, respectively		
Additional paid in capital	38,319,163	34,528,289
Statutory reserve	2,497,724	1,319,286
Accumulated other comprehensive income	3,709,490	3,582,587
Retained earnings (deficit)	1,485,914	(7,044,924)
Total Company stockholders' equity	46,051,070	32,421,663
Noncontrolling interest	616,237	16,179
Total equity	46,667,307	32,437,842
TOTAL LIABILITIES AND EQUITY	$ 92,481,924	$ 45,117,536

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

28

CHINA RECYCLING ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

	YEARS ENDED DECEMBER 31, 2009	2008
Revenue		
Sales of systems	$ 38,286,835	$ 8,048,956
Rental income	5,948,373	11,168,707
Total revenue	44,235,208	19,217,663
Cost of sales		
Cost of systems	29,451,411	6,191,505
Rental expense	4,149,604	7,810,231
Total cost of sales	33,601,015	14,001,736
Gross profit	10,634,193	5,215,927
Interest income on sales-type leases	7,052,574	2,285,582
Total operating income	17,686,767	7,501,509
Operating expenses		
General and administrative expenses	4,194,632	3,354,028
Total operating expenses	4,194,632	3,354,028
Income from operations	13,492,135	4,147,481
Non-operating income (expenses)		
Interest income	88,852	27,033
Interest expense	(475,995)	(4,787,292)
Other income	13,597	108,999
Other expense	(107,680)	(811)
Exchange loss	(2,766)	(82,237)
Total non-operating expenses, net	(483,992)	(4,734,308)
Income (loss) before income tax	13,008,143	(586,827)
Income tax expense	2,946,387	1,632,754
Income (loss) from operations	10,061,756	(2,219,581)
Less: Income attributable to noncontrolling interest	352,480	83
Net income (loss) attributable to China Recycling, Inc.	9,709,276	(2,219,664)
Other comprehensive item		
Foreign currency translation gain	126,903	1,864,327
Comprehensive income (loss)	$ 9,836,179	$ (355,337)

Basic weighted average shares outstanding		38,068,929		32,095,814
Diluted weighted average shares outstanding **		46,191,950		49,702,199
Basic net earnings per share *	$	0.26	$	(0.07)
Diluted net earnings per share *	$	0.21	$	(0.07)

* Interest expense on convertible notes are added back to net income for the computation of diluted EPS.

* Basic and diluted loss per share are the same for 2008 because common stock equivalent are anti-dilutive.

** Diluted weighted average shares outstanding includes estimated shares upon conversion of the Second Note issued on April 29, 2008 with a conversion price that is tied to audited 2009 after-tax profits.

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

CHINA RECYCLING ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY
YEARS ENDED DECEMBER 31, 2009 AND 2008

	Common stock						
	Shares	Amount	Paid in capital	Statutory reserves	Other comprehensive income	Accumulated retained earning (deficit)	Total
Balance at January 1, 2008	25,015,089	25,015	19,070,908	832,467	1,718,260	(4,338,441)	17,308,209
Shares issued for capital contribution	11,410,005	11,410	14,020,848	-	-	-	14,032,258
Stock compensation expense related to stock options	-	-	1,436,533	-	-	-	1,436,533
Net loss for the year	-	-	-	-	-	(2,219,664)	(2,219,664)
Transfer to statutory reserves	-	-	-	486,819	-	(486,819)	-
Foreign currency translation gain	-	-	-	-	1,864,327	-	1,864,327
Balance at December 31, 2008	36,425,094	$ 36,425	$ 34,528,289	$ 1,319,286	$ 3,582,587	$ (7,044,924)	$ 32,421,663
Shares issued for capital contribution	2,352,941	2,354	1,997,646	-	-	-	2,000,000
Compensation expenses related to stock options and warrants	-	-	1,793,228	-	-	-	1,793,228
Net income for the year	-	-	-	-	-	9,709,276	9,709,276
Transfer to statutory reserves	-	-	-	1,178,438	-	(1,178,438)	-
Foreign currency translation gain	-	-	-	-	126,903	-	126,903
Balance at December 31, 2009	38,778,035	$ 38,779	$ 38,319,163	$ 2,497,724	$ 3,709,490	$ 1,485,914	$ 46,051,070

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

CHINA RECYCLING ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEARS ENDED DECEMBER 31, 2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income including noncontrolling interest	$ 10,061,756	$ (2,219,581)
Adjustments to reconcile net income including noncontrolling interest to net cash used in operating activities:		
Changes in sales type leases receivables	(38,286,611)	(7,831,182)
Depreciation and amortization	35,121	18,079
Amortization of discount related to conversion feature of convertible note	-	4,684,932
Stock options expense	1,702,479	1,436,533
Warrant expense	90,749	
Accrued interest on convertible notes	184,530	105,480
Changes in deferred tax	2,085,709	823,407
(Increase) decrease in current assets:		
Interest receivable on sales type lease	(355,220)	61,856
Collection of principal on sales type leases	2,581,568	768,077
Prepaid expenses	3,415,076	-
Prepaid equipment rent	-	(3,796,985)
Other receivables	(1,421,503)	(66,659)
Inventory	10,540,184	-
Advance to supplier	2,635,046	-
Increase (decrease) in current liabilities:		
Accounts payable	2,394,223	(1,245,854)
Taxes payable	(633,648)	707,013
Unearned revenue	(658,762)	647,948
Accrued liabilities and other payables	(745,309)	802,165
Construction in progress	(31,111,575)	(3,717,743)
Net cash used in operating activities	(37,486,187)	(8,822,514)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase investment in subsidiary	(16,103)	-
Restricted cash	(1,461,060)	-
Acquisition of property & equipment	(33,498)	(115,350)
Net cash used in investing activities	(1,510,661)	(115,350)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of common stock	2,000,000	9,032,258
Issuance of convertible notes	3,000,000	5,000,000
Notes payable - bank acceptances	1,461,060	-
Cash contribution from noncontrolling interest	263,439	-
Proceeds from loans	25,559,947	-
Advance from (repayment to) related party	556,940	(75,108)
Net cash provided by financing activities	32,841,386	13,957,150
EFFECT OF EXCHANGE RATE CHANGE ON CASH & EQUIVALENTS	61	613,718
NET INCREASE (DECREASE) IN CASH & EQUIVALENTS	(6,155,401)	5,633,004
CASH & EQUIVALENTS, BEGINNING OF YEAR	7,267,344	1,634,340
CASH & EQUIVALENTS, END OF YEAR	$ 1,111,943	$ 7,267,344

Supplemental Cash flow data:		
Income tax paid	$ 1,480,698	$ 152,881
Interest paid	$ 358,789	$ -

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

31

CHINA RECYCLING ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

China Recycling Energy Corporation (the "Company" or "CREG") (formerly China Digital Wireless, Inc.) was incorporated on May 8, 1980, under the laws of the State of Colorado. On September 6, 2001, the Company re-domiciled its state of incorporation from Colorado to Nevada. The Company, through its subsidiary, Shanghai TCH Energy Technology Co., Ltd ("Shanghai TCH"), sells and leases energy saving systems and equipment. On March 8, 2007, the Company changed its name to "China Recycling Energy Corporation".

On February 1, 2007, the Company's subsidiary, Shanghai TCH, entered into two top gas recovery turbine systems ("TRT") projects, each evidenced by a joint-operation agreement, with Xi'an Yingfeng Science and Technology Co., Ltd. ("Yingfeng"). TRT is an electricity generating system that utilizes the exhaust pressure and heat produced in the blast furnace of a steel mill to generate electricity. Yingfeng is a joint stock company registered in Xi'an, Shaanxi Province, Peoples Republic of China (the "PRC"), and engages in designing, installing, and operating TRT systems and sales of other renewable energy products.

Under the Joint-Operation Agreement, Shanghai TCH and Yingfeng jointly pursued a top gas recovery turbine project ("Project") to design, construct, install and operate a TRT system for Xingtai Iron and Steel Company, Ltd. ("Xingtai"). This Project was initiated by a Contract to Design and Construct TRT System ("Project Contract") entered by Yingfeng and Xingtai on September 26, 2006. Due to Yingfeng's lack of capital in pursuing this Project alone, Yingfeng sought Shanghai TCH's cooperation. After intensive and substantial inquiry and assessment, Shanghai TCH agreed to pursue this project with Yingfeng as a joint venture. Under the terms of the Joint-Operation Agreement, Shanghai TCH provided various forms of investments and properties into the Project including cash, hardware, software, equipment, major components and devices. In return, Shanghai TCH obtained all the rights, titles, benefits and interests that Yingfeng originally had under the Project Contract, including but not limited to the regular cash payments made by Xingtai and other property rights and interests.

On October 31, 2007, Shanghai TCH entered an asset-transfer agreement with Yingfeng to transfer from Yingfeng to Shanghai TCH all electricity-generating related assets owned by Yingfeng. As the result, the contractual relationships between Shanghai TCH and Yingfeng under the TRT Project Joint-Operation Agreement entered on April 8, 2007 were terminated.

In November 2007, Shanghai TCH signed a cooperative agreement with Shengwei Group to build two sets of 12MW pure low temperature cement waste heat power generator systems ("CHPG") for Shengwei's two 2,500-tons-per-day cement manufacturing lines in Jin Yang and for a 5,000-tons-per-day cement manufacturing line in Tong Chuan. Total investment in these projects will be $12,593,000 (RMB 93,000,000). At the end of 2008, construction of the CHPG in Tong Chuan was completed at a cost of $6,191,000 (RMB 43,000,000) and put into operation. Under the original agreement, the ownership of the power generator system would belong to Shengwei from the date the system was put into service. Shanghai TCH is responsible for the daily maintenance and repair of the system, and charges Shengwei a monthly electricity fee based on the actual power generated by the system at 0.4116 RMB per KWH for an operating period of five years with the assurance from Shengwei of a properly functioning 5,000-tons-per-day cement manufacturing line and not less than 7,440 heat hours per year for the electricity generator system. Shengwei Group collateralized the cement manufacturing line in Tong Chuan to guarantee its obligations to provide the minimum electricity income from the power generator system under the agreement during the operating period. At the end of the five year operating period, Shanghai TCH will have no further obligations under the cooperative agreement. On May 20, 2009, Shanghai TCH entered into a supplementary agreement with Shengwei

Group to amend the timing for title transfer to the end of the lease term. In addition, the supplementary agreement provided that Shanghai TCH will charge Shengwei based on actual power usage subject to a minimum of $0.31 million (RMB 2.1 million) per month during the operating period.

