

Appendix A (1)

REPORT ON THE FINANCE FOR THE YEAR 1931.

The Revenue for the year amounted to \$33,146,724 and the Expenditure was \$31,160,774. Revenue therefore exceeded Expenditure by \$1,985,950. The approved estimated revenue for the year was \$27,488,759 while the revised figure was \$31,204,368, an increase of \$3,715,609. The actual revenue therefore exceeded the revised estimate by \$1,942,356 of which \$877,000 was due to Land Sales and \$480,000 to the increased scale of Liquor and Tobacco Duties imposed in September. The approved estimate of expenditure for the year was shown as \$29,787,855 and the revised estimate amounted to \$31,152,500 or \$8,274 below the actual expenditure.

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>Expenditure.</i>	<i>Surplus.</i>	<i>Deficit.</i>
	\$	\$	\$	\$
1922.....	22,291,065	18,563,003	3,728,062	—
1923.....	24,783,763	21,571,905	3,211,858	—
1924.....	24,209,640	26,726,423	—	2,516,783
1925.....	23,244,366	28,266,818	—	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	—

REVENUE.

3. The largest individual item of revenue is derived from the assessment tax, the sum of \$5,814,017 being collected in 1931. This represents 17.5% of the total revenue or 19.4% of the revenue exclusive of land sales. Stamp duties (including estate duties) follow with \$3,679,088.

4. In the following table the actual revenue for the year 1931 is compared with the revenue of the previous year and with the Estimates for 1931.

Heads of Revenue.	Actual 1930	Estimates 1931	Actual 1931
	\$ c.	\$ c.	\$ c.
Light Dues	329,313.46	648,740	658,337.36
Licences and Internal Revenue not otherwise specified	16,169,266.40	18,558,075	20,934,568.19
Fees of Court or Office, Payments for specific purposes, and Reimbursements in Aid.....	2,113,862.02	2,285,102	2,621,425.94
Post Office.....	1,375,267.08	1,360,000	2,035,938.60
Kowloon-Canton Railway	973,128.63	948,550	1,095,098.77
Rent of Government Property, Land and Houses	1,541,895.52	1,432,420	1,587,942.43
Interest	390,799.73	133,000	224,460.46
Miscellaneous Receipts	2,060,103.05	622,872	811,144.04
 Total (exclusive of Land Sales).....	 24,953,575.89	 25,988,759	 29,968,915.79
Land Sales, (Premia on New Leases) ...	2,864,897.03	1,500,000	3,177,807.94
 Total.....	 \$ 27,818,472.92	 27,488,759	 33,146,723.73

5. Each Head of Revenue showed an increase over the Estimates for 1931 and with the exception of Interest and Miscellaneous Receipts over the Revenue for 1930. The principal increases over the amounts as estimated were as follows:—

LICENCES AND INTERNAL REVENUE NOT OTHERWISE SPECIFIED.

Entertainment Tax \$ 34,574

(This is the first year of the tax, a new Cinema Theatre was opened in March).

Assessed Taxes \$ 149,016

(Owing to building development).

Liquor Duties \$ 816,838

(Duties on all imported liquor were placed on a sterling basis in February and duty on beer also increased).

Motor Spirit Duties \$ 75,359
(The duty of 15 cents per gallon was raised to 25 cents per gallon in September).

Opium Monopoly \$ 319,724
(The prices of Grade 2 were increased in February and the price of Kamshan Opium in October).

Stamp Duties \$ 206,087
(Heavy dealings in stocks and shares. Low dollar demanded more stamps on Bills of Exchange which are assessed *ad valorem*).

Tobacco Duties \$ 564,522
(Duties placed on a sterling basis in February).

FEEs OF COURT OR OFFICE, PAYMENTS FOR SPECIFIC PURPOSES,
AND REIMBURSEMENTS IN AID.

Deeds Registration \$ 25,675
(Activity in land transactions).

Gunpowder Storage \$ 10,014
(More storage required).

Official Receiver's Commission \$ 17,106
(Two large liquidations and one large bankruptcy).

Water Excess Supply and Meter Rents..... \$ 203,912
(More meters installed and general building development).

