TWITTER, INC.
Form 4
May 27, 2016

FORM 4

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

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

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

(Print or Type Responses)

1. Name and Address of Reporting Person *
Dorsey Jack

(Last) (First) (Middle)

C/O TWITTER, INC., 1355 MARKET STREET, SUITE 900

(Street)

SAN FRANCISCO, CA 94103

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
TWITTER, INC. [TWTR]

3. Date of Earliest Transaction (Month/Day/Year)
05/25/2016

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

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Chief Executive Officer

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

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

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	05/25/2016		D		6,814,085 (1)	D	$ 0	15,042,428	I	See footnote (2)

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

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SEC 1474 (9-02)

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

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Dorsey Jack C/O TWITTER, INC. 1355 MARKET STREET, SUITE 900 SAN FRANCISCO, CA 94103	X		Chief Executive Officer	

Signatures

/s/ Sean Edgett, Attorney-in-Fact	05/27/2016
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The reported shares were contributed to the Issuer to fund the Twitter, Inc. 2016 Equity Incentive Plan, which was approved by shareholders on May 25, 2016, without any cost or charge, pursuant to a Contribution Agreement dated as of October 22, 2015, by and between the Issuer and the Jack Dorsey Revocable Trust dated December 8, 2010, which was made available to stockholders on a Current Report on Form 8-K filed on October 23, 2015.

(2) 10,694,112 shares are held of record by the Jack Dorsey Revocable Trust dated December 8, 2010, for which the Reporting Person serves as trustee, 2,348,316 shares are held of record by the Jack Dorsey 2010 Annuity Trust, for which the Reporting Person serves as trustee and 2,000,000 shares are held of record by the Jack Dorsey 2014 Annuity Trust UAD 8/18/2014, for which the Reporting Person serves as trustee.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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Exercisable, June 30, 2010

7,508 $1.73 1.70 $49,365

The exercise price for warrants outstanding at June 30, 2010 is as follows:

Number Exercise

of Warrants		Price
7,508	$	1.73
7,508		

During the three months ended June 30, 2010, certain warrant holders exercised 1,751,610 warrants that resulted in gross proceeds of $6,951,527 to the Company.

Note 6 - Employee Welfare Plan

The total expense for the employee common welfare was $18,733 and $17,726 for the six months ended June 30, 2010 and 2009, 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 7 - 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

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.

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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 $1,051,813 and $253,395, respectively as reserve for the statutory surplus reserve and $525,906 and $126,697 for the development fund for the six months ended June 30, 2010 and 2009, respectively.

Note 8 - Geographical Sales

Geographical distribution of sales is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
Geographical Areas	2010	2009	2010	2009
China	$ 11,376,532	$ 1,674,260	$ 17,771,412	$ 2,129,471
South America	6,886,774	1,902,283	11,427,425	3,280,810
Asia	5,641,665	1,909,456	10,026,064	2,569,581
Europe	4,723,182	2,570,618	7,296,407	3,881,735
Middle East	4,359,474	2,029,455	6,651,291	3,349,045
North America	1,033,543	5,171,476	4,585,720	6,878,781
Africa	429,517	52,955	594,825	93,296
	$ 34,450,687	$ 15,310,503	$ 58,353,144	$ 22,182,719

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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. Fa 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 Ltd. (“Deer International”), a company incorporated under the laws of the British Virgin Islands (“BVI”) on December 3, 2007, and holder of 100% of the shares of Winder Electric Group Ltd. (“Winder”) since March 11, 2008. Winder has a 100% owned subsidiary, Delta International Limited (“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 recorded as a reverse acquisition under the purchase method of accounting because Deer International obtained control of our company. Accordingly, the merger of Deer International into us was recorded as a recapitalization of Deer International, with 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 small 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, which is a wholly-owned foreign enterprise (“WOFE”) and responsible for research, production and delivery of goods, and Delta, which has transferred all of its material former operations to Winder. We have traditionally acted as both an original equipment manufacturer (“OEM”) and original design manufacturer (“ODM”) for the export market. On April 30, 2010, we incorporated Deer Technology (AnHui) Co., Ltd. (“Deer Technology”) in the AnHui Province. We invested $10 million in Deer Technology and have committed to invest another $19.8 million. Deer Technology is engaged in the manufacture and sales of household electric appliances.