On June 29, 2009, construction of the CHPG in Jin Yang was completed at a cost of approximately $7,318,000 (RMB 50,000,000) and put into operation. Shanghai TCH charges Shengwei a technical service fee of $336,600 (RMB 2,300,000) monthly for the sixty months of the lease term. Shengwei has the right to purchase the ownership of the CHPG systems for $29,000 (RMB 200,000) at the end of lease term. Shengwei is required to provide assurance of properly functioning 5,000-tons-per-day cement manufacturing lines and not less than 7,440 heat hours per year for the CHPG. Shengwei Group collateralized the cement manufacturing lines in Jin Yang to guarantee its obligations to provide the minimum electricity income from the power generator system under the agreement during the operating period. Effective July 1, 2009, Shanghai TCH outsourced the operation and maintenance of the CHPG systems in Tong Chuan and JinYang to a third party for total of $732,000 (RMB 5,000,000) per year.

On April 14, 2009, the Company incorporated a joint venture ("JV") with Erdos Metallurgy Co., Ltd. ("Erdos") to recycle waste heat from Erdos 's metal refining plants to generate power and steam, which will then be sold back to Erdos. The name of the JV is Inner Mongolia Erdos TCH Energy Saving Development Co., Ltd ("Erdos TCH") with a term of 20 years, and the registered capital of the JV is $2,635,000 (RMB 18,000,000). On September 30, 2009, Xi'an TCH Energy Technology Co., Ltd. ("Xi'an TCH") injected additional capital of $4.03 million (RMB 27,500,000). In November of 2009, Xi'an TCH injected further capital of $5.05 million (RMB 34,500,000). As of December 31, 2009, total registered capital is $11.71 million (RMB 80,000,000), of which, $11.45 million (RMB 78,200,000) was from Xi'an TCH, and $0.26 million (RMB 1,800,000) was from Erdos. Total investment for the project is estimated at approximately $74 million (RMB 500 million) with an initial investment of $17.55 million (RMB 120,000,000). Erdos contributed 10% of the total investment of the project, and Xi'an TCH contributed 90% of the total investment. Xi'an TCH and Erdos will receive 80% and 20% of the profit from the JV, respectively, until Xi'an TCH has received a complete return on its investment. Xi'an TCH and Erdos will then receive 60% and 40% of the profit from the JV, respectively. The profits to be distributed will be computed based on Chinese generally accepted accounting principles. The main difference between US GAAP and Chinese GAAP with regards to Erdos is a sales-type lease under US GAAP is treated as an operating lease under Chinese GAAP. When the term of the JV expires, Xi'an TCH will transfer its equity in the JV to Erdos at no additional cost.

At the end of 2009, Erdos TCH completed the first 9MW power station of Phase I of the project and put it into operation. The Phase I includes two 9-MW units for a combined 18-MW power capacity. Pursuant to the Co-operation Agreement and the supplement agreements signed between Erdos and Erdos TCH, Erdos shall purchase all the electricity and steam to be generated from the JV's power generation projects. Erdos TCH leased the two 9 MW units to Erdos and will be responsible for the operation and maintenance of the units. For each phase of the project, the lease term is 20 years starting from the date of completion of the phase. Erdos agreed to pay a fixed minimum of $0.22 million (RMB 1.5 million) per month for each 9MW capacity power generation unit. In addition Erdos will pay the actual amount if the actual sale of the electricity generated is more than $0.22 million (RMB 1.5 million) monthly per unit. After 20 years, the units will be transferred to Erdos without any charge.

During 2008, the Company also leased two energy recycling power generation equipment systems under one-year, non-cancellable leases with the rents paid in full, which the Company subleased for higher rental income under one-year, non-cancellable leases. The Company did not renew its lease when it expired in April 2009, and as a result, the sublessee was unable to renew its lease with the Company.

On September 30, 2009, Xi'an TCH delivered to Shenmu County Jiujiang Trading Co., Ltd. ("Shenmu") a set of 18 megawatt capacity Waste Gas Power Generation ("WGPG") power generating systems pursuant to a Cooperative Contract on Coke-oven Gas Power Generation Project (including its Supplementary Agreement) and a Gas Supply Contract for Coke-oven Gas Power Generation Project. The Contracts are for 10 years and provide that Xi'an TCH will recycle coke furnace gas from the coke-oven plant of Shenmu to generate power, which will be supplied back to Shenmu. Shenmu agrees to supply Xi'an TCH the coke-oven gas free of charge. Under the Contracts, Shenmu will pay the Company an annual "energy-saving service fee" of approximately $5.6 million in equal monthly installments for the life of the Contracts, as well as such additional amount as may result from the supply of power to Shenmu in excess of 10.8 million kilowatt hours per month. The Company is responsible for operating the systems and will do so through an unrelated third party. Shenmu guarantees that monthly gas supply will not be lower than 21.6 million standard cubic meters. If gas supply is less, Shenmu agrees to pay Xi'an TCH energy-saving service fee described above or up to 10.80 million kilowatt-hours per month. Xi'an TCH maintains the ownership of the project throughout the term of the Contracts, including the already completed investment, design, equipment, construction and installation as well as the operation and maintenance of the project. At the end of the 10-year term, ownership of the systems transfers to Shenmu at no charge. Shenmu gave a lien on its production line to guarantee its performance under the Contracts. Shenmu's three major shareholders provide an unlimited joint liability guarantee to Xi'an TCH for Shenmu's performance under the Contracts and the Yulin Huiyuan Group, an independent third party, provides a guarantee to Xi'an TCH for Shenmu's performance under the Contracts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These accompanying consolidated financial statements have been prepared in accordance with United States Generally Accepted Accounting Principles (US GAAP) and pursuant to the rules and regulations of the Securities Exchange Commission (SEC) for annual financial statements.

Basis of Consolidation

The consolidated financial statements include the accounts of CREG and, its subsidiaries, Sifang Holdings and Shanghai TCH, and Shanghai TCH's subsidiaries Xi'an TCH Energy Tech Co., Ltd. ("Xi'an TCH") and Xingtai Huaxin Energy Tech Co., Ltd. ("Huaxin"), and Xi'an TCH's 90% owned subsidiary Erdos TCH, and Sifang Holding's subsidiary, Huahong New Energy Technology Co., Ltd. ("Huahong"). Xi'an TCH, Huaxin, Erdos TCH and Huahong engage in the same business as Shanghai TCH. Substantially all of the Company's revenues are derived from the operations of Shanghai TCH and its subsidiaries, which represent substantially all of the Company's consolidated assets and liabilities as of December 31, 2009 and 2008, respectively. All significant inter-company accounts and transactions were eliminated in consolidation.

Use of Estimates

In preparing these consolidated financial statements, management makes estimates and assumptions that affect the reported amounts of assets and liabilities in the balance sheets and revenues and expenses during the period reported. Actual results may differ from these estimates.

Cash and Cash Equivalents

Cash and cash equivalents are carried at cost and represent cash on hand, demand deposits placed with banks or other financial institutions and all highly liquid investments with an original maturity of three months or less as of the purchase date of such investments.

Accounts Receivable and Concentration of Credit Risk

Accounts receivable are recorded at the invoiced amounts and do not bear interest. The Company extends unsecured credit to its customers in the ordinary course of business but mitigates the associated risks by performing credit checks and actively pursuing past due accounts. The Company does not require collateral or other security to support these receivables. The Company conducts periodic reviews of its clients' financial condition and customer payment practices to minimize collection risk on accounts receivable. As of December 31, 2009 and 2008, the Company had accounts receivable of $0.

An allowance for doubtful accounts is established and determined based on management's assessment of known requirements, aging of receivables, payment history, the customer's current credit worthiness and the economic environment. As of December 31, 2009 and 2008, the Company had an accounts receivable allowance of $0.

The operations of the Company are located in PRC. Accordingly, the Company's business, financial condition, and results of operations may be influenced by the political, economic, and legal environments in the PRC, as well as by the general state of the PRC economy.

34

Inventory

Inventory is valued at the lower of cost or market. Cost of work in progress and finished goods comprises direct material cost, direct production cost and an allocated portion of production overheads.

Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation. Expenditures for maintenance and repairs are expensed as incurred; additions, renewals and betterments are capitalized. When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts, and any gain or loss is included in operations. Depreciation of property and equipment is provided using the straight-line method over the estimated lives as follows:

Building	20 years
Vehicle	2 - 5 years
Office and Other Equipment	2 - 5 years
Software	2 - 3 years

Impairment of Long-life Assets

In accordance with SFAS 144 (codified in Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 360), the Company reviews its long-lived assets, including property, plant and equipment, for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be fully recoverable. If the total of the expected undiscounted future net cash flows is less than the carrying amount of the asset, a loss is recognized for the difference between the fair value and carrying amount of the asset. There was no impairment as of December 31, 2009 and 2008.

Sales-type Leasing and Related Revenue Recognition

The Company constructs and leases TRT, CHPG, WGPG and other waste heat power generating systems to its customers. The Company usually transfers all benefits, risks and ownership of the TRT, CHPG, WGPG or other waste heat power generating systems to its customers at the end of each lease. The Company’s investment in these projects is recorded as investment in sales-type leases in accordance with SFAS No. 13, “Accounting for Leases” (codified in FASB ASC Topic 840) and its various amendments and interpretations. The Company manufactures and constructs the TRT, CHPG and WGPG systems and waste heat power generating systems, and finances its customers for the price of the systems. The sales and cost of goods sold are recognized at the point of sale or inception of the lease. The investment in sales-type leases consists of the sum of the total minimum lease payments receivable less unearned interest income and estimated executory cost. Unearned interest income is amortized to income over the lease term as to produce a constant periodic rate of return on the net investment in the lease.

Cost of Sales

Cost of sales consists primarily of the direct material of the power generating system and expenses incurred directly for project construction for sales-type leasing; and rental expenses for two pieces of power generation equipment for the operating lease.

Income Taxes

The Company utilizes SFAS No. 109, "Accounting for Income Taxes," (codified in FASB ASC Topic 740), which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each period end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

The Company adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, (“FIN 48”), codified in FASB ASC Topic 740, on January 1, 2007. As a result of the implementation of FIN 48, the Company made a comprehensive review of its portfolio of tax positions in accordance with recognition standards established by FIN 48, and the Company recognized no material adjustments to liabilities or stockholders equity. When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Interest associated with unrecognized tax benefits are classified as interest expense and penalties are classified in selling, general and administrative expenses in the statements of income. The adoption of FIN 48 did not have a material impact on the Company’s financial statements. At December 31, 2009 and 2008, the Company did not take any uncertain positions that would necessitate recording of tax related liability.

