

[GL2 was repealed with effect from 1 Jul 2024]

GL2

**GUIDELINE
ON
INSURANCE (GENERAL BUSINESS)
(VALUATION) RULES**

Insurance Authority

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1. Introduction

1.1 This Guideline is issued pursuant to section 133 of the Insurance Ordinance (Cap. 41) (“the Ordinance”) and is prepared to assist insurers¹ and their auditors in interpreting and applying the provisions of the Insurance (General Business) (Valuation) Rules (“the Rules”) in the valuation of assets and liabilities of insurers. It may be revised or updated as and when considered appropriate.

1.2 While this Guideline seeks to clarify the interpretation of the provisions of the Rules, it is not intended to be a comprehensive guide. Insurers and their auditors are therefore advised to use this Guideline as a general reference to the Rules only, and to seek legal or professional advice if there is any doubt regarding the application of the Rules.

2. Overview of the Insurance (General Business) (Valuation) Rules

2.1 The Rules were made by the Insurance Authority (“IA”) and gazetted on 21 April 2017. Its application is stipulated in rule 1. Rule 2 provides for the interpretation of the terms used in the Rules.

2.2 The Rules aim at providing a standard and prudent valuation basis for the assets and liabilities of an insurer and ensuring a prudent spread of its investments for solvency purposes. This is achieved by the following provisions:

- (a) different valuation principles for different kinds of assets (rules 3 to 13 of the Rules); and
- (b) admissibility limits for different categories of assets (rule 14 of the Rules).

¹ With reference to s.2 of the Insurance (General Business) (Valuation) Rules, "insurer" means (a) a company which is seeking authorization or which is authorized under section 8 of the Ordinance to carry on insurance business; or (b) an association of underwriters which is seeking approval or which is approved under section 6(1)(c) of the Ordinance.

3. Application

Rule 1 - Application

3.1 The Rules apply to the determination of the value of any assets and the amount of any liabilities of an insurer except those attributable to the fund maintained in respect of long term business under section 22 or 22A of the Ordinance. That is,

- (a) for a general business insurer, the Rules apply to all assets and liabilities;
- (b) for a long term business insurer, the Rules do not apply; and
- (c) for a composite business insurer, the Rules apply to all assets and liabilities other than those attributable to the long term business fund.

4. Interpretation

Rule 2 - Interpretation

4.1 This rule provides for the interpretation of the terms used in the Rules. For those terms which are not specifically defined in the Rules, their definitions should follow those as contained in the Ordinance (including Schedule 3 to the Ordinance).

5. Valuation Principles

Rule 3 - Land and buildings

5.1 This rule provides for three different bases of valuation. The value of any land or building, for whatever purposes it is held, is required to be determined by reference to its **market value** as assessed in a **recent valuation** conducted by an **independent qualified valuer**. The value of any land or building is admitted up to its net book value plus 75% of the appreciation in value (rule 3(1)(c)). An insurer can opt not to take credit of the appreciation in value (or where there is no recent valuation) and report the net book value

(rule 3(1)(a)). Where the *market value* falls below the net book value, the value of the land or building must be stated at the *market value* (rule 3(1)(b)).

5.2 The definitions of “recent valuation” and “independent qualified valuer” can be found in rule 2 of the Rules. As regards “market value”, it means “market value” as defined in The HKIS Valuation Standards issued by The Hong Kong Institute of Surveyors, which is extracted at **Annex 1**.

5.3 A recent valuation, as defined, is one which was made within 3 years before the date the land or building falls to be valued. Where more than one valuation were made within 3 years, reference should be made to the latest one.

5.4 As defined in the Rules, an independent qualified valuer is a person who, inter alia, holds a professional qualification recognized by the IA. A list of qualifications recognized by the IA in this regard is attached at **Annex 2**. Any insurer who wishes to commission a valuer who holds a qualification other than those shown in Annex 2 must prove to the satisfaction of the IA that the qualification is comparable to those shown. A valuation conducted by a valuer without the relevant qualification and experience will not be recognized, for the purposes of the Rules, as a “recent valuation”.