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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 were 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 periodically assess potential impairments to our long-lived assets. We perform an impairment review whenever events or changes in circumstances indicate that the carrying value may not be fully recoverable. Factors we considered include, but are not limited to: significant underperformance relative to expected historical or projected future operating results; significant changes in the manner of use of the acquired assets or the strategy for our overall business; and significant negative industry or economic trends. When we determine that the carrying value of a long-lived asset may not be recoverable based upon the existence of one or more of the above indicators of impairment, we estimate the future undiscounted cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future undiscounted cash flows and eventual disposition is less than the carrying amount of the asset, we recognize an impairment loss. An impairment loss is reflected as the amount by which the carrying amount of the asset exceeds the fair market value of the asset, based on the fair market value if available, or discounted cash flows. To date, there has been no impairment of 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:

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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 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. US GAAP generally requires 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 certain 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. At June 30, 2010, we had no outstanding forward exchange contracts.

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.

On February 25, 2010, the FASB issued ASU No. 2010-09 Subsequent Events Topic 855 "Amendments to Certain Recognition and Disclosure Requirements," effective immediately. The amendments in the ASU remove the requirement for an SEC filer to disclose a date through which subsequent events have been evaluated in both issued and revised financial statements. Revised financial statements include financial statements revised as a result of either correction of an error or retrospective application of US GAAP. The FASB believes these amendments remove potential conflicts with the SEC's literature. The adoption of this ASU did not have a material impact on our consolidated financial statements.

On March 5, 2010, the FASB issued ASU No. 2010-11 Derivatives and Hedging Topic 815 "Scope Exception Related to Embedded Credit Derivatives." This ASU clarifies the guidance within the derivative literature that exempts certain credit related features from analysis as potential embedded derivatives requiring separate accounting. The ASU specifies that an embedded credit derivative feature related to the transfer of credit risk that is only in the form of subordination of one financial instrument to another is not subject to bifurcation from a host contract under ASC 815-15-25, Derivatives and Hedging — Embedded Derivatives — Recognition. All other embedded credit derivative features should be analyzed to determine whether their economic characteristics and risks are “clearly and closely related” to the economic characteristics and risks of the host contract and whether bifurcation is required. The ASU is effective for the Company on July 1, 2010. Early adoption is permitted. The adoption of this ASU will not have a material impact on our consolidated financial statements.

In April 2010, the FASB codified the consensus reached in Emerging Issues Task Force Issue No. 08-09, "Milestone Method of Revenue Recognition." FASB ASU No. 2010-17 provides guidance on defining a milestone and determining when it may be appropriate to apply the milestone method of revenue recognition for research and development transactions. FASB ASU No. 2010-17 is effective for fiscal years beginning on or after June 15, 2010, and is effective on a prospective basis for milestones achieved after the adoption date. We do not expect this ASU will have a material impact on our financial position or results of operations when we adopt this update on January 1, 2011.

Results of Operations

Three Months Ended June 30, 2010, Compared to the Three Months Ended June 30, 2009:

	Three Months Ended June 30,		$	%
	2010	2009	Change	Change
Revenue	$ 34,450,687	$ 15,310,503	$ 19,140,184	125.0
Cost of revenue	24,569,034	11,519,865	13,049,169	113.3
Gross profit	9,881,653	3,790,638	6,091,015	160.7
Selling, general and administrative expenses	2,910,079	1,534,234	1,375,845	89.7
Interest and financing costs, net	19,755	110,522	(90,767)	(82.1)
Other income (expense)	22,824	(2,015)	24,839	(1,232.7)
Foreign exchange (loss)	(92,676)	(9,997)	(82,679)	827.0
Income tax expense	1,100,566	420,031	680,535	162.0
Net income	6,020,540	1,714,876	4,305,664	251.1

Revenues

Our revenue for the three months ended June 30, 2010, was $34.5 million, an increase of $19.1 million or 125.0% from $15.3 million for the three months ended June 30, 2009. The increase in revenues was a result of us aggressively expanding our sales in the China domestic market and increasing our market shares in the South American, Asian, European and Middle East markets. We increased our China domestic market sales from approximately $1.7 million for the three months ended June 30, 2009 to approximately $11.4 million for the same period in 2010, a 579% increase. Beginning in the latter half of 2009, we increased sales of our products to a prominent national electric appliance retail chain in China with roughly 900 stores. In the first quarter of 2010, we started selling to Wal-Mart stores in the Guandong Province and began ramping up sales to another prominent national electronic appliance retail chain in China with over 1,100 stores. We also added retail locations in other channels such as regional electric appliance retailers and department stores. We increased our product sales over internet portals, into hotels and restaurants, and via reward programs with large Chinese banks, telecommunication firms, and postal offices. The results are on pace with management's plan to capture the fast growth experienced in the domestic Chinese small appliance market.