Water Service Fees \$ 79,404
(General building development and increased charges).

POST OFFICE.

Message Fees \$ 350,263
(Increased traffic and extension of services).

Postages \$ 325,675
(Postal rates were increased from 1st April, 1931).

KOWLOON CANTON RAILWAY.

Passenger Service \$ 128,373
(Increase in fares and number of passengers).

RENT OF GOVERNMENT PROPERTY, LAND AND HOUSES.

Buildings \$ 25,500
(Lower exchange consequently higher dollar rent from Government Officers).

Lands not leased \$ 57,318
(More permits for encroachments issued)

Leased Lands \$ 37,236
(Increase in number of Crown Leases).

INTEREST.

Interest \$ 91,460
(The estimate was prepared on the assumption that the amount provided for expenditure from surplus balances would be spent. This was not the case consequently more interest was received from short term investments than anticipated.)

MISCELLANEOUS RECEIPTS.

Condemned Stores \$ 21,755
(Variable revenue).

Other Miscellaneous Receipts..... \$ 34,986
(Variable revenue).

Widows & Orphans' Pensions Contributions \$ 119,764
(Lower exchange consequently higher dollar contributions).

Overpayments in Previous Years \$ 33,838
(New subhead. Formerly these receipts were deducted from their respective Expenditure subheads).

LAND SALES.

Premia on Leases \$1,677,807
(More sales and increased premia received).

6. 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 1931 is shewn in the following Schedule.

Heads.	Old Fees.	New Fees.	Effective from.
<i>Duties.</i>			
Import Duty on Intoxicating Liquors.	As per scale of duties published in Government Gazette Extraordinary of 15th October, 1926. Government Notification No. 558.	The same with exception of beer, porter, cider perry and stout raised from 40 cents to 60 cents per gallon and placed on a sterling basis in accordance with the resolution published in Government Notification No. 98.	19.2.31
		Deduction of 10 cents per gallon for locally distilled spirits abolished.	19.2.31
Import Duty on Spirituous Liquors.	Nil.	\$10 per gallon reckoned on sterling basis.	17.9.31
Import Duty on Motor Spirits.	Ordinance 4 of 1930 :— 15 cents per gallon.	Increased to 25 cents.	17.9.31
Import Duty on Tobacco.	Resolution passed by the Legislative Council 19th June, 1930 :—		
	Unmanufactured tobacco :—	} reduced to :—	19.2.31
	Unstripped 75 cents and 84 cents. Stripped 90 cts. and \$1.	50 cents and 56 cents. 60 cents and 66 cents.	
	Manufactured tobacco :— Cigars \$2.00 Cigarette 1.00 Other 1.00	\$1.50 0.75 0.75	
		reckoned on sterling basis. Subsequently by resolution published in Government Notification No. 584 increased to :—	17.9.31
		Unmanufactured tobacco :— Unstripped 70 cents and 79 cents. Stripped 84 cents and 93 cents.	
		Manufactured tobacco :— Cigars \$2.00 Cigarettes 0.90 Other 0.90	

Heads	Old Fees	New Fees.	Effective from.
<i>Port & Harbour Dues.</i>			
Light Dues.....	2 cts. 5/6th cts.	4 cts. 1½ cts.	1.1.31.
Buoy Rents	\$3.00 \$6.00 & \$4.00	\$16.00 \$12.00 & \$8.00	1.1.31.
<i>Licences and Internal Revenue.</i>			
<i>(A)—Licences.</i>			
Dangerous Goods (Fireworks)	\$ 10.00	\$100.00	29.10.31.
do. (Gunpowder)	25 00	250.00	29. 0.31.
Game	10.00	25.00	31. 8.31.
Money Changers	50.00	100.00	27. 9.31.
do. (N.T.)	10.00	25.00	27. 9.31.
Opium Monopoly	Kam Shan Opium 3 taels 60.00 Grade 2 Opium 1 tael 14.50 " .36 " 5.32 " .18 " 2.66 " .06 " .89 " .03 " .45	3 taels 70.00 1 tael 17.00 2 mace 3.40 6 candareens 1.10 3 " .55	
Pawnbrokers	A. Central district of Victoria. ....\$1,500 B. Elsewhere on the Island of Hong Kong and its dependencies and in Kowloon and New Kowloon .....\$1,000 C. Elsewhere in New Territories \$ 400	A. City of Victoria west of Sookunpoo Nullah, and Kowloon and New Kowloon west of Railway as far as and including Shamshupo. \$2,500 B. City of Victoria and areas west of Sookunpoo Nullah to the War Department land east of A Kung Ngan and also Aberdeen and Aplichau and Kowloon and New Kowloon east of the Railway as far as and including Kowloon City & Kai Tack. \$2,000 C. Elsewhere on the Island of Hong Kong and the remainder of New Kowloon ... ..\$1,000 D. The remainder of the New Territories. \$ 500	27. 8.31.