Rule 4 - Listed shares or securities, unit trusts or mutual funds

5.5 The valuation of any *listed* shares, *listed* securities, unit trusts or mutual funds takes into account the quality (or credit rating) assigned to these assets. For those issued or guaranteed by the Government of the Hong Kong Special Administrative Region or the Exchange Fund or with a high credit rating, its *middle market quotation/market value* is admitted in full (rule 4(1)). For those with a lower credit rating or without credit rating, its *middle market quotation/market value* is admitted up to 90% or 75%, as appropriate (rule 4(2) and (3)).

5.6 “Listed”, as defined in rule 2 of the Rules, means listed on The Stock Exchange of Hong Kong Limited (“SEHK”) or on a foreign stock exchange recognized by the IA as being of a standing not lower than that of SEHK. A list setting out those foreign stock exchanges which are recognized by the IA for this purpose is at **Annex 3**.

5.7 It should be noted that any shares or securities listed on a foreign stock exchange not recognized by the IA (i.e. a foreign stock exchange other than those listed in Annex 3) shall be deemed as unlisted for the purposes of the Rules and must be valued in accordance with the principles set out in rules 7 and 8. Any insurer who wishes to value such shares or securities as “listed” shares or securities must prove to the satisfaction of the IA that the foreign stock exchange concerned is of a standing not lower than that of the SEHK.

5.8 “Middle market quotation” and “market value of the holding of a unit, or other beneficial interest, in a unit trust or mutual fund” are also defined in rule 2 of the Rules. As regards “middle market quotation”, it should be noted that if a share or security is listed on more than one stock exchange, reference should be made to the middle market quotation in its principal place of listing.

Rule 5 - Shares in investment subsidiaries

5.9 To enhance compliance of the requirement regarding prudent spread of assets (rule 14 of the Rules), this rule requires that any subsidiary of the insurer, whose principal business is investment in land or buildings, listed shares or securities, unlisted shares or securities, unit trusts or mutual funds or any combination thereof, must be valued on a ***proportional consolidation basis***.

5.10 The proportional consolidation basis provided for in this rule is different from the ordinary consolidation basis where the whole value of each item of assets and liabilities of a subsidiary is grouped with the corresponding assets and liabilities of the holding company (irrespective of the latter’s proportion of equity interest in the subsidiary), making adjustments for “minority interests” as appropriate. Under the proportional consolidation basis, only that part of the value of an asset or amount of a liability of the subsidiary which is attributable to the shares held by the holding company is grouped with the corresponding asset or liability of the holding company (rule 5(3)). Inter-company balances between the holding company and the subsidiary are also offset by those amounts attributable to the shares held by the holding company, with the remaining amounts shown as “balances due to/owed from minority interests in subsidiary company” (rule 5(5)). Therefore, no adjustment for “minority interests” is necessary.

5.11 It is important to note that this rule also requires the assets and

liabilities of an investment subsidiary, similar to those directly owned/incurred by the insurer, be valued in accordance with the Rules before applying the above principles of proportional consolidation (rule 5(3)).

5.12 This rule requires that the value of assets and liabilities of each subsidiary be separately disclosed (rule 5(4)). It also stipulates the reporting requirements regarding the particulars of the subsidiary (rule 5(6)). Particulars of all the subsidiaries and the insurer's shareholding thereof should be similarly disclosed. An example of the balance sheet which complies with these reporting requirements is at **Annex 4** for illustration purpose. An insurer is however free to adopt any other format most suitable to its own circumstances so far as it can comply with these reporting requirements.

