

Deer Consumer Products, Inc.  
Form 10-Q  
November 05, 2009

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2009

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

333-140545  
(Commission file number)

DEER CONSUMER PRODUCTS, INC  
(Exact name of registrant as specified in its charter)

Nevada  
(State or other jurisdiction  
of incorporation or organization)

20-5526104  
(IRS Employer  
Identification No.)

Area 2, 1/F, Building M-6,  
Central High-Tech Industrial Park,  
Nanshan, Shenzhen, China

\_\_\_\_\_  
(Address of principal executive offices)

011-86-755-8602-8285  
(Issuer's telephone number)

N/A  
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

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

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company

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(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes        "        No        x

As of November 3, 2009 there were 25,606,378 shares of common stock were outstanding.

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DEER CONSUMER PRODCUTS, INC. AND SUBSIDIARIES  
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DEER CONSUMER PRODCUTS, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

## PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements

|  | September 30,<br>2009<br>(unaudited) | December 31,<br>2008 |
|--|--------------------------------------|----------------------|
| <b>ASSETS</b>  |                                      |                      |
| <b>CURRENT ASSETS:</b>   |                                      |                      |
| Cash and cash equivalents  | \$ 17,833,183                        | \$ 2,782,026         |
| Restricted cash  | -                                    | 200,099              |
| Accounts receivable, net   | 11,757,169                           | 8,560,465            |
| Advances to suppliers  | 3,767,328                            | 5,015,479            |
| Other receivables  | 199,871                              | 489,286              |
| Short term investments   | -                                    | 29,340               |
| Due from related party   | -                                    | 331,267              |
| Inventories  | 12,334,960                           | 7,680,851            |
| Other current assets   | -                                    | 13,342               |
| Total current assets   | 45,892,511                           | 25,102,155           |
| PROPERTY AND EQUIPMENT, net  | 11,705,817                           | 11,291,202           |
| CONSTRUCTION IN PROGRESS   | 2,213,427                            | 892,897              |
| INTANGIBLE ASSETS, net   | 397,044                              | 404,125              |
| OTHER ASSETS   | 24,977                               | 39,689               |
| TOTAL ASSETS   | \$ 60,233,776                        | \$ 37,730,068        |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                                      |                      |
| <b>CURRENT LIABILITIES:</b>  |                                      |                      |
| Accounts payable   | \$ 9,687,669                         | \$ 8,968,088         |
| Other payables   | 1,676,026                            | 760,632              |
| Unearned revenue   | 3,258,033                            | 3,305,966            |
| Accrued payroll  | 1,028,714                            | 168,282              |
| Short term loans   | -                                    | 3,552,841            |
| Advances from related party  | 80,070                               | 274,805              |
| Notes payable  | 4,881,576                            | 3,155,348            |
| Tax and welfare payable  | 1,635,005                            | 1,533,013            |
| Total current liabilities  | 22,247,093                           | 21,718,975           |
| LONG-TERM LOAN   | 733,500                              | 733,500              |
| TOTAL LIABILITIES  | 22,980,593                           | 22,452,475           |
| <b>STOCKHOLDERS' EQUITY:</b>   |                                      |                      |
| Common Stock, \$0.001 par value; 75,000,000 shares authorized; 25,576,094 and 19,652,226 shares issued and outstanding as of September 30, 2009 and December | 25,576                               | 19,652               |

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31, 2008, respectively

|   |                      |                      |
|---|----------------------|----------------------|
| Additional paid-in capital                        | 24,809,942           | 9,329,371            |
| Development funds                                 | 859,361              | 542,701              |
| Statutory reserve                                 | 1,718,723            | 1,085,403            |
| Other comprehensive income                        | 2,340,270            | 2,345,698            |
| Retained earnings                                 | 7,499,311            | 1,954,768            |
| Total stockholders' equity                        | 37,253,183           | 15,277,593           |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b> | <b>\$ 60,233,776</b> | <b>\$ 37,730,068</b> |

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

DEER CONSUMER PRODCUTS, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME

|  | Three Months Ended September 30, |               | Nine Month Ended September 30, |               |
|--|----------------------------------|---------------|--------------------------------|---------------|
|  | 2009                             | 2008          | 2009                           | 2008          |
|  | (unaudited)                      | (unaudited)   | (unaudited)                    | (unaudited)   |
| Revenue                                  | \$ 26,541,039                    | \$ 11,542,215 | \$ 48,723,758                  | \$ 32,045,142 |
| Cost of Revenue                          | 20,670,731                       | 8,255,913     | 37,403,300                     | 24,550,251    |
| Gross profit                             | 5,870,308                        | 3,286,302     | 11,320,458                     | 7,494,891     |
| Operating expenses                       |                                  |               |                                |               |
| Selling expenses                         | 960,013                          | 672,714       | 1,871,266                      | 1,882,130     |
| General and administrative expenses      | 429,656                          | 943,467       | 1,607,560                      | 2,182,969     |
| Total operating expenses                 | 1,389,669                        | 1,616,181     | 3,478,826                      | 4,065,099     |
| Income from operations                   | 4,480,639                        | 1,670,121     | 7,841,632                      | 3,429,792     |
| Non-operating income (expense):          |                                  |               |                                |               |
| Financing costs                          | (35,882)                         | (1,926)       | (156,543)                      | (48,361)      |
| Interest income                          | 63,698                           | 1,693         | 66,354                         | 8,548         |
| Interest expense                         | (14,292)                         | (116,617)     | (118,984)                      | (206,474)     |
| Other income (expense)                   | 8,894                            | (1,698)       | 4,998                          | 74,523        |
| Realized loss on trading securities      | -                                | (296)         | -                              | (34,684)      |
| Foreign exchange gain                    | 288,461                          | 530,510       | 207,958                        | 876,436       |
| Total non-operating income (expense)     | 310,879                          | 411,666       | 3,783                          | 669,988       |
| Income before income tax                 | 4,791,518                        | 2,081,787     | 7,845,415                      | 4,099,780     |
| Income tax                               | 668,745                          | 540,717       | 1,350,892                      | 1,165,020     |
| Net income                               | 4,122,773                        | 1,541,070     | 6,494,523                      | 2,934,760     |
| Other comprehensive income               |                                  |               |                                |               |
| Foreign currency translation gain (loss) | 57,012                           | 1,367,814     | (5,428)                        | 2,305,404     |
| Comprehensive Income                     | \$ 4,179,785                     | \$ 2,908,884  | \$ 6,489,095                   | \$ 5,240,164  |
| Weighted average shares outstanding :    |                                  |               |                                |               |
| Basic                                    | 22,730,722                       | 16,856,898    | 21,462,056                     | 16,087,045    |
| Diluted                                  | 23,266,256                       | 16,856,898    | 21,908,490                     | 16,087,045    |
| Earnings per share:                      |                                  |               |                                |               |
| Basic                                    | \$ 0.18                          | \$ 0.09       | \$ 0.30                        | \$ 0.18       |
| Diluted                                  | \$ 0.18                          | \$ 0.09       | \$ 0.30                        | \$ 0.18       |

