

Orient Paper Inc.
Form 10-Q
November 08, 2012

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, 2012

☐ **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____

Commission file number: 001-34577

ORIENT PAPER, INC.

(Exact name of small business issuer as specified in its charter)

Nevada 20-4158835
(State or other jurisdiction of incorporation or organization) (IRS Employer identification No.)

Science Park, Juli Rd, Xushui County, Baoding City

Hebei Province, The People's Republic of China 072550

(Address of principal executive offices)

011 - (86) 312-8698215

(Registrant's telephone number, including area code)

Indicate by check mark whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 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 ☐

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.

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐ (Do not check if a smaller reporting company)

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 ☒

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY

PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes ☐ No ☐

APPLICABLE ONLY TO CORPORATE ISSUERS:

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 18,459,775 shares of common stock, \$.001 par value, were outstanding as of November 8, 2012.

TABLE OF CONTENTS

	Page
PART I	
Item 1. Financial Statements.	3
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation.	19
Item 3. Quantitative and Qualitative Disclosures About Market Risk.	34
Item 4. Controls and Procedures.	34
PART II	
Item 1. Legal Proceedings.	36
Item 1A. Risk Factors.	36
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.	36
Item 3. Defaults Upon Senior Securities.	36
Item 4. Mine Safety Disclosures	36
Item 5. Other Information.	36
Item 6. Exhibits.	37
SIGNATURES	38

PART I – FINANCIAL INFORMATION**Item 1. Financial Statements.****ORIENT PAPER, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****AS OF SEPTEMBER 30, 2012 AND DECEMBER 31, 2011****(Unaudited)**

	September 30, 2012	December 31, 2011
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 13,216,171	\$ 4,165,446
Accounts receivable (net of allowance for doubtful accounts of \$74,187 and \$76,752 as of September 30, 2012 and December 31, 2011, respectively)	3,689,553	3,820,696
Inventories	9,084,316	10,007,928
Prepayments and other current assets	4,303,233	5,071,215
Total current assets	30,293,273	23,065,285
Prepayment on property, plant and equipment	-	7,241,472
Property, Plant, and Equipment, net	127,342,238	114,651,107
Deferred tax asset	384,648	-
Total Assets	\$ 158,020,159	\$ 144,957,864
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Short-term bank loans	\$ 4,346,795	\$ 2,833,619
Current portion of long-term loans from credit union	4,157,117	-
Loan from related parties	2,308,688	2,499,312
Accounts payable	1,135,377	2,766,554
Notes payable	553,228	-
Accrued payroll and employee benefits	237,409	308,290
Other payables and accrued liabilities	1,667,896	1,589,541
Income taxes payable	1,445,077	1,744,253

Edgar Filing: Orient Paper Inc. - Form 10-Q

Total current liabilities	15,851,587	11,741,569
Loan from credit union	1,556,943	5,690,852
Total liabilities	17,408,530	17,432,421
Commitments and Contingencies		
Stockholders' Equity		
Common stock, 500,000,000 shares authorized, \$0.001 par value per share, 18,459,775 and 18,350,191 shares issued and outstanding as of September 30, 2012 and December 31, 2011, respectively	18,460	18,350
Additional paid-in capital	46,135,975	45,758,020
Statutory earnings reserve	5,863,442	5,863,442
Accumulated other comprehensive income	11,940,630	11,442,567
Retained earnings	76,653,122	64,443,064
Total stockholders' equity	140,611,629	127,525,443
Total Liabilities and Stockholders' Equity	\$ 158,020,159	\$ 144,957,864

See accompanying notes to condensed consolidated financial statements.

ORIENT PAPER, INC.**CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME****FOR THE THREE AND NINE MONTHS ENDED****SEPTEMBER 30, 2012 AND 2011****(Unaudited)**

	Three Months Ended September 30, 2012		September 30, 2011	
Revenues	\$37,651,354	\$37,074,759	\$107,582,025	\$111,834,364
Cost of Sales	(30,831,301)	(29,080,624)	(87,223,136)	(87,259,264)
Gross Profit	6,820,053	7,994,135	20,358,889	24,575,100
Selling, general and administrative expenses	(703,877)	(461,312)	(2,434,679)	(2,041,277)
Gain (Loss) from disposal of property, plant and equipment	45,242	(460)	45,242	(69,628)
Income from Operations	6,161,418	7,532,363	17,969,452	22,464,195
Other Income (Expense):				
Interest income	7,014	7,048	17,724	31,302
Interest expense	(219,263)	(222,742)	(644,898)	(489,797)
Income before Income Taxes	5,949,169	7,316,669	17,342,278	22,005,700
Provision for Income Taxes	(1,570,098)	(1,884,909)	(4,670,726)	(5,860,066)
Net Income	4,379,071	5,431,760	12,671,552	16,145,634
Other Comprehensive Income:				
Foreign currency translation adjustment	(263,772)	1,161,028	498,063	3,617,082
Total Comprehensive Income	\$4,115,299	\$6,592,788	\$13,169,615	\$19,762,716
Earnings Per Share:				

Edgar Filing: Orient Paper Inc. - Form 10-Q

Basic and Fully Diluted Earnings per Share	\$0.24	\$0.30	\$0.69	\$0.88
Weighted Average Number of Shares				
Outstanding – Basic and Fully Diluted	18,459,775	18,350,186	18,455,776	18,349,044

See accompanying notes to condensed consolidated financial statements.

ORIENT PAPER, INC.**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY****FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012****(Unaudited)**

	Common Stock		Additional	Statutory	Accumulated	Retained	
	Shares	Amount	Paid-in	Earnings	Other	Earnings	Total
			Capital	Reserve	Comprehensive		
					Income		
Balance at December 31, 2011	18,350,191	\$18,350	\$45,758,020	\$5,863,442	\$11,442,567	\$64,443,064	\$127,525,443
Issuance of shares to officer and directors	109,584	110	377,955	-	-	-	378,065
Foreign currency translation adjustment	-	-	-	-	498,063	-	498,063
Cash dividend paid	-	-	-	-	-	(461,494)	(461,494)
Net income for the nine months ended September 30, 2012	-	-	-	-	-	12,671,552	12,671,552
Balance at September 30, 2012	18,459,775	\$18,460	\$46,135,975	\$5,863,442	\$11,940,630	\$76,653,122	\$140,611,629

See accompanying notes to condensed consolidated financial statements.

ORIENT PAPER, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011

(Unaudited)

	Nine Months Ended September 30,	
	2012	2011
Cash Flows from Operating Activities:		
Net income	\$ 12,671,552	\$ 16,145,634
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	6,222,600	3,311,618
(Gain)/loss from disposition of property, plant and equipment	(45,242)	69,628
(Recovery from)/allowance for bad debts	(2,882)	12,179
Stock-based expense for service received	378,065	30,369
Deferred tax	(385,166)	-
Changes in operating assets and liabilities:		
Accounts and notes receivable	149,802	(294,494)
Prepayments and other current assets	789,462	(112,098)
Inventories	965,723	3,921,066
Accounts payable	(1,644,669)	(278,873)
Notes payable		