Our sales in South America were $6.9 million for the three months ended June 30, 2010, a $4.9 million or 262% increase over the same period in 2009. Our sales in Asia were $5.6 million for the three months ended June 30, 2010, a $3.7 million or 195% increase over the same period in 2009. We believe that the increase in sales in Asia and South America were largely due to emerging wealth in the regions and because those regions experienced less of an impact from the recent financial crisis. In the longer term, we are optimistic about our Asian and South American markets because of their GDP growth and large populations.

Our sales in Europe were $4.7 million for the three months ended June 30, 2010, a $2.2 million or 84% increase over the same period in 2009. Our sales in the Middle East were $4.4 million for the three months ended June 30, 2010, a $2.3 million or 115% increase over the same period in 2009. Our sales gains in the Europe and the Middle East were largely due to Deer gaining market share following the financial crisis. Our sales in the U.S. were $1.0 million for the three months ended June 30, 2010, a $4.1 million or 80% decrease over the same period in 2009. The decrease is due to seasonality of order placement and delivery schedules of our U.S. customers. On an annual basis, we do not expect to see a slowdown in U.S. sales.

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Following the financial crisis, we believe that many smaller suppliers with limited capital resources have gone out of business, leading to further consolidation in the industry. In addition, we noticed that buyers increasingly favored companies with strong financial strength, higher quality, sufficient plant capacity, and a track record of prompt delivery. Buyers placed even greater emphasis on being able to source quality supplies without delays or interruptions. We utilized this market opportunity to add new accounts and increase sales volume with our existing customers.

Cost of Revenue

Our cost of revenue for the three months ended June 30, 2010, increased by $13.0 million or 113.3% from $11.5 million for the three months ended June 30, 2009, to $24.6 million for the three months ended June 30, 2010. The increased cost of revenue in 2010 was due to the increase in sales.

Gross Profit

Our gross margin for the three months ended June 30, 2010, was 28.7% compared to 24.8% for the same period in 2009. The increase in gross margin for the three months ended June 30, 2010, compared to the same period in 2009, was due to increased sales in the China domestic market, which has higher margins. Our gross margin is substantially higher in the China domestic market because of the lower household penetration of small household products and trends of emerging wealth. In addition, our higher manufacturing efficiency as a result of higher revenue volume contributed to the increase in gross margin.

Operating Expenses

Selling, general and administrative expenses for the three months ended June 30, 2010, increased by $1.4 million or 89.7%, from $1.5 million for the three months ended June 30, 2009, to $2.9 million for the three months ended June 30, 2010. Selling expenses for the three months ended June 30, 2010, increased by 150.1% or $1.1 million in comparison to the same period in 2009 due to the associated selling costs incurred to generate the significant increase in revenue. General and administrative expenses for the three months ended June 30, 2010, increased by 35.1% or $0.3 million in comparison to the same period in 2009 due to an increase in research and development, employee welfare, insurance and travel expenses.

Interest and Financing Costs

Interest and financing costs for the three months ended June 30, 2010, was $19,755 compared to $110,522 for the three months ended June 30, 2009, a decrease of $90,767 or 82.1%. The change is principally due to lower interest expense due to lower borrowings in 2010.

Interest Income

Interest income for the three months ended June 30, 2010, was $239,139 compared to $1,037 for the three months ended June 30, 2009, an increase of $238,102. The change is principally due to the excess cash invested in interest bearing accounts.

Income Tax Expense

Our effective tax rate for the three months ended June 30, 2010, was 15.5%, as opposed to 19.7% for the three months ended June 30, 2009. In 2009, the PRC government granted the Company this special tax rate because of its high tech enterprise status. These special tax benefits last for three years and can be renewed prior to expiration.

