

Appendix A (1)

HONG KONG.

REPORT ON THE FINANCES FOR THE YEAR 1934.

The Revenue for the year amounted to \$29,574,286 and the Expenditure was \$31,149,156. Expenditure therefore exceeded Revenue by \$1,574,870. The approved estimated revenue for the year was \$31,731,626 while the revised figure was \$29,670,634, a decrease of \$2,060,991. The approved estimate of expenditure for the year was shown as \$33,442,695, and the revised estimate amounted to \$30,893,000. The actual expenditure was \$256,156 above the revised estimates.

2. The following statement shows the Revenue and Expenditure for each of the years of the last decade:—

<i>Year.</i>	<i>Revenue.</i>	<i>Expendi- ture.</i>	<i>Surplus.</i>	<i>Deficit.</i>
	\$	\$	\$	\$
1925.....	23,244,366	23,266,813	—	5,022,452
1926.....	21,131,582	23,524,716	—	2,393,134
1927.....	21,344,536	20,845,065	499,471	—
1928.....	24,968,399	21,230,242	3,738,157	—
1929.....	23,554,475	21,983,257	1,571,218	—
1930.....	27,818,473	28,119,646	—	301,173
1931.....	33,146,724	31,160,774	1,985,950	—
1932.....	33,549,716	32,050,283	1,499,433	—
1933.....	32,099,278	31,122,715	976,563	—
1934.....	29,574,286	31,149,156	—	1,574,870

REVENUE.

3. The largest individual item of revenue is derived from the assessment tax, the sum of \$6,603,229 being collected. This represents 22.33% of the total revenue or 22.76% of the revenue exclusive of land sales.

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4. In the following table the actual revenue for the year 1934 is compared with the revenue of the previous year and with the estimate for 1934.

Heads of Revenue.	Actual 1933		Estimates 1934		Actual 1934	
	\$	c.	\$	c.	\$	c.
Duties.....	5,833,467.31		5,665,000		5,707,389.28	
Port & Harbour Dues	679,385.40		695,000		565,457.69	
Licences and Internal Revenue not otherwise specified	16,664,798.59		15,963,375		14,662,796.51	
Fees of Court or Office, Payments for specific purposes, and Reimburse- ments in Aid.....	2,210,463.72		2,266,250		2,214,626.85	
Post Office.....	1,883,654.78		2,020,000		1,829,297.90	
Kowloon-Canton Railway	1,630,610.83		1,581,000		1,639,775.07	
Rent of Government Property, Land and Houses	1,512,270.21		1,545,000		1,648,524.29	
Interest	306,326.19		230,000		196,573.71	
Miscellaneous Receipts	405,439.62		566,000		551,371.70	
 Total (exclusive of Land Sales).....	 31,126,416.65		 30,531,625		 29,015,813.00	
Land Sales, (Premia on New Leases) ...	972,861.19		1,200,000		558,472.57	
 Total.....	 \$ 32,099,277.84		 31,731,625		 29,574,285.57	

5. The actual revenue for the year fell short of the estimate by \$2,157,339. The largest decreases occurred in Port and Harbour Dues \$129,542, Licences and Internal Revenue, etc., \$1,300,578. Post Office \$190,702 and Land Sales \$641,527, but receipts from Kowloon-Canton Railway increased by \$58,775 and Rent of Government Property by \$103,524.

6. The principal increases over the amounts as estimated were as follows:—

Duties.

	<i>Estimate.</i>	<i>Actual.</i>	<i>Increase.</i>
	\$	\$	\$
Import duty Motor Spirit	675,000	705,544	30,544
„ Tobacco	2,800,000	2,953,834	153,834
Increased consumption.			

Licences and Internal Revenue not Otherwise Specified:—

	<i>Estimate.</i>	<i>Actual.</i>	<i>Increase.</i>
	\$	\$	\$
Hawker	90,000	101,087	11,087
More licences.			
Vehicles Motor Special Licens- ing fees. Foreign Registration.	15,000	28,333	13,333
More Foreign vehicles imported.			
Estate Duty	1,000,000	1,077,717	77,717
Two large estates account- ed for \$212,793.			

*Fees of Court or Office Payments for Specific Purposes and
Reimbursements in Aid:—*

	<i>Estimate.</i>	<i>Actual.</i>	<i>Increase.</i>
	\$	\$	\$
China Companies	150,000	177,868	27,868
More Registrations.			
Crown Leases	25,000	35,910	10,910
Result of Land Sales in previous years.			
Earth and Stone Permits N.T.	12,500	23,196	10,696
More building works.			
Medical Examination of Emi- grants	100,000	145,208	45,208
Increase in number of Emigrants.			
Possession	22,000	32,473	10,473
More distress warrants and writs of execution issued.			

Kowloon-Canton Railway.

	<i>Estimate.</i>	<i>Actual.</i>	<i>Increase.</i>
	\$	\$	\$
Goods Service, Goods Foreign Line	40,000	54,419	14,419
Better working facilities.			
Incidental Revenue, Home Line	5,650	19,399	13,749
Increase of Platform tickets, confiscated goods, etc.			
Auxiliary operations, Foreign Haulage	148,000	227,330	79,330
Increase of haulage charges on fast goods trains and mid-day fast through trains from October.			