Heads.	Old Fees.	New Fees.	Effective from.
<i>Fees of Court or Office, &c.</i>			
Births & Deaths Registration ...	Graded	Graded higher	16.10.31
Boundary Stone..	Graded	Do.	6.11.31
Court		Increased by 25%	17.7.31
Earth & Stone Permits, N. T. per junk to cut earth.....	p. m. \$5.00	p. m. \$10.00	1.9.31
	4 workmen \$1.00	4 workmen \$ 2.00	1.9.31
Medical Examination of Emigrants	Vaccination fee 20 cents	} now inclusive \$ 1.00	1.8.31
	Emigration 50 cents		
Miscellaneous :—			
Permits for carrying long loads .....	.....	New item \$ 2.00	27.9.31
Permits for cars to use closed roads .....	.....	Do. (permanent) \$20.00	Do.
Permits for cars to use closed roads .....	.....	Do. (temporary) \$ 2.00	Do.
Permits for trucks to use closed roads..	.....	Do. (permanent) \$20.00	Do.
Permits for trucks to use closed roads..	.....	Do. (temporary) \$ 2.00	Do.
Money Lenders...	Triennially \$10.00	Annually \$50.00	16.10.31.
Motor Drivers, Learner Examination .....	.....	\$ 5.00	27. 9.31,
Motor Ambulance	Per trip irrespective of boundaries \$3.00	Inside boundaries of Victoria, Kowloon & New Kowloon \$ 5.00	14.9.31
		Outside do. do. \$10.00	
Official Certificates, Colonial Veterinary Surgeon's Certificate of Health on export of animals other than cattle .....	.....	per head \$ 5.00	31.7.31

Heads.	Old Fees.	New Fees.	Effective from.
Official Signatures	\$2.00	\$ 5.00	2.10.31
Trade Marks Registration ...		Increased by about 100%	1.9.31
Water Services ...		New item	
<i>(B)—Receipts.</i>			
Police Services...	\$8 & \$2.00	\$20 & \$ 3.00	1.9.31
Prisoners' Subsistence (debtors) ...	25 cents	\$ 2.00	22.10.31
Slaughter Houses (Cattle) -	50 cents.	60 cents.	1.10.31
Slaughter Houses (Sheep) -	10 cents.	35 cents.	"
Slaughter Houses (Swine) ...	10 cents.	40 cents.	"
<i>(D)—Sales.</i>			
Timber (Loan of Plants)	6 cents	8 cents.	1.9.31
<i>Post Office.</i>			
Postage :		Govt Notification 137 of 27.3.31.	1.4.31
Letters, Places in the Colony	2 cent for each oz or part of oz.	3 cents.	
Letters, U. K. and British Possession ...	} 4 cents for each oz or part of oz.	12 cents per oz.	
Letters, Empire via Suez		12 cents per oz.	
Letters, Empire via Siberia.		20 and 10 cents.	
Letters, Macao, China.		4 cents.	
Letters, Foreign Places.		10 cents for 1st oz and 6 cents for each additional oz.	20 and 10 cents.
Postcards, Places in the Colony.	1 cent	2 cents.	
Postcards, U.K. and British Empire.	4 cents	8 cents.	
Postcards, Macao.	1 cents	2 cents.	
Postcards, China.	2 cents		