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

DEER CONSUMER PRODCUTS, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS

|   | Nine Month Ended September 30, |                    |
|---|--------------------------------|--------------------|
|   | 2009                           | 2008               |
|   | (unaudited)                    | (unaudited)        |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |                                |                    |
| Net income  | \$ 6,494,523                   | \$ 2,934,760       |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: |                                |                    |
| Depreciation  | 1,072,586                      | 857,170            |
| Amortization  | 7,076                          | 13,966             |
| Loss on disposal of fixed assets  | -                              | 36,996             |
| Realized loss on short term investments   | -                              | 34,684             |
| (Increase) / decrease in assets:  |                                |                    |
| Accounts receivable   | (3,194,307)                    | (4,015,909)        |
| Other receivables   | 294,584                        | 147,815            |
| Inventories   | (4,650,620)                    | (6,234,027)        |
| Due from stockholder  | -                              | 1,446,505          |
| Due from related party  | 331,019                        | (3,799,263)        |
| Advances to suppliers   | 1,247,216                      | (228,506)          |
| Tax rebate receivable   | -                              | 347,731            |
| Other assets  | 25,695                         | 176,343            |
| Increase / (decrease) in current liabilities:   |                                |                    |
| Accounts payable  | 719,113                        | 4,946,373          |
| Unearned revenue  | (47,897)                       | 1,383,045          |
| Other payables  | 901,444                        | (150,561)          |
| Due to related party  | (194,529)                      | (791,123)          |
| Accrued payroll   | 859,787                        | 113,427            |
| Tax and welfare payable   | 101,915                        | 392,629            |
| <b>Net cash provided by (used in) operating activities</b>                                  | <b>3,967,605</b>               | <b>(2,387,945)</b> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                                |                    |
| Acquisition of property and equipment   | (1,486,891)                    | (3,188,166)        |
| Acquisition (disposal) of intangible assets   | -                              | 8,041              |
| Construction in process   | (1,319,539)                    | (617,887)          |
| Changes in restricted cash  | 199,948                        | (147,634)          |
| Sale of short-term investments  | 29,318                         | 114,235            |
| <b>Net cash used in investing activities</b>  | <b>(2,577,164)</b>             | <b>(3,831,411)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>  |                                |                    |
| Proceeds from issuance of notes payable   | 1,724,933                      | 2,969,781          |
| Proceeds from issuance of short term loans  | -                              | 4,176,723          |
| Proceeds from sale of common stock  | 17,678,000                     | -                  |
| Offering costs paid   | (2,213,892)                    | -                  |
| Proceeds from exercise of warrants  | 22,387                         | -                  |



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|  |               |              |
|--|---------------|--------------|
| Payment on notes short term loans                            | (3,550,177)   | -            |
| Change in advance to shareholder, net                        | -             | (532,470)    |
| Change in advance to related party, net                      | -             | 114,695      |
| Net cash provided by financing activities                    | 13,661,251    | 6,728,729    |
| Effect of exchange rate changes on cash and cash equivalents | (535)         | 111,982      |
| NET DECREASE IN CASH & CASH EQUIVALENTS                      | 15,051,157    | 621,355      |
| CASH & CASH EQUIVALENTS, BEGINNING BALANCE                   | 2,782,026     | 1,511,545    |
| CASH & CASH EQUIVALENTS, ENDING BALANCE                      | \$ 17,833,183 | \$ 2,132,900 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:            |               |              |
| Interest paid  | \$ 116,315    | \$ 113,356   |
| Income taxes paid  | \$ 565,418    | \$ 112,743   |

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

Deer Consumer Products, Inc. and Subsidiaries  
Notes to Consolidated Financial Statements  
For the Nine Months Ended September 30, 2009 and 2008

(unaudited)

Note 1 - Organization and Basis of Presentation

The unaudited consolidated financial statements were prepared by Deer Consumer Products, Inc. pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The information furnished herein reflects all adjustments (consisting of normal recurring accruals and adjustments) which are, in the opinion of management, necessary to fairly present the operating results for the respective periods. Certain information and footnote disclosures normally present in annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America were omitted pursuant to such rules and regulations. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and footnotes included in the Company's Annual Report on Form 10-K. The results for the nine months ended September 30, 2009 are not necessarily indicative of the results to be expected for the full year ending December 31, 2009.

Organization and Line of Business

Deer Consumer Products, Inc., formerly known as Tag Events Corp., (hereinafter referred to as the "Company" or "Deer") was incorporated in the State of Nevada on July 18, 2006.

On September 3, 2008, the Company entered into a share exchange agreement and plan of reorganization with Deer International Group Limited ("Deer International"), a company incorporated under the laws of British Virgin Islands ("BVI") on December 3, 2007 and acquired 100% of the shares of Winder Electrical Company, Ltd. ("Winder") on March 11, 2008. Winder has a 100% owned subsidiary, Delta International, Ltd., ("Delta"). Winder and Delta were formed and incorporated in the Guangdong Province of the PRC on July 20, 2001 and February 23, 2006, respectively.

Pursuant to the share exchange agreement, the Company acquired from Deer International 50,000 ordinary shares, consisting of all of its issued and outstanding capital stock, in exchange for 15,695,706 shares of the Company's common stock. Concurrently with the closing of the transactions contemplated by the share exchange agreement and as a condition thereof, the Company entered into an agreement with Crescent Liu, its former Director and Chief Executive Officer, pursuant to which he returned 5,173,914 shares of the Company's common stock to the Company for cancellation. Mr. Liu was not compensated for the cancellation of his shares of the Company's common stock. Upon completion of the foregoing transactions, the Company had 19,652,226 shares of common stock issued and outstanding. In connection with the above transaction the Company changed its name to Deer Consumer Products, Inc. on September 3, 2008.

The exchange of shares with Deer International was accounted for as a reverse acquisition under the purchase method of accounting since Deer International obtained control of the Company. Accordingly, the merger of the Deer International into the Company was recorded as a recapitalization of Deer International, Deer International being treated as the continuing entity. The historical financial statements presented are the consolidated financial statements of Deer International. The share exchange agreement was treated as a recapitalization and not as a business combination; therefore, no pro forma information is disclosed. At the date of this transaction, the net liabilities of the legal acquirer were \$0.

The Company is engaged in manufacture, marketing, distribution and sale of home and kitchen electric appliances (blenders, food processors, choppers, juicers, etc.). The Company manufactures its products in YangJiang, China and

has corporate functions in Nanshan, Shenzhen, China.

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Deer Consumer Products, Inc. and Subsidiaries  
Notes to Consolidated Financial Statements  
For the Nine Months Ended September 30, 2009 and 2008

(unaudited)

#### Stock Split

On April 24, 2009, the Company effected a 1 for 2.3 reverse stock split of its common stock and on October 2, 2009, the Company effected a 2 for 1 forward stock split of its common stock. All share information for common shares was retroactively restated for these stock splits.

#### Basis of Presentation

The accompanying consolidated financial statements include the accounts of the Company, its wholly-owned subsidiary, Deer International, and its 100% wholly-owned subsidiary Winder and Winder's wholly-owned subsidiary Delta. All significant inter-company accounts and transactions were eliminated in consolidation.

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("US GAAP"). The Company's Chinese subsidiaries functional currency is the Chinese Yuan Renminbi (RMB); however the accompanying consolidated financial statements were translated and presented in United States Dollars.

#### Foreign Currency Translation

The accounts of the Company's Chinese subsidiaries are maintained in the RMB and the accounts of the U.S. parent company are maintained in the U.S. Dollar (USD). The accounts of the Chinese subsidiaries were translated into USD in accordance with Statement of Financial Accounting Standards ("SFAS") No. 52, "Foreign Currency Translation," (codified in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 830) with the RMB as the functional currency for the Chinese subsidiaries. According to the Statement, all assets and liabilities were translated at the exchange rate on the balance sheet date, stockholders' equity are translated at the historical rates and statement of operations items are translated at the weighted average exchange rate for the period. The resulting translation adjustments are reported under other comprehensive income in accordance with SFAS No. 130, "Reporting Comprehensive Income" (codified in FASB ASC Topic 220).

