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Orient Paper, Inc. (ONP - AMEX)

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ONP Continues to Perform Well in a Difficult Global Economy. Paper Demand Currently Outstrips Supply in China, and We Expect ONP to Grow Rapidly as a Result

**Strong
Buy**

Recent Price: US\$9.66

Market Data (closing prices, April 21, 2010)

Market Capitalization (mln)	179.5
Enterprise Value (mln)	179.5
Basic Shares Outstanding (mln)	18.4
Fully Diluted Shares (mln)	18.4
Avg. Volume (90 day, approx.)	186,763
Institutional Ownership (approx.)	30%
Insider Ownership	28%
Exchange	AMEX

Balance Sheet Data (as of December 31, 2009)

Shareholders' Equity (mln)	56,275
Price/Book Value	3.2x
Cash (000s)	6,926
Net Working Capital (000s)	7,024
Long-Term Debt (000s)	0
Total Debt to Equity Capital	.274

Company Overview

Orient Paper is one of the few large manufacturers of paper products in the greater Beijing – Tianjing area. In addition to its current lines of printing paper, writing paper, brown paper, the Company has recently acquired a (high-margin) digital photo paper manufacturing facility. The Company is about 60 miles south of Beijing in the People's Republic of China, the nation's most populous and important cultural center.

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Summary and Investment Opportunity

• **Paper Manufacturing is a High-Growth Industry in the PRC**

China is rapidly becoming one of the world's largest consumers of paper products, as demand related to publishing and digital photography is adding to very strong demand for packaging-related paper products. However, per-capita paper consumption in China is just 98.4 lbs. per year, whereas in the U.S. it is 6.7x higher (654.3 lbs. per year). This indicates that per-capita demand in China has lots of room to grow before it approaches first-world consumption levels. This bodes very well for the long-term strength of the paper industry in the PRC, and specifically for ONP, Beijing's largest white and brown paper manufacturer.

• **Orient Paper has a Regional Leadership Position in China's Paper Market**

Due to China's extremely strong manufacturing and shipping sectors, management believes that the corrugated paper industry will grow at a compound annual rate of at least 10% for the foreseeable future. Orient Paper is the largest manufacturer of white (printing/writing) and brown paper in the Beijing area, we believe it is very well positioned for solid long-term growth and continued strong financial performance.

• **Additional Capacity Online as of Early 2010 – in Highest-Margin Segment**

The Company announced the purchase of a photo-quality paper manufacturing facility in late November for US\$13.6M. Because digital photo paper manufacturing involves significant technical expertise, this segment has high barriers to entry and gross margins in the 65% range. Given management's belief that this segment will add US\$11.5M in 2010 sales, this should be a highly accretive acquisition, and one that should lead to P/E and P/S multiple expansion in ONP shares. Furthermore, the Company has already planned a large capacity expansion beginning in Q2 of 2010, which should be operational before year-end and which will nearly double the Company's revenue run-rate by 2011.

• **Low Multiple and Sustainably High Growth – the Winning Combination**

Orient Paper has been able to maintain growth during a difficult environment, and is planning a major capacity expansion in 2010 based on current demand. While this project will hurt operating results for Q1-Q3 of 2010, it will then begin strongly contributing to financial results in Q4 and beyond, yielding an EPS compound annual growth rate for 2009 through 2011 of 26%. **We believe industry factors will remain strong, and thus ONP deserves at least a multiple of 10x our 2011 EPS estimate of \$1.66. Therefore we rate the shares of ONP a Strong Buy, and set our 12-month price target to \$16.60 per share.**

P&L (000s)	FY'08A	FY'09A	Q1 '10E	Q2 '10E	Q3 '10E	Q4 '10E	FY'10E	FY'11E
Revenues	65,204	102,143	23,354	31,282	32,655	43,338	130,628	204,000
Rev CAGR	64.2%	56.7%	30.9%	39.6%	6.9%	38.5%	28.0%	56.2%
Gr. Margin	19.3%	19.6%	22.2%	23.5%	23.7%	21.6%	22.7%	22.8%
Op. Income	12,232	18,006	4,340	6,264	6,586	8,220	25,410	42,431
Op. Margin	18.8%	17.6%	18.6%	20.0%	20.2%	19.0%	19.5%	20.8%
Net Income	8,774	12,720	3,113	4,387	4,629	5,829	17,958	30,537
Net Margin	13.5%	12.5%	13.3%	14.0%	14.2%	13.4%	13.7%	15.0%
Diluted EPS	0.81	1.04	0.21	0.24	0.25	0.32	1.03	1.66
Diluted Shrs.	10,770	12,233	14,902	18,352	18,352	18,352	17,489	18,352

Please see analyst certification and required disclosures on page 11 of this report.