Non-Controlling Interest

Certain amounts presented for prior periods previously designated as minority interest have been reclassified to conform to the current year presentation. Effective January 1, 2009, the Company adopted Financial Accounting Standards (“FASB”) Accounting Standards Codification (“ASC”) Topic 810, “Consolidation,” which established new standards governing the accounting for and reporting of noncontrolling interests (NCIs) in partially owned consolidated subsidiaries and the loss of control of subsidiaries. Certain provisions of this standard indicate, among other things, that NCIs (previously referred to as minority interests) be treated as a separate component of equity, not as a liability (as was previously the case), that increases and decreases in the parent’s ownership interest that leave control intact be treated as equity transactions rather than as step acquisitions or dilution gains or losses, and that losses of a partially owned consolidated subsidiary be allocated to the NCI even when such allocation might result in a deficit balance. This standard also required changes to certain presentation and disclosure requirements. The provisions of the standard are applied to all NCIs prospectively, except for the presentation and disclosure requirements, which are applied retrospectively to all periods presented.

The net income (loss) attributed to the NCI has been separately designated in the accompanying statements of income and other comprehensive income. Losses attributable to the NCI in a subsidiary may exceed the NCI’s interests in the subsidiary’s equity. The excess attributable to the NCI is attributed to those interests. The NCI shall continue to be attributed its share of losses even if that attribution results in a deficit NCI balance.

Statement of Cash Flows

In accordance with SFAS No. 95, “Statement of Cash Flows” (codified in FASB ASC Topic 230), cash flows from the Company’s operations are calculated based upon the local currencies. As a result, amounts related to assets and liabilities reported on the statement of cash flows may not necessarily agree with changes in the corresponding balances on the balance sheet.

Fair Value of Financial Instruments

For certain of the Company's financial instruments, including cash and cash equivalents, restricted cash, accounts receivable, receivables on sales-type leases, other receivables, accounts payable, accrued liabilities and short-term debt, the carrying amounts approximate their fair values due to their short maturities.

ASC Topic 820, "Fair Value Measurements and Disclosures," requires disclosure of the fair value of financial instruments held by the Company. ASC Topic 825, "Financial Instruments," defines fair value, and establishes a three-level valuation hierarchy for disclosures of fair value measurement that enhances disclosure requirements for fair value measures. The carrying amounts reported in the consolidated balance sheets for receivables and current liabilities each qualify as financial instruments and are a reasonable estimate of their fair values because of the short period of time between the origination of such instruments and their expected realization and their current market rate of interest. The three levels of valuation hierarchy are defined as follows:

- o Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- o Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- o Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Company analyzes all financial instruments with features of both liabilities and equity under ASC 480, “Distinguishing Liabilities from Equity,” and ASC 815.

As of December 31, 2009, the Company did not identify any assets and liabilities that are required to be presented on the balance sheet at fair value.

Stock Based Compensation

The Company accounts for its stock-based compensation in accordance with SFAS No. 123R, “Share-Based Payment, an Amendment of FASB Statement No. 123” (codified in FASB ASC Topic 718). The Company recognizes in its statement of operations the grant-date fair value of stock options and other equity-based compensation issued to employees and non-employees.

Basic and Diluted Earnings per Share

Basic earnings per share (“EPS”) is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted EPS is computed similar to basic net income per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. Diluted net earnings per share is based on the assumption that all dilutive convertible shares and stock options were converted or exercised. Dilution is computed by applying the treasury stock method. Under this method, options and warrants are assumed to be exercised at the beginning of the period (or at the time of issuance, if later), and as if funds obtained thereby were used to purchase common stock at the average market price during the period. The following table presents a reconciliation of basic and diluted earnings per share:

	2009	2008
Net income (loss) for common shares	$ 10,591,684	$ (2,219,664)
Interest expense on convertible notes (1)	184,529	168,576
Net income (loss) for diluted shares	$ 10,776,213	$ (2,051,088)
Weighted average shares outstanding - basic	38,068,929	32,095,814
Effect of dilutive securities:		
Convertible notes (2)	7,037,460	16,583,080
Options granted	1,133,295	1,023,305
Warrants granted	22,301	-
Weighted average shares outstanding - diluted	46,191,950	49,702,199
Earnings (loss) per share – basic	$ 0.26	$ (0.07)
Earnings (loss) per share – diluted (3)	$ 0.21	$ (0.07)

(1) Interest expense on convertible note was added back to net income (loss) for the computation of diluted earnings per share.
(2) Diluted weighted average shares outstanding includes shares estimated upon conversion of the Second Note issued on April 29, 2008 with conversion price that is tied with audited after-tax profit for the year ended December 31, 2009.
(3) Basic and diluted loss per share for 2008 is the same due to anti-dilutive feature of the securities.

Foreign Currency Translation and Comprehensive Income (Loss)

The Company's functional currency is the Renminbi ("RMB"). For financial reporting purposes, RMB were translated into United States Dollars ("USD") as the reporting currency. Assets and liabilities are translated at the exchange rate in effect at the balance sheet date. Revenues and expenses are translated at the average rate of exchange prevailing during the reporting period. Translation adjustments arising from the use of different exchange rates from period to period are included as a component of stockholders' equity as "Accumulated other comprehensive income." Gains and losses resulting from foreign currency transactions are included in income. There has been no significant fluctuation in the exchange rate for the conversion of RMB to USD after the balance sheet date.

The Company uses SFAS 130 "Reporting Comprehensive Income" (codified in FASB ASC Topic 220). Comprehensive income is comprised of net income and all changes to the statements of stockholders' equity, except those due to investments by stockholders, changes in paid-in capital and distributions to stockholders.

Segment Reporting

SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" (codified in FASB ASC Topic 280) requires use of the "management approach" model for segment reporting. The management approach model is based on the way a company's management organizes segments within the company for making operating decisions and assessing performance. Reportable segments are based on products and services, geography, legal structure, management structure, or any other manner in which management disaggregates a company. SFAS 131 has no effect on the Company's financial statements as substantially all of the Company's operations are conducted in one industry segment. All of the Company's assets are located in the PRC.

Research and Development

During the years 2009 and 2008, we invested about $198,000 and $120,000, respectively, in research and development.

Reclassifications

Certain prior year amounts were reclassified to conform to the manner of presentation in the current period.

New Accounting Pronouncements

In October 2009, the FASB issued an ASU regarding accounting for own-share lending arrangements in contemplation of convertible debt issuance or other financing. This ASU requires that at the date of issuance of the shares in a share-lending arrangement entered into in contemplation of a convertible debt offering or other financing, the shares issued shall be measured at fair value and be recognized as an issuance cost, with an offset to additional paid-in capital. Further, loaned shares are excluded from basic and diluted earnings per share unless default of the share-lending arrangement occurs, at which time the loaned shares would be included in the basic and diluted earnings-per-share calculation. This ASU is effective for fiscal years beginning on or after December 15, 2009, and interim periods within those fiscal years for arrangements outstanding as of the beginning of those fiscal years. The Company is currently evaluating the impact of this ASU on its consolidated financial statements.

In August 2009, the FASB issued an Accounting Standards Update ("ASU") regarding measuring liabilities at fair value. This ASU provides additional guidance clarifying the measurement of liabilities at fair value in circumstances in which a quoted price in an active market for the identical liability is not available; under those circumstances, a reporting entity is required to measure fair value using one or more of valuation techniques, as defined. This ASU is effective for the first reporting period, including interim periods, beginning after the issuance of this ASU. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements.

On July 1, 2009, the Company adopted Accounting Standards Update ("ASU") No. 2009-01, "Topic 105 - Generally Accepted Accounting Principles - amendments based on Statement of Financial Accounting Standards No. 168 , "The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles" ("ASU No. 2009-01"). ASU No. 2009-01 re-defines authoritative GAAP for nongovernmental entities to be only comprised of the FASB Accounting Standards Codification™ ("Codification") and, for SEC registrants, guidance issued by the SEC. The Codification is a reorganization and compilation of all then-existing authoritative GAAP for nongovernmental entities, except for guidance issued by the SEC. The Codification is amended to effect non-SEC changes to authoritative GAAP. Adoption of ASU No. 2009-01 only changed the referencing convention of GAAP in Notes to the Consolidated Financial Statements.

In June 2009, the FASB issued SFAS No. 167, "Amendments to FASB Interpretation No. 46(R)" ("SFAS 167"), codified as FASB ASC Topic 810-10, which modifies how a company determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. SFAS 167 clarifies that the determination of whether a company is required to consolidate an entity is based on, among other things, an entity's purpose and design and a company's ability to direct the activities of the entity that most significantly impact the entity's economic performance. SFAS 167 requires an ongoing reassessment of whether a company is the primary beneficiary of a variable interest entity. SFAS 167 also requires additional disclosures about a company's involvement in variable interest entities and any significant changes in risk exposure due to that involvement. SFAS 167 is effective for fiscal years beginning after November 15, 2009. The Company does not believe the adoption of SFAS 167 will have an impact on its financial condition, results of operations or cash flows.

In June 2009, the FASB issued SFAS No. 166, "Accounting for Transfers of Financial Assets — an amendment of FASB Statement No. 140" ("SFAS 166"), codified as FASB Topic ASC 860, which requires entities to provide more information regarding sales of securitized financial assets and similar transactions, particularly if the entity has continuing exposure to the risks related to transferred financial assets. SFAS 166 eliminates the concept of a "qualifying special-purpose entity," changes the requirements for derecognizing financial assets and requires additional disclosures. SFAS 166 is effective for fiscal years beginning after November 15, 2009. The Company does not believe the adoption of SFAS 166 will have an impact on its financial condition, results of operations or cash flows.

In May 2009, the FASB issued SFAS No. 165, "Subsequent Events" ("SFAS 165") codified in FASB ASC Topic 855-10-05, which provides guidance to establish general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS 165 also requires entities to disclose the date through which subsequent events were evaluated as well as the rationale for why that date was selected. SFAS 165 is effective for interim and annual periods ending after June 15, 2009, and accordingly, the Company adopted this pronouncement during the second quarter of 2009. SFAS 165 requires that public entities evaluate subsequent events through the date that the financial statements are issued.