Rent of Government Property, Land and Houses.

	<i>Estimate.</i>	<i>Actual.</i>	<i>Increase.</i>
	\$	\$	\$
Buildings	67,000	106,608	39,608
More buildings leased in- cluding City Hall.			
Leased Lands (Crown Rent Ex- clusive of N.T.)	530,000	604,754	74,754
Increase in land leased.			

Miscellaneous Receipts.

	<i>Estimate.</i>	<i>Actual.</i>	<i>Increase.</i>
	\$	\$	\$
Royalty payable by Hong Kong and Yaumati Ferry Co.....	80,000	90,631	10,631
More passengers.			
Realization of Sterling Securi- ties	—	14,408	14,408
Profit on realization.			
Subsidiary Coins	—	12,111	12,111
Profit on Minting.			

7. The principal decreases over the amounts as estimated were as follows:—

Duties.

	<i>Estimate.</i>	<i>Actual.</i>	<i>Decrease.</i>
	\$	\$	\$
Import Duty on Liquor	1,000,000	910,172	89,828
Less consumption and higher exchange.			
Import Duty on Perfumed Spirit	90,000	74,166	15,834
General Trade depression and higher exchange.			
Duty on Locally Manufactured Liquor	1,100,000	1,063,673	36,327
Less Consumption.			

Port and Harbour Dues.

	<i>Estimate.</i>	<i>Actual.</i>	<i>Decrease.</i>
	\$	\$	\$
Light Dues	535,000	431,537	103,463
Higher Exchange.			
Buoy Dues	160,000	133,920	26,080
Fewer Vessels using Buoys.			

Licences and Internal Revenue not otherwise specified.

	<i>Estimate.</i>	<i>Actual.</i>	<i>Decrease.</i>
	\$	\$	\$
Liquor Licences	410,000	376,814	33,186
Trade depression.			
Opium Monopoly	1,300,000	655,068	644,932
Decrease in Sales.			
Pawnbroker Licences	280,000	199,250	80,750
Many pawnshops closed.			
Assessed Taxes (Rates)	6,700,000	6,603,229	96,771
Vacant tenements.			

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Bets and Sweeps Tax	280,000	166,754	113,246
Less Betting and reduction in Pari-mutuel percentage.			
Entertainment Tax	300,000	262,975	37,025
Fewer attendances at Cinemas.			
Stamp Duties	2,200,000	1,917,417	282,583
Continued trade depression.			
Water Excess Supply and Meter Rents	2,000,000	1,883,607	116,393
10% rebate allowed on excess water from 1st April, 1934, and 15% rebate allowed from 1st September, 1934.			
Fines	207,000	182,529	24,471
Variable.			

Fees of Court or Office, Payments for Specific Purposes, and Reimbursements in Aid.

	<i>Estimate.</i>	<i>Actual.</i>	<i>Decrease.</i>
	\$	\$	\$
Deeds Registration	104,000	79,581	24,419
Fewer deeds registered.			
Gunpowder Storage	50,000	38,078	11,922
Over estimated.			
Public School Fees	285,000	243,566	41,434
Fewer pupils.			
Water Service	40,000	18,690	21,310
Fewer new services.			
Widows' and Orphans' Pensions Contributions	380,000	336,000	44,000
Higher rate of exchange			

Post Office.

	<i>Estimate.</i>	<i>Actual.</i>	<i>Decrease.</i>
	\$	\$	\$
Message Fees	720,000	640,923	79,077
Postage	1,300,000	1,188,375	111,625
Reduction in rates			

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Kowloon-Canton Railway.

	<i>Estimate.</i>	<i>Actual.</i>	<i>Decrease.</i>
	\$	\$	\$
Passenger Service, Passenger Foreign Line	650,000	629,569	20,431
<p>The new working agreement came into force from 1st October, 1934 whereby this Section received 28% instead of 35%.</p>			
Passenger Service, Passengers Home Line	665,000	642,218	22,782
<p>Fewer local passengers</p>			
Goods Service, Others, Home Line	30,000	18,739	11,261
<p>Less bricks & other goods carried</p>			

Rent of Government Property, Land and Houses.

	<i>Estimate.</i>	<i>Actual.</i>	<i>Decrease.</i>
	\$	\$	\$
Lands Not Leased	300,000	283,717	16,283
<p>Fewer permits</p>			

Interest.

	<i>Estimate.</i>	<i>Actual.</i>	<i>Decrease.</i>
	\$	\$	\$
Interest	230,000	196,574	33,426
<p>Higher Exchange and Sale of Sterling Securities</p>			

Miscellaneous Receipts.

Conservancy Contract	25,000	4,733	20,267
<p>Contractor's failure to carry out contract</p>			
Other Miscellaneous Receipts....	100,000	80,264	19,736
<p>Variable</p>			
Royalty payable by the Kowloon Motor Bus Co.....	140,000	128,094	11,906
<p>Over estimated</p>			

Land Sales.