Industry Background

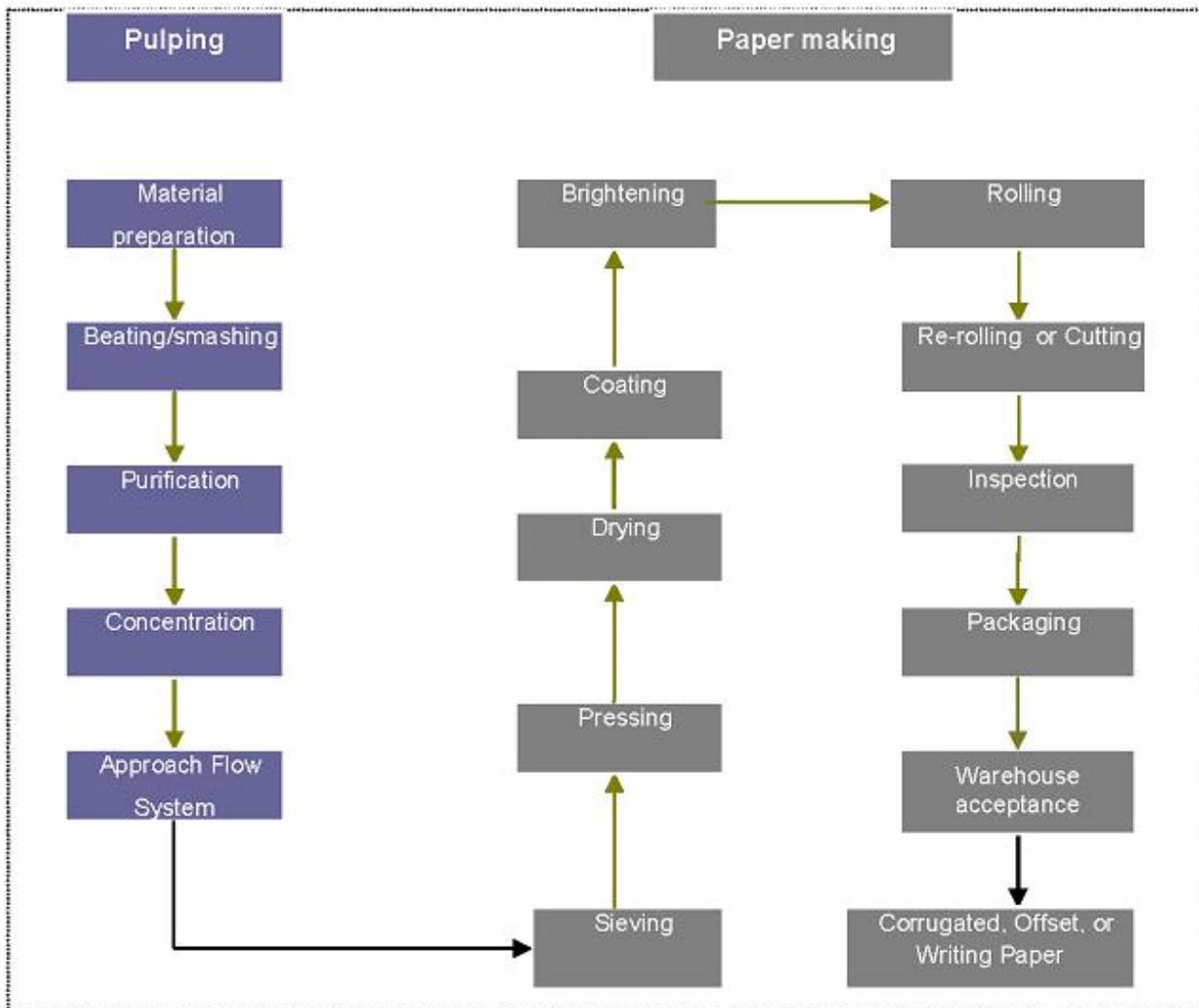
Paper Manufacturing Fundamentals

The process of manufacturing paper is comprised of two primary sub-processes:

1. **Pulping**, which is the process of creating a fiber slurry from either recycled paper or wood, and
2. **Paper Making**, which as its name implies involves transforming pulp into finished paper goods. Note that in most cases recycled paper scraps can be used in lieu of wood pulp, which is far more environmentally friendly than the use of wood pulp.

