

**Insurance Companies
(General Business)
(Valuation) Regulation**

Guidance Note

Office of the Commissioner of Insurance

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1. Introduction

1.1 The Insurance Companies (General Business) (Valuation) Regulation (“Regulation”) has been introduced recently. This Guidance Note is prepared to assist insurers and their auditors in interpreting and applying the provisions of the Regulation in the valuation of assets and liabilities of insurers. It may be revised or updated as and when considered appropriate.

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

1.3 If there are any areas which you would like to clarify or discuss further, please contact our Miss Fion Tam (Tel: 2867 2552), Mr Jimmy Leung (Tel : 2867 3511) or the case officer you have been dealing with.

2. Overview of the Regulation

2.1 The Regulation was made by the Governor in Council and gazetted on 29 December 1995. Its application and commencement are stipulated in section 1. Section 2 provides for the interpretation of the terms used in the Regulation.

2.2 The Regulation aims 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 (sections 3 to 13 of the Regulation); and
- (b) admissibility limits for different categories of assets (section 14 of the Regulation).

3. Application and commencement

Section 1 - Application

3.1 The Regulation applies 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 Insurance Companies Ordinance (Cap. 41) (“Ordinance”). That is,

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

3.2 The Regulation commenced operation on **29 December 1995** in respect of an insurer authorized to carry on insurance business in or from Hong Kong on or after that date. To allow time for an existing insurer authorized before the commencement of the Regulation to prepare for compliance, the Regulation provides for a transitional period of one year and commences to apply to such insurer on **29 December 1996**. Therefore, the first set of financial statements and returns to which the Regulation applies will be that relating to a financial year ending on or after 29 December 1996. For the first set of financial statements and returns prepared in accordance with the Regulation, no comparative figures in respect of the previous financial year are required.

4. Interpretation

Section 2 - Interpretation

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

5. Valuation principles

Section 3 - Land and buildings

5.1 This section 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 **open 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 (subsection (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 (subsection (1)(a)). Where the **open market value** falls below the net book value, the value of the land or building must be stated at the **open market value** (subsection (1)(b)).

5.2 The definitions of “recent valuation” and “independent qualified valuer” can be found in section 2 of the Regulation. As regards “open market value”, it has the meaning as ascribed to it in the Guidance Notes on the Valuation of Property Assets issued by the Hong Kong Institute of Surveyors, which is extracted
 ---- at Annex A.

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 Regulation, an independent qualified valuer is a person who, inter alia, holds a professional qualification recognized by the Insurance Authority. A list of qualifications recognized by the Insurance Authority in this regard is attached at Annex B. Any insurer who wishes to commission a valuer who holds a qualification other than those shown in Annex B must prove to the satisfaction of the Insurance Authority 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 this Regulation, as a “recent valuation”.

Section 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 Hong Kong Government or the Exchange Fund or with a high credit rating, its *middle market quotation/market value* is admitted in full (subsection (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 (subsections (2) and (3)).

5.6 “Listed”, as defined in section 2 of the Regulation, means listed on the Unified Exchange of Hong Kong or on a foreign stock exchange recognized by the Insurance Authority as being of a standing not lower than that of the Unified Exchange. A list setting out those foreign stock exchanges which are recognized by
 ---- the Insurance Authority for this purpose is at Annex C.

5.7 It should be noted that any shares or securities listed on a foreign stock exchange not recognized by the Insurance Authority (i.e. a foreign stock exchange other than those listed in Annex C) shall be deemed as unlisted for the purposes of the Regulation and must be valued in accordance with the principles set out in sections 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 Insurance Authority that the foreign stock exchange concerned is of a standing not lower than that of the Unified Exchange of Hong Kong.

5.8 “Middle market quotation” and “market value” are also defined in section 2 of the Regulation. 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.

Section 5 - Shares in investment subsidiaries

5.9 To enhance compliance of the requirement regarding prudent spread of assets (section 14 of the Regulation), this section 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 section 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 (subsection (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" (subsection (5)). Therefore, no adjustment for "minority interests" is necessary.