#### Note 2 – Summary of Significant Accounting Policies

##### Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Areas that require estimates and assumptions include valuation of accounts receivable and inventory, determination of useful lives of property and equipment, estimation of certain liabilities and sales returns.

##### Cash and Cash Equivalents

Cash and cash equivalents include cash in hand and cash in time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less.



Deer Consumer Products, Inc. and Subsidiaries  
Notes to Consolidated Financial Statements  
For the Nine Months Ended September 30, 2009 and 2008

(unaudited)

Restricted Cash

Restricted cash consists of monies restricted by the Company's lender and monies restricted under a letter of credit and a bank acceptance. As of September 30, 2009 and December 31, 2008, total restricted cash was \$0 and \$200,099 (interest rate of 0.36%), respectively.

Accounts Receivable

The Company maintains reserves for potential credit losses on accounts receivable. Management reviews the composition of accounts receivable and analyzes historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment patterns to evaluate the adequacy of these reserves. As of September 30, 2009, approximately 79% of our accounts receivable was from overseas customers. The Company maintains a substantial amount of export insurance that covers losses arising from customers' rejection of its products, political risk, losses arising from business credit and other credit risks including bankruptcy, insolvency and delay in payment.

Investments

The Company purchased various stocks during 2007 and in 2008 the Company was required to purchase an equity fund for a bank loan. The investments are trading securities that were bought and held principally for the purpose of selling them in the near term and are reported at fair value, with unrealized gains and losses included in earnings. All of these stocks were sold during the nine months ended September 30, 2009.

Advances to Suppliers

The Company makes advances to certain vendors to purchase its material. The advances are interest free and unsecured.

Inventories

Inventories are valued at the lower of cost (determined on a weighted average basis) or market. The Company compares the cost of inventories with the market value and allowance is made for writing down the inventories to their market value, if lower.

Property & Equipment

Property and equipment are stated at cost. Expenditures for maintenance and repairs are charged to earnings 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 for substantially all assets with estimated lives as follows:

|           |            |
|-----------|------------|
| Buildings | 5-20 years |
| Equipment | 5-10 years |
| Vehicles  | 5 years    |

Office equipment

5-10 years

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Deer Consumer Products, Inc. and Subsidiaries  
Notes to Consolidated Financial Statements  
For the Nine Months Ended September 30, 2009 and 2008

(unaudited)

The following are the details of property and equipment:

|                               | September 30, 2009 | December 31, 2008 |
|-------------------------------|--------------------|-------------------|
| Building                      | \$ 3,294,109       | \$ 1,889,916      |
| Equipment                     | 14,325,687         | 14,232,539        |
| Vehicle                       | 34,735             | 34,735            |
| Office Equipment              | 419,138            | 430,177           |
| Total                         | 18,073,669         | 16,587,367        |
| Less accumulated depreciation | (6,367,852)        | (5,296,165)       |
|                               | \$ 11,705,817      | \$ 11,291,202     |

**Long-Lived Assets**

The Company applies the provisions of SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144") (codified in FASB ASC Topic 360), which addresses financial accounting and reporting for the impairment or disposal of long-lived assets and supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations for a Disposal of a Segment of a Business." The Company periodically evaluates the carrying value of long-lived assets to be held and used in accordance with SFAS 144. SFAS 144 requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. In that event, a loss is recognized based on the amount by which the carrying amount exceeds the fair market value of the long-lived assets. Loss on long-lived assets to be disposed of is determined in a similar manner, except that fair market values are reduced for the cost of disposal. Based on its review, the Company believes that, as of September 30, 2009 there were no significant impairments of its long-lived assets.

**Intangible Assets**

Intangible assets consist of rights to use land and computer software. The Company evaluates intangible assets for impairment, at least on an annual basis and whenever events or changes in circumstances indicate that the carrying value may not be recoverable from its estimated future cash flows. Recoverability of intangible assets is measured by comparing their net book value to the related projected undiscounted cash flows from these assets, considering a number of factors including past operating results, budgets, economic projections, market trends and product development cycles. If the net book value of the asset exceeds the related undiscounted cash flows, the asset is considered impaired, and a second test is performed to measure the amount of impairment loss.



Deer Consumer Products, Inc. and Subsidiaries  
Notes to Consolidated Financial Statements  
For the Nine Months Ended September 30, 2009 and 2008

(unaudited)

Net intangible assets consisted of the following:

|                               | September 30, 2009 | December 31, 2008 |
|-------------------------------|--------------------|-------------------|
| Right to use land             | \$ 450,335         | \$ 450,335        |
| Computer software             | 76,906             | 76,906            |
| <b>Total</b>                  | <b>527,241</b>     | <b>527,241</b>    |
| Less Accumulated amortization | (130,197)          | (123,116)         |
| <b>Intangibles, net</b>       | <b>\$ 397,044</b>  | <b>\$ 404,125</b> |

Pursuant to People's Republic of China's ("PRC") governmental regulations, the Government owns all land. The Company recognized the amounts paid for the rights to use land as an intangible asset. The Company amortizes these rights over their respective periods, which range from 45 to 50 years and computer software is amortized over 1-2 years.

#### Fair Value of Financial Instruments

The Company discloses estimated fair values of financial instruments. The carrying amounts reported in the statements of financial position for current assets and current liabilities qualifying as financial instruments are a reasonable estimate of fair value.

On January 1, 2008, the Company adopted SFAS No. 157, "Fair Value Measurements" (codified in FASB ASC Topic 820). SFAS No. 157 defines fair value, establishes a three-level valuation hierarchy for disclosures of fair value measurement and enhances disclosures requirements for fair value measures. The carrying amounts reported in the balance sheets for receivables and current liabilities each qualify as financial instruments and are a reasonable estimate of fair value 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 are defined as follow:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- 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.
- Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

As of September 30, 2009, the Company did not identify any assets and liabilities that are required to be presented on the balance sheet at fair value.

#### Concentration of Credit Risk

Cash includes cash on hand and demand deposits in accounts maintained within China. Certain financial instruments, which subject the Company to concentration of credit risk, consist of cash. Balances at financial institutions within China are not covered by insurance. The Company has not experienced any losses in such accounts.

Deer Consumer Products, Inc. and Subsidiaries  
Notes to Consolidated Financial Statements  
For the Nine Months Ended September 30, 2009 and 2008

(unaudited)

#### Revenue Recognition

The Company's revenue recognition policies are in compliance with SEC Staff Accounting Bulletin (SAB) 104. Sales revenue is recognized at the date of shipment to customers when a formal arrangement exists, the price is fixed or determinable, the delivery is completed, no other significant obligations of the Company exist and collectability is reasonably assured. Payments received before all of the relevant criteria for revenue recognition are satisfied are recorded as unearned revenue.

#### Unearned Revenue

The Company records payments for goods before all relevant criteria for revenue recognition are satisfied under unearned revenue.

#### Advertising Costs

The Company expenses the cost of advertising as incurred or, as appropriate, the first time the advertising takes place. Advertising costs for the three and nine months ended September 30, 2009 and 2008 were not significant.

#### Income Taxes

The Company utilizes SFAS No. 109, "Accounting for Income Taxes" (codified in FASB ASC Topic 740), which requires the 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.

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.