	<i>Estimate.</i>	<i>Actual.</i>	<i>Decrease.</i>
	\$	\$	\$
Premia on New Leases	1,200,000	558,473	641,527
<p>Decreased demand for land</p>			

8. A list of the alterations and additions in General Taxation, Postage Rates and of the increases and adjustments in Licence Fees and other Receipts during the year 1934 is shown in the following Schedule.

Heads.	Old Fees.	New Fees.	Effective From.
<p align="center">1.—DUTIES.</p> <p>Import Duty on Liquor.</p> <p>On all other beer (as defined in the Ordinance but exclusive of cider and perry) imported in a concentrated form, or as ale basis, or malt and hops concentrate.</p>	<p align="center">\$0.60 per gallon.</p>	<p>\$0.60 per gallon with the addition of 1 cent per gallon for every degree by which the original gravity exceeds 1045°.</p>	<p align="center">14th June, 1934.</p>
<p align="center">3.—LICENCES & INTERNAL REVENUE.</p> <p align="center">(A) Licences.</p>			
Dogs—Extended to New Territory (Mainland)	—	<p>Dog \$3.00 Bitch \$6.00</p>	29th June, 1934.
Liquor. Extension of Hours. Licensed Premises	<p>1 hour \$50.00 each subsequent hour \$100.00. 1 hour \$25.00 each subsequent hour \$50.00.</p>	<p>\$25.00 \$50.00 \$10.00 \$20.00 \$25.00 p.a.</p>	<p>16th November, 1934. " " " " 1st January, 1934.</p>
Massage Establishment	—		" "
Public Dance Halls	—	<p>\$120.00 p.a.</p>	" "

Heads.	Old Fees.	New Fees.	Effective From.
Public Dance Halls Temporary " " extension 1 hour " " " 2 hours " " " 3 hours Vehicles—Tricycles Tricycle Drivers	— — — — —	\$20.00 p.a. \$10.00 \$30.00 \$60.00 \$6.00 p.a. \$0.30 p.a.	1st January, 1934. " " " " " " " "
(B) Internal Revenue.			
Bets & Sweeps Tax	2½% of the amount paid contributed or subscribed.	Percentages graded according to annual turnover.	14th Sept., 1934.
Water Excess Supply & Meter Rents	Flat Rate per Unit.	10% temporary rebate allowed on all new accounts issued in respect of rated tenements etc.	1st April, 1934.
4.—FEES OF COURT ETC.		15% temporary rebate allowed on all new accounts issued in respect of rated tenements etc.	1st September, 1934.
(A) Fees.			
Births and Deaths Registration	Graded.	Graded.	13th August, 1934.

Heads.	Old Fees.	New Fees.	Effective From.
<p>China Companies—For a certified copy or extract of any other document or any part of any other document where the copy or extract has not been prepared in the office of the Registrar, per folio of 72 words</p>	<p align="center">—</p>	<p align="center">\$0.10</p>	<p align="center">1st August, 1934.</p>
<p>Fees of Court—Original Jurisdiction. Settling and filing judgment or Decree or Decretal Order, including judgment in default of appearance under S. 22 of Code, judgment after appearance under S. 23 of Code, and Order for account under S. 24 of Code, whether in default of or after appearance....</p>	<p>Order for judgment or Decree under Secs. 22, 23 or 24 of Code. \$20.00</p>	<p align="center">\$20.00</p>	<p align="center">23rd March, 1934.</p>
<p>Settling & filing any other orders including order for judgment after appearance under S. 23 of Code....</p>	<p>Settling and filing a judgment or Decree or Decretal Order, whether on the original hearing of a cause or on further consideration \$6.00.</p>	<p align="center">\$6.00</p>	<p align="center">”</p>
	<p>Settling and filing any other order whether made in Court or in Chambers \$5.00.</p>		<p align="center">”</p>

Heads.	Old Fees.	New Fees.	Effective From.
Fees of Court—Summary Jurisdiction. Concurrent, renewed or amended. Writ of Summons (including service settling down & hearing).....	—	\$2.00	23rd March, 1934.
Prohibitory Order or Garnishee Order and Copy (including service)	Prohibitory Order and Copy (including Service) \$4.00.	\$4.00	"
Drawing up and filing any Decree or Order not heretofore referred to, including Copy	Drawing up and entering any Decree or Order, including copy. \$2.50	\$2.50	"
For each additional copy	\$2.50	\$1.00	"
Fumigation and Disinfection	—	Graded.	1st October, 1934.
Official Certificates—Registration of Nurses	Graded.	Graded.	18th December, 1934.
Official Signatures—For the signature of the Head of the Sanitary Department.	—	\$5.00	24th August, 1934.

