

Deer Consumer Products, Inc.
Form 10-Q
May 10, 2011

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

FORM 10-Q

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

For the quarterly period ended March 31, 2011

OR

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

Commission file number: 001-34407

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)

518057
(Zip Code)

(86) 755-8602-8285
(Registrant's telephone number, including area code)

Indicate by checkmark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the last 90 days. YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(do not check if a smaller reporting company)

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

YES NO

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date: 33,592,562 shares of common stock outstanding as of May 6, 2011.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

DEER CONSUMER PRODUCTS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	MARCH 31, 2011 (UNAUDITED)	DECEMBER 31, 2010
ASSETS		
CURRENT ASSETS		
Cash & equivalents	\$ 28,193,623	\$33,956,591
Restricted cash	864,696	1,347,385
Accounts receivable	46,071,606	52,686,494
Advances to suppliers	2,332,803	3,018,531
Other receivables	180,081	125,580
VAT receivable	6,228,329	2,839,718
Subsidy receivable	482,423	-
Prepaid expenses	172,083	159,583
Deposits	803,185	445,740
Inventories	29,208,370	23,015,850
Total current assets	114,537,199	117,595,472
NON-CURRENT ASSETS		
Property and equipment, net	20,849,373	20,453,404
Prepayment for land use rights	-	3,367,207
Intangible assets, net	35,837,422	38,308,468
Construction in progress	10,050,356	8,913,181
Other assets	2,902	4,570
Total noncurrent assets	66,740,053	71,046,830
TOTAL ASSETS	\$ 181,277,252	\$ 188,642,302
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 17,307,868	\$26,247,453
Unearned revenue	1,062,923	1,759,792
Income tax payable	4,724,141	5,536,646
Other payables and accrued expenses	2,159,178	3,001,716
Dividend payable	1,679,628	-
Notes payable	4,992,130	8,361,698
Total current liabilities	31,925,868	44,907,305
COMMITMENT AND CONTINGENCY		

STOCKHOLDERS' EQUITY

Common Stock, \$0.001 par value; 75,000,000 shares authorized; 33,592,562 shares issued and outstanding as of March 31, 2011 and December 31, 2010, respectively	33,593	33,593
Paid-in capital	91,110,617	91,084,958
Statutory reserve	6,762,704	6,127,639
Development fund	3,381,352	3,063,819
Accumulated other comprehensive income	7,791,885	6,315,475
Retained earnings	40,271,233	37,109,513
Total Stockholders' equity	149,351,384	143,734,997
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 181,277,252	\$ 188,642,302

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

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DEER CONSUMER PRODUCTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME
THREE MONTHS ENDED MARCH 31, 2011 AND 2010
(UNAUDITED)

	2011	2010
Revenue	\$34,676,146	\$23,902,457
Cost of revenue	24,719,201	17,024,609
Gross profit	9,956,945	6,877,848
Operating expenses		
Selling	2,617,437	1,427,964
General and administrative	1,240,626	675,066
Total operating expenses	3,858,063	2,103,030
Income from operations	6,098,882	4,774,818
Non-operating income (expenses)		
Interest income	62,535	91,921
Interest expense	-	(29,706)
Exchange loss	(116,123)	(33,134)
Subsidy income	999,232	-
Other expenses	(38,298)	(14,601)
Total non-operating income, net	907,346	14,480
Income before income tax	7,006,228	4,789,298
Income tax expense	1,212,282	752,275
Net income	5,793,946	4,037,023
Other comprehensive item		
Foreign currency translation	1,476,410	35,365
Comprehensive Income	\$7,270,356	\$4,072,388
Basic weighted average shares outstanding	33,592,562	32,631,748
Diluted weighted average shares outstanding	33,592,562	33,767,212
Basic earnings per share	\$0.17	\$0.12
Diluted earnings per share	\$0.17	\$0.12

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

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DEER CONSUMER PRODUCTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2011 AND 2010
(UNAUDITED)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$5,793,946	\$4,037,023
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	703,455	358,725
Stock-based compensation	25,657	83,348
(Increase) decrease in current assets:		
Accounts receivable	7,118,569	(2,556,509)
Advances to suppliers	713,336	(859,081)
Other receivables, prepayments, and deposits	(417,015)	(137)
Subsidy receivable	(480,460)	-
Other assets	1,708	(34,520)
Inventories	(5,935,516)	(3,144,474)
Increase (decrease) in current liabilities:		
Accounts payable	(9,154,319)	1,416,382
Unearned revenue	(711,755)	(752,461)
Taxes payable	(4,210,783)	207,661
Notes payable	(3,440,063)	-
Other payables and accrued expenses	(879,287)	(2,452)
Net cash used in operating activities	(10,872,527)	(1,246,494)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Changes in restricted cash	494,294	(126,313)
Acquisition of property & equipment	(728,682)	(168,091)
Acquisition of intangible asset	-	(379,293)
Refund of deposit on land use right	6,071,063	-
Construction in progress	(1,042,779)	(1,992,404)
Net cash provided by (used in) investing activities	4,793,896	(2,666,101)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of notes payable	-	220,081
Offering costs paid	-	(320,000)
Net cash used in financing activities	-	(99,919)
EFFECT OF EXCHANGE RATE CHANGE ON CASH & EQUIVALENTS	315,663	(15,837)
NET DECREASE IN CASH & EQUIVALENTS	(5,762,968)	(4,028,351)
CASH & EQUIVALENTS, BEGINNING OF PERIOD	33,956,591	79,333,729

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CASH & EQUIVALENTS, END OF PERIOD	\$28,193,623	\$75,305,378
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Supplemental Cash flow data:

Income tax paid	\$2,076,848	\$489,784
Interest paid	\$-	\$-

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

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DEER CONSUMER PRODUCTS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2011 (UNAUDITED) AND DECEMBER 31, 2010

Note 1 – Organization and Basis of Presentation