The process of pulping is relatively straightforward, and involves the smashing/refining of paper making materials, until they are sorted, graded, bleached, and ready to be used in actual paper making. Paper making itself is far more complex, and the actual process required depends at least in some part on the type of paper that is being created. In general, however, the paper making process follows the steps shown below.

Pulping and Paper Making Process Steps



Source: Orient Paper 2009 10-K

Types of Paper

While paper products come in a variety of forms, they can be broadly categorized as follows:

1. **Brown paper.** As sometimes referred to by the Company as “corrugating medium papers,” this is the key input in products such as corrugated packing materials (cardboard) and other paper boards, this type of paper is typically the least refined and is used primarily to make boxes and other packaging materials.



2. **White paper.** Sometimes known as offset paper, this is a more highly refined paper that is manufactured in a variety of grades and at a variety of price points. Applications of this type of paper include writing paper, offset printing paper, and basic computer printing paper.



3. **Digital Photo paper.** This type of paper can only be manufactured by a highly technical process, as it is of crucial importance that the paper’s coating prevents printed inks from soaking into the paper. Because of the intellectual property and process experience necessary to economically produce this type of paper, it is the most difficult to manufacture and typically carries the highest gross margins.

While all paper is made from plant fibers such as those in wood, much of the paper manufactured today is made from recycling previously-manufactured paper. This has the effect of reducing the environmental impact and carbon footprint of the industry.

The Paper Industry in the China

The People’s Republic of China is a rapidly developing economy and nation of over 1.2 billion people. By western standards, however, China’s economy is still relatively small on a per-capita basis, considered in terms of production of individuals in China, as well as their per-capita earnings and consumption. For example, per-capita consumption of paper is just 98.4 pounds per year in China, compared with 654 pounds per year in the United States. This is indicative of the overall lower wages prevalent in China, which also in part account for China’s rise as a global manufacturing powerhouse.

These two primary factors – China’s strength in manufacturing, and low but rapidly growing personal income levels – make paper a high-flying growth industry in China. The nation’s strength in manufacturing is a strong contributor to the strength in its paper industry because nearly everything it manufactures is packaged and shipped, creating extreme demand for paper packaging and shipping materials, such as cardboard. And its

comparatively low per-capita consumption of paper and rising income environment mean that domestic consumption of other types of paper, such as white printing and photographic papers, are likely to remain strong for many years, as the country catches up to western consumption levels. Both of these factors are extremely positive for the paper industry in general, and also specifically favor Orient Paper, Beijing's largest paper manufacturer.

Environmental Concerns

As is relatively well known, over the past two decades the PRC has been a large producer of pollutants, which include greenhouse gases and other airborne pollutants, and myriad toxic water pollutants. In an effort to improve its environmental footprint, the PRC government has recently begun to focus on rewarding "green" companies and industries, by granting them a variety of tax breaks and other business incentives. In terms of the paper industry, the most important input in determining environmental impact is the degree to which recycled papers are used in lieu of timber. Orient paper sources the materials for three of its four products from locally-generated recycled paper, and plans on continuing to improve its environmental footprint in the future. We believe that Orient Paper is one of the most environmentally-conscious paper producers in China. Furthermore, it is worthy of note that the PRC's environmental initiatives are in some cases mandatory, and this has caused the closing of many smaller paper manufacturers recently – a trend that is likely to continue for some time to come.

Conclusion

The Chinese paper industry is in a strong growth phase, both due to its export-driven economy and due to the rapidly-rising standard of living (and per-capita paper consumption) in China. We believe that China is likely to remain a global manufacturing behemoth and rapidly growing economy for the foreseeable future, which should equate to its paper industry remaining very robust. We foresee strong growth in all segments of the paper industry in China for at least the next decade, and believe this will continue to positively impact Orient Paper, as well as any well-run, large paper Company in operating in the PRC.

Company Analysis

Corporate Overview

Orient Paper is the largest manufacturer of white and brown paper in the greater Beijing area. The Company is a regional leader in the production of high quality printing or “offset” paper as well as packaging paper and paper products. Furthermore, the Company recently completed the acquisition of a digital photo paper manufacturing facility, and has plans to further capacity enhance its production capacity for brown paper in 2010 and beyond. The Company currently employs approximately 600 people and bases 100% of its operations in the People’s Republic of China. The Company was recently approved for listing on the NYSE Amex under the symbol ONP.