Heads.	Old Fees.	New Fees.	Effective from
Postcards, Foreign countries. ...	4 cents	8 cents.	
Printed papers. Commercial papers.	2 cents	4 cents.	
Small Packets.	10 cents for 1st ten ozs. & 2 cents for each additional 2 ozs	20 cents.	
Minimum rate for packets :- containing commercial papers.	32 cents for 1st eight ozs. and 8 cents for each additional 2 ozs.	50 and 15 cents.	
containing printed papers.	10 cents	20 cents.	
Registration fee	4 cents	8 cents.	
Insurance	10 cents for each postal packet.	20 cents.	
<i>Rent of Govt. Property, &c.</i>	25 cents	40 cents per £12 or gold fcs. 300.	
Lands Not Leased :- (Quarry Permits)	for 4 men \$1.00	\$5.00	1.9.31
<i>Misc. Receipts.</i>			
"Other" Supervision etc. on footpaths & drains & Private Street Improvements.....	For work under \$500 20% \$500 to 1,000 10,, \$1,000 and over 5,,	Under \$100 25% \$100 to 500 20% \$500 to 1000 15% \$1,000 and over 10%	1.9.31 " " "
Inspection of Nursery Stock.	—	Not exceeding 20 bales \$5.00 21 to 250 bales \$10.00 Exceeding 250 bales \$20.00	24.7.31 "
"Other" supervision: —			
Trenches (H.K. Telephone Co.)	10 %	25 %	1.9.31
„ (H. K. Electric Co.)	10 „	25 „	„
„ (China Light & Power Co.)	10 „	25 „	„
„ (H.K. Tramway Co.)	10 „	25 „	„
„ (Gas Co.)	33 „	25 „	„
„ various.—			

Heads.	Old Fees.		New Fees.		Effective from	
Great Northern Telegraph Co.,	}	\$100 to \$1000	10 %	\$100 to \$ 500	20 %	1.9.31
Eastern Extension		Over \$1000	5 "	500 to 1,000	15 "	"
Dairy Farm Co. Supervision fees for work done for private individuals...		Under \$500	20 %	Under 100	25 %	"
House Service work		\$500 to \$1000	10 "	\$100 to \$ 500	20 "	"
		Over \$1000	5 "	500 to 1,000	15 "	"
		Labour	33½ %	Over 1,000	10 "	"
		Materials	20 "	{ Over all charge	33½ "	"

7. The Resolution placing Liquor and Tobacco Duties on a sterling basis is worded as under:—

“Provided that the dollars and decimals thereof stated in the table shall be conventional dollars reckoned as the equivalent of one shilling and eight pence sterling; and that consequently to arrive at the actual amount payable in Hong Kong currency the conventional dollar stated in the Table shall be multiplied by 20 and divided by a figure settled by the Colonial Treasurer from time to time representing the average opening selling rates for the previous month of the Hong Kong and Shanghai Banking Corporation for demand drafts on London and until so settled the figure shall be 11.37.”

EXPENDITURE.

8. The expenditure for the year amounted to \$31,160,774 against an estimate of \$29,787,855, an increase of \$1,372,919. The total sum of \$31,160,774 is made up as follows:—

Ordinary Expenditure \$28,785,843

Extraordinary Expenditure, Public Works 2,374,931

Ordinary Expenditure for the year was \$28,785,843 against \$25,269,147 in the preceding year showing an increase of \$3,516,696.

9. In the following table actual expenditure for the year 1931 is compared with the expenditure of the previous year and with the Estimates for 1931.