In April 2009, the FASB issued FSP No. SFAS 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments," which is codified in FASB ASC Topic 825-10-50. This FSP essentially expands the disclosure about fair value of financial instruments that were previously required only annually to also be required for interim period reporting. In addition, the FSP requires certain additional disclosures regarding the methods and significant assumptions used to estimate the fair value of financial instruments. These additional disclosures are required beginning with the quarter ending June 30, 2009.

In April 2009, the FASB issued FSP No. FAS 115-2 and FAS 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments," which is codified in FASB ASC Topic 320-10. This FSP modifies the requirements for recognizing other-than-temporarily impaired debt securities and changes the existing impairment model for such securities. The FSP also requires additional disclosures for both annual and interim periods with respect to both debt and equity securities. Under the FSP, impairment of debt securities will be considered other-than-temporary if an entity (1) intends to sell the security, (2) more likely than not will be required to sell the security before recovering its cost, or (3) does not expect to recover the security's entire amortized cost basis (even if the entity does not intend to sell). The FSP further indicates that, depending on which of the above factor(s) causes the impairment to be considered other-than-temporary, (1) the entire shortfall of the security's fair value versus its amortized cost basis or (2) only the credit loss portion would be recognized in earnings while the remaining shortfall (if any) would be recorded in other comprehensive income. FSP 115-2 requires entities to initially apply the provisions of the standard to previously other-than-temporarily impaired debt securities existing as of the date of initial adoption by making a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The cumulative-effect adjustment potentially reclassifies the noncredit portion of a previously other-than-temporarily impaired debt security held as of the date of initial adoption from retained earnings to accumulate other comprehensive income. The Company adopted FSP No. SFAS 115-2 and SFAS 124-2 beginning April 1, 2009. This FSP had no material impact on the Company's financial position, results of operations or cash flows.

In April 2009, the Financial Accounting Standards Board ("FASB") issued FSP No. SFAS 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly" ("FSP No. SFAS 157-4"). FSP No. SFAS 157-4, which is codified in FASB ASC Topics 820-10-35-51 and 820-10-50-2, provides additional guidance for estimating fair value and emphasizes that even if there has been a significant decrease in the volume and level of activity for the asset or liability and regardless of the valuation technique(s) used, the objective of a fair value measurement remains the same. The Company adopted FSP No. SFAS 157-4 beginning April 1, 2009. This FSP had no material impact on the Company's financial position, results of operations or cash flows.

3. NET INVESTMENT IN SALES-TYPE LEASES

Under sales-type leases, Shanghai TCH leased TRT systems to Xingtai and Zhangzhi with terms of five years and thirteen years, respectively; and CHPG systems to Tong Chuan Shengwei and Jin Yang Shengwei respectively for five years, WGPG systems to Shenmu for ten years, and power and steam generating system from waste heat from metal refining to Erdos for twenty years. The components of the net investment in sales-type leases as of December 31, 2009 and 2008 are as follows:

	2009	2008
Total future minimum lease payments receivables	$ 143,876,773	$ 41,431,868
Less: unearned interest income	(91,332,640)	(24,623,398)
Net investment in sales - type leases	$ 52,544,133	$ 16,808,470
Current portion	$ (4,396,395)	$ (1,970,591)
Noncurrent portion	$ 48,147,738	$ 14,837,879

As of December 31, 2009, the future minimum rentals to be received on non-cancelable sales-type leases by years are as follows:

Years ending December 31,	
2010	$ 17,362,214

2011	17,194,788
2012	15,576,918
2013	15,576,918
2014	10,762,501
Thereafter	67,403,434
	$ 143,876,773

4. RESTRICTED CASH, NOTES PAYABLE – BANK ACCEPTANCES

Restricted cash at December 31, 2009 represented $1,461,659 held in the bank as collateral for the bank to issue the same amount of bank acceptances without charging interest. The Company endorses the bank acceptances to vendors as payment of their own obligations. Most of the bank acceptances have maturities of less than six months.

5. PREPAID EXPENSES

Prepaid equipment rent for operating leases

On April 10, 2008, the Company leased energy recycling power generation equipment under a one-year, non-cancellable lease for $4,455,000 (RMB 31,000,000). At the end of this lease, the Company had the right to renew the lease for another four-year term at an aggregate of $10,940,000 (RMB 75,000,000). The lease payment of approximately $4,455,000 was paid in full. The Company did not renew the lease at the end of the one-year lease.

Also on April 10, 2008, the Company entered into a lease with a lessee to sublease the above power generation equipment under a one-year, non-cancellable lease for $583,000 (RMB 4,000,000) per month with an option to renew. The lessee would have paid a monthly payment of $486,000 (RMB 3,333,000) if the Company had renewed the lease of the equipment from the ultimate lessor after one year. The lessee was unable to renew the lease as the Company did not renew its lease.

On May 21, 2008, the Company leased energy recycling power generation equipment from the same lessor under a one-year, non-cancellable lease for $6,560,000 (RMB 45,000,000). At the end of the one-year lease term, the Company had the right to renew the lease for another four-year term at an aggregate of $17,500,000 (RMB 120,000,000) with a separate agreement. The lease payment of $6,560,000 was paid in full. The Company did not renew the lease at the end of the one-year lease.

Also on May 21, 2008, the Company entered into a lease with the same lessee referenced in the second paragraph of this Note 5 to sublease the above power generation equipment under a one-year, non-cancellable lease for $887,000 (RMB 5,850,000) per month with an option to renew. The lessee would have paid a monthly payment of $729,000 (RMB 5,000,000) if the Company had renewed the lease of the equipment from the ultimate lessor after one year. The lessee was unable to renew the lease as the Company did not renew its lease.

At December 31, 2009 and 2008, the prepaid equipment rent for operating leases was approximately $0 and $3,821,000, respectively.

Prepaid expenses – other

Other prepaid expenses mainly consisted of prepayment for interest, supplies, office rental, parking space, salary, insurance and legal fees. Other prepaid expenses were $445,000 and approximately $28,000 at December 31, 2009 and 2008, respectively.

6. OTHER RECEIVABLE

“Other receivables” consisted of the following at December 31, 2009 and 2008, respectively:

	2009	2008
From third party and short term advance to employees	$ 184,355	$ 102,850

Deductible VAT	1,340,594	-
	$ 1,524,949	$ 102,850

Deductible VAT represented 17% VAT incurred on the cost of construction of Erdos TCH project which will be used to offset future VAT payable.

7. INVENTORY

At December 31, 2008, inventory of $10,543,633 (RMB 72,000,000) consisted of two equipment systems to be used for TRT, CHPG or WGPG. During 2009, the systems were incorporated into the Shenmu project.

8. ADVANCE FOR EQUIPMENT

"Advance for equipment" represented advance payment of $2,640,000 (RMB 18,000,000) to an independent contractor for constructing a power generation system and purchase of the equipment that will be used for the construction. At December 31, 2008, this project was terminated; during the first quarter of 2009, the title of the equipment officially transferred to the Company as the Company's inventory. This equipment was incorporated into the Shenmu project during third quarter of 2009.

9. CONSTRUCTION IN PROGRESS

"Construction in progress" represented the amount paid for constructing power generation systems. At December 31, 2009 and 2008, the construction in progress was $34.86 million for the power generation system projects in Erdos TCH and $3.73 million for the Jin Yang project, respectively. The Jin Yang project was completed and put into operation at June 30, 2009.

10. TAX PAYABLE

"Tax payable" consisted of the following at December 31, 2009 and 2008, respectively:

	2009	2008
Income tax payable	$ 598,327	$ 1,217,026
Business tax payable	74,286	86,692
Other taxes payable	9,094	10,231
	$ 681,707	$ 1,313,949

11. ACCRUED LIABILITIES AND OTHER PAYABLES

"Accrued liabilities and other payables" consisted of the following at December 31, 2009 and 2008, respectively:

	2009	2008
Employee training, labor union expenditure and social insurance payable	$ 421,824	$ 125,323
Consulting and legal expenses	371,544	371,125
Payable to Yingfeng	1,678,372	1,676,878
Security deposit from lessee	-	1,024,252
Total other payables	2,471,740	3,197,578
Accrued payroll and welfare	243,826	258,443
Accrued maintenance expense	70,230	72,506
Total	$ 2,785,796	$ 3,528,527

42

“Consulting and legal expenses” was the expenses paid by a third party for the Company and will be repaid by the Company. ”Payable to Yingfeng” represented the cost of obtaining the ownership of two TRT projects that were previously owned by Yingfeng. “Deposit from lessee” represented a deposit received for leasing out the power generation equipment.

12. ADVANCE FROM RELATED PARTY, NET

At December 31, 2009, “Advance from related party” was $468,475 representing $483,290 received from Erdos (the minority shareholder of Erdos TCH) as an advance for the capital needs of Erdos TCH, net of $14,815 payment in advance to the Company’s management for officers paying certain operating expenses on behalf of the Company.

13. NONCONTROLLING INTEREST

“Non-controlling interest” represents the 20% equity interest of the outside shareholder in Huaxin at December 31, 2008. The Company acquired the remaining 20% equity interest in Huaxin from this shareholder during 2009 for $110,000.

As of December 31, 2009, total registered capital of Erdos JV is RMB 80,000,000 ($11.71 million), of which, RMB 78,200,000 ($11.45 million) was injected from Xi’an TCH, and RMB 1,800,000 ($0.26 million) was injected from Erdos.

Huaxin and Erdos TCH engage in business similar to that of Shanghai TCH. The minority share of the income was $352,480 and $83 for the years ended December 31, 2009 and 2008, respectively.