Company Headquarters



Plant Location



Products and Services

Orient Paper currently produces several types of paper, including brown paper for corrugated manufacturing, offset printing paper, writing paper, copy paper and with its new acquisition, digital photo printing paper. The Company’s primary products fall into the following three primary categories:

Writing and Offset Printing Paper

The Company believes that its writing and printing papers offer a high quality solution even though they are made from mostly recycled paper. The Company sells this class of paper to publishers, printers, and other commercial customers.

Brown Paper

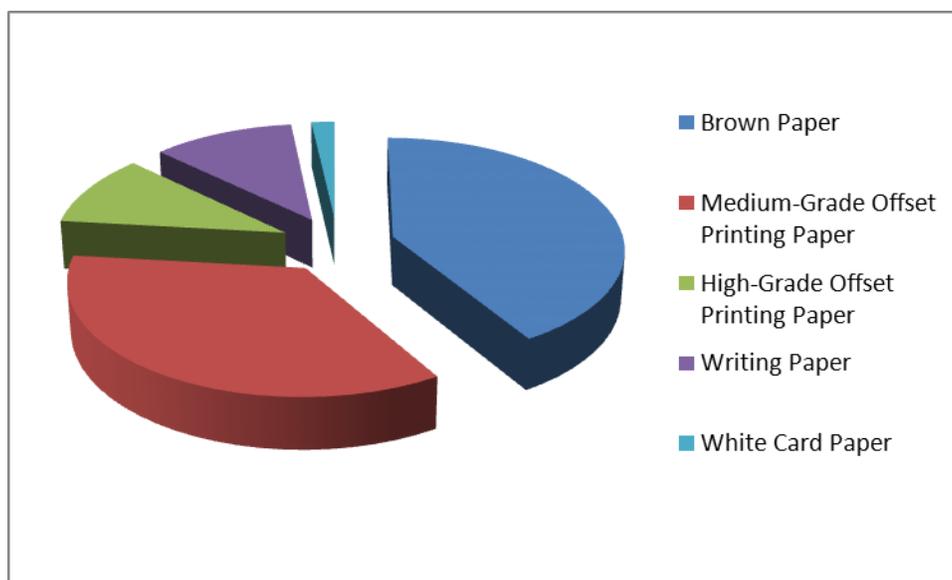
Brown paper is the primary input for corrugated cardboard and tea board manufacture, which is ubiquitously used for boxes and packaging. Brown paper is also a stand-alone packing product in and of itself, which is usually used as protective paper by the transportation and logistics industries. Brown paper is also known as kraft paper, which is produced in a relatively unfinished state from raw pulp. While this type of paper is less expensive to produce than offset paper, it is of much lower quality and hence of limited use except for packaging.

Digital Photo Printing Paper

The markets for digital photo printing paper are far less commoditized than those for other types of paper, largely due to the expertise required to produce a high-quality product. The key attribute of this product is its ability to hold printed inks without allowing them to soak into the paper, which would dull or blur the printed image. This is accomplished by layering the paper with non-permeable material, which is (technologically speaking) quite difficult to economically and reliably accomplish. Orient Paper recently acquired a full digital

photo paper production line from a consumer electronics company, which divested it as a non-core asset. This acquisition gave the Company an immediate entre to the Digital Photo Paper business, which will without a doubt become its highest margin segment.

For the year of 2009, the Company's revenue by product category was as follows



2009 Sales Breakdown

Note that we expect this mix to differ significantly (and shift positively) as the Company's digital photo printing paper business comes on line in Q1 of 2010.

Growth Plan

We believe that the Company has a clearly-defined growth plan that is well-suited to the Company's operational and financial goals for 2010 and beyond. The Company's plan can be summarized in six key points:

1. **Enhance production at existing facilities through more efficient operations.** This includes running these facilities at even higher utilization rates – the Company tells us perhaps another 10% is possible at its current facilities – and improving internal processes for higher quality and reduced waste.
2. **Increase production of and sales of high margin products.** The Company has already made a big step towards this goal by closing on the purchase of its new digital photo printing paper line, which management believes will carry gross margins in the 65% range, over three times higher than those offered by the Company's other paper lines.
3. **Expand Production Capacity.** Given the strong growth in China, and the Company's government-favored status in the Beijing region, we believe the Company would be highly successful in selling perhaps even double its current output, if that much paper were available for sale. Management agrees with this assessment, and will be seeking to expand its production capacity significantly this year. Note that this capacity expansion will have a concomitant financing for which the Company has already filed a registration statement with the SEC.