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Foreign Currency Transactions and Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Certain statements, however, require entities to report specific changes in assets and liabilities, such as gain or loss on foreign currency translation, as a separate component of the equity section of the balance sheet. Such items, along with net income, are components of comprehensive income. The functional currency of the Company's Chinese subsidiaries is Chinese RMB. Translation gains of \$2,340,270 and \$2,345,698 at September 30, 2009 and December 31, 2008, respectively, are classified as an item of other comprehensive income in the stockholders' equity section of the consolidated balance sheet.

Currency Hedging

The Company entered into a forward exchange agreement with the Bank of China, whereby the Company agreed to sell US dollars to the Bank of China at a certain contractual rates. Since the contractual rate at which the Company sells US dollars to the Bank of China was greater than the exchange rate on the date of each exchange transaction, the Company recognized foreign exchange gains of \$207,958 and \$876,436 for the nine months ended September 30, 2009 and 2008, respectively. At September 30, 2009, the Company had no outstanding forward exchange contracts.

Basic and Diluted Earnings Per Share

Earnings per share is calculated in accordance with SFAS No. 128, "Earnings Per Share". SFAS No. 128 superseded Accounting Principles Board Opinion No.15 (APB 15) (codified in FASB ASC Topic 260). Net earnings per share for all periods presented has been restated to reflect the adoption of SFAS No. 128. Basic earnings per share is based upon the weighted average number of common shares outstanding. Diluted 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 is a reconciliation of the number of shares (denominator) used in the basic and diluted earnings per share computations:

| Three months ended<br>September 30, | 2009       |                     | 2008       |                     |
|-------------------------------------|------------|---------------------|------------|---------------------|
|                                     | Shares     | Per Share<br>Amount | Shares     | Per Share<br>Amount |
| Basic earnings per share            | 22,730,722 | \$ 0.18             | 16,856,898 | \$ 0.09             |
| Effect of dilutive stock options    | 535,534    | -                   | -          | -                   |
| Diluted earnings per share          | 23,266,256 | \$ 0.18             | 16,856,898 | \$ 0.09             |

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Nine months ended  
September 30,

|                                  | 2009       |                  | 2008       |                  |
|----------------------------------|------------|------------------|------------|------------------|
|                                  | Shares     | Per Share Amount | Shares     | Per Share Amount |
| Basic earnings per share         | 21,462,056 | \$ 0.30          | 16,087,045 | \$ 0.18          |
| Effect of dilutive stock options | 446,434    | -                | -          | -                |
| Diluted earnings per share       | 21,908,490 | \$ 0.30          | 16,087,045 | \$ 0.18          |

#### 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 will not necessarily agree with changes in the corresponding balances on the balance sheet.

#### Registration Rights Agreement

The Company accounts for payment arrangements under registration rights agreement in accordance with FASB Staff Position EITF 00-19-2 (codified in FASB ASC Topic 825), which requires the contingent obligation to make future payments or otherwise transfer consideration under a registration payment arrangement, whether issued as a separate agreement or included as a provision of a financial instrument or other agreement, be separately recognized and measured in accordance with SFAS No. 5, Accounting for Contingencies (codified in FASB ASC Topic 450).

#### Recent Pronouncements

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 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.



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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 accumulated 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 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 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. The Company has evaluated subsequent events through the time of filing these financial statements with the SEC on November 5, 2009.

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.





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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.

### Note 3 – Inventories

Inventories consisted of the following:

|                 | September<br>30, 2009 | December 31,<br>2008 |
|-----------------|-----------------------|----------------------|
| Raw material    | \$ 7,644,972          | \$ 3,960,022         |
| Work in process | 2,678,931             | 1,326,719            |
| Finished goods  | 2,011,057             | 2,394,110            |
| <b>Total</b>    | <b>\$ 12,334,960</b>  | <b>\$ 7,680,851</b>  |

### Note 4 – Short Term Loans

Short term loans consisted of the follows:

|  | September<br>30,<br>2009 | December 31,<br>2008 |
|--|--------------------------|----------------------|
| Short term bank loans with the Bank of China. As of December 31, 2008, the term of the loan was 5 months, with interest of 5.990%. The loans were collateralized by buildings and land use rights. | \$ -                     | 487,544              |
| Short term loans with Agricultural Bank of China. This loan was due on June 20, 2009 and accrued interest of 8.21%. The loan was collateralized by equipment.                                      | -                        | 3,065,297            |
|  | \$ -                     | \$ 3,552,841         |

### Note 5 – Notes Payable

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Notes payable at September 30, 2009 and December 31, 2008 consist of multiple banker's acceptances from the Bank of China. The terms of the notes range from 3-6 months, with no interest rate. The Company deposits 10% of the notes' par value with the Bank of China, refundable when the notes paid. Notes payable at September 30, 2009 and December 31, 2008 amounted to \$4,881,576 and \$3,155,348, respectively.

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Note 6 – Long-Term Loan

On November 14, 2008, the Company entered into a long-term loan with an unrelated party. The loan was for \$733,500 at 8.10%, due October 20, 2010 and is secured by certain property and equipment.

Note 7 – Stockholders' Equity

Common Stock

On March 31, 2009, the Company completed a private placement of Units (as defined below) pursuant to which the Company sold 810,690 Units at \$0.92 per Unit for gross proceeds of \$746,000. Each "Unit" consisted of one share of Company common stock and a three-year warrant to purchase 15% of one share of common stock at \$1.73 per share. The total warrants issued to investors were 121,660. The Company also issued warrants to purchase 81,090 shares of common stock to the placement agents.

In May 2009, the Company completed two private placements of Units (as defined below) pursuant to which the Company sold 2,100,000 Units at \$0.92 per Unit for gross proceeds of \$1,932,000. Each "Unit" consisted of one share of Company common stock and a three-year warrant to purchase 15% of one share of common stock at \$1.73 per share. The total warrants issued to investors were 315,000. The Company also issued warrants to purchase 210,000 shares of common stock to the placement agents.

The Company also issued a Registration Rights Agreement requiring that the Company file a registration statement covering shares of common stock issued and the shares issuable upon exercise of the warrants. The Company is required to file the registration statement with the SEC within 60 days of the closing of the offering. The registration statement must be declared effective by the SEC within 180 days of the final closing of the offering. Subject to certain grace periods, the registration statement must remain effective and available for use until the purchasers can sell all of the securities covered by the registration statement without restriction pursuant to Rule 144. If the Company fails to meet the filing or effectiveness requirements of the registration statement, it is required to pay liquidated damages of 1% of the aggregate purchase price paid by such purchaser for any registerable securities then held by such purchaser on the date of such failure and on each anniversary of the date of such failure until such failure is cured. On June 3, 2009, the registration statement to register the above mentioned shares and shares underlying the exercise of the warrants was declared effective.

On September 21, 2009, the Company completed a private placement offering of 3,000,000 Units at an offering price of \$5.00 per Unit for aggregate offering price of \$15,000,000 to non-U.S. investors. Each Unit consisted of one share of the Company's common stock, par value \$.001 per share and a three-year warrant to purchase 30% of one share of the Company's common stock, or an aggregate of 900,000 shares of common stock, at an exercise price of \$5.00 per share. A non-U.S. advisor to the Company received fees of 9% of the gross proceeds and warrants to purchase 300,000 shares of common stock on the same terms as the non-U.S. investors. In addition, the Company paid an additional 3% advisory fee in connection with this private placement offering. The investors received registration rights. The Company issued the shares pursuant to an exemption from registration under Regulation S promulgated under the Securities Act of 1933, as amended.