Erdos TCH allocates its income to Xi’an TCH and Erdos at a proportion of 80% and 20% based on the net income calculated under Chinese GAAP. The main difference between US GAAP and Chinese GAAP with respect to Erdos is a sales-type lease under US GAAP is treated as an operating lease under Chinese GAAP. The following is the profit and loss statement of Erdos TCH, prepared under Chinese GAAP for the year ended December 31, 2009:

Net Revenue	$	-
Cost of Revenue		-
Gross Profit		-
Operating expenses		(12,291)
Loss from operations		(12,291)
Non-operating income		3,115
Income tax expense		-
Net loss	$	9,176

The following is a reconciliation of net loss per Chinese GAAP to net income per US GAAP:

Net loss per Chinese GAAP	$	(9,176)
Revenue per sales-type lease		10,344,162
Cost of revenue		(7,957,048)
Interest expense		(1,411)
Accrued expense per US GAAP		(17,348)
		2,368,355
Deferred income tax expense		(596,779)
Net income	$	1,771,576

The following is the balance sheet statement of Erdos TCH, prepared under Chinese GAAP at December 31, 2009:

Assets		
Cash and Cash equivalents	$	892,204
Other current assets		9,739
Property and equipment		9,301,576
Construction in process		33,793,025
Total Assets	$	43,996,544
Liability		
Account payable	$	1,864,654
Other current liabilities		127,069
Long term loan		30,297,882
Total liabilities		32,289,605
Equity		
Paid in capital		11,713,717
Other comprehensive income		2,398
Retained earnings		(9,176)
Total stockholders’ equity		11,706,939
Total liabilities and stockholders’ equity	$	43,996,544

14. DEFERRED TAX

Deferred tax asset arose from the accrued maintenance cost on power generation machines that can be deducted for tax purposes in the future. Deferred tax liability represented differences between the tax bases and book bases of sales-type leases.

As of December 31, 2009 and 2008, deferred tax asset (liability) consisted of the following:

	2009	2008
Deferred tax asset — noncurrent	$ 24,658	$ 34,215
Deferred tax liability — noncurrent	(2,786,773)	(857,622)
Deferred tax liability, net of deferred tax asset - noncurrent	(2,762,115)	(823,407)
Deferred tax liability — current	$ 148,193	$ -

15. INCOME TAX

Effective January 1, 2008, the PRC government implemented a new corporate income tax law with a new maximum corporate income tax rate of 25%. The Company is governed by the Income Tax Law of the PRC concerning privately-run enterprises, which are generally subject to tax at a statutory rate of 25% (33% prior to 2008) on income reported in the statutory financial statements after appropriate tax adjustments. Under the new Chinese tax law the tax treatment of finance and sales-type leases is similar to US GAAP rules. However, the local tax bureau continues to treat the sales-type leases as operating leases. Accordingly, the Company recorded deferred income taxes.

The Company's subsidiaries generate all of their net income from their PRC operations. Shanghai TCH's effective income tax rates for 2009 and 2008 are 20% and 18%, respectively. Xi'an TCH's effective income tax rate for 2009 and 2008 is 15% as a result of its high tech enterprise status that has been approved by the taxing authority. Xingtai Huaxin's effective income tax rate for 2009 and 2008 is 25%. Huahong and Erdos TCH's effective income tax rate for 2009 is 25%. Shanghai TCH, Xi'an TCH, Xingtai Huaxin, Huahong and Erdos TCH file separate income tax returns.

Shanghai TCH, as a business in the Development Zone, is subject to a 15% income tax rate. According to the new income tax law that became effective January 1, 2008, for those enterprises to which the 15% tax rate was applicable previously, the applicable rates shall increase over five-years as follows:

Year	Tax Rate
2007	15%
2008	18%
2009	20%
2010	22%
2011	24%
2012	25%

44

There is no income tax for companies domiciled in the Cayman Islands. Accordingly, the Company's consolidated financial statements do not present any income tax provisions related to Cayman Islands tax jurisdiction where Sifang Holding is domiciled.

The parent company, China Recycling Energy Corporation, is taxed in the U.S. and has net operating loss carry forwards for income taxes of $2,459,000 at December 31, 2009 which may be available to reduce future years' taxable income as NOL can be carried forward up to 20 years from the year the loss is incurred. Management believes the realization of benefits from these losses appears uncertain due to the Company's limited operating history and continuing losses. Accordingly, a 100% deferred tax asset valuation allowance was provided.

Foreign pretax earnings approximated $16,333,000 and $6,091,000 for the years ended December 31, 2009 and 2008, respectively. Pretax earnings of a foreign subsidiary are subject to U.S. taxation when repatriated. The Company provides income taxes on the undistributed earnings of non-U.S. subsidiaries except to the extent that such earnings are indefinitely invested outside the United States. At December 31, 2009, $13,052,000 of accumulated undistributed earnings of non-U.S. subsidiaries was indefinitely invested. At the existing U.S. federal income tax rate, additional taxes of approximately $4,159,000 would have to be provided if such earnings were remitted currently.

The following table reconciles the U.S. statutory rates to the Company's effective tax rate for the years ended December 31, 2009 and 2008, respectively:

	2009	2008
US statutory rates	34.0%	(34.0)%
Tax rate difference – current provision	(11.3)%	(93.8)%
Effect of tax holiday	(10.8)%	4.5%
Effect of tax on loss on nontaxable jurisdiction	-%	1.4%
Non-tax deductible expense - beneficial conversion feature	-%	291.4%
Other	2.0%	-%
Valuation allowance on US NOL	8.8%	108.8%
Tax per financial statements	22.7%	278.3%

The Company's income tax expense for the years ended December 31, 2009 and 2008 consist of the following:

16. BANK LOAN PAYABLE

On April 13, 2009, Xi'an TCH entered into a one-year working capital loan agreement with the Industrial Bank Co., Ltd. Xi'an branch, to borrow $2.9 million (RMB 20 million) at 5.3% and make quarterly interest payments. The loan agreement contains standard representations, warranties and covenants, and the borrowed funds are to be guaranteed through a separate guaranty contract with Shanxi Zhongze Investment Co., Ltd. This loan was fully repaid on December 31, 2009.

17. LOAN PAYABLE – COLLECTIVE CAPITAL TRUST PLAN

On December 3, 2009, the Company and Beijing International Trust Co., Ltd. ("Beijing Trust") formed a Low Carbon Fortune-Energy Recycling No. 1 Collective Capital Trust Plan ("Plan"). Under the Plan, Beijing Trust raised RMB 181,880,000 ($ 26.75 million) through the sale of 181,880,000 total trust units at RMB 1 per unit. All amounts raised under the Plan are loaned to Erdos TCH in connection with its waste heat power generation projects Phase II and Phase III construction and operation.

The Plan included 145,500,000 category A preferred trust units ($21.4 million), consisting of category A1 preferred trust 12,450,000 units ($1.8 million), category A2 preferred trust 15,000,000 units ($2.2 million), category A3 preferred trust 118,050,000 units ($17.4 million); and 36,380,000 category B secondary trust units ($5.35 million), consisting of category B1 secondary trust 9,100,000 units ($1.34 million) and category B2 secondary trust 27,280,000 units ($4.01 million). The B1 units have been purchased by members of management of Erdos TCH and the B2 units have been purchased by Xi'an TCH. Under the Agreement, the annual base interest rate is 9.94% for A1 preferred trust fund units with a term of two years, 11% for A2 preferred trust fund units with a term of three years, 12.05% for A3 preferred trust fund units and 8.35% for the category B secondary trust fund units, each with a term of four years.

Erdos TCH has agreed to provide a lien on its equipment, assets and accounts receivable to guarantee the loans under the Agreement. Xi'an TCH and Mr. Guohua Ku (the Company's CEO) also provided unconditional and irrevocable joint liability guarantees to Beijing Trust for Erdos TCH's performance under the Agreement. Erdos (the minority shareholder and customer of Erdos TCH) provided a commitment letter on minimum power purchase from Erdos TCH.

On December 18, 2009, an additional RMB 25,000,000 ($3.68 million) was raised to support the Company's Erdos Power Generation Projects. The Company sold 25,000,000 trust units at RMB 1 per unit which included 20,000,000 category A1 preferred trust units ($ 2.94 million) and 5,000,000 category B2 secondary trust units ($ 0.74 million). The B2 units were purchased by Xi'an TCH.

In addition to the above, if the financial index reflected on the Borrower's audited financial reports for the fiscal year prior to the expiration of the loan term meets certain threshold, the Borrower shall pay the Lender (category B secondary trust purchaser) a sum of management stimulation profit.

At December 31, 2009, the Company sold 206,880,000 units for RMB 206,880,000 ($30.28 million), of which, 9,100,000 units ($1.33 million) were purchased by the management of Erdos TCH; 32,280,000 units purchased by Xi'an TCH for the amount of $4.73 million were considered as investment by Xi'an TCH into Erdos TCH and, accordingly, was eliminated in the consolidation. The net long term loan payable under this trust plan was $25.57 million at December 31, 2009.

18. CONVERTIBLE NOTES PAYABLE AND REVOLVING FINANCING AGREEMENT

On November 16, 2007, the Company entered into a Stock and Notes Purchase Agreement ("Purchase Agreement") with Carlyle Asia Growth Partners III, L.P. ("CAGP") and CAGP III Co. Investment, L.P. (together with CAGP, the "Investors"). Under the terms of the Purchase Agreement, the Company sold the Investors a 10% Secured Convertible Promissory Note of $5,000,000 (the "First Note"). Additionally, the Purchase Agreement provides for two subsequent transactions to be effected by the Company and the Investors, which include (i) the issuance by the Company of and subscription by the Investors for 4,066,706 shares of common stock of Company, at $1.23 per share for $5,000,000, and (ii) the issuance and sale by the Company to the Investors of a 5% Secured Convertible Promissory Note in the principal amount of $15,000,000 (the foregoing transactions, together with sale and purchase of the First Note, are hereinafter referred to as the "Offering"). The subsequent transactions are contingent upon the satisfaction of certain conditions specified in the Purchase Agreement, including entry into specified energy and recycling project contracts and the purchase of certain energy recycling systems.

The First Note bore interest at 10% and was due November 16, 2009. The principal amount of the First Note, together with any interest thereon, converted, at the option of the holders at any time on or prior to maturity, into shares of the Company's common stock at an initial conversion price of $1.23 per share (subject to anti-dilution adjustments). The First Note was subject to mandatory conversion upon the consummation of the aforementioned issuance and subscription of shares of the Company's common stock under the Purchase Agreement. As more fully described in the First Note, the obligations of the Company under the First Note ranked senior to all other debt of the Company.

As collateral for the First Note, the President and a major shareholder of the Company pledged 9,653,471 shares of the Company's common stock held by him to secure the First Note.

The First Note was considered to have a beneficial conversion feature ("BCF") because the conversion price was less than the quoted market price at the time of issuance. Accordingly, the beneficial conversion feature of $5,000,000 was recorded separately as unamortized beneficial conversion feature based on the intrinsic value method. As the BCF was greater than the face value of the note, all of the proceeds were allocated to the BCF. No value was assigned to the note option or the equity option (two subsequent transactions discussed above). The First Note was recorded in the balance sheet at face value less the unamortized beneficial conversion feature. The terms for the First Note were amended on April 29, 2008 and the First Note was repaid in full on June 25, 2008, as described below.