4. **Transition its current production to somewhat higher-end products.** The Company is always seeking to fine-tune its product to capture the highest margin available, as long as such rebalancing is in the Company's long-term best interest.
5. **Increase brand awareness and develop deeper customer loyalty.** The Company plans to continue accomplishing this through maintaining and improving the quality of its already high-quality products, and employing an expanded direct sales force to build and strengthen personal relationships with ever-higher numbers of current and prospective key customers.
6. **Make strategic acquisitions.** Given the size of Orient Paper, it may make sense for the Company to pursue vertically-integrating acquisitions. Such acquisitions, if they can be consummated, might give the Company significant sales and distribution advantages while immediately conferring operating and cost synergies.

Overall, we believe this is a cogent, well thought out growth plan that has a very high chance of delivering the sought-after results. We believe the Company has the leadership, technical expertise, market position, and financial resources to execute on this plan, and we have certainly been impressed with their progress to date. We expect more of the same in 2010 and 2011, and beyond.

Key Management



Zhenyong Liu – Chairman of the Board and CEO

Mr. Liu has been Chairman of the Board and CEO of Orient Paper Inc since 1996. He first became an entrepreneur in 1990 and previously ran several successful businesses. In 2005, Mr. Liu was elected as a Representative from Hebei Province in the National People's Congress. Mr. Liu graduated from the Department of Economics and Management of Hebei University of Economics and Trade and the EMBA program of Guanghua Management School in Beijing University.



Winston Yen – Chief Financial Officer

Mr. Yen joined Orient Paper Inc. as Chief Financial Officer in May 2009. Before joining the Company, he had worked in the public accounting industry in Los Angeles area since 1994, and became partner of a local accounting firm in 2001. Prior to 2001, he was a manager and supervising senior in several national firms, including CBIZ and Moss Adams, LLP. Mr. Yen is a licensed California CPA and received his Master's degree in Accounting Science from the University of Illinois at Urbana-Champaign in 1994.



Fulai Huang – General Engineer

Mr. Huang became the General Engineer of the Company in 1999, and has received certification in environment monitoring in Baoding. From 1990 to 1998, Mr. Huang was with Beijing First Paper Mill, where he became the Deputy Director of Technology. Mr. Huang graduated from Tianjin University of Technology with a major in paper production in 1987.



Youtong Pan – Technical Manager

Mr. Pan joined the Technology Department of HBOP in 2004. He started his career in 1978 with Shijiazhuang Paper Factory, until he took on the position of Workshop Director at Baoding Welfare Mill in 1981. 21 years later, Mr. Pan was still there, and had ascended to the position of Production Director. In 2002, Mr. Pan became the Production Director of Baoding Mancheng Mill. Mr. Pan graduated from Tianjin University in 1976 with a major in paper production.

**Yong Zhang – Director of Research and Development**

Mr. Zhang joined HBOP in 2003 and was put in charge of the Research and Development Department. From 1985 to 2000, Mr. Zhang was with Beijing First Paper Mill, where he became the Chief Manager of the Beijing Zhongtian Paper Group and was responsible for research and development of new technology. Mr. Zhang graduated from the Beijing Institute of Light Industry in 1985.

Competition

The competition in commoditized, basic industries such as paper manufacture is intense; this has been true for many years and will probably remain so for the foreseeable future. Industry participants compete on a variety of factors, such as customer relationship strength, net delivered price to the customer, paper quality, quality of logistics, customer software integration and/or communication, and many others.