Heads.	Old Fees.	New Fees.	Effective From.
		£. s. d.	
Survey of Steamships—Fees for Passenger and Safety Certificates			
Fees increased 16-2/3% as per B.O.T. minute No. M. 4622/32 dated March, 22nd 1932.....			
Not exceeding 50 tons		4. —. —.	1st January, 1934.
Exceeding 50 & not exceeding 100.....		7. 12. —.	"
Exceeding 100 and not exceeding 300.		11. 8. —.	"
Exceeding 300 and not exceeding 600.		14. 5. —.	"
For every additional 300 or part of 300 tons up to a total tonnage of 21,000 tons, an additional.....		2. 17. —.	"
For every additional 300 tons, exceeding a total tonnage of 21,000 tons and not exceeding a total tonnage of 39,000 tons, an additional.....		1. 18. —.	"
For every additional 300 tons or part of 300 tons, exceeding a total tonnage of 39,000 tons, an additional		— 19. —.	"

Heads.	Old Fees.	New Fees.	Effective From.
(B) Receipts.			
Medical Treatment	Graded.	Graded.	1st April, 1934.
" X-Ray Examination...	"	"	1st January, 1934.
Scavenging—Removing trade refuse.....	\$5.00 per trip.	\$10.00 per load Hong Kong \$5.00 per load Kowloon.	22nd May, 1934.
Removing manure from steamships	\$4.00 each ship per month.	\$3.00 per load.	1st September, 1934.
Removing refuse from Naval Dockyard	\$10.00 per month.	\$100.00 per month.	1st October, 1934.
5.—POST OFFICE.	British Empire rate <i>via</i> Suez and <i>via</i> the Pacific. \$0.12 per ounce.	\$0.10 per ounce. Graded 15%—20% reductions.	1st July, 1934. 1st June, 1934.
Postage	Air Mail Rates Graded. Parcel Post to United Kingdom.	3 lb. 7 lb. 11 lb. 22 lb. 1.40 2.50 3.50 6.00	1st November, 1934.
7.—RENT OF GOVERNMENT PROPERTY LAND AND HOUSES.	\$20.00	Leased by Public Action \$70.00. Leased by Private Treaty \$100.00.	15th October, 1934.
Stone Quarries			"

Expenditure.

9. The expenditure for the year amounted to \$31,149,156 against an estimate of \$33,442,695 a decrease of \$2,293,539. The total sum of \$31,149,156 is made up as follows:—

Ordinary Expenditure	\$27,364,990
Extraordinary Expenditure Public Works...	3,784,166

Ordinary Expenditure for the year was \$27,364,990 against \$27,830,266 in the preceding year showing a decrease of \$465,276.

In the following table the actual expenditure for the year 1934 is compared with the expenditure of the previous year and with the estimates for 1934.

Heads of Expenditure.	Actual 1933	Estimates, 1934	Actual 1934
	\$ c.	\$	\$ c.
His Excellency the Governor ...	164,344.89	173,504	155,716.31
Colonial Secretary's Office and Legislature	281,177.54	314,300	283,443.13
Secretariat for Chinese Affairs ...	175,321.51	168,767	141,831.49
Treasury	286,510.94	294,518	235,752.18
Audit Department	112,846.31	120,866	101,857.39
District Office, North	65,758.25	69,844	67,365.49
Do, South	47,116.63	45,175	41,790.00
(A)—Post Office	486,366.80	501,637	443,263.66
(B)— Do. Wireless Telegraph Services	159,289.80	178,174	158,301.08
Imports and Exports Office ...	723,839.62	463,025	364,101.95
(A)—Harbour Department ...	997,996.97	1,169,562	976,609.75
(B)— Do. Air Service... ..	13,899.75	167,238	50,957.36
Royal Observatory	63,165.42	70,856	60,587.19
Fire Brigade	307,896.84	357,576	328,282.13
Supreme Court	244,996.00	288,005	249,032.71
Attorney General's Office	58,305.10	68,596	63,432.77
Crown Solicitor's Office	66,115.08	73,313	41,788.82
Official Receiver's Office	27,126.48	35,422	22,832.02
Land Office	66,100.37	70,261	52,896.92
Magistracy, Hong Kong	69,373.77	71,512	78,215.85
Do., Kowloon	32,404.86	34,593	38,731.99
Police Force	2,836,532.08	3,093,466	2,808,047.57
Prison Department	853,373.28	898,503	829,798.71
Medical Department	1,414,081.59	1,745,589	1,505,264.05
Sanitary Department	1,024,574.86	1,179,394	1,051,797.13
Botanical & Forestry Department	126,761.87	136,423	127,403.14
Education Department	1,866,626.90	2,007,363	1,781,163.76
Kowloon-Canton Railway	886,381.12	1,142,781	989,167.28
(A)—Volunteer Defence Corps... ..	131,691.79	173,113	153,222.62
(B)—Military Contribution	5,694,558.60	4,974,152	5,068,138.79
Miscellaneous Services	1,504,549.67	1,528,270	1,960,653.92
Charitable Services	178,940.91	201,011	163,959.57
Charge on Account of Public Debt.	1,218,695.12	1,439,308	1,233,582.62
Pensions... ..	1,876,564.93	2,090,000	1,748,117.11
Public Works Department	2,222,873.71	2,718,748	2,304,640.98
Do. Recurrent	1,553,606.84	1,690,850	1,683,239.71
	27,830,265.70	29,750,745	27,364,990.15
Public Works Extraordinary ...	3,292,449.05	3,591,950	3,784,165.51
	31,122,714.75	33,342,695	31,149,155.66
Government House and City Development...	100,000
TOTAL... ..	31,122,714.75	33,442,695	31,149,155.66

10. The Principal Heads showing increases and decreases were as follows:

INCREASES.