On April 29, 2008, the Company entered into an Amendment to the Purchase Agreement with the Investors. Under the terms of the Amendment, (i) the Company issued and the Investors subscribed for 4,066,706 shares of common stock of the Company, at $1.23 per share for $5,002,048, as originally contemplated under the Agreement; (ii) the Investors converted the principal under the First Note (and waived any accrued interest thereon) into 4,065,040 shares of common stock of the Company at $1.23, pursuant to the terms and conditions of the First Note issued under the Agreement; (iii) the Company issued and sold to the Investors a new 5% Secured Convertible Promissory Note of $5,000,000 (the “Second Note” and collectively with the First Note, the “Notes”); and (iv) the Company granted to the Investors an option to purchase a 5% Secured Convertible Promissory Note of $10,000,000, exercisable by the Investors at any time within nine (9) months following the date of the closing of the transactions contemplated by the Amendment (the “Option Note”).

The Second Note bears interest at 5% and matures April 29, 2011. The principal face amount of the Second Note, together with any interest thereon, converts, at the option of the holders at any time on or after March 30, 2010 (or such earlier date if the audited consolidated financial statements of the Company for the fiscal year ending December 31, 2009 are available prior to March 30, 2010) and prior to maturity, into shares of the Company’s common stock at an initial conversion price that is tied to the after-tax net profits of the Company for the year ending December 31, 2009, as described in the Second Note. The Second Note is subject to mandatory conversion upon the listing of the Company’s common stock on the National Association of Securities Dealers Automated Quotations main-board, the New York Stock Exchange or the American Stock Exchange. As more fully described in the Second Note, the obligations of the Company under the Second Note shall rank senior to all other debt of the Company.

The Second Note and the Option Note are both secured by a security interest granted to the Investors pursuant to the Share Pledge Agreement.

The Second Note was not considered to have a beneficial conversion feature because the conversion price and convertible shares are contingent upon 2009 audited net profits.

On June 25, 2008, the Company and investors entered into a Rescission and Subscription Agreement to rescind the conversion of the First Note and the issuance of conversion shares of Common Stock at the Second Closing pursuant to Amendment to Stock and Notes Purchase Agreement dated on April 29, 2008. The Company and the Investors rescinded the conversion of the principal amount ($5,000,000) under the First Note into 4,065,040 shares of Common Stock, and the Investors waived accrued interest on the First Note. Accordingly, the interest expense which had accrued on the note was recorded as a decrease on interest expense for the period. At the Rescission and Subscription Closing, the Company repaid in full the First Note and issued to the Investors, 4,065,040 shares of Common Stock at $1.23 per share for $5,000,000. This was done through a cross receipt arrangement; the BCF was reversed to additional paid in stock. The Company has now concluded that in substance the transaction resulted in the conversion of the first $5,000,000 note into common stock, and based on substance over form, the remaining BCF of $3,472,603 at the date of conversion should have been expensed.

On April 29, 2009, CREG issued an 8% Secured Convertible Promissory Note in the principal amount of $3 million to CAGP with a maturity of April 29, 2012. The note holder has the right to convert all or any part of the aggregate outstanding principal amount of this note, together with interest, if any, into shares of the Company’s common stock, at any time on or after March 30, 2010 (or such earlier date if the audited consolidated financial statements of the Company for the fiscal year ending December 31, 2009 are available on a date prior to March 30, 2010) and prior to the maturity date (or such later date on which this note is paid in full), at a conversion price per share of common stock equal to US $0.80. The conversion feature of this note is not beneficial to the holder as the stock price on April 29, 2009 was $0.47.

47

On April 29, 2009, CREG amended and restated the 5% secured convertible promissory note (the "Second Note"), which was issued as part of the amendment of the First Note on April 28, 2008. Accordingly the Conversion Rights and Conversion Price were amended so that the holder of the Second Note has the right, but not the obligation, to convert all or any part of the aggregate outstanding principal amount of the Second Note, together with interest, into shares of the Company's common stock, at any time on or after March 30, 2010 (or such earlier date if the audited consolidated financial statements of the Company for the fiscal year ending December 31, 2009 are available on a date prior to March 30, 2010) and prior to the maturity date (or such later date on which this Note is paid in full), at the following conversion price: (a) an amount equal to (i) the Company's net profit, adjusted in accordance with the Second Note, multiplied by (ii) 5.5, and less (iii) the principal amount of the Second Note, together with accrued interest, divided by (b) the then total shares of the Company's common stock outstanding on a fully-diluted basis.

On April 29, 2009, the Company also agreed with the Investors to amend and restate the Registration Rights Agreement for the convertible notes to amend the rights for demand registration by the Investors and the applicable liquidated damages for the Company if it fails to timely comply with the demand for registration.

Revolving Financing Agreement

On October 26, 2009, Xi'an TCH and Erdos TCH entered into a one-year Non Promissory Short Term Revolving Financing Agreement (the "Citi Agreement"), dated and effective from October 12, 2009, with Citi Bank (China) Co., Ltd., Shanghai Branch ("Citi"). The maximum financing provided under the Citi Agreement is RMB 20 million ($2.9 million). The Citi Agreement allows for Xi'an TCH and Erdos TCH to borrow money to maintain current liquidity for notes receivable, such as trade notes payable to the Company, or in order to capitalize on discounts for early payment of accounts payable, such as for equipment or raw materials. The maximum maturity date for each financing is six months. The interest rate for any note discount financing will be determined by the relevant note discount documents and the interest rate for accounts payable financing will be determined by the relevant accounts payable documents.

The proceeds received under the financing arrangement are to be used for working capital and to purchase raw materials. The amounts received pursuant to the Citi Agreement are secured by an account maintained by the Company with Citi, accounts receivable of Xi'an TCH and Erdos TCH and the guarantees of Shanghai TCH Energy Technology Co., Ltd , an affiliate of Xi'an TCH, and Guohua Ku, the Chairman of the Board and Chief Executive Officer of the Company.

Citi has the discretion to accelerate maturity date of the outstanding loans and request for payment as well as to cancel or terminate the financing if the single monthly income amount for Xi'an TCH and Erdos TCH is less than 70% of the expected income amount of that month. As of December 31, 2009, Xi'an TCH and Erdos TCH had no amounts outstanding under the Citi Agreement.

19. STOCK-BASED COMPENSATION PLAN

On November 13, 2007, the Company approved the 2007 Non-statutory Stock Option Plan, which was later amended and restated in August 2008 (the "2007 Plan"), and granted 3,000,000 options to acquire the Company's common stock at $1.23 per share to twenty (20) managerial and non-managerial employees under the 2007 Plan.

The vesting terms of options granted under the 2007 Plan are subject to the Non-Statutory Stock Option Agreements for managerial and non-managerial employees. For managerial employees, no more than 15% of the total stock options shall vest and become exercisable on the six month anniversary of the grant date. An additional 15% and 50% of the total stock options shall vest and become exercisable on the first and second year anniversary of the grant date, respectively. The remaining 20% of the total stock options shall vest and become exercisable on the third year anniversary of the grant date. For non-managerial employees, no more than 30% of the total stock options shall vest and become exercisable on the first year anniversary of the grant date. An additional 50% of the total stock options shall vest and become exercisable on the second year anniversary of the grant date. The remaining 20% of the total stock options shall vest and become exercisable on the third year anniversary of the grant date. Each stock option shall become vested and exercisable over a period of no longer than five years from the grant date.

Based on the fair value method under SFAS No. 123 (Revised) “Share Based Payment” (“SFAS 123(R)”), codified in FASB ASC Topic 718, the fair value of each stock option granted is estimated on the date of the grant using the Black-Scholes option pricing model. The Black-Scholes option pricing model has assumptions for risk free interest rates, dividends, stock volatility and expected life of an option grant. The risk free interest rate is based upon market yields for United States Treasury debt securities at a maturity near the term remaining on the option. Dividend rates are based on the Company’s dividend history. The stock volatility factor is based on the historical volatility of the Company’s stock price. The expected life of an option grant is based on management’s estimate as no options have been exercised in the Plan to date. The fair value of each option grant to employees is calculated by the Black-Scholes method and is recognized as compensation expense over the vesting period of each stock option award. For stock options issued, the fair value was estimated at the date of grant using the following range of assumptions:

The options vest over three years and have a life of 5 years. The fair value of the options was calculated using the following assumptions, estimated life of five years, volatility of 100%, risk free interest rate of 3.76%, and dividend yield of 0%. No estimate of forfeitures was made as the Company has a short history of granting options.

Effective June 25, 2008, the Company cancelled all vested shares and accepted optionees’ forfeiture of any unvested shares underlying the currently outstanding options.

On August 4, 2008, the Company granted stock options to acquire an aggregate amount of 3,000,000 shares of the Company’s common stock, par value $0.001, at $0.80 per share to 17 employees under the 2007 Plan. The options vest over a period of three years and have a life of 5 years. The fair value of the options was calculated using the following assumptions, estimated life of five years, volatility of 100%, risk free interest rate of 2.76%, and dividend yield of 0%. No estimate of forfeitures was made as the Company has a short history of granting options. The options were accounted as a modification to the options that were cancelled on June 25, 2008. The grant date fair value of options was $5.04 million.

On November 9 and 11, 2009, the Company and three optionees agreed to cancel vested but unexercised options for 87,000 vested but not exercised shares and forfeit unvested options for 203,0000 unvested shares. On November 11, 2009, the Company granted options to two other employees for 290,000 shares of the Company's common stock with an exercise price of $2.35 per share. The options vest over a period of three years and have a life of 5 years. The fair value of the options was calculated using the following assumptions, estimated life of five years, volatility of 100%, risk free interest rate of 3.84%, and dividend yield of 0%. The grant date fair value of options was $518,513.