However, there are multiple factors working in Orient Paper's favor right now, which overall lead us to believe that the real competitive threat facing the company is quite minimal. Those factors include:

1. China's paper consumption grew more quickly than its production in 2008, and for the first three quarters of 2009 as well. With demand growth quite literally outrunning available capacity and capacity growth, competitive threats are minimal and margin expansion is possible. Note that in the PRC there has been some talk of over-expanding capacity, as almost all of the largest companies in China have major expansion planned. However, we believe that this new capacity will be more than offset by the reduction in capacity caused by small-company closures. These smaller companies are quite simply unable to make the required investment in environmentally-friendly systems, and are being forced to close en masse by the PRC government. We have anecdotal evidence that these closures may have been as high as 2,000 companies within the last few years, reducing annual paper production in China by millions of tons. Assuming that this trend continues, these closures should more than offset any capacity expansion undertaken by the large producers, at least over the short-to-medium term.
2. As greater Beijing's largest paper manufacturer, the Company has a natural logistical advantage over those companies that are located on the coastline, simply due to paper transportation costs. As Beijing and the surrounding cities continue to grow, Orient Paper is all but certain to grow as well. Note that as China's most populous and most important cultural center, Beijing is a very large consumer of writing and offset papers; demand growth for these products in Beijing is likely to exceed that of the overall domestic paper industry in the PRC.
3. The Company has very strong relationships with its customers, and may at some point vertically integrate so that it "owns" its own distribution channel. This would of course further cement its position as the leader in its local markets, which are quite large enough to fuel the Company's growth for many years to come.

Overall, while we acknowledge the perpetual presence of competitive risks, we believe that the Company is very well insulated from negative effects stemming from these risks. To the extent that the Company is affected, we believe it would be mostly limited to a slight margin contraction and perhaps a slowing of top-line growth, but we foresee this happening only if there is an unlikely near-term economic contraction in China, which by all accounts is in recovery mode rather than in contraction mode.

Other Risks

In addition to risks stemming from competition, we view the most relevant risks facing ONP to be the global economy, and the Company's ability to grow capacity to keep up with demand. Since the global economy is already in the midst of a deep recession, and the Company has managed to grow solidly despite this, it would

require a severe recession indeed to have a pronounced adverse effect on ONP. While such an extreme economic downturn is possible, we view it as extremely unlikely at this time.

Unfortunately, the capacity issue is a little more complicated, and we believe there is at least a small amount of potential that this will become a problem for the Company. For the Company to keep pace with demand and reach its business goals, it must bring on quite a bit of capacity in 2010. This will require that the Company complete a large financing in early 2010 (approximately US\$30 is the current plan), and then be able to secure attractive land leases, build a facility, and get it on line, operational, and running efficiently – all within less than 12 months. While this is certainly doable, it is possible that unforeseen delays will slow the process and cause at least 2010 top-line numbers to come in below what we are now forecasting. We do not, however, see this as a long-term risk to the Company's viability or eventual growth and success, but more of a timing risk for estimated Q4 2010 results.

Financial Statement and Capital Structure Analysis

Currently a financial statement and capital structure analysis of the Company is relatively straightforward, based on its year-end 2009 filings. As of December 31, 2009 the Company had under US\$2 million of long-term debt, owed to a local credit union, and had US\$6.9M in net unrestricted cash on its balance sheet. The Company did recently complete a financing, under which it issued an additional 3.45 million shares, bringing the total fully-diluted share count to approximately 18.35M, although this share count won't be reflected in the Company's filings until Q2 of 2010.

Valuation and Investment Opinion

Orient Paper is in a relatively unusual situation from an equity analysis perspective, because it is intentionally reducing 2010 earnings to pursue an expansion that will add significant long-term value to the Company. Since this value will not be evident in financial results until late 2010 or 2011, "standard" valuation metrics based on forward estimates of revenues and/or earnings are not meaningful, unless they are based on 2011 forecasts rather than on the more standard 12-month (2010) forecasts.

Therefore we have derived our 12-month price target of \$16.60/share based on a 2011 forward P/E multiple of 10 times estimated earnings. Given that our 2011 earnings estimate of \$1.66 per share represents a compound annual growth rate in EPS of approximately 26% (from year-end 2009 through year-end 2011), and given the strong long-term prospects of the Company, we believe a market multiple of 10x estimated 2011 EPS is actually fairly conservative, and believe significant upside to our price target exists. We therefore rate the shares of ONP a Strong Buy.

In the following table we detail some of the U.S. traded companies that constitute the best open-market comparable for ONP. Note that these companies have in many cases much higher trailing P/E ratios than ONP currently does, and yet are essentially no-growth or slight-growth businesses. We believe this lends further credence to our 12-month price target and P/E multiple target.