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Warrants

Following is a summary of the warrant activity:

|                                 | Options<br>outstanding | Weighted<br>Average<br>Exercise<br>Price | Weighted<br>average<br>remaining<br>contractual life | Aggregate<br>Intrinsic Value |
|---------------------------------|------------------------|--|--|------------------------------|
| Outstanding, December 31, 2008  | -                      | -  |  | \$ -                         |
| Granted                         | 1,927,750              | \$ 3.76                                  |  |                              |
| Forfeited                       | -                      | -  |  |                              |
| Exercised                       | (12,978)               | \$ 1.73                                  |  |                              |
| Outstanding, September 30, 2009 | 1,914,772              | \$ 3.78                                  | 2.82   | \$ 10,670,137                |
| Exercisable, September 30, 2009 | 1,914,772              | \$ 3.78                                  | 2.82   | \$ 10,670,137                |

The exercise price for warrants outstanding at September 30, 2009 is as follows:

| Number of<br>Warrants | Exercise<br>Price |
|-----------------------|-------------------|
| 714,772               | \$ 1.73           |
| 1,200,000             | \$ 5.00           |
| 1,914,772             |                   |

Note 8 - Employee Welfare Plan

The total expense for the employee common welfare was \$32,510 and \$52,982 for the nine months ended September 30, 2009 and 2008, respectively. The Chinese government abolished the 14% welfare plan policy during 2007. The Company is not required to establish welfare and common welfare reserves.

Note 9 - Statutory Reserve and Development Fund

As stipulated by the Company Law of the PRC, net income after taxation can only be distributed as dividends after appropriation has been made for the following:

- i. Making up cumulative prior years' losses, if any;
- ii. Allocations to the "Statutory surplus reserve" of at least 10% of income after tax, as determined under PRC accounting rules and regulations, until the fund amounts to 50% of the Company's registered capital;
- iii. Allocations of 5-10% of income after tax, as determined under PRC accounting rules and regulations, to the Company's "Statutory common welfare fund" ("SCWF"), which is established for the purpose of providing employee facilities and other collective benefits to the Company's employees; and



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iv. Allocations to the discretionary surplus reserve, if approved in the stockholders' general meeting. The Company allocates 5% of income after tax as development fund. The fund is for enlarging its business and increasing capital.

Pursuant to the new Corporate Law effective on January 1, 2006, there is now only one "Statutory surplus reserve" requirement. The reserve is 10 percent of income after tax, not to exceed 50 percent of registered capital.

The Company appropriated \$633,320 and \$349,506, and \$316,660 and \$174,753 as reserve for the statutory surplus reserve and development fund for the three and nine months ended September 30, 2009 and 2008, respectively.

Note 10 - Taxes

Local PRC Income Tax

Pursuant to the tax laws of China, general enterprises are subject to income tax at an effective rate of 25%.

A reconciliation of tax at United States federal statutory rate to provision for income tax recorded in the financial statements is as follows:

|                                       | For the three months ended<br>September 30, |      |
|---------------------------------------|---|------|
|                                       | 2009  | 2008 |
| Tax provision at statutory rate       | 34%   | 34%  |
| Foreign tax rate difference           | (9)%  | (9)% |
| Current operating losses not utilized | -   | 1%   |
| Effect of tax holiday                 | (10)%                                       | -    |
| Utilization of NOLs                   | (1)%  | -    |
|                                       | 14%   | 26%  |
|                                       | For the nine months ended<br>September 30,  |      |
|                                       | 2009  | 2008 |
| Tax provision at statutory rate       | 34%   | 34%  |
| Foreign tax rate difference           | (9)%  | (9)% |
| Current operating losses not utilized | -   | 3%   |
| Effect of tax holiday                 | (8)%  | -    |
|                                       | 17%   | 28%  |

The effect of the change of tax status was accounted for in accordance with SFAS No. 109, par. 28 (codified in FASB ASC Topic 740), which states that the effect of a change in tax status is computed as of the date of change and is included in the tax provision for continuing operations. Management believes that the local tax authorities would not have waived past taxes had it not been for the change in the Company's subsidiary's tax status.





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Foreign pretax earnings approximated \$8,100,000 for the nine months ended September 30, 2009. Pretax earnings of a foreign subsidiary are subject to U.S. taxation when effectively 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 September 30, 2009, approximately \$7,700,000 of accumulated undistributed earnings of non-U.S. subsidiaries was indefinitely invested. At the existing U.S. federal income tax rate, additional taxes of \$697,000 would have to be provided if such earnings were remitted currently.

The Chinese government has offered favorable tax treatment to companies in the high-tech industry. The Company's Chinese subsidiaries qualify for this favorable tax treatment and effective July 1, 2009 enjoyed a reduced corporate tax rate of 15%. If the Company had not enjoyed this favorable tax treatment, net income for both the three and nine months ended September 30, 2009 would be lowered by approximately \$500,000 and earning per share would have been reduced by \$0.02.

Note 11 - Related Party Transactions

There was no related party transactions during the nine months ended September 30, 2009. As of September 30, 2009, a certain entity previously reported as a related party is no longer considered to be related party due to an ownership changes within that entity.

Note 12 - Geographical Sales

Geographical distribution of sales is as follows:

| Geographical Areas | Three Months Ended<br>September 30, |               | Nine Months Ended<br>September 30, |               |
|--------------------|-------------------------------------|---------------|------------------------------------|---------------|
|                    | 2009                                | 2008          | 2009                               | 2008          |
| North America      | \$ 9,456,088                        | \$ 4,914,061  | \$ 16,334,869                      | \$ 10,929,232 |
| South America      | 3,845,583                           | 2,226,709     | 7,126,393                          | 5,995,099     |
| Middle East        | 3,601,564                           | 1,496,409     | 6,950,609                          | 4,637,643     |
| Europe             | 4,047,740                           | 1,467,179     | 7,929,475                          | 5,533,411     |
| Asia               | 2,364,182                           | 970,305       | 4,933,763                          | 3,594,978     |
| China              | 2,888,011                           | 357,628       | 5,017,482                          | 701,409       |
| Africa             | 337,871                             | 109,924       | 431,167                            | 653,370       |
|                    | \$ 26,541,039                       | \$ 11,542,215 | \$ 48,723,758                      | \$ 32,045,142 |

Note 13 – Subsequent Event

During the period from October 1, 2009 to November 4, 2009, the Company issued 30,284 shares of common stock in connection with the exercise of warrants.



## CAUTIONARY STATEMENT FOR FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions about us that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “should,” “could,” “would,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “continue,” or the negative of such terms or other similar expressions. Factors that might cause or contribute to such a discrepancy include, but are not limited to, those listed under the heading “Risk Factors” and those listed in our other Securities and Exchange Commission filings. The following discussion should be read in conjunction with our Financial Statements and related Notes thereto included elsewhere in this report. Throughout this Quarterly Report we will refer to Deer Consumer Products, Inc. as “Deer,” the “Company,” “we,” “us,” and “our.”

### Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

#### Overview

On September 3, 2008, we entered into a share exchange agreement and plan of reorganization with Deer International Group Limited (“Deer International”), a company incorporated under the laws of British Virgin Islands (“BVI”) on December 3, 2007 and holder of 100% of the shares of Winder Electrical Company, Ltd. (“Winder”) since March 11, 2008. Winder has a 100% owned subsidiary, Delta International, Ltd., (“Delta”). Winder and Delta were formed and incorporated in the Guangdong Province of the PRC on July 20, 2001 and February 23, 2006, respectively.