The following table summarizes activity for employees in the Company's Plan for 2009:

	Number of Shares		Average Exercise Price per Share	Weighed Average Remaining Contractual Term in Years
Outstanding at December 31, 2006	-			
Granted	3,000,000	$	1.23	5.00
Exercised	-		-	-
Forfeited	-		-	-
Outstanding at December 31, 2007	3,000,000	$	1.23	4.87
Granted	-		-	-
Exercised	-		-	-
Cancelled vested shares	(450,000)		1.23	-
Forfeited unvested shares	(2,550,000)		1.23	-
Granted	3,000,000		0.80	5.00
Exercised	-		-	-
Forfeited	-		-	-
Outstanding at December 31, 2008	3,000,000	$	0.80	4.59
Granted	290,000		2.35	5.00
Exercised	-		-	-
Cancelled vested options	(87,000)		0.80	-
Forfeited	(203,000)		0.80	-
Outstanding at December 31, 2009	3,000,000	$	0.95	4.45

On October 30, 2009, the Company granted stock options to acquire 130,000 shares of the Company's common stock, par value $0.001, at $1.85 per share to 3 independent directors. The options shall vest and become exercisable on the six-month anniversary of the grant date with a life of 5 years. The fair value of the options was calculated using the following assumptions: estimated life of five years, volatility of 100%, risk free interest rate of 3.54%, and dividend yield of 0%. The grant date fair value of options was $183,000.

The following table summarizes activity for independent directors in the Company's Plan for the year ended December 31, 2009:

	Number of Shares		Average Exercise Price per Share	Weighed Average Remaining Contractual Term in Years
Outstanding at January 1, 2009	-	$	-	-
Granted	130,000		1.85	5.00
Exercised	-		-	-
Forfeited	-		-	-
Outstanding at December 31, 2009	130,000	$	1.85	4.97

On October 1, 2009, the Company granted warrants to acquire an aggregate amount of 200,000 shares of the Company's common stock, par value $0.001, at $1.50 per share to certain investor relations firms. The warrants are exercisable, in whole or in part, at any time and from time to time from and after July 1, 2010 (the "Vesting Date") and prior to October 1, 2014 (the "Expiration Date"). The fair value of the warrants was calculated using the following assumptions: estimated life of five years, volatility of 100%, risk free interest rate of 3.54%, and dividend yield of 0%. The grant date fair value of the warrants was approximately $272,000.

The following table summarizes activity for the warrants to certain investor relations firms for the year ended December 31, 2009:

	Number of Shares		Average Exercise Price per Share	Weighed Average Remaining Contractual Term in Years
Outstanding at January 1, 2009	-	$	-	-
Granted	200,000		1.50	5.00
Exercised	-		-	-
Forfeited	-		-	-
Outstanding at December 31, 2009	200,000	$	1.50	4.99

The Company recorded $1,793,228 compensation expense for stock options and warrants during the year ended December 31, 2009. There were no options exercised during the year ended December 31, 2009.

During the year ended December 31, 2008, the Company recorded $1,436,533 of compensation expense of stock options including the amortized portion of incremental cost arising from the modification to the employee stock options.

20. SHAREHOLDERS' EQUITY

On April 29, 2008, the Company issued and the Investors subscribed for 4,066,706 shares of common stock of the Company, at $1.23 per share for $5,002,048 under the Purchase Agreement.

On June 25, 2008, the Company and the Investors entered into a Rescission and Subscription Agreement to rescind the conversion of the First Note and the issuance of conversion shares of Common Stock pursuant to the Amendment to Stock and Notes Purchase Agreement dated on April 29, 2008. The Company and the investors rescinded the conversion of the principal amount ($5,000,000) under the First Note into 4,065,040 shares of Common Stock and repaid the First Note in full. At the Rescission and Subscription Closing, the Company issued to the Investors, 4,065,040 shares of Common Stock at $1.23 per share for $5,000,000.

The Company issued 3,278,259 shares of its Common Stock to one of the Company's shareholders who paid $4,032,258 to the Company during 2008. This purchase was part of an investment agreement by the shareholder entered into in November 2007 to purchase the shares at $1.23 per share.

On April 20, 2009, the Company entered into a Stock Purchase Agreement with an accredited private investor. Pursuant to the agreement, the Company issued approximately 2.4 million shares, with a one-year lock-up period not to sell, for an aggregate of $2 million, or $0.85 per share.

21. STATUTORY RESERVES

Pursuant to the corporate law of the PRC effective January 1, 2006, the Company is only required to maintain one statutory reserve by appropriating from its after-tax profit before declaration or payment of dividends. The statutory reserve represents restricted retained earnings.

Surplus Reserve Fund

The Company is required to transfer 10% of its net income, as determined under PRC accounting rules and regulations, to a statutory surplus reserve fund until such reserve balance reaches 50% of the Company's registered capital.

The surplus reserve fund is non-distributable other than during liquidation and can be used to fund previous years' losses, if any, and may be utilized for business expansion or converted into share capital by issuing new shares to existing shareholders in proportion to their shareholdings or by increasing the par value of the shares currently held by them, provided that the remaining reserve balance after such issuance is not less than 25% of the registered capital.

Common Welfare Fund

The common welfare fund is a voluntary fund to which the Company can elect to transfer 5% to 10% of its net income. This fund can only be utilized on capital items for the collective benefit of the Company's employees, such as construction of dormitories, cafeteria facilities, and other staff welfare facilities. This fund is non-distributable other than upon liquidation. The Company did not participate in this voluntary fund.

22. CONTINGENCIES

The Company's operations in the PRC are subject to specific considerations and significant risks not typically associated with companies in North America and Western Europe. These include risks associated with, among others, the political, economic and legal environments and foreign currency exchange. The Company's results may be adversely affected by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation, among other things.

The Company's sales, purchases and expense transactions are denominated in RMB and all of the Company's assets and liabilities are also denominated in RMB. The RMB is not freely convertible into foreign currencies under the current law. In China, foreign exchange transactions are required by law to be transacted only by authorized financial institutions. Remittances in currencies other than RMB may require certain supporting documentation in order to affect the remittance.

23. COMMITMENTS

Zhonggang Binhai 7-Megawatt Capacity Electricity Generation Project

In September, 2008, the Company signed a contract to recycle waste gas and waste heat for China Zhonggang Binhai Enterprise Ltd. ("Zhonggang") in Cangzhou City, Hebei Province, a world-class nickel-alloy manufacturing joint venture between China Zhonggang Group and Shanghai Baoshan Steel Group. According to the contract, the

Company will install a 7-Megawatt capacity electricity-generation system. It will be an integral part of the facilities designed to produce 80,000 tons of nickel-alloy per year. The project will generate 7-megawatt capacity electricity and help reduce in excess of 20,000 tons of carbon dioxide emissions every year. Total investment in this project will be approximately $7.8 million (RMB 55 million). Construction on the project started in March of 2009, but the Company did not incur any material expenses on the project in 2009. The Company originally expected the completion of the project within eleven months from the construction commencing date. The construction was delayed, however, due to the delay in installation of a furnace cove by Zhonggang. The construction was resumed in February of 2010; the Company expects the project to be completed in the beginning of 2011. Zhonggang agrees to purchase all the electricity and steam to be generated from the system for a term of 9 years, at a pre-agreed price. Zhonggang also agrees to guarantee the minimal working hours of supplying heat (6,800 hours per year) and the minimum monthly payment of electricity and steam fees, which is no less than $365,000 (RMB 2.5 million) per month, By the end of the term, the system shall be transferred to Zhonggang at a nominal price of RMB 1.

24. RECLASSIFICATION OF CERTAIN CASH FLOW ITEMS

Certain cash flow items have been reclassified as follows: construction in progress from investing activities to operating activities; changes in investment in sales type leases receivables incurred during the year from investing activities to adjustment to net income, and collection of principal on sales type leases receivables from investing activities to cash from operating activities.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

Our management, including our principal executive officer and principal financial officer, concluded an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities and Exchange Act of 1934 as of December 31, 2009. Our evaluation tested controls and other procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities and Exchange Act of 1934, as amended, or the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based on our evaluation, as of December 31, 2009, our management, including our principal executive officer and principal financial officer, concluded that our disclosure controls and procedures were effective.

Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America. The Company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles in the United States of America, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Any system of internal control, no matter how well designed, has inherent limitations, including the possibility that a control can be circumvented or overridden and misstatements due to error or fraud may occur and not be detected in a timely manner. Also, because of changes in conditions, internal control effectiveness may vary over time. Accordingly, even an effective system of internal control will provide only reasonable assurance with respect to financial statement preparation.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of the design and operation of our internal control over financial reporting as of the Evaluation Date, pursuant to Exchange Act Rule 13(a). We carried out this evaluation using criteria similar to that proscribed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control — Integrated Framework. While management concluded that no material weaknesses existed as of December 31, 2009, management determined that there were deficiencies related to (i) the need for additional financial personnel with experience with U.S. public company reporting and US GAAP and (ii) the need for improved internal communications. During 2009 and with the assistance of its consultant, the Company underwent internal testing and improvements related to its internal control over financial reporting. In 2009, the Company retained Deloitte as a consultant to assist as in making improvements to the quality of our controls and procedures. We intend to continue to engage Deloitte, or a similar consultant, in 2010 to assist with our improvement of internal control over financial reporting, including the training and education of our accounting staff. In connection with this amendment, management reevaluated the effectiveness of the design and operation of our disclosure, controls and procedures as of December 31, 2009. Based on our reevaluation and those criteria, management has concluded that the Company maintained effective internal control over financial reporting as of December 31, 2009.

This annual report on Form 10-K 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 the temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report on Form 10-K.

Changes in internal control over financial reporting

There were no changes in our internal control over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

Not applicable.

PART III

The information required by Part III of this Annual Report on Form 10-K, pursuant to General Instruction G(3) of Form 10-K, will be set forth in the Company's definitive Proxy Statement to be filed pursuant to Regulation 14A relating to the Company's Annual Meeting of Shareholders and is incorporated herein by reference.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Information regarding our directors and executive officers required by this Item will be set forth under the captions "Proposal 1 — Election of Directors," "Executive Officers," "Section 16(a) Beneficial Ownership Reporting Compliance" and "Information About Our Board of Directors and Corporate Governance" in the Company's definitive Proxy Statement and is incorporated by reference into this Annual Report on Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION.

Information required by this Item will be set forth in the Company's definitive Proxy Statement under the captions "Information About Our Board of Directors and Corporate Governance," "Executive Compensation" and "Director Compensation" and is incorporated by reference into this Annual Report on Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS.