Rule 6 - Shares in other insurers

5.13 This rule adopts a "***look through***" basis in dealing with the valuation of shares in subsidiaries which are insurance companies. The value of assets and amount of liabilities of an insurance subsidiary is required to be determined in accordance with any applicable valuation rules made under section 129 of the Ordinance (including the Rules) (rule 6(3)) to arrive at a net tangible asset value for inclusion as an asset of the insurer (rule 6(2)).

5.14 In applying the above basis, it should be noted that:

- (a) a relevant amount (as defined in rule 6(8)) must be included as a liability in arriving at the net tangible asset value of the subsidiary (rule 6(4)). Attention is drawn in particular to the definition of "relevant amount" in respect of long term business as used in the Rules, which differs from the same term as specified in section 10(2) of the Ordinance for solvency purposes. The present term refers to the greatest of the relevant amount specified in section 10(2) of the Ordinance and those amounts prescribed in the Insurance (Margin of Solvency) Rules;
- (b) if there is a negative net tangible asset value in the subsidiary, the shareholding shall have nil value. The insurer should consider whether any potential net liabilities may arise in relation to its investment in such a subsidiary with negative net tangible asset value

and, as appropriate, include such potential liabilities as its own contingent liabilities (section 8(4)(a) of the Ordinance). If there is a positive net tangible asset value, then, subject to (c) below, consideration will have to be given to what would happen in a liquidation situation. If there are preference shares in existence, these are likely to have a first call on the net tangible assets. There may equally be differential rights if there is more than one class of ordinary shares. In general, it is likely that preference shares held by third parties should be deducted as a liability when valuing the subsidiary, depending upon the specific terms of the preference share issue. It is of course necessary to recognize only the share of the net tangible asset value of the subsidiary to which the insurer's percentage shareholding of that particular class of shares entitles it; and

- (c) rule 6(3) clarifies that the assets of the subsidiary are not required to be valued on the basis that the subsidiary were in liquidation and the assets may be valued on a "going concern" basis. The reference to liquidation above is made only for the purpose of determining the extent of the net tangible asset value to which the insurer is entitled by reason of its shareholding in the subsidiary.

5.15 It is recognized that there may be circumstances where it is impracticable for an insurer to value its investment in an insurance subsidiary on the above basis. In such cases, an insurer may apply for the IA's prior approval to value its investment in the insurance subsidiary on an alternative basis, i.e. up to 75% of the attributable share value of the shares (rule 6(6)). Attributable share value is that part of the surplus of the *net tangible asset value* of the insurance subsidiary over the relevant amount attributable to the shares held by the insurer as if the subsidiary were in liquidation (paragraph 5.14(b) above also applies here). Rule 6(9) again clarifies that the assets of the subsidiary are not required to be valued on the basis that the subsidiary were in liquidation and the assets may be valued on a "going concern" basis.

5.16 It should be noted that the net tangible asset value referred to in paragraph 5.15 above (and paragraph 5.18 below) must be the value as disclosed in the *most recent audited accounts* of the company concerned as audited by an auditor qualified to be appointed under section 15 of the Ordinance (rule 6(7)).

5.17 The definition of “recent audited accounts” can be found in rule 2 of the Rules. It means audited accounts relating to a period ending on a day within 2 years before the date the shares fall to be valued. “Most recent audited accounts” therefore refer to the latest set if there are more than one set of recent audited accounts.

Rule 7 - Other unlisted shares

5.18 This rule provides that the value of any other unlisted share, is admitted up to 75% of its ***ready market price***. If there is no ready market price, then the value of such investment is admitted up to 75% of the ***net tangible asset value*** of the investee company (also see paragraphs 5.16 and 5.17 above) payable in respect of the shares held by the insurer as if the investee company were in liquidation (paragraph 5.14(b) above also applies here). In the absence of ready market price and recent audited accounts, no value of the investment shall be admitted.

5.19 “Ready market price” is defined in rule 2 of the Rules. It makes reference to the prices of the shares concerned quoted on a secondary market or a market acceptable to the IA.

