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The movements of the valuation allowance are as follows:

	Year ended December 31,	
	2013	2014
	US\$	US\$
Balance at the beginning of the year	(10,160)	(10,257)
Decrease of valuation allowance	221	428
Expiration of tax loss	—	24
Foreign currency translation adjustment	(318)	38
Balance at the end of the year	(10,257)	(9,767)

The valuation allowance as of December 31, 2013 and 2014 was primarily provided for the deferred income tax assets of Honiton Xilinguole and Honiton Baotou, which was at a cumulative loss position. In assessing the realization of deferred income tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible or utilizable. Management considers the scheduled reversal of deferred tax liabilities (including the impact of available carryforward periods), projected future taxable income and tax planning strategies in making this assessment. In view of the cumulative losses of Honiton Xilinguole and Honiton Baotou, valuation allowance was provided against its deferred income tax assets as of December 31, 2013 and 2014, which in the judgment of the management, are not more likely than not to be realized. As of December 31, 2014, the Combined Entity's PRC entities had tax losses carry forwards of US\$26,640. Tax losses of US\$1,960, US\$7,697, US\$9,946, US\$3,590, and US\$3,447 will expire, if unused, by 2015, 2016, 2017, 2018 and 2019, respectively.

The Company recognizes unrecognized tax benefits in the amount of US\$2,279 and US\$2,270 relating to foreign currency exchange gains as of December 31, 2013 and 2014, respectively, which were included in other non-current liabilities. The unrecognized tax benefits represent the estimated income tax expenses the Company would be required to pay, should its foreign currency exchange gains be recognized in accordance with tax laws and regulations. Nil interest and penalty expenses were recorded for the years ended December 31, 2013 and 2014.

According to the PRC Tax Administration and Collection Law, the statute of limitations is three years if the underpayment of taxes is due to computational errors made by the taxpayer or the withholding agent. The statute of limitations will be extended to five years under special circumstances where the underpayment of taxes is more than RMB 100,000. In the case of transfer pricing issues, the statute of limitations is 10 years. The income tax returns of the Combined Entity are open to examination by the PRC state and local tax authorities for the tax years from 2010 to 2014. There is no statute of limitations in the case of tax evasion.

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