Information required by this Item will be set forth in the Company's definitive Proxy Statement under the captions "Security Ownership of Certain Beneficial Owners and Management" and "Equity Compensation Plan Information" and is incorporated by reference into this Annual Report on Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Information required by this Item will be set forth in the Company's definitive Proxy Statement under the captions "Certain Relationships and Related Party Transactions" and "Information About Our Board of Directors and Corporate Governance" and is incorporated by reference into this Annual Report on Form 10-K.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Information required by this Item will be set forth in the Company's definitive Proxy Statement under the caption "Information about Our Independent Registered Public Accounting Firm" and is incorporated by reference into this Annual Report on Form 10-K.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

(a) Financial Statements and Schedules

(1) The following Financial Statements are filed as a part of this report:

(i) Report of Independent Registered Public Accounting Firm.

(ii) Consolidated Balance Sheets as of December 31, 2009 and December 31, 2008.
(iii) Consolidated Statements of Operations for the years ended December 31, 2009 and December 31, 2008.
(iv) Consolidated Statements of Shareholders' Equity for the years ended December 31, 2009 and December 31, 2008.
(v) Consolidated Statements of Cash Flows for the years ended December 31, 2009 and December 31, 2008.
(vi) Notes to Consolidated Financial Statements.

(2) All schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and, therefore, have been omitted.

(3) Exhibits. Please see the list of exhibits set forth on our Exhibit Index, which is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

China Recycling Energy Corporation

Date: April 1, 2011	By:	/s/ Guohua Ku Guohua Ku Chairman of the Board of Directors and Chief Executive Officer

Pursuant to the requirements of the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on April 1, 2011.

Each person whose signature appears below has constituted and appointed Guohua Ku as his true and lawful attorneys-in-fact and agent, acting alone, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K/A and to file the same, with all exhibits thereto, and other documents in connection therewith, with the U.S. Securities and Exchange Commission, granting unto said attorney-in-fact and agent, acting alone, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming said attorney-in-fact and agent, acting alone, or his substitute or substitutes, may lawfully do or cause to be done by virtue thereof.

Signature	Title
/s/ Guohua Ku Guohua Ku	Chairman of the Board of Directors and Chief Executive Officer
/s/ David Chong David Chong	Secretary, Principal Financial Officer and Principal Accounting Officer
/s/ Nicholas Shao Nicholas Shao	Director
/s/ Lanwei Li Lanwei Li	Director and Vice President and Director of Business
/s/ Dr. Robert Chanson Dr. Robert Chanson	Director
/s/ Timothy Driscoll Timothy Driscoll	Director
/s/ Julian Ha Julian Ha	Director
/s/ Sean Shao Sean Shao	Director

EXHIBIT INDEX

The following documents listed below that have been previously filed with the SEC (1934 Act File No. 000-12536 unless otherwise stated) are incorporated herein by reference:

Exhibit No.	Description
3.1	Articles of Incorporation (filed as Exhibit 3.05 to the Company's Form 10-KSB for the fiscal year ended December 31, 2001).
3.2	Second Amended and Restated Bylaws (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K dated December 2, 2009).
4.1	Common Stock Specimen (filed as Exhibit 4.1 to the Company's Form SB-2 dated November 12, 2004; 1934 Act File No. 333-120431).
10.1	Securities Exchange Agreement by and among Boulder Acquisitions, Inc., Sifang Holdings Co., Ltd. and the shareholders of Sifang Holdings Co., Ltd., dated effective as of June 23, 2004 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated July 8, 2004).
10.2	Share Purchase Agreement, dated January 24, 2007, between individual purchasers and shareholders of China Digital Wireless, Inc. (filed as Exhibit 11.1 to the Company's Current Report on Form 8-K dated January 26, 2007).
10.3	TRT Joint Operation Agreement between Shanghai TCH Energy Technology Co. Ltd. and Xi'an Yingfeng Science and Technology Co. Ltd. dated February 1, 2007 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated April 9, 2007)
10.4	Share exchange agreement between Hanqiao Zheng and Guohua Ku and a group of individual purchasers all of whom are shareholders of Xi'an Yingfeng Science and Technology Co. Ltd ("Yingfeng") signed on February 22, 2007 and consummated on June 21, 2007 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated June 22, 2007)
10.5	Share exchange agreement between Guohua Ku and a group of individual purchasers all of whom are shareholders of Xi'an Yingfeng Science and Technology Co. Ltd ("Yingfeng") dated on August 22, 2007 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated August 23, 2007).
10.6	Share purchase agreement between Guohua Ku and Hanqiao Zheng dated on August 23, 2007 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated August 24, 2007).
10.7	Assets Transfer and Share Issuance Agreement between Company and Hanqiao Zheng on November 14, 2007 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated November 16, 2007).
10.8	Share Purchase Agreement between Company and Hanqiao Zheng on November 16, 2007 (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K dated November 16, 2007).
10.9	Stock and Notes Purchase Agreement, between Company, Sifang Holdings Co., Ltd., Shanghai TCH Energy Technology Co., Ltd. and Carlyle Asia Growth Partners III, L.P. and CAGP III Co-Investment,

L.P. dated November 16, 2007 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated November 16, 2007).

10.10 Amendment to Stock and Notes Purchase Agreement, between Company, Sifang Holdings Co., Ltd., Shanghai TCH Energy Technology Co., Ltd. and Carlyle Asia Growth Partners III, L.P. and CAGP III Co-Investment, L.P. dated April 29, 2008 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated April 30, 2008).

10.11 Form of 10% Secured Convertible Promissory Note issued by the Company to Carlyle Asia Growth Partners III, L.P. and CAGP III Co-Investment, L.P. (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K dated November 16, 2007).

10.12	Form of 5% Secured Convertible Promissory Note issued by the Company to Carlyle Asia Growth Partners III, L.P. and CAGP III Co-Investment, L.P. (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K dated November 16, 2007).
10.13	5% Secured Convertible Promissory Note in the aggregate principal amount of $5,000,000 issued by the Company to Carlyle Asia Growth Partners III, L.P. and CAGP III Co-Investment, L.P. 2008 (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K dated April 30, 2008).
10.14	Form of 5% Secured Convertible Promissory Note in the aggregate principal amount of $10,000,000 issued by the Company to Carlyle Asia Growth Partners III, L.P. and CAGP III Co-Investment, L.P. 2008 (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K dated April 30, 2008).
10.15	Registration Rights Agreement between Company and Carlyle Asia Growth Partners III, L.P. and CAGP III Co-Investment, L.P. dated November 16, 2007 (filed as Exhibit 10.6 to the Company's Current Report on Form 8-K dated November 16, 2007).
10.16	Shareholders Agreement between Company and Carlyle Asia Growth Partners III, L.P., CAGP III Co-Investment, L.P., Hanqiao Zheng and Ping Sun dated November 16, 2007 (filed as Exhibit 10.5 to the Company's Current Report on Form 8-K dated November 16, 2007).
10.17	Form of Nonstatutory Stock Option Agreement - Manager Employee (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated August 8, 2008). *
10.18	2007 Nonstatutory Stock Option Plan (filed as Exhibit 10.1 to the Company's Registration Statement on Form S-8 dated November 13, 2007).*
10.19	Form of Nonstatutory Stock Option Agreement - Non-Manager Employee (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K dated August 8, 2008).
10.20	Stock Purchase Agreement with Great Essential Investment, Ltd. (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated April 20, 2009).
10.21	Registration Rights Agreement with Great Essential Investment, Ltd. (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K dated April 20, 2009).
10.22	Note Subscription and Amendment Agreement between the Company and Carlyle Asia Growth Partners III, L.P. and CAGP III Co-Investment, L.P. (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated April 29, 2009).
10.23	Form of 8% Secured Convertible Promissory Note issued to Carlyle Asia Growth Partners III, L.P. and CAGP III Co-Investment, L.P. (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K dated April 29, 2009).
10.24	Form of Amended and Restated 5% Secured Convertible Promissory Note issued to Carlyle Asia Growth Partners III, L.P. and CAGP III Co-Investment, L.P. (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K dated April 29, 2009).
10.25	Amended and Restated Registration Rights Agreement between the Company and, among others, Carlyle Asia Growth Partners III, L.P. and CAGP III Co-Investment, L.P. (filed as Exhibit 10.4 to the Company's

Current Report on Form 8-K dated April 29, 2009).

10.26 Joint Operation Agreement between Xi'an TCH Energy Technology Co., Ltd., a wholly owned subsidiary of the Company, and Inner Mongolia Erdos Metallurgy Co., Ltd. (filed as Exhibit 10.1 to the Company's Form 10-Q for the quarterly period ended June 30, 2009).

10.27 Supplementary Agreement between Inner Mongolia Erdos TCH Energy Saving Development Co., Ltd. and Inner Mongolia Erdos Metallurgy Co., Ltd. †

10.28 Loan Agreement between Xi'an TCH Energy Technology Co., Ltd., a wholly owned subsidiary of the Company, and Industrial Bank Co., Ltd., Xi'an Branch (filed as Exhibit 10.2 to the Company's Form 10-Q for the quarterly period ended June 30, 2009).

10.29	Loan Agreement between Inner Mongolia Erdos TCH Energy Conservation Development Co., Ltd. and Beijing International Trust Co., Ltd. †
10.30	Non-Promissory Short-Term Revolving Financing Agreement between Citi Bank (China) Limited, Shanghai Branch, Xi'an TCH Energy Technology Co., Ltd., a wholly owned subsidiary of the Company, and Inner Mongolia Erdos TCH Energy-Saving Development Co., Ltd. †
10.31	Form of Independent Director Agreement. (filed as Exhibit 10.28 on the Company's Registration Statement on Form 10, filed on February 5, 2010) *
10.32	Employment Agreement between the Company and Guohua Ku . (filed as Exhibit 10.29 on the Company's Registration Statement on Form 10, filed on February 5, 2010)*
10.33	Employment Agreement between the Company and Xinyu Peng . (filed as Exhibit 10.30 on the Company's Registration Statement on Form 10, filed on February 5, 2010)*
14.1	Code of Ethics (filed as Exhibit 14.1 to the Company's Current Report on Form 8-K dated December 2, 2009).
21.1	Subsidiaries (filed as Exhibit 21.1 on the Company's Current Report on Form 8-K dated November 16, 2007).
23.1	Consent of Independent Registered Public Accounting Firm. †
31.1	Rule 13a-14(a)/15d-14(a) certification of the Chief Executive Officer. †
31.2	Rule 13a-14(a)/15d-14(a) certification of the Chief Financial Officer. †
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350. †
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350. †

* Management contract, compensatory plan or arrangement.

† Exhibits filed herewith.