Heads of Expenditure.	Actual 1930		Estimates, 1931		Actual 1931	
	\$	c.	\$		\$	c.
H. E. the Governor	150,450.32		155,890		170,605.97	
Cadet Service	517,813.61		566,221		636,078.97	
Senior Clerical and Accounting Staff	323,756.12		334,113		341,045.84	
Junior Clerical Service	860,645.52		916,050		871,431.71	
Colonial Secretary's Office and Legislature	68,438.19		60,625		68,228.05	
Secretariat for Chinese Affairs ...	18,896.25		19,629		21,308.45	
Treasury... ..	34,189.06		54,635		71,280.57	
Audit Department	67,919.44		72,604		81,080.71	
District Office, North	24,844.96		24,317		22,958.36	
Do, South	13,752.61		12,340		11,041.82	
Communications:—						
(a) Post Office	353,689.84		408,405		406,215.36	
(b) Do. Wireless Telegraph Services }	129,997.69		149,961		148,677.96	
Imports and Exports Office ...	903,181.60		871,194		1,031,294.48	
Harbour Department	999,605.03		1,164,394		962,648.12	
Do. Air Service... ..	93,896.70		154,568		26,691.12	
Royal Observatory	54,133.40		71,012		74,137.85	
Fire Brigade	315,431.08		326,479		305,016.77	
Supreme Court	173,796.86		173,354		185,316.02	
Attorney General... ..	47,400.55		47,226		50,632.92	
Crown Solicitor's Office	47,911.93		50,322		55,252.64	
Official Receiver	23,163.87		18,631		20,711.14	
Land Office	38,368.71		36,754		42,163.90	
M. gistry, Hong Kong	1,961.55		2,399		1,990.37	
Do. Kowloon	2,085.55		2,190		1,892.66	
Police Force	2,569,664.42		2,710,962		2,768,161.31	
Prisons Department	677,585.16		713,369		778,119.73	
Medical Department	1,186,249.73		1,446,585		1,336,923.89	
Sanitary Department	868,949.89		954,276		851,751.65	
Botanical & Forestry Department	120,191.99		119,587		116,683.84	
Education Department	1,662,169.33		1,739,708		1,707,557.94	
Public Works Department... ..	2,033,300.08		2,038,928		2,306,678.48	
Do. Recurrent	1,564,118.43		1,536,150		1,581,926.75	
Do. Extraordinary	2,850,498.83		2,500,000		2,374,931.99	
Kowloon-Canton Railway	826,405.47		947,547		879,211.25	
Defence:—						
(a) Volunteer Defence Corps	93,842.05		103,660		97,983.26	
(b) Military Contribution ...	3,863,769.31		4,784,290		4,932,598.36	
Miscellaneous Services	1,733,444.10		1,490,955		2,211,125.69	
Charitable Service	135,186.50		142,293		174,585.90	
Charge on Account of Public Debt	1,588,117.82		1,638,230		1,894,290.79	
Pensions... ..	1,080,821.99		1,228,000		1,541,441.41	
Total \$	28,119,645.54		29,787,855		31,160,774.00	

10. Comments on the more important items showing increases and decreases over the estimates are given below.

Decreases.

JUNIOR CLERICAL SERVICE	\$ 44,618
(Vacancies in staff).	
HARBOUR DEPARTMENT	\$201,745
(Annual overhauls and repairs generally were cut down. Conversion of Commercial Moorings was not proceeded with so rapidly. Replacement of boilers to two launches and purchase of new launch for Sanitary Department were suspended).	
HARBOUR DEPARTMENT, AIR SERVICES	\$127,876
(Annual subsidy to Flying Club reduced by \$15,000. Subsidy to Commercial Aviation \$50,000 not required and grant of \$60,000 to Flying Club inserted in the Estimates erroneously).	
MEDICAL DEPARTMENT	\$109,661
(Economical measures and lower contract prices accounted for a saving of \$17,758 in provisions for patients. Equipment of the maternity block, Kowloon cost \$23,475 less than expected. Maintenance of Lunatics at Canton and the grant to the Sheklung Leper Asylum accounted for \$10,954. Vacancies in office and leave reduced the amount required under Personal Emoluments and Conveyance allowances by \$18,193 and \$6,513 respectively).	
SANITARY DEPARTMENT	\$102,524
(Vacancies in staff reduced the amount required under Personal Emoluments by \$28,084. A saving of \$15,354 was made on the 33 Subheads under "Other Charges". Instead of four light draft lighters and two sailing junks being purchased only one lighter and one junk were bought, a decrease of \$24,000. In addition the purchase of two motor cars and two motor vans estimated at \$30,000 was postponed).	
EDUCATION DEPARTMENT	\$ 32,150
(Of this amount the sum of \$28,456 was saved under Personal Emoluments due to vacancies unfilled).	