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Six Months Ended June 30, 2010, Compared to the Six Months Ended June 30, 2009:

	Six Months Ended June 30, 2010	2009	$ Change	% Change
Revenue	$ 58,353,144	$ 22,182,719	$ 36,170,425	163.1
Cost of revenue	41,593,643	16,732,569	24,861,074	148.6
Gross profit	16,759,501	5,450,150	11,309,351	207.5
Selling, general and administrative expenses	5,013,109	2,089,157	2,923,952	140.0
Interest and financing costs, net	49,461	225,353	(175,892)	(78.1)
Other income (expense)	8,223	(3,896)	12,119	(311.1)
Foreign exchange gain (loss)	(125,810)	(80,503)	(45,307)	56.3
Income tax expense	1,852,841	682,147	1,170,694	171.6
Net income	10,057,563	2,371,750	7,685,813	324.1

Revenues

Our revenue for the six months ended June 30, 2010, was $58.4 million, an increase of $36.2 million or 163.1% from $22.2 million for the six months ended June 30, 2009. The increase in revenues was a result of us aggressively expanding our sales in the China domestic market and increasing our market shares in the South American, Asian, European and Middle East markets. We increased our China domestic market sales from approximately $2.2 million for the six months ended June 30, 2009 to approximately $17.8 million for the same period in 2010, a 735% increase. Beginning in the latter half of 2009, we increased sales of our products to a prominent national electric appliance retail chain in China with roughly 900 stores. In the first quarter of 2010, we started selling to Wal-Mart stores in the Guandong Province and began ramping up sales to another prominent national electronic appliance retail chain in China with over 1,100 stores. We also added retail locations in other channels such as regional electric appliance retailers and department stores. We increased our product sales over internet portals, into hotels and restaurants, and via reward programs with large Chinese banks, telecommunication firms, and postal offices. The results are on pace with management’s plan to capture the fast growth experienced in the domestic Chinese small appliance market.

Our sales in South America were $11.4 million for the six months ended June 30, 2010, an $8.1 million or 248% increase over the same period in 2009. Our sales in Asia were $10.0 million for the six months ended June 30, 2010, a $7.5 million or 290% increase over the same period in 2009. We believe that the increase in sales in Asia and South America were largely due to emerging wealth in the regions and because those regions experienced less of an impact from the recent financial crisis. In the longer term, we are optimistic about our Asian and South American markets because of their GDP growth and large populations.

Our sales in Europe were $7.3 million for the six months ended June 30, 2010, a $3.4 million or 88% increase over the same period in 2009. Our sales in the Middle East were $6.7 million for the six months ended June 30, 2010, a $3.3 million or 99% increase over the same period in 2009. Our sales gains in the Europe and the Middle East were largely due to Deer gaining market share following the financial crisis. Our sales in the U.S. were $4.6 million for the six months ended June 30, 2010, a $2.3 million or 33% decrease over the same period in 2009. The decrease is due to seasonality of order placement and delivery schedules of our U.S. customers. On an annual basis, we do not expect to see a slowdown in U.S. sales.

Following the financial crisis, we believe that many smaller suppliers with limited capital resources have gone out of business, leading to further consolidation in the industry. In addition, we noticed that buyers increasingly favored companies with strong financial strength, higher quality, sufficient plant capacity, and a track record of prompt delivery. Buyers placed even greater emphasis on being able to source quality supplies without delays or interruptions. We utilized this market opportunity to add new accounts and increase sales volume with our existing customers.

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Cost of Revenue

Our cost of revenue for the six months ended June 30, 2010, increased by $24.9 million or 149% from $16.7 million for the six months ended June 30, 2009, to $41.6 million for the six months ended June 30, 2010. The increased cost of revenue in 2010 was due to the increase in sales.

Gross Profit

Our gross margin for the six months ended June 30, 2010, was 28.7% compared to 24.6% for the same period in 2009. The increase in gross margin for the six months ended June 30, 2010, compared to the same period in 2009, was due to increased sales in the China domestic market, which has higher margins. Our gross margin is substantially higher in the China domestic market because of the lower household penetration of small household products and trends of emerging wealth. In addition, our higher manufacturing efficiency as a result of higher revenue volume contributed to the increase in gross margin.

Operating Expenses

Selling, general and administrative expenses for the six months ended June 30, 2010, increased by $2.9 million or 140%, from $2.1 million for the six months ended June 30, 2009, to $5.0 million for the six months ended June 30, 2010. Selling expenses for the six months ended June 30, 2010, increased by 257% or $2.3 million in comparison to the same period in 2009 due to the associated selling costs incurred to generate the significant increase in revenue. General and administrative expenses for the six months ended June 30, 2010, increased by 50% or $0.6 million in comparison to the same period in 2009 due to an increase in research and development, employee welfare, insurance and travel expenses.

Interest and Financing Costs

Interest and financing costs for the six months ended June 30, 2010, was $49,461 compared to $225,353 for the six months ended June 30, 2009, a decrease of $175,892 or 78.1%. The change is principally due to lower interest expense due to lower borrowings in 2010.