Peer Group Analysis – Orient Paper (ONP – AMEX)					
Company Name and Symbol	Price per Share*	Market-Capitalization*	P/E Trailing 12-months	Est. Revenue Growth	Price/Sales Estimate (2010)*
Orient Paper (ONP – AMEX)	9.78	\$179.5 mln	9.5	27%	1.4
Hadera Paper Ltd. (AIP – AMEX)	79.74	\$403.5 mln	16.4	N/A	N/A
Neenah Paper, Inc. (NP – NYSE)	19.04	\$280.0 mln	N/A	31%	0.45
Boise, Inc. (BZ – NYSE)	7.01	\$546.0 mln	3.79	3%	0.26
Verson Paper (VRS – NYSE)	5.35	\$280.2 mln	5.21	8%	0.19
Domtar Corporation (UFS – NYSE)	76.25	\$3.28 bln	10.63	0%	0.56

*Market Data as of market close, 4/22/10; Per-share data for ONP computed from dilute common shares outstanding

Conclusion

Orient Paper is a regional leader in a very strong industry – Chinese paper manufacturing. In addition to strong and rapidly growing domestic demand for paper in China, China's status as the global manufacturing leader means that it also has very high export-related paper demand. Orient Paper has already demonstrated its ability to capitalize on this strong demand, having become the largest paper manufacturer in the Beijing metropolitan area, and we believe that it is likely to experience even more success in the coming one to two years. The Company is well-managed by an industry veteran and strong leadership team, and has what we believe to be a sound growth and expansion strategy. The company has a clean balance sheet and capital structure and has demonstrated operational excellence. As a result, we believe that the shares of Orient Paper are significantly undervalued at currently levels, and should be seriously considered for investment by growth-oriented risk-tolerant investors. **We rate the share of ONP a Strong Buy and set our 12-month price target to \$16.60 per share.**

Our Rating System

We rate enrolled companies based on the appreciation potential we believe their shares represent. The performance of those companies rated “Speculative Buy” or “Strong Speculative Buy” are often highly dependent on some future event, such as FDA drug approval or the development of a new key technology.

Explanation of Ratings Issued by Harbinger Research

STRONG BUY	We believe the enrolled company will appreciate more than 50% relative to the general market for U.S. equities during the next 12 to 24 months.
BUY	We believe the enrolled company will appreciate more than 30% relative to the general market for U.S. equities during the next 12 to 24 months.
STRONG SPECULATIVE BUY	We believe the enrolled company could appreciate more than 50% relative to the general market for U.S. equities during the next 12 to 24 months, if certain assumptions about the future prove to be correct.
SPECULATIVE BUY	We believe the enrolled company could appreciate more than 30% relative to the general market for U.S. equities during the next 12 to 24 months, if certain assumptions about the future prove to be correct.
NEUTRAL	We expect the enrolled company to trade between -10% and +10% relative to the general market for U.S. equities during the following 12 to 24 months.
SELL	We expect the enrolled company to underperform the general market for U.S. equities by more than 10% during the following 12 to 24 months.

Analyst Certification

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Analyst Highlight

Brian R. Connell, CFA

Senior Research Analyst

Mr. Connell has over 15 years' experience in the securities industry, as an equity analyst and portfolio manager, and as the founder and CEO of StreetFusion (acquired by CCBN/StreetEvents), a software company serving the institutional investment community. On the sell-side, Mr. Connell served as the technology analyst for Neovest, an Atlanta-based boutique, and as a Senior Analyst - Internet for Preferred Capital Markets, an investment bank based in San Francisco. Mr. Connell has also held the position of Executive Director of Marquis Capital Management, a technology-focused investment management organization.

Mr. Connell holds degrees in Economics and Psychology from Duke University, and is a CFA Charterholder.

Mr. Connell is also associated with StreetCapital, an Atlanta-based broker-dealer. By written policy, Harbinger Research does not work with StreetCapital clients in any capacity, and StreetCapital does not work with Harbinger Research clients in any capacity.