KOWLOON CANTON RAILWAY..... \$ 68,335

(The new locomotives being fitted with superheaters and feed water heaters and further a better quality of coal resulted in a reduction of \$38,722 in the amount estimated for coal. In addition general savings under "Other Charges" amounted to \$20,474. Postponement of works under "Special Expenditure" including Sheung Shui Station extension (\$38,479) reduced the amount required under this head by \$60,934. On the other hand the derailment at mile 9 $\frac{3}{4}$ and washout to the embankment in April cost \$51,110).

PUBLIC WORKS EXTRAORDINARY \$125,068

(Many works provided for in the Estimates were curtailed or cut out in order to economise).

Increases.

CADET SERVICE \$ 69,857

(Due entirely to the fall in exchange).

TREASURY \$ 16,645

(Salaries accounted for \$6,266 and \$10,451 was spent more than estimated in the purchase of Revenue stamps owing to increased duty and the larger demand from the public).

IMPORTS AND EXPORTS OFFICE \$160,100

(The purchase of raw opium cost \$156,071 more than anticipated owing to the fall in the dollar).

POLICE FORCE \$ 57,199.

(The following subheads were exceeded owing to exchange Personal Emoluments \$32,370, Ammunition \$6,635, Passages \$40,242. In addition a motor emergency unit was bought at a cost of \$10,662. The principal savings were Clothing \$11,886, Bedding \$3,406, Conveyance allowances \$3,353, Rations for Indian Police \$7,808, and Expenses of Anti Piracy Guards \$5,478).

PRISONS \$ 64,750

(Of this increase \$49,204 was due to a revised and improved scale of rations for prisoners and \$6,445 to an increase in the price of gas).

PUBLIC WORKS DEPARTMENT	\$267,750
(Personal Emoluments cost \$268,924 more than estimated. Economies were effected in nearly all the subheads under "Other Charges" but these were counterbalanced by an excess of \$22,938 on Radio stores owing to increased traffic and \$78,098 in the purchase of a Broadcast transmitter).	
PUBLIC WORKS RECURRENT	\$ 45,776
(Owing to economy requirements work was greatly curtailed on general maintenance resulting in savings amounting to \$234,132. On the other hand the Typhoons during the year cost \$90,833 more than provided in the estimates. \$146,926 was spent in addition to the amount originally voted on water meters due to the large demand and the increase in the price of gas accounted for \$34,057).	
DEFENCE.—Military Contribution	\$148,308
(Balance of contributions in respect of the year 1930 paid when the final figures for the year were known).	
MISCELLANEOUS SERVICES	\$720,170
(Transport of Government Servants cost \$189,742 more than estimated owing to the low rate of exchange and to the fact that the original vote was somewhat under-estimated. The rise in exchange towards the end of the year caused the dollar value of sterling securities and short term investments as at 31st December to require adjustment for the balance sheet costing \$385,961. The actual market depreciation in sterling of sterling securities forming the investments on account of surplus balances amounted to £10,005—9s.—11d. or \$144,986 and this sum was also written off. Expenses in connection with the Currency Commission amounted to \$35,201).	
CHARITABLE SERVICES	\$ 32,290
(A special grant of \$20,000 was made to the Flood Relief Fund of China).	
CHARGES ON ACCOUNT OF PUBLIC DEBT	\$256,060
(The whole of this increase is due to the fall in exchange).	
PENSIONS	\$313,441
(For the most part this is due to the fall in exchange).	