<i>Magistracy, Hong Kong</i>	\$6,704.00
<i>Magistracy, Kowloon</i>	\$4,139.00
These increases were due to changes in personnel.	
<i>Miscellaneous Services</i>	\$432,384.00

The principal increases were as under. Depreciation of Sterling Funds \$413,118 due to higher dollar sterling exchange. Transport of Government servants cost \$25,530 more than estimated. Rent Allowances to Senior Officers, European Subordinate Officers and Asiatic Subordinate Officers accounted for \$3,145, \$10,001 and \$12,700 respectively above the original estimate. Savings of \$29,976 on Stationery and many small savings on sterling grants-in-aid to Institutions were due to higher exchange. \$21,821 was also saved under "Other Miscellaneous Services".

<i>Public Works Extraordinary</i>	\$192,216.00
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The gross increase on sub-heads amounted to \$1,052,196 offset by under expenditure on other sub-heads of \$859,980 resulting in the net excess recorded above. The principal excesses over the amounts originally estimated were Eastern Pumping Scheme \$37,312 due to the work proceeding more rapidly. Anti-Malaria work \$56,046 owing to more drainage work being executed. Formation of Dumping Ground at Kung Tong required a further \$99,340 as the work proceeded more rapidly. Favourable progress was made with the Un Long Water Supply and required a further \$35,344. The following are some of the more important works which were not estimated for originally but provided by supplementary votes during the year:—Shaukiwan Road Widening, 2nd Section, \$92,183, the bulk of this money was spent on resumptions. North Point reclamation \$29,290. Resumption of I. L. No. 754 \$89,700 for the establishment of a public health centre in the Western District. Resumption of I. L. Nos. 807 and 808 \$187,850. This is the property known as the Albany and was acquired for road widening and for extending the Botanical Gardens. \$50,000 was paid in connection with exchange of K. I. L. 1116 to the Church Missionary Trust Association for the Victoria Home and Orphanage. Re-surfacing the road in the vicinity of Fanling was also undertaken at a cost of \$24,768. Decreases were recorded on most of the sub-heads the general explanation being that either less work was done than anticipated or that the work was not commenced until late in the year. The more important decreases are Market Wanchai \$60,000. Senior Officers Quarters May Road \$99,949. This work has been dropped \$51 only being spent on tree cutting. Magistracy at Yaumati \$93,376. Questions of design were only settled late in the year. \$100,422 was saved under Dredging as the work only began at the end of the year. The demand for new water meters decreased and out of votes for \$100,000 only \$50,350 was spent.

DECREASES.

Post Office.

Higher exchange caused savings of \$26,462 and \$2,813 on Transit Charges and Uniform and Equipment respectively.

Imports & Exports Office.

A saving of \$11,885 on opium and \$4,358 on Uniform and Equipment were due to higher exchange. The Revenue Reward item of \$5,000 was not drawn on.

Harbour Department and Air Services.

Owing to the lower contract rate \$67,673 was saved on Coal and Oil Fuel for launches and the subsidy of \$100,000 for Commercial Aviation was not paid.

Police Force.

Higher Exchange accounted for a saving of \$4,327 on Ammunition and \$5,122 on handcuffs and revolvers. Rations for Indian Police cost \$5,403 less owing to lower contract rate and \$5,000 on Wireless for Mobile Police was saved as the Vans were not equipped.

Prison Department.

A saving of \$4,146 on Rent of quarters was effected as more Government quarters were available. One motor van estimated at \$4,000 was not purchased. The Linotype and printing machines cost \$4,478 less than anticipated owing to exchange.

Medical Department.

Higher exchange caused savings on Bedding and Clothing \$4,212; Medicines, etc., \$22,309 and Equipment for Kowloon Hospital \$4,226. Lower contract rates accounted for less expenditure on Provisions for Patients by \$33,093 and for Washing by \$3,664. The indent for X-Ray apparatus was not fully paid and \$8,900 lapsed.

Sanitary Department.

Savings of \$7,669 were effected on Exhumation and of \$4,822 on Uniform for Staff. Disinfectants and cost of 3 Lorries were \$4,659 and \$4,822 less than anticipated owing to higher exchange.

Education.

A saving of \$7,694 was effected on Capital Grants due to fewer pupils. Gymnastic gear estimated at \$4,500 was not paid for during the year.

Kowloon Canton Railway.

A saving of \$27,173 on locomotive coal resulted from the lower contract price. \$99,200 was voted for two additional Second Class Coaches but as the under frames did not arrive from England only \$13,090 was spent.

Volunteer Defence Corps.