Pursuant to the share exchange agreement, we acquired from Deer International 50,000 ordinary shares, consisting of all of its issued and outstanding capital stock, in exchange for 15,695,706 shares of our common stock. Concurrently with the closing of the transactions contemplated by the share exchange agreement and as a condition thereof, we entered into an agreement with Crescent Liu, our former Director and Chief Executive Officer, pursuant to which he returned 5,173,914 shares of our common stock for cancellation. Mr. Liu was not compensated for the cancellation of his shares of our common stock. Upon completion of the foregoing transactions, we had 19,652,226 shares of common stock issued and outstanding. In connection with the above transaction we changed our name to Deer Consumer Products, Inc. on September 3, 2008.

The exchange of shares with Deer International was accounted for as a reverse acquisition under the purchase method of accounting since Deer International obtained control of our company. Accordingly, the merger of the Deer International into us was recorded as a recapitalization of Deer International, Deer International being treated as the continuing entity. The historical financial statements presented are the consolidated financial statements of Deer International. The share exchange agreement has been treated as a recapitalization and not as a business combination; therefore, no pro forma information is disclosed. At the date of this transaction, the net liabilities of the legal acquirer were \$0.

We are engaged in the manufacture, marketing, distribution and sale of home and kitchen electric appliances (blenders, food processors, choppers, juicers, etc.). The Company manufactures its products in YangJiang, China and has corporate functions in Nanshan, Shenzhen, China.

We operate through our two wholly-owned subsidiaries, Winder Electric Co. Ltd. (“Winder”), which is a wholly-owned foreign enterprise (“WFOE”) and responsible for research, production and delivery of goods, and Delta International Limited (“Delta”), which is a wholly owned subsidiary of Winder and primarily responsible for sales. We have traditionally acted as both an original equipment manufacturer (“OEM”) and original design manufacturer (“ODM”) for international markets.

#### Critical Accounting Policies

In presenting our financial statements in conformity with accounting principles generally accepted in the United States (“US GAAP”), we are required to make estimates and assumptions that affect the amounts reported therein. Several of the estimates and assumptions we are required to make relate to matters that are inherently uncertain as they pertain to future events. However, events that are outside of our control cannot be predicted and, as such, they cannot be contemplated in evaluating such estimates and assumptions. If there is a significant unfavorable change to current conditions, it will likely result in a material adverse impact to our results of operations, financial position and in liquidity. We believe the estimates and assumptions we used when preparing our financial statements were the most appropriate at that time. Presented below are those accounting policies we believe require subjective and complex judgments that could potentially affect reported results.

**Use of Estimates.** Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with US GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to impairment of long-lived assets, and allowance for doubtful accounts. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions; however, we believe that our estimates, including those for the above-described items, are reasonable.

Areas that require estimates and assumptions include valuation of accounts receivable and inventory, determination of useful lives of property and equipment, estimation of certain liabilities and sales returns.

**Accounts Receivable.** We maintain reserves for potential credit losses on accounts receivable. Management reviews the composition of accounts receivable and analyzes historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment patterns to evaluate the adequacy of these reserves.

**Advances to Suppliers.** We make advances to certain vendors for purchase of its material. The advances to suppliers are interest free and unsecured.

**Inventory .** Inventory is valued at the lower of cost (determined on a weighted average basis) or market. We compare the cost of inventories with the market value and allowance is made for writing down the inventories to their market value, if lower.



Long-Lived Assets. We apply the provisions of Statement of Financial Accounting Standards No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets” (“SFAS 144”) (codified in FASB ASC Topic 360), which addresses financial accounting and reporting for the impairment or disposal of long-lived assets and supersedes SFAS No. 121, “Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of,” and the accounting and reporting provisions of APB Opinion No. 30, “Reporting the Results of Operations for a Disposal of a Segment of a Business.” We periodically evaluate the carrying value of long-lived assets to be held and used in accordance with SFAS 144. SFAS 144 requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets’ carrying amounts. In that event, a loss is recognized based on the amount by which the carrying amount exceeds the fair market value of the long-lived assets. Loss on long-lived assets to be disposed of is determined in a similar manner, except that fair market values are reduced for the cost of disposal. Based on our review, we believe that to date there were no significant impairments of its long-lived assets.

Property and equipment: Property and equipment are stated at cost. Expenditures for maintenance and repairs are charged to earnings 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. For substantially all assets with estimated lives as follows:

|                  |            |
|------------------|------------|
| Buildings        | 5-20 years |
| Equipment        | 5-10 years |
| Vehicles         | 5 years    |
| Office equipment | 5-10 years |

Revenue Recognition. Our revenue recognition policies are in compliance with SEC Staff Accounting Bulletin (SAB) 104. Sales revenue is recognized at the date of shipment to customers when a formal arrangement exists, the price is fixed or determinable, the delivery is completed, no other significant obligations exist and collectability is reasonably assured. Payments received before all of the relevant criteria for revenue recognition are satisfied are recorded as unearned revenue.

Foreign Currency Transactions and Comprehensive Income. Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Certain statements, however, require entities to report specific changes in assets and liabilities, such as gain or loss on foreign currency translation, as a separate component of the equity section of the balance sheet. Such items, along with net income, are components of comprehensive income. The functional currency of the Company is Chinese Renminbi. The unit of Renminbi is in Yuan. Translation gains are classified as an item of other comprehensive income in the stockholders’ equity section of the balance sheet. Other comprehensive income in the statements of income and other comprehensive income includes translation gains recognized each period.

Currency Hedging. We entered into a forward exchange agreement with the Bank of China, whereby we have agreed to sell US dollars to the Bank of China at a certain contractual rates. Since the contractual rate at which we sell US dollars to the Bank of China was greater than the exchange rate on the date of each exchange transaction, we have recognized foreign exchange gains.

## Recent Accounting Pronouncements

On July 1, 2009, we 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 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 our financial position, results of operations or cash flows.

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 accumulated 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 our financial position, results of operations or cash flows.

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 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, we 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. We have evaluated subsequent events through the time of filing these financial statements with the SEC on November 5, 2009.



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. We do not believe the adoption of SFAS 166 will have an impact on our financial condition, results of operations or cash flows.

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. We do not believe the adoption of SFAS 167 will have an impact on our financial condition, results of operations or cash flows.

## Results of Operations

Three months ended September 30, 2009 compared to Three months ended September 30, 2008:

|  | Three Months Ended September 30, |               | \$            | %       |
|--|----------------------------------|---------------|---------------|---------|
|  | 2009                             | 2008          | Change        | Change  |
| Revenue                                      | \$ 26,541,039                    | \$ 11,542,215 | \$ 14,998,824 | 129.9   |
| Cost of revenue                              | 20,670,731                       | 8,255,913     | 12,414,818    | 150.4   |
| Gross profit                                 | 5,870,308                        | 3,286,302     | 2,584,006     | 78.6    |
| Selling, general and administrative expenses | 1,389,669                        | 1,616,181     | (226,512)     | (14.0)  |
| Interest and financing costs, net            | (13,524)                         | 116,850       | (130,374)     | (111.6) |
| Other income (expense)                       | 8,894                            | (1,698)       | 10,592        | (623.8) |
| Foreign exchange gain (loss)                 | 288,461                          | 530,510       | (242,049)     | (45.6)  |
| Income tax expense                           | 668,745                          | 540,717       | 128,028       | 23.7    |
| Net income                                   | 4,122,773                        | 1,541,070     | 2,581,703     | 167.5   |

## Revenues

Our revenue for the three months ended September 30, 2009 was \$26,541,039 an increase of \$14,998,824 or 129.9% from \$11,542,215 for the three months ended September 30, 2008. The increase in revenues was due to us expanding our sales in the U.S. market and putting significant efforts into increasing our sales to the Chinese and European markets. Our sales for the three months ended September 30, 2009 compared to the same period in 2008 increase in the U.S., Europe and Chinese markets by approximately \$4.5 million, \$2.6 million and \$2.5 million, respectively. We have also fulfilled larger volume promotional order for our existing and new customers at lower per unit sales prices that have allowed us to increase our market share.