11. STATEMENT OF ASSETS AND LIABILITIES ON THE 31ST DECEMBER, 1931.

LIABILITIES.	\$	c.	ASSETS.	\$	c.
DEPOSITS :—			ADVANCES :—		
Contractors and Officers Deposits...	415,261.81		On account of Future Loan ...	3,484,014.01	
Suitors Fund	590,712.07		Purchase of three Locomotives for Chinese Section		
Miscellaneous Deposits	2,611,171.02		Kowloon-Canton Railway	447,468.26	
Postal Agencies	1,451.91		Miscellaneous	83,036.70	
Suspense Account	923,010.85		Building Loans	1,053,924.31	
Exchange Adjustment..	332,099.29		Imprest Account.....	6,330.31	
Trade Loan Reserve ...	1,045,389.41		Subsidiary Coin	1,296,805.90	
Praya East Reclamation	142,642.33				
Coal Account	2,672.68		INVESTMENTS :—		
Crown Agents—Overdraft.....	1,357.16		Surplus Fund	1,363,434.80	
			Crown Agents Remittances.....	41,588.44	
			Trade Loan Outstanding	1,232,579.76	
			Unallocated Stores, (P. W. D.).....	517,248.14	
			Unallocated Stores, (Railway)	163,545.31	
			Lorry Haulage Account	1,743.26	
			CASH BALANCE :—		
Total Liabilities ...	6,065,768.53		Treasurer	3,588,678.89	
Excess of Assets over Liabilities	11,347,629.47		* Joint Colonial Fund.....	2,303,999.99	
			Fixed Deposits ...	1,828,999.92	
Total	\$ 17,413,398.00		Total	\$ 17,413,398.00	

* Joint Colonial Fund £159,000 0s. 0d.

12. The excess of Assets over Liabilities on the 1st January 1930 was \$9,361,679. On the 31st December 1931 this sum had increased to \$11,347,629; the difference of \$1,985,950 is the excess of revenue over expenditure as recorded in paragraph 1 of this Report.

13. The Crown Agents had a small overdraft on current account at the end of year of £93. 13s. 2d. The balance of moneys not required to meet current requirements was lent to the Joint Colonial Fund which amounted to £159,000 and is shown in the above statement as \$2,303,999. This fund is drawn on from time to time as required by the Crown Agents.

14. The cash balance of \$3,588,678 with the Treasurer included \$1,295,643 held by the Official Receiver on account of Companies Liquidation and Bankruptcy. This latter figure also forms part of the sum of \$2,611,171 shewn under Miscellaneous Deposits as a Liability.

15. The Surplus Fund \$1,363,434 represents the market value of the stocks as at 31st December 1931 and was invested as follows:—

AMOUNT OF STOCK, &C.	NOMINAL VALUE.	COST PRICE.	MARKET VALUE.
STERLING INVESTMENT.			
London County Council, (1945-85) .....4½% Stock.	£ 10,137.14. 0	£ 9,137. 2. 0	(88½) £ 8,971.17. 3
Natal, (1929-49).....3 % ..	7,600. 0. 0	5,646. 7. 0	(69) 5,244. 0. 0
Newcastle Corporation, (1945-55).....4½% ..	10,000. 0. 0	9,600. 0. 0	(90) 9,000. 0. 0
Queensland, (1940-60) ...5 % ..	29,009.16.10	28,719.14.11	(73) 21,177. 3. 6
Treasury Bond, (1932-4) 4½% ..	50,972. 9. 5	50,993. 9.11	(97½) 49,698. 3. 2
	£ 107,720. 0. 3	£ 104,096.13.10	£ 94,091. 3.11

ADVANCE ON ACCOUNT OF FUTURE LOAN.

16. This money has been expended as under:—

Aberdeen Water Scheme.....	\$1,868,983.12
Aerodrome	740,331.42
Shing Mun Valley Scheme 1st Section...	367,961.85
" " " " Filters	88,831.34
Vehicular Ferry	417,906.28

—————
\$3,484,014.01

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

	<i>Balance at 31st December</i>	
	<i>1930.</i>	<i>1931.</i>
Public Works Department	\$546,580	\$517,248
Kowloon Canton Railway...	141,811	163,545
	<hr/>	<hr/>
	688,391	680,793

SUBSIDIARY COIN.

18. The amount shown in the Statement was made up as under.

50 cents	\$	373.50
20 ,,		124,521.40
10 ,,		1,169,339.70
5 ,,		1,696.30
copper		875.—
		<hr/>
		\$1,296,805.90

19. A new one cent piece was coined during the year and put into circulation on the 1st December. The new piece is of mixed metal (bronze) weighing grains 62.5 (Grammes 4.050) and is much smaller than the old one cent piece which weighs grains 115.75 (Grammes 7.501). Its appearance met with warm approval by the public and it was necessary immediately to indent for further supplies. The nominal amount of Subsidiary Coin in circulation was \$17,924,370.