Rule 8 - Unlisted securities

5.20 The value of any unlisted ***security*** is admitted up to 75% of its ***ready market price***. If there is no ready market price, the value is admitted up to 75% of the cost of acquisition.

5.21 “Security” is defined in rule 2 of the Rules. For the avoidance of doubt, it is clarified that “security” does not include bank deposit or certificate of deposit. As such, they shall be valued in accordance with section 8(4)(c) of the Ordinance and are not subject to the admissibility limit as provided in rule 14 of the Rules.

5.22 “Ready market price” is defined in rule 2 of the Rules. It makes reference to the prices of the security quoted on a secondary market or a market acceptable to the IA.

Rule 9 - Premiums receivable

5.23 This rule provides that the value of ***gross premiums receivable*** (less commissions and provisions for bad and doubtful debts) in respect of direct business and reinsurance inward business is admitted up to 25% and 75% respectively of the gross premium income (less commissions) of the corresponding types of business.

5.24 Should the financial year of an insurer relates to a period other than 12 months, “gross premium income” has to be annualized in the manner as set out in the definition of “adjusted gross premium income” in rule 2 of the Rules before applying the above specified percentages.

5.25 “Gross premiums receivable” is defined in rule 2 of the Rules. “Gross premiums receivable” here means, as an asset item, premiums payable to an insurer as at the end of the financial year in respect of contracts written or renewed by an insurer in that financial year or any prior years. This is different from the interpretation of the term “premiums receivable” as specified in section 10(5) of the Ordinance for the purpose of determining the relevant amount (or solvency margin) of an insurer.

Rule 10 - Intangible assets and deferred acquisition costs

5.26 This rule renders inadmissible the value of any intangible asset, including deferred acquisition costs or implied deferred acquisition costs deducted in arriving at unearned premiums.

5.27 Acquisition costs include, apart from commissions paid or payable to agents or brokers, the direct selling or administrative costs associated with the acquisition of insurance business.

Rule 11 - Discounting of claims

5.28 This rule disallows discounting of claims liabilities unless with the prior approval of the IA.

5.29 The IA will consider each application for approval on its own individual merits. As a general guidance, the IA will need to be satisfied, inter alia, of the appropriateness of the valuation bases and assumptions to be adopted in discounting the claims liabilities.

Rule 12 - Additional amount for unexpired risks

5.30 This rule requires that the provision for unexpired risks must be made for each separate class of business authorized and there should be no cross-offsetting, i.e. any premium deficiency in respect of a particular class of business cannot be offset by any premium surplus in respect of another class of business.

Rule 13 - Other assets or liabilities

5.31 The Rules prescribe valuation principles for those assets and liabilities more commonly found in the balance sheet of an insurer. As regards other assets for which no valuation principle has been provided in the Rules, this rule confirms that they should continue to be valued in accordance with section 8(4)(c) of the Ordinance.

6. Admissibility Limit for each Category of Assets

Rule 14 - Asset value to be admitted not exceeding a specified extent for each category of assets

6.1 To ensure a prudent spread of investments by an insurer, this rule stipulates that the aggregate value admitted in respect of each of the following categories of assets (of the insurer and its investment subsidiaries after consolidation under rule 5 of the Rules) must not exceed a prescribed percentage of the insurer's total eligible asset value (rule 14(1)). Total eligible asset value, as defined in rule 2 of the Rules, is the aggregate value of the insurer's assets admitted under the Rules before application of this rule.

	<u>% of total eligible asset value</u>
(a) Land and buildings	30%
(b) <i>Listed shares</i> , unit trusts and mutual funds	30%
(c) Aggregate of (a) and (b)	40%
(d) Listed securities	50%
(e) Unlisted shares (excluding shares in insurance subsidiaries) and unlisted securities and <i>debts</i> (excluding insurance debts and loans secured by insurance policies) due from individuals or unlisted companies	10%

6.2 For the avoidance of doubt, it is clarified that the admissibility limit relating to listed shares in item (b) above does not apply to any listed share in insurance subsidiaries which is valued under rule 6 of the Rules. This admissibility limit is intended to apply only to investment in listed shares which is valued under rule 4 of the Rules.