#### Cost of Revenue

Our cost of revenue for the three months ended September 30, 2009 increased by \$12,414,818 or 150.4% from \$8,255,913 for the three months ended September 30, 2008 to \$20,670,731 for the three months ended September 30, 2009. The increased cost of revenue in 2009 was due to the increase in sales.

#### Gross Profit

Our gross margin for the three months ended September 30, 2009 was 22.1% compared to 28.5% for same period in 2008. The decrease in gross margin is due to the fulfillment of larger volume promotional orders that resulted in a lower per unit sales price. Although we have experienced lower gross margins we have reduced our general and administrative expenses to maintain our operating profits.

#### Selling, General and Administrative Expenses

Selling, general and administrative expenses for the three months ended September 30, 2009 decreased by \$226,512 or 14.0%, from \$1,616,181 for the nine months ended September 30, 2008 to \$1,389,669 for the three months ended September 30, 2009. Selling expenses for the three months ended September 30, 2009 increased by 42.7% or \$287,299 in comparison to the same period in 2008 due to increased selling efforts that resulted in higher revenues. General and administrative expenses for the three months ended September 30, 2009 decreased by 54.5% or \$513,811 in comparison to the same period in 2008. Operating expenses include overhead expenses such as rent, management and staff salaries, general insurance, marketing, accounting, legal and offices expenses. We have scaled and consolidated back our operations thus reducing general and administrative expenses to withstand the effect of global financial crisis. Also we have contracted our Delta subsidiary beginning in 2009 whereby all Delta operations have been run through our Winder subsidiary. As a result of these cost cutting efforts our operating expenses have increased by a much smaller percentage than our growth in revenue.

#### Interest and Financing Costs (net)

Interest and financing costs, net for the three months ended September 30, 2009 was \$(13,524) compared to \$116,850 for the three months ended September 30, 2008 a decrease of \$130,374 or 111.6%. The change is principally due to a decreased borrowings and higher interest income due to the excess cash invested in interest bearing accounts.

#### Other Income (Expense)

Other income (expense) for the three months ended September 30, 2009 was \$8,894, an increase of \$10,592 or 623.8%, from \$(1,698) for the three months ended September 30, 2008. The increase is not significant.

#### Foreign Exchange Gain (loss)

Foreign exchange gain (loss) for the three months ended September 30, 2009 was \$288,461, a decrease of \$242,049 or 45.6%, from \$530,510 for the three months ended September 30, 2008. The decrease is due to the fluctuation in exchange rates between the RMB and US dollar.

#### Income Tax Expense

Our effective tax rate for the three months ended September 30, 2009 was 14.0% as opposed to 26.0% for the three months ended September 30, 2008.



Nine Months Ended September 30, 2009 Compared to the Nine Months Ended September 30, 2008:

|  | Nine Months Ended September 30, \$ |               | %             |        |
|--|------------------------------------|---------------|---------------|--------|
|  | 2009                               | 2008          | Change        | Change |
| Revenue                                      | \$ 48,723,758                      | \$ 32,045,142 | \$ 16,678,616 | 52.0   |
| Cost of revenue                              | 37,403,300                         | 24,550,251    | 12,853,049    | 52.4   |
| Gross profit                                 | 11,320,458                         | 7,494,891     | 3,825,567     | 51.0   |
| Selling, general and administrative expenses | 3,478,826                          | 4,065,099     | (586,273)     | (14.4) |
| Interest and financing costs, net            | 209,173                            | 246,287       | (37,114)      | (15.1) |
| Other income (expense)                       | 4,998                              | 74,523        | (69,525)      | (93.3) |
| Foreign exchange gain (loss)                 | 207,958                            | 876,436       | (668,478)     | (76.3) |
| Income tax expense                           | 1,350,892                          | 1,165,020     | 185,872       | 16.0   |
| Net income                                   | 6,494,523                          | 2,934,760     | 3,559,763     | 121.3  |

### Revenues

Our revenue for the nine months ended September 30, 2009 was \$48,723,758 an increase of \$16,678,616 or 52.0% from \$32,045,142 for the nine months ended September 30, 2008. The increase in revenues was due to a strong second and third quarter as a result of us expanding our sales in the U.S. market and putting significant efforts into increasing our sales to the Chinese and European markets. Our sales for the nine months ended September 30, 2009 compared to the same period in 2008 increase in the U.S. Chinese and European markets by approximately \$5.4 million, \$4.3 and \$2.4 million, respectively. We have also fulfilled larger volume promotional order for our existing and new customers at lower per unit sales prices that have allowed us to increase our market share.

### Cost of Revenue

Our cost of revenue for the nine months ended September 30, 2009 increased by \$12,853,049 or 52.4% from \$24,550,251 for the nine months ended September 30, 2008 to \$37,403,300 for the nine months ended September 30, 2009. The increased cost of revenue in 2009 was due to the increase in sales.

### Gross Profit

Our gross margin for the nine months ended September 30, 2009 was 23.2% compared to 23.4% for same period in 2008. The decrease in gross margin for the nine months ended September 30, 2009 compared to the same period in 2008 is not significant.

### Selling, General and Administrative Expenses

Selling, general and administrative expenses for the nine months ended September 30, 2009 decreased by \$586,273 or 14.4%, from \$4,065,099 for the nine months ended September 30, 2008 to \$3,478,826 for the nine months ended September 30, 2009. Selling expenses for the nine months ended September 30, 2009 decreased by 0.6% or \$10,864 in comparison to the same period in 2008. General and administrative expenses for the nine months ended September 30, 2009 decreased by 26.4% or \$575,409 in comparison to the same period in 2008. Operating expenses include overhead expenses such as rent, management and staff salaries, general insurance, marketing, accounting, legal and offices expenses. We have scaled and consolidated back our operations thus reducing selling, general and administrative expenses to withstand the effect of global financial crisis. Also we have contracted our Delta subsidiary beginning in 2009 whereby all Delta operations have been run through our Winder subsidiary. As a result of these cost cutting efforts we have been able to reduce our operating expenses while at the same time increasing our growth in

revenue.

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#### Interest and Financing Costs (net)

Interest and financing costs, net for the nine months ended September 30, 2009 was \$209,173 compared to \$246,287 for the nine months ended September 30, 2008 a decrease of \$37,114 or 15.1%. The change is principally due to higher interest income due to the excess cash invested in interest bearing accounts.

#### Other Income (Expense)

Other income (expense) for the nine months ended September 30, 2009 was \$4,998, a decrease of \$69,525 or 93.3%, from \$74,523 for the nine months ended September 30, 2008. The decrease is due to a reduction in government subsidy income.

#### Foreign Exchange Gain (loss)

Foreign exchange gain (loss) for the nine months ended September 30, 2009 was \$207,958, a decrease of \$668,478 or 76.3%, from \$876,436 for the nine months ended September 30, 2008. The decrease is due to the fluctuation in exchange rates between the RMB and US dollar.