Orient Paper, Inc. (ONP - AMEX) Profit and Loss Model

(In thousands, United States Dollars)	2007A	2008A	Mar '09A	Jun '09A	Sep '09A	Dec '09E	FY 2009E	Mar '10E	Jun '10E	Sep '10E	Dec '10E	FY 2010E	FY 2011E
Revenues													
Historical business revenues	39,707	65,204	17,837	22,400	30,549	31,300	102,086	21,604	28,032	29,155	25,338	104,128	125,000
Photo paper revenues	N.A.	1,750	3,250	3,500	3,000	11,500	19,000						
New white/brown capacity	N.A.	N.A.	N.A.	N.A.	15,000	15,000	60,000						
Total Revenues	39,707	65,204	17,837	22,400	30,549	31,300	102,086	23,354	31,282	32,655	43,338	130,628	204,000
<i>Year-over-year growth rate</i>		64.2%	31.9%	27.6%	67.3%	97.3%	56.6%	30.9%	39.6%	6.9%	38.5%	28.0%	56.2%
Gross Costs													
Historical business gross costs	32,939	52,382	14,445	18,409	23,369	25,666	81,889	17,499	22,706	23,615	20,524	84,344	101,250
Photo paper gross costs	N.A.	613	1,138	1,225	1,050	4,025	6,650						
White/brown gross costs	N.A.	N.A.	N.A.	N.A.	12,300	12,300	49,200						
Cost of sales	32,939	52,382	14,445	18,409	23,369	25,666	81,889	18,112	23,843	24,840	33,874	100,669	157,100
Business tax and surcharges	160	262	56	22	54	56	202	52	74	78	95	300	469
Total gross costs	33,099	52,644	14,501	18,431	23,423	25,722	82,091	18,164	23,918	24,918	33,968	100,968	157,569
Gross Profit	6,609	12,560	3,336	3,969	7,126	5,578	19,995	5,190	7,364	7,736	9,370	29,660	46,431
Historical business gross product margin	16.6%	19.3%	18.7%	17.7%	23.3%	18.0%	19.6%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%
Photo paper gross margin	N.A.	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%						
White/brown gross margin	N.A.	N.A.	N.A.	N.A.	18.0%	18.0%	18.0%						
Gross Margin	16.6%	19.3%	18.7%	17.7%	23.3%	17.8%	19.6%	22.2%	23.5%	23.7%	21.6%	22.7%	22.8%
Selling, general, and administrative expenses	143	328	199	276	492	1,000	1,966	850	1,100	1,150	1,150	4,250	4,000
Operating Income	6,465	12,232	3,138	3,693	6,634	4,578	18,029	4,340	6,264	6,586	8,220	25,410	42,431
Operating Margin	16.3%	18.8%	17.6%	16.5%	21.7%	14.6%	17.7%	18.6%	20.0%	20.2%	19.0%	19.5%	20.8%
Other income (expense), net													
Interest income	3	65	25	7	36	50	117	100	20	30	40	190	400
Interest (expense)	(406)	(598)	(90)	(326)	(208)	(175)	(800)	(175)	(275)	(275)	(275)	(1,000)	(1,000)
Total other income (expense)	(403)	(533)	(65)	(319)	(173)	(125)	(682)	(75)	(255)	(245)	(235)	(810)	(600)
Income before income taxes	6,062	11,699	3,073	3,374	6,461	4,453	17,347	4,265	6,009	6,341	7,985	24,600	41,831
Provision for income taxes	2,001	2,925	774	899	1,647	1,469	4,790	1,151	1,622	1,712	2,156	6,642	11,294
<i>Implied Tax Rate</i>	33%	25%	25%	27%	25%	33%	28%	27%	27%	27%	27%	27%	27%
Net income	4,062	8,774	2,299	2,475	4,814	2,983	12,557	3,113	4,387	4,629	5,829	17,958	30,537
Net Margin	10.2%	13.5%	12.9%	11.0%	15.8%	9.5%	12.3%	13.3%	14.0%	14.2%	13.4%	13.7%	15.0%
<i>Net income year-over-year growth rate</i>													
Foreign currency translation adjustment	1,419	1,302	(47)	(100)	48								
Total comprehensive income	5,481	10,076	2,252	2,375	4,862	2,983	12,557	3,113	4,387	4,629	5,829	17,958	30,537
Net income per common share, basic	0.41	0.81	0.20	0.22	0.41	0.20	1.03	0.21	0.24	0.25	0.32	1.03	1.66
Net income per common share, diluted	0.41	0.81	0.20	0.22	0.41	0.20	1.03	0.21	0.24	0.25	0.32	1.03	1.66
Weighted average basic shares outstanding	10,025	10,770	11,275	11,277	11,698	14,902	12,200	14,902	18,352	18,352	18,352	17,489	18,352
Weighted average diluted shares outstanding	10,025	10,770	11,275	11,277	11,717	14,902	12,200	14,902	18,352	18,352	18,352	17,489	18,352