6.3 As regards the admissibility limit relating to debts in item (e) above, it would normally be considered on a gross basis unless an insurer currently has a legally enforceable right to set off the debts and intends either to settle on a net basis, or to realize the debts and settle the liability simultaneously. An insurer currently has a legally enforceable right to set off the debts means that the right of set-off:

- (a) must not be contingent on a future event; and
- (b) must be legally enforceable in all of the following circumstances:
 - (i) the normal course of business;
 - (ii) the event of default; and
 - (iii) the event of insolvency or bankruptcy of the insurer and all of the counterparties.

6.4 It should be noted that an insurer is not prohibited from holding a greater amount in any particular category of assets than that specified. However, no credit will be given to any excess over the admissible limit in determining whether the insurer complies with the solvency margin requirement under the Ordinance.

6.5 This rule (and this rule only) is not applicable to the valuation of assets for the purposes of the local assets requirement under section 25A or 25B of the Ordinance (rule 14(2)). An insurer is hence at liberty to maintain any amount of assets in any category in Hong Kong to match its Hong Kong liabilities. It should also be noted that in determining the value of an insurer's shares in its investment subsidiary for the purposes of the local assets requirement (and completion of Part 9 of Schedule 3 to the Ordinance), such value should be determined in accordance with rule 4 or 7 of the Rules as appropriate (and not rule 5 which aims at preventing an insurer from bypassing the spread of assets requirement under this rule).

6.6 For financial reporting purposes, adjustments to the relevant category of assets of an insurer in the balance sheet may be necessary resulting from application of this rule. In this regard, it is suggested that an insurer should apportion the adjustment made to a particular category of assets to each of its sub-items on a pro rata basis so as not to distort the relative composition of that category of assets. A working example of the balance sheet to illustrate the treatment is attached at **Annex 5**.

7. Safeguarding Provision

Rule 15 - Asset to be admitted at lower value

7.1 Rule 15 provides that even though the value of an asset can be admitted up to a certain amount under the Rules, a lower value should be given if in the circumstances of the case such lower value is considered more appropriate. It is incumbent upon the insurer to ensure that this provision is properly complied with. An auditor should have regard to this provision when certifying the insurer's compliance with the Rules.

8. Commencement

8.1 This Guideline shall take effect from 26 June 2017.

June 2017

Definition of “Market Value”
(Extract from the HKIS Valuation
Standards (“Standards”) issued by
The Hong Kong Institute of Surveyors)

The term, Market Value, is defined by the International Valuation Standards and followed by the Standards as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

**List of professional qualifications in property valuation
recognized by the Insurance Authority**

For the purpose of rule 2 of the Insurance (General Business) (Valuation) Rules, a person who is a full member of any of the following institutes shall be deemed to have professional qualification in valuing properties recognized by the Insurance Authority.

Australia

The Australian Property Institute

Hong Kong

The Hong Kong Institute of Surveyors

New Zealand

The New Zealand Institute of Valuers

The United Kingdom

The Royal Institution of Chartered Surveyors

**List of Foreign Stock Exchanges
recognized by the Insurance Authority**

For the purpose of rule 2 of the Insurance (General Business) (Valuation) Rules, the foreign stock exchanges recognized by the Insurance Authority as being of a standing not lower than that of The Stock Exchange of Hong Kong Limited, shall be any of the following as specified in Part 3 of Schedule 1 to the Securities and Futures Ordinance (Cap. 571):