Interest Income

Interest income for the six months ended June 30, 2010, was $331,060 compared to $2,656 for the six months ended June 30, 2009, an increase of $328,404. The change is principally due to the excess cash invested in interest bearing accounts.

Income Tax Expense

Our effective tax rate for the six months ended June 30, 2010, was 15.6%, as opposed to 22.3% for the six months ended June 30, 2009. In 2009, the PRC government granted the Company this special tax rate because of its high tech enterprise status. These special tax benefits last for six years and can be renewed prior to expiration.

Off-Balance Sheet Arrangements

There were no off-balance sheet arrangements during the six months ended June 30, 2010, 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 restated retroactively for these stock splits.

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On March 31, 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-U.S. 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. We also issued warrants to purchase 104,000 shares of common stock to the placement agents.

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-U.S. 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. We also issued warrants to purchase 106,000 shares of common stock to the placement agents.

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.

On December 17, 2009, we completed a public offering of 6,900,000 shares of our common stock at a public offering price of $11.00 per share for gross proceeds of $75,900,000. We paid commissions and fees associated with this offering of $9,931,296 in 2009. We also paid offering cost of $320,000 related to this offering in 2010.

During the three months ended June 30, 2010, certain warrant holders exercised 1,751,610 warrants that resulted in gross proceeds of $6,951,527. Also during the three months ended June 30, 2010, we purchased 798,300 shares of our common stock on the open market (treasury shares) for $6,945,950.

Cash Flows

At June 30, 2010, we had $74.3 million in cash and cash equivalents on hand. Our principal demands for liquidity are to increase sales in China, adding 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 used in operating activities for the six months ended June 30, 2010, was $5,592 compared to cash provided by operating activities of $2.4 million for the six months ended June 30, 2009. The cash flows from operating activities was principally attributed to the net income generated during the six months ended June 30, 2010, an increase in accounts and other payables, offset by an increase in our accounts receivable and inventories and a decrease in current liabilities.

We used $4.9 million in investing activities during the six months ended June 30, 2010, principally for construction in process and land use rights (intangible assets) and an increase in restricted cash.

Cash used in financing activities for the six months ended June 30, 2010, was $0.3 million, which included proceeds from the exercise of warrants offset by the payment of offering costs and the purchase of treasury shares.

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 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 were denominated in USD and expenses were denominated primarily in RMB, the currency of the PRC. As we increase our sales in China, we expect a significant component of our revenue to be denominated in RMB.

There is no assurance that exchange rates between the RMB and the USD will remain stable. We currently do not 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 4. Controls and Procedures

Disclosure Controls and Procedures

As of the end of the period covered by this report, the Company conducted an evaluation 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). Based on that evaluation, the CEO and CFO concluded that the Company's disclosure controls and procedures were effective as of the date of that evaluation 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. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during its most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, its 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.

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Explanation of Responses:

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

Unregistered Sales of Securities

There were no sales of unregistered equity securities during the period covered by this report.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

On May 17, 2010, the Board of Directors authorized the Company to repurchase up to $20 million of the Company's common stock. After taking into account all shares repurchased through August 6, 2010, the Company has approximately $13.05 million in aggregate remaining repurchase capacity under the Company's outstanding repurchase authorization. The timing and actual number of shares repurchased will depend on a variety of factors, including the stock price, corporate and regulatory requirements and other market and economic conditions. The Company's stock repurchase program may be suspended or discontinued at any time, and expires two years following the date of authorization. The following table provides information with respect to purchases made by the Company of shares of the Company's common stock during the three-month period ended June 30, 2010:

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
April 1 through April 30, 2010	-	$ -	-	$ 20,000,000
May 1 through May 31, 2010	-	-	-	20,000,000
June 1 through June 30, 2010	798,300	8.70	798,300	13,054,050
Total	798,300	$ 8.70	798,300	

Item 3. Defaults Upon Senior Securities

None.

Item 5. Other Information

All information required to be reported in a Current Report on Form 8-K during the period covered by this Form 10-Q has been reported.

Item 6. Exhibits

Exhibit No.	Description of Exhibit
31.1	Certification of Principal Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as signed by the 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, as signed by the Chief Financial Officer

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

		DEER CONSUMER PRODUCTS, INC. (Registrant)
Date: August 10, 2010	By:	/s/ Ying He Ying He Chief Executive Officer (Principal Executive Officer)

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