Four Vicker Guns and spare parts showed a decrease of \$5,873 owing to higher exchange. For the same reason Anti gas equipment cost \$2,112 less than anticipated.

Charitable Services.

Expenditure on Aberdeen Industrial School was \$8,150 less than estimated during the year; \$5,000 on General Charities Organisation was not required owing to Tsan Yuk Maternity Hospital being taken over by Government and \$14,800 of the \$20,000 estimated for the Mercantile Marine Assistance Fund was not drawn on.

Charge on Account of Public Debt.

Savings of \$154,996 and \$44,098 for interest and sinking fund respectively on the 3½% Sterling Inscribed Stock were effected owing to the higher exchange.

Pensions.

The under-expenditure on this vote of \$341,883 can be attributed almost entirely to the higher sterling value of the dollar.

Public Works Department.

\$10,679 less than estimated were required for Conveyance Allowances. Higher Exchange effected a saving of \$5,933 on Repairs, Stores and Current. Orders for Additional Transmitting and additional Receiving Equipment were held over pending decision and accounted for a total under-expenditure of \$121,419 against \$243,000 provided.

Public Works Recurrent.

Less maintenance work caused a saving of \$10,055 on Buildings and \$6,222 on Drainage. \$52,350 less than anticipated was required for the maintenance of City and Hill District Water Works mainly due to the lower contract rate for coal. Upkeep and Repairs of Water Meters were \$12,894 and \$7,228 lower than estimated in Hong Kong and Kowloon respectively. The vote for Maintenance and Improvement of Road and Bridges was unexpended by \$6,110.

11. Statement of Assets and Liabilities on the 31st December, 1934.

LIABILITIES.	\$	c.	ASSETS.	\$	c.
DEPOSITS :—			ADVANCES :—		
Contractors and Officers Deposits	521,085.50		Purchase of three Locomotives for Chinese Section Kowloon Canton Railway.....	147,468.26	
Suitors Fund	43,638.29		Miscellaneous	237,642.32	
Insurance Companies	1,762,946.51		Building Loans	738,250.94	
Miscellaneous Deposits.....	2,176,481.29		Imprest Account.....	9,476.27	
House Service Account	23,614.27		Subsidiary Coin	1,261,981.10	
Government House & City Development	1,218,741.28		Trade Loan Outstanding	553,500.50	
Suspense Account. ...	975,589.24		Unallocated Stores, (P.W.D.).....	573,052.47	
Exchange Adjustment	28,038.16		Unallocated Stores, (Railway).....	170,372.02	
Trade Loan Reserve...	1,073,017.94		Dollar Loan Account...	217,067.30	
Praya East Reclamation	112,175.27		Cash Balance :—		
Coal Account	2,092.09		Treasurer... ..	2,334,087.55	
Total Liabilities...	7,937,419.84		Crown Agents.....	15,762.01	
Excess of Assets over Liabilities	12,248,755.24		* Joint Colonial Fund.....	2,913,103.46	
			Fixed Deposits:—		
			General ... \$8,800,000.00		
			Insurance Companies 1,762,946.51		
			Miscellaneous 451,464.37		
			11,014,410.88		
Total.....\$	20,186,175.08		Total\$	20,186,175.08	

*Joint Colonial Fund £242,000.0.0.

12. The excess of Assets over Liabilities on the 1st January 1934 was \$13,823,625. On the 31st December 1934 this sum had decreased to \$12,248,755 the difference of \$1,574,870 is the excess of Expenditure over Revenue as recorded in paragraph 1 of this Report.

13. The balance of moneys not required to meet current requirements was lent to the Joint Colonial Fund which amounted to £242,000 and is shown in the above statement as \$2,913,103. This fund is replenished by remittances from the Treasury and is drawn on from time to time as required by the Crown Agents.

14. The cash balance of \$2,334,088 with the Treasurer included \$622,926 held by the Official Receiver on account of Companies Liquidation and Bankruptcy. This latter figure also forms part of the sum of \$2,176,481 shewn under Miscellaneous Deposits as a liability.

15. $3\frac{1}{2}\%$ DOLLAR LOAN ACCOUNT.

ORDINANCE No. 11 OF 1934.

Statement of Expenditure as at 31st December, 1934.

Item		
1. Aberdeen Valley Water Scheme		\$2,555,702.78
2. Shing Mun Valley Water Schemes :—		
First Section,	\$ 636,765.59	
Second Section :		
Preliminary Works	\$ 36 718.84	
Filters	120,045.23	
2nd Cross Harbour Pipe	87,546.92	
Gorge Dam	3,636,414.49	
	<u>3,930,725.48</u>	4,567,491.07
3. Vehicular Ferry		1,850,417.49
4. New Gaol at Stanley		554,768.73
5. Tytam Tuk Catchwater		470,248.83
6. Air Port Development :—		
Aerodrome	\$ 20,485.92	
Air Port and Seaplane Slipway	166,495.86	
Wireless Telegraph Station	26,513.65	
		<u>213,495.43</u>
7. Redemption of $3\frac{1}{2}\%$ Sterling Inscribed Stock		3,864,942.97
8. Other Public Works
		<u>\$14,077,067.30</u>

Of the above amount the sum of \$217,067.30 was charged against surplus balances pending the issue of a further loan.