TRADE LOAN.

20. Thirteen loans were paid off reducing the number outstanding at the end of the year to nineteen amounting to \$1,232,579.76. Up to the 31st December 1931 \$14,323,990.91 of the amount of \$15,633,582.97 outstanding had been recovered. It was again found necessary in three cases to resort to enforcement of securities. Power of sale was duly exercised as favourable opportunities arose, the principal sums lent were fully recovered, overdue interest being foregone.

21. The Working Account or Reserve to which interest is credited increased by \$154,382.09 to \$1,045,389.41 and is now only \$187,190.35 short of the Capital Account at the end of the year.

22. The following table shews the position as at 31st December, 1931:—

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
	<hr/>
	14,323,990.91
	<hr/>
Total.....	\$ 1,309,592.06
Less amount written off as irrecoverable	77,012.30
	<hr/>
Total of Loans outstanding on 31st December 1931	\$ 1,232,579.76
	<hr/>
Interest in arrears on 31st December 1926	\$ 117,369.42
" " " " 31st " 1927	206,818.64
" " " " 31st " 1928	321,121.10
" " " " 31st " 1929	416,237.93
" " " " 31st " 1930	398,641.94
" " " " 31st " 1931	307,152.89
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
	<hr/>
	283
	<hr/>
Number of Loans outstanding on 31st December 1931.....	19
	<hr/>

PUBLIC DEBT.

23. The inscribed Stock Loans of 1893 and 1906 amounted to £1,485,733 and the Sinking Fund stood at £761,447 as against £719,664 at the end of 1930.

24. The Public Works Loan (Ordinance No. 14 of 1927) amounted to \$4,927,000. \$3,000,000 of this loan was issued locally at par on November 1st 1927. The second issue was made on November 1st 1928 at a premium of 3%—Bonds to the nominal value of \$1,927,000 being allotted. The Sinking Fund amounted to £98,036 as against £75,749 at the end of 1930.

NOTE CIRCULATION.

25. 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	\$128,738,801	\$112,000,000
Chartered Bank of India Australia and China.....	22,483,681	8,300,000
Mercantile Bank of India Limited	3,409,400	1,350,000
	<hr/>	<hr/>
Total.....	\$154,631,882	\$121,650,000
	<hr/>	<hr/>

EXCHANGE.

26. The average monthly rates for sterling and Shanghai taels were as follows:—

January	11.844	74.698
February	11.027	76.053
March	11.774	76.579
April	11.768	77.342
May	11.556	78.169
June	11.475	79.108
July	1/- .040	78.895
August	11.524	79.169
September	1/- .212	77.891
October	1/2.492	76.741
November	1/4.200	75.300
December	1/5.181	74.612

The opening rate of the year on January 2nd was 1s./0 $\frac{3}{4}$ d., the closing rate on December 31st was 1/5 $\frac{5}{16}$. The lowest rate quoted during the year was 10 $\frac{3}{4}$ d. on 14th February and the highest rate 1/5 $\frac{13}{16}$ on the 8th December.

GENERAL.

27. The estimates for the year were based on \$1. = 1s./4d. and a deficit of approximately \$2,300,000 was budgeted for. To reduce this deficit it was decided that the basis of conversion of sterling salaries into dollars should be altered, half being converted at the Treasury rate of exchange and half at 1s./6d. to the dollar. The adoption of this plan was estimated to effect a saving of \$388,000 in the expenditure reducing the deficit to \$1,912,000. The opening rate of exchange for 1931 was however 1s./0 $\frac{3}{4}$ d. to the dollar and it was estimated that the fall in the dollar from 1s./4d. to 1/- would increase expenditure during 1931 by \$1,838,000 allowance having already been made for the payment of salaries in the manner indicated. Steps had therefore to be taken both to reduce expenditure and to increase revenue. The Estimates were accordingly pruned to the extent of \$950,000 and extra revenue was obtained by the following increases.

Opium prices raised as from 13/2/31 estimated to produce	\$166,000
Liquor duties from 19/2/31 estimated to produce	350,000
Tobacco duties from 19/2