#### Income Tax Expense

Our effective tax rate for the nine months ended September 30, 2009 was 17.2% as opposed to 28.4% for the nine months ended September 30, 2008.

#### Off-Balance Sheet Arrangements

There were no off-balance sheet arrangements during the nine months ended September 30, 2009 that have, or are reasonably likely to have, a current or future affect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to our interests.

#### Liquidity and Capital Resources

On April 24, 2009, we effected a 1 for 2.3 reverse stock split of our common stock and on October 2, 2009, the Company effected a 2 for 1 forward stock split of our common stock. All share information for common shares was retroactively restated for these stock splits.

On March 30, 2009, we completed a closing of a private placement offering of Units (as defined below) pursuant to which we sold an aggregate of 810,690 Units at an offering price of \$0.92 per Unit for aggregate gross proceeds of \$746,000. Each "Unit" consisted of one share of our common stock and a three-year warrant to purchase 15% of one share of common stock at an exercise price of \$1.73 per share. The total warrants issued to investors were 121,660. We also issued warrants to purchase 81,090 shares of common stock to the placement agents.

On May 1, 2009, we completed a closing of a private placement offering of 1,040,000 Units at an offering price of \$0.92 per Unit for aggregate gross proceeds of \$956,800 to two non-US investors. Each Unit consisted of one share of our common stock and a three-year warrant to purchase 15% of one share of common stock, or an aggregate of 156,000 shares of common stock, at an exercise price of \$1.73 per share.

On May 20, 2009, we completed a closing of a private placement offering of 1,060,000 Units at an offering price of \$0.92 per Unit for aggregate gross proceeds of \$975,200 to two non-US investors. Each Unit consisted of one share of our common stock and a three year warrant to purchase 15% of one share of common stock, or an aggregate of 159,000 shares of common stock, at an exercise price of \$1.73 per share.

On September 21, 2009, we completed a private placement offering of 3,000,000 Units at an offering price of \$5.00 per Unit for aggregate offering price of \$15,000,000 to non-U.S. investors. Each Unit consisted of one share of our common stock, and a three year warrant to purchase 30% of one share of our common stock, or an aggregate of 900,000 shares of common stock, at an exercise price of \$5.00 per share. A non-U.S. advisor to us received fees of 9% of the gross proceeds and warrants to purchase 300,000 shares of common stock on the same terms as the non-U.S. investors. In addition, we paid an additional 3% advisory fee in connection with this private placement offering.

#### Cash Flows

At September 30, 2009, we had \$17,833,183 in cash and cash equivalents on hand. Our principal demands for liquidity are to increase capacity, inventory purchase, sales distribution, and general corporate purposes. We anticipate that the amount of cash we have on hand as of the date of this report as well as the cash that we will generate from operations will satisfy these requirements.

Net cash flows provided by operating activities for the nine months ended September 30, 2009 was \$3,967,605 compared to cash used in operating activities of \$2,387,945 for the nine months ended September 30, 2008. The cash flows from operating activities was principally attributed to the net income generated during the nine months ended September 30, 2009, a reduction in advances to suppliers, offset by an increase in our accounts receivable and inventories.

We used \$2,577,164 in investing activities during the nine months ended September 30, 2009 principally for property and equipment and construction in process.

Cash provided from financing activities in the nine months ended September 30, 2009 was \$13,661,251 which included proceeds from a notes payable and sale of shares of common stock, offset by payment on short-term loans.

#### Assets

As of September 30, 2009, our accounts receivable increased by \$3,196,704 compared with the balance as of December 31, 2008. The increase in accounts receivable on nine months ended September 30, 2009 was due primarily to increased sales. We intend to continue our efforts to maintain accounts receivable at reasonable levels in relation to our sales. Inventories increased by \$4,654,109 from the balance at December 31, 2008 due to the need to increase our inventory levels to keep up with the increase in sales.

## Liabilities

Our accounts payable increased by \$719,581 during the nine months ended September 30, 2009 compared with the balance as of December 31, 2008. Other payables increased by \$915,394 and accrued payroll increased by \$860,432 for the same period. Unearned revenues (payments received before all the relevant criteria for revenue recognition are satisfied) decreased by \$47,933 and short-term loans decreased by \$3,552,841 over the same period. Notes payable and tax and welfare payable increased by \$1,726,228 and \$101,992, respectively, due to the receipt of proceeds from new loans entered into during the nine months ended September 30, 2009.

We intend to meet our liquidity requirements, including capital expenditures related to the purchase of equipment, purchase of raw materials, and the expansion of our business, through cash flow provided by operations and funds raised through private placement offerings of our securities, if and when the Company determines such offerings are required.

We maintain export insurance that covers losses arising from customers' rejection of our products, political risk, losses arising from business credit and other credit risks including bankruptcy, insolvency and delay in payment.

The majority of our revenues and expenses were denominated primarily in RMB, the currency of the PRC.

There is no assurance that exchange rates between the RMB and the USD will remain stable. We do engage in currency hedging. Inflation has not had a material impact on our business.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not required.

### Item 4T. Controls and Procedures

An evaluation was conducted under the supervision and with the participation of the Company's management, including the Chief Executive Officer ("CEO"), its principal executive officer, and Chief Financial Officer ("CFO"), its principal financial officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act) as of September 30, 2009. Based on that evaluation, the CEO and CFO concluded that the Company's disclosure controls and procedures were effective as of such date to ensure that information required to be disclosed in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

There was no change in the Company's internal control over financial reporting that occurred during the Company's most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## Part II. OTHER INFORMATION

### Item 1. Legal Proceedings

From time to time, we may become involved in various lawsuits and legal proceedings, which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may have an adverse affect on our business, financial conditions, or operating results. We are currently not aware of any such legal proceedings or claims that will have, individually or in the



aggregate, a material adverse affect on our business, financial condition or operating results

Item 1A. Risk Factors

Not required.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On September 21, 2009, we completed a private placement offering of 3,000,000 Units at an offering price of \$5.00 per Unit for aggregate offering price of \$15,000,000 to non-U.S. investors. Each Unit consisted of one share of our common stock, par value \$.001 per share and a three year warrant to purchase 30% of one share of our common stock, or an aggregate of 900,000 shares of common stock, at an exercise price of \$5.00 per share. A non-U.S. advisor received fees of 9% of the gross proceeds and warrants to purchase 300,000 shares of common stock on the same terms as the non-U.S. investors. In addition, we paid an additional 3% advisory fee in connection with this private placement offering. We issued the shares pursuant to an exemption from registration under Regulation S promulgated under the Securities Act of 1933, as amended.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None.

Item 6. Exhibits

| Exhibit Number | Description of Exhibit  |
|----------------|---|
| 31.1           | Certification of Principal Executive Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended. |
| 31.2           | Certification of Principal Financial Officer pursuant to Rule 13a-14 and Rule 15d 14(a), promulgated under the Securities and Exchange Act of 1934, as amended. |
| 32.1           | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer).               |
| 32.2           | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Financial Officer).               |

SIGNATURES

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

Deer Consumer Products, Inc

November 5, 2009

By: /s/ Ying He  
Ying He  
Chairman & Chief Executive Officer  
(Principal Executive Officer)

November 5, 2009

By: /s/ Zongshu Nie  
Zongshu Nie  
Chief Financial Officer  
(Principal Financial and Accounting Officer)