ADVANCES.

16. Purchase of three locomotives for the Chinese Section Kowloon-Canton Railway.

The Chinese Section commenced paying off this advance in July, 1932, at the rate of \$10,000 per month and the original amount outstanding has been reduced from \$447,468.26 by \$300,000 to \$147,468.26.

17. During the year the Unallocated Stores varied as under:—

	Balance at 31st December	
	1933	1934
Public Works Department	\$486,713	\$573,052
Kowloon-Canton Railway	187,917	170,372
	<u>\$674,630</u>	<u>\$743,424</u>

TRADE LOAN ACCOUNT.

18. During the year the number of outstanding loans was reduced by one from seven to six.

Instalments on account of Capital outstanding were obtained in respect of two other loans. The total reduction in Capital outstanding was \$21,000, i.e., from \$574,500.50 to \$553,500.50. The total Capital now written off amounts to \$136,263.30.

Efforts to procure redemption and, on one or two bad loans, a sale came to nothing. The Reserve account increased steadily and now amounts to \$1,073,017.94 which exceeds the Capital outstanding by \$519,517.44.

The following table shows the financial position of this account as at 31st December, 1934:—

Loans Issued since 16th November, 1925, on approved securities	\$15,633,582.97
Less Redemptions effected during the years	
1926	\$2,604,930.00
1927	4,845,879.76
1928	3,403,560.02
1929	1,356,536.86
1930	1,280,842.65
1931	832,241.62
1932	451,828.26
1933	147,000.00
1934	21,000.00
	<u>14,943,819.17</u>
	689,763.80
Less amount written off as irrecoverable....	<u>136,263.30</u>
Total of Loans outstanding on 31st December, 1934	<u><u>\$553,500.50</u></u>

— A (1) 22 —

Interest in arrears on 31st December, 1926.....	\$117,369.42	
" " 31st December, 1927.....	206,818.64	
" " 31st December, 1928.....	321,121.10	
" " 31st December, 1929.....	416,237.93	
" " 31st December, 1930.....	398,641.94	
" " 31st December, 1931.....	307,152.89	
" " 31st December, 1932.....	209,087.15	
" " 31st December, 1933.....	195,714.76	
" " 31st December, 1934.....	178,789.42	
 Total number of Loans issued since 16th November, 1925...302		
Less number redeemed in 1926.....	34	
" " " 1927.....	85	
" " " 1928.....	87	
" " " 1929.....	29	
" " " 1930.....	35	
" " " 1931.....	13	
" " " 1932.....	11	
" " " 1933.....	1	
" " " 1934.....	1	
	—	296
 Number of Loans outstanding on 31st December, 1934.....		<u>6</u>

PUBLIC DEPT.

19. The inscribed Stock Loans of 1893 and 1906 amounting to £1,485,733 were redeemed on 15th October.

The 4% Conversion loan raised in 1933 amounted to \$4,838,000 and the sinking fund established in 1934 amounted at 31st December last to £12,311. 2. 1.

In July 1934 a 3½% dollar loan was raised to finance certain public works (see para 15) and to redeem a portion of the sterling inscribed stock. Bonds to the amount of \$14,000,000 were issued at 99% producing \$13,860,000. The loan bears 3½% interest and is redeemable by drawings at par in each of the twenty-five years commencing in 1935 at the annual rate of one twenty-fifth of such issue.

Ordinance No. 11 of 1934 governs this issue and authorises the Governor to borrow up to a total of \$25,000,000. The total public debt of the Colony on 31st December, 1934 amounted to \$18,838,000—equal to about 8 months revenue as things are at present.

NOTE CIRCULATION.

20. The local circulation of notes and specie in Reserve of the three banks having authorized issues were as follows at 31st December:—

	Notes in Circulation.	Specie in Reserve.
Hong Kong & Shanghai Banking Corporation	\$131,755,918	\$132,750,000
Chartered Bank of India, Australia and China	19,848,496	8,300,000
Mercantile Bank of India, Ltd...	1,996,993	1,350,000
Total	<u>\$153,601,407</u>	<u>\$142,400,000</u>

EXCHANGE.

21. The average monthly rates for sterling and Shanghai dollars were as follows:—

January	$1/5\frac{3}{8}$	110
February	$1/5\frac{15}{16}$	110
March	$1/6$	$110\frac{1}{4}$
April	$1/5\frac{1}{2}$	$110\frac{1}{2}$
May	$1/4\frac{3}{4}$	$110\frac{1}{2}$
June	$1/5\frac{1}{16}$	$109\frac{3}{4}$
July	$1/5\frac{3}{8}$	$109\frac{15}{16}$
August	$1/6\frac{1}{16}$	$109\frac{13}{16}$
September	$1/6\frac{5}{8}$	$109\frac{3}{4}$
October	$1/7\frac{1}{2}$	$114\frac{3}{16}$
November	$1/7\frac{3}{16}$	$120\frac{7}{16}$
December	$1/8\frac{1}{4}$	$120\frac{13}{16}$

The opening rate of the year on January 2nd was $1/5\frac{3}{8}$ d., the closing rate on December 31st was $1/8\frac{1}{2}$ d. The lowest rate quoted during the year was $1/4\frac{1}{4}$ on 3rd May and the highest rate $1/8\frac{1}{2}$ on the 14th December.