1. ASX Limited
2. BSE Limited
3. Borsa Italiana S.p.A.
4. Bursa Malaysia Securities Berhad
5. Deutsche Börse AG
6. Euronext Amsterdam N.V.
7. Euronext Brussels S.A./N.V.
8. Euronext Paris S.A.
9. Korea Exchange, Inc.
10. London Stock Exchange plc
11. Montréal Exchange Inc.
12. Nagoya Stock Exchange, Inc.
13. NASDAQ OMX Copenhagen A/S
14. NASDAQ OMX Helsinki Ltd
15. NASDAQ OMX Stockholm AB
16. National Stock Exchange of India Limited
17. New York Stock Exchange LLC
18. NYSE Amex LLC
19. NZX Limited
20. Osaka Securities Exchange Co., Ltd.
21. Oslo Børs ASA
22. Singapore Exchange Securities Trading Limited
23. SIX Swiss Exchange AG
24. Sociedad Rectora de la Bolsa de Valores de Madrid, S.A. (Sociedad Unipersonal)
25. Société de la Bourse de Luxembourg S.A.
26. The NASDAQ Stock Market LLC
27. The Philippine Stock Exchange, Inc.

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28. The Stock Exchange of Thailand
29. Tokyo Stock Exchange, Inc.
30. TSX Inc.
31. Wiener Börse AG

Example on reporting requirements of investment subsidiaries**ABC INSURANCE COMPANY LIMITED**
CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER XXXX

(Expressed in Hong Kong Dollars)

	<u>Consolidated</u>	<u>Subsidiary XX</u>	<u>Subsidiary YY</u>
		<u>Note (1)</u>	<u>Note (2)</u>
	\$m	\$m	\$m
Land & buildings	500	300	170
Cash & bank balances	520	10	10
Short term deposits with deposit-taking companies	360	30	30
Receivables relating to insurance business			
- direct business	1,000		
- reinsurance accepted	500		
Treasury bills & other eligible bills	50	20	30
Shares listed on The Stock Exchange of Hong Kong Limited	85	85	
Debt securities	35	35	
Equity shares	100		100
Total Assets	3,150	480	340
Deduct:			
Payables relating to insurance business			
- direct business	330		
- reinsurance ceded	30		
Taxation	110	30	10
Provision for liabilities & charges	50	50	
Other creditors and accruals	30		30
Total Net Assets	2,600	400	300
Representing:			
Share Capital	1,900		
Profit & Loss Account (or Retained Profits)	700		
Total Shareholders' Fund	2,600		

Please note that the above figures represent 80% share of the assets and liabilities of the subsidiary to which the holding company is entitled.


Notes:

	<u>Name of Company</u>	<u>Country of Incorporation</u>	<u>Percentage of ordinary shares held</u>	<u>Principal activities</u>
(1)	XX Investment Ltd.	Hong Kong	100%	Property Investment
(2)	YY Investment Ltd.	Hong Kong	80%	Securities Trading
(3)	For the purposes of the Insurance (General Business) (Valuation) Rules, the value of any goodwill arising on consolidation, if any, is not admissible.			

Example on admissibility limits of assets

XXX INSURANCE COMPANY LIMITED
CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER XXXX
 (Expressed in Hong Kong Dollars)

	<u>NOTE</u>	<u>(\$'000)</u>	<u>Before asset limits</u> <u>(\$'000)</u>
LAND AND BUILDINGS	1	200,000	375,000
INTEREST IN INSURANCE SUBSIDIARIES		100,000	100,000
INVESTMENTS	2	296,667	420,000
INSURANCE DEBTORS		54,700	54,700
OTHER DEBTORS	3	33,333	40,000
DEPOSITS AND CURRENT ACCOUNTS			
- WITH BANKS		7,500	7,500
- WITH DEPOSIT TAKING COMPANIES		2,500	2,500
CASH		100	100
FURNITURE AND EQUIPMENT		<u>200</u>	200
TOTAL ASSETS		695,000	1,000,000
<u>LESS:</u> PROVISION FOR UNEARNED PREMIUMS		(120,000)	(120,000)
CURRENT LIABILITIES		<u>(240,000)</u>	<u>(240,000)</u>
NET ASSETS		<u>335,000</u>	<u>640,000</u>
SHARE CAPITAL		100,000	100,000
RESERVES	4	<u>235,000</u>	<u>540,000</u>
		<u>335,000</u>	<u>640,000</u>

 for reference

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NOTES (All adjustments made under rule 14 of the Insurance (General Business) (Valuation) Rules (“the Rules”) are shown in italics)