5.11 It is important to note that this section 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 Regulation before applying the above principles of proportional consolidation (subsection (3)).

5.12 This section requires that the value of assets and liabilities of each subsidiary be separately disclosed (subsection (4)). It also stipulates the reporting requirements regarding the particulars of the subsidiary (subsection (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 D 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.

Section 6 - Shares in other insurers

5.13 This section 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 regulations made under section 59 of the Ordinance (including this Regulation) (subsection (3)) to arrive at a net tangible asset value for inclusion as an asset of the insurer (subsection (2)).

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

- (a) a relevant amount (as defined in subsection (8)) must be included as a liability in arriving at the net tangible asset value of the subsidiary (subsection (4)). Attention is drawn in particular to the definition of “relevant amount” in respect of long term business as used in the Regulation, 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 Companies (Margin of Solvency) Regulation;
- (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 recognise 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) subsection (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 recognised 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 Insurance Authority’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 (subsection (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). Subsection (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 (subsection (7)).

5.17 The definition of “recent audited accounts” can be found in section 2 of the Regulation. 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.

Section 7 - Other unlisted shares

5.18 This section 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 section 2 of the Regulation. It makes reference to the prices of the shares concerned quoted on a secondary market or a market acceptable to the Insurance Authority.

Section 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 section 2 of the Regulation. 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 section 14 of the Regulation.

5.22 “Ready market price” is defined in section 2 of the Regulation. It makes reference to the prices of the security quoted on a secondary market or a market acceptable to the Insurance Authority.

Section 9 - Premiums receivable

5.23 This section 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 section 2 of the Regulation before applying the above specified percentages.

5.25 “Gross premiums receivable” is defined in section 2 of the Regulation. “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.

Section 10 - Intangible assets and deferred acquisition costs

5.26 This section 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.

Section 11 - Discounting of claims

5.28 This section disallows discounting of claims liabilities unless with the prior approval of the Insurance Authority.

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

Section 12 - Additional amount for unexpired risks

5.30 This section 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.

Section 13 - Other assets or liabilities

5.31 The Regulation prescribes 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 Regulation, this section 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

Section 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 section 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 section 5 of the Regulation) must not exceed a prescribed percentage of the insurer's total eligible asset value (subsection (1)). Total eligible asset value, as defined in Section 2 of the Regulation, is the aggregate value of the insurer's assets admitted under the Regulation before application of this section.

	<u>% of total eligible asset value</u>
(a) Land and buildings	30%
(b) Listed shares , 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 debts (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 section 6 of the Regulation. This admissibility limit is intended to apply only to investment in listed shares which is valued under section 4 of the Regulation.

6.3 As regards the admissibility limit relating to debts in item (e) above, it would normally be considered on a gross basis unless any legally enforceable right

of offset existed. In considering the existence of a right of offset for the debts, an insurer should have regard to, inter alia, whether :-

- (a) the insurer and the counterparty owe each other determinable monetary amounts which are denominated in the same currency or readily convertible;
- (b) the insurer has the ability to insist on net settlement and can enforce a net settlement in all situations of default by the counterparty; and
- (c) the ability to insist on net settlement is assured beyond doubt and can survive insolvency of the counterparty.

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 section (and this section 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 (subsection (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 the Third Schedule to the Ordinance), such value should be determined in accordance with section 4 or 7 of the Regulation as appropriate (and not section 5 which aims at preventing an insurer from bypassing the spread of assets requirement under this section).

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 section. 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 E.

7. Safeguarding provision

Section 15 - Asset to be admitted at lower value

7.1 Section 15 provides that even though the value of an asset can be admitted up to a certain amount under the Regulation, 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 Regulation.

* * * * *

October 1996

Definition of “Open Market Value”

**(Extract from the Guidance Notes on
the Valuation of Property Assets issued by
the Hong Kong Institute of Surveyors)**

“Open Market Value” means the best price at which an interest in a property might reasonably be expected to be sold at the date of valuation assuming :

- (a) a willing seller;
- (b) a reasonable period in which to negotiate the sale taking into account the nature of the property and the state of the market;
- (c) that values will remain static during that period;
- (d) that the property will be freely exposed to the open market; and
- (e) that no account will be taken of any additional bid by a purchaser with a special interest.

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

For the purpose of section 2 of the Insurance Companies (General Business) (Valuation) Regulation, 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 Institute of Valuers and Land Economists

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

Annex C

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

For the purpose of section 2 of the Insurance Companies (General Business) (Valuation) Regulation, the foreign stock exchanges recognized by the Insurance Authority as being of a standing not lower than that of the Unified Exchange as defined in the Stock Exchange Unification Ordinance (Cap. 361), shall be any of the following —

American Stock Exchange
Amsterdam Stock Exchange
Australian Stock Exchange
Brussels Stock Exchange
Copenhagen Stock Exchange
Frankfurt Stock Exchange
Helsinki Stock Exchange
Kuala Lumpur Stock Exchange
London Stock Exchange
Luxembourg Stock Exchange
Madrid Stock Exchange
Milan Stock Exchange
Montreal Stock Exchange
Nagoya Stock Exchange
New York Stock Exchange
New Zealand Stock Exchange
Osaka Securities Exchange
Oslo Stock Exchange
Paris Bourse
Securities Exchange of Thailand
Stock Exchange of Singapore
Stockholm Stock Exchange
Tokyo Stock Exchange
Toronto Stock Exchange
Vienna Stock Exchange
Zurich Stock Exchange

Example on reporting requirements of investment subsidiaries**ABC INSURANCE COMPANY LIMITED**
CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 199X

(Expressed in Hong Kong Dollars)

	<u>Consolidated</u>	<u>Subsidiary XX</u>	<u>Subsidiary YY</u>
	\$m	<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 Unified Exchange of Hong Kong	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 Valuation Regulation, the value of any goodwill arising on consolidation, if any, is not admissible.			

Example on admissibility limits of assetsXXX INSURANCE COMPANY LIMITEDCONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 199X

(Expressed in Hong Kong Dollars)

	<u>NOTE</u>	<u>(\$'000)</u>	<u>Before asset limits (\$'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>	<u>200</u>
TOTAL ASSETS		695,000	1,000,000
<u>LESS: PROVISION FOR UNEARNED PREMIUMS</u>		(120,000)	(120,000)
<u>CURRENT LIABILITIES</u>		<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

NOTES (All adjustments made under s.14 of Valuation Regulation are shown in italics)

1. LAND AND BUILDINGS

	Land and buildings <u>\$'000</u>	Investment properties <u>\$'000</u>	Total <u>\$'000</u>
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	<u>90,000</u>	<u>300,000</u>	<u>390,000</u>
	-----	-----	-----
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	<u>15,000</u>	<u>-</u>	<u>15,000</u>
	-----	-----	-----
Admitted book value (before asset limits):			
- At 31st December	75,000	300,000	375,000
Admitted book value (after asset limits):			
- <i>Adjustments under s.14(a) of Valuation Regulation</i>	<u>(15,000)</u>	<u>(60,000)</u>	<u>(75,000)</u>
	60,000	240,000	300,000
- <i>Adjustments under s.14(c) of Valuation Regulation (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>

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 s.14(b) of Valuation Regulation</i>	<u>(10,000)</u>	
	300,000	
<i>Adjustments under s.14(c) of Valuation Regulation (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 s.14(e) of Valuation Regulation</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 s.14(e) of Valuation Regulation</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
* Adjustments under the Valuation Regulation other than s.14	(60,000)#
* <i>Adjustments under s.14 of Valuation Regulation</i>	<u>(305,000)</u>
	<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 S.14(c) OF VALUATION REGULATION

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