

**Listing Decisions Series 14-2 - Calculation of "4 tests" on disposal where company had negative net tangible asset value and incurred net losses (May 2000) (Withdrawn in September 2009)**

*[This Listing Decision is no longer applicable after the rule amendments in March 2004 to introduce new percentage ratios to classify notifiable transactions and provision to deal with any anomalous percentage ratio calculation in Chapter 14 of Main Board Rules. The relevant rules are Main Board Rules 14.07(1) and 14.20.]*

Summary	
Name of Party	Company A - a listed company
Subject	Calculation of "4 tests" on disposal where company had negative net tangible asset value and incurred net losses
Listing Rule	Rule 14.09
Decision	Disposal constituted major transaction

**Summary of Facts**

Company A proposed to dispose of certain investment properties to independent third parties. Based on its latest published consolidated accounts, Company A had a negative net tangible asset value and incurred net losses.

A strict application of the "4 tests" under Rule 14.09 of the Listing Rules meant that any disposal of assets by Company A would constitute a major transaction under Chapter 14 of the Listing Rules.

**Analysis**

Where, as in the present case, a company has a negative net tangible asset value and incurred net losses, any disposal of assets would be expected to have a significant impact upon the company.

A strict application of the "4 tests" is therefore appropriate.

**Decision**

The disposal constituted a major transaction and Company A was required to obtain shareholders' approval and to issue a circular to shareholders.