1. LAND AND BUILDINGS

	Land and buildings \$'000	Investment properties \$'000	Total \$'000
At cost or valuation:			
- At 1st January	84,000	287,000	371,000
- Additions	1,000	8,000	9,000
- Disposals	-	(5,000)	(5,000)
- Admitted surplus on revaluation	<u>5,000</u>	<u>10,000</u>	<u>15,000</u>
- At 31st December	90,000	300,000	390,000
	-----	-----	-----
Amortization and depreciation:			
- At 1st January	10,000	-	10,000
- Charge for the year	5,000	-	5,000
- Written back on disposals	<u>-</u>	<u>-</u>	<u>-</u>
- At 31st December	15,000	-	15,000
	-----	-----	-----
Admitted book value (before asset limits):			
- At 31st December	75,000	300,000	375,000
Admitted book value (after asset limits):			
- <i>Adjustments under rule 14(a) of the Rules</i>	<u>(15,000)</u>	<u>(60,000)</u>	<u>(75,000)</u>
	60,000	240,000	300,000
- <i>Adjustments under rule 14(c) of the Rules (Note 5)</i>	<u>(20,000)</u>	<u>(80,000)</u>	<u>(100,000)</u>
- At 31st December	<u>40,000</u>	<u>160,000</u>	<u>200,000</u>

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2. INVESTMENTS

	<u>\$'000</u>	<u>\$'000</u>
(a) Listed shares	130,000	
Unit trusts	120,000	
Mutual funds	<u>60,000</u>	
	310,000	
<i>Adjustments under rule 14(b) of the Rules</i>	<u>(10,000)</u>	
	300,000	
<i>Adjustments under rule 14(c) of the Rules (Note 5)</i>	<u>(100,000)</u>	200,000
(b) Listed securities		30,000
(c) Unlisted shares	20,000	
Unlisted securities	<u>60,000</u>	
	80,000	
<i>Adjustments under rule 14(e) of the Rules</i>	<u>(13,333)</u>	<u>66,667</u>
		<u>296,667</u>

3. OTHER DEBTORS

	<u>\$'000</u>
Amounts due from group companies*	
- Secured	17,000
- Unsecured	8,000
Sundry debtors*	
- Unsecured	15,000
<i>Adjustments under rule 14(e) of the Rules</i>	<u>(6,667)</u>
	<u>33,333</u>

* All the debtors are assumed to be unlisted companies and individuals.

4. RESERVES

	<u>\$'000</u>
Capital reserves	200,000
General reserves	275,000
Accumulated profits	125,000
* <i>Adjustments under the Rules other than rule 14</i>	<i>(60,000)#</i>
* <i>Adjustments under rule 14 of the Rules</i>	<i>(305,000)</i>
	<u>235,000</u>

* These adjustments represent direct debits to reserves which have not first passed through the profit and loss account.

This is an arbitrary figure assumed for illustration purpose only.

5. ADJUSTMENTS UNDER RULE 14(c) OF THE RULES

	<u>\$'000</u>
Land and building (after adjustments under rule 14(a) of the Rules)	300,000
Listed shares (after adjustments under rule 14(b) of the Rules)	<u>300,000</u>
	600,000
<i>Less : Adjustments under rule 14(c) of the Rules</i>	<i>(200,000)</i>
	<u>400,000</u>