GENERAL.

22. The estimates for the year were based on \$1=1s./3d. and a deficit of \$1,711,070 was estimated for. The final figures for the year, however, showed a deficit of \$1,574,870. Revenue decreased by \$2,157,339 and Expenditure decreased by \$2,293,539 when compared with the original estimates. The monthly rates for sterling are shown in the preceding paragraph from which it will be seen that on no occasion did the dollar drop below $1/4\frac{1}{4}$ while the average rate throughout the year was $1/6\frac{1}{16}$. Large savings were made under Personal Emoluments when compared with the Estimates, provision being made for \$12,955,767 but only \$11,213,115 was expended.

Some of this under-expenditure is accounted by vacancies in office and changes in personnel but by far the greater part is due to the rise in the sterling value of the dollar.

23. Under "Other Charges" savings were also effected, the total provision being \$4,871,357 against \$4,294,183 expended. For the first time for many years Public Works Extraordinary exceeded the original estimate. By a resolution of Council dated the 26th July, 1934 an extra sum of \$752,000 was placed at the disposal of the Director of Public Works to be spent on a variety of services. In addition to this many small and several large supplementary votes were approved, *e.g.* \$187,850 for the purchase of The Albany (I. L. Nos. 807 & 808) Resumption of I. L. No. 754 for the establishment of a public health centre in the Western District at a cost of \$89,700. In spite of these increases, however, the head Public Works Extraordinary exceeded the original estimate by only \$192,216.

24. Opium Sales again fell very much below the estimate, the deficit amounting to \$644,932. The following are the receipts from this source for the last 5 years:—

1930	\$2,835,287
1931	3,019,724
1932	2,314,226
1933	1,152,852
1934	655,068

25. The receipts from Estate Duties were high due to two large estates bringing in \$212,793.

26. The range in exchange from the lowest of $1/4\frac{1}{2}$ in May to $1/8\frac{1}{2}$ in December would be considered very wide if recorded under normal trade conditions but compared with differences shown in recent years it is not remarkable. Until the wheels of commerce move more freely throughout the world, and political and economic stability is assured, wide fluctuations in our exchange will occasion no surprise. As a matter of interest it may be observed that the approximate average rate for April 1935 the date of publication of this Report is $2/1\frac{3}{4}$ and may be compared with the average of $1/5\frac{1}{2}$ for the corresponding month of 1934.

27. There are two marked features in the course of exchange during 1934. The first is the steady rise from May till the end of the year, due almost entirely to the silver-buying policy of the Government of the United States. This upward movement has been considerably accelerated during the first quarter of the current year. Its effect has certainly not realised the anticipations of those who were inclined to attribute the depression in its early stages to the then depreciated dollar. It is clear that although the wide fluctuations latterly experienced have had a disturbing effect on trade the level of exchange has until recently been a minor factor in the general depression.

The second feature to be noted is the unusually high premium of the Hong Kong Dollar over the Chinese Dollar as reflected in the quotation on Shanghai. The rate that, normally should be about 110 rose in October and at times has been over 130. The trend of the premium during the first quarter of this year has been generally still higher and at the time of writing (April 30th) is 140. Our local dollar, though experiencing the occasional divergences from silver parity incidental to a speculative market has generally been kept well under control.

28. The Chinese Dollar now "managed" has remained below parity so consistently that heavy shipments of silver from China have been inevitable and have seriously embarrassed the money market in Northern Ports. The continuance of this high premium is a cause of concern to local interests.

29. Trade returns show a further decline. Imports, excluding treasure, amounted to \$415,918,522 during the year, the total for the previous year being \$500,938,794. Exports were \$325,104,653 against \$403,092,170 for 1933. Trade conditions are so fully examined in the recently published Report of the Economic Commission that it is not necessary to comment here on the causes of the decline and the suggested remedies.

30. The share market has been almost lifeless and prices of nearly all investments have sagged in the absence of support. Property values also have fallen though building still continues. Bank deposits remain high but notwithstanding easy interest rates there is little demand for money. Note Issues have fallen to \$153-3/5 millions from \$157½ millions at the end of 1933, a natural decline having regard to the decreased velocity of circulation consequent on the general inactivity of trade. Several of the more important Chinese Banks have opened branches in Hong Kong during the year and there have been no notable difficulties among the smaller native banks. The credit and repute of the Colony's financial institutions have never been higher than during this difficult period and it is satisfactory to be assured that ample encouragement and support are available to finance any possible demand that a revival of trade would need.

EDWIN TAYLOR,

Colonial Treasurer.

THE TREASURY,
HONG KONG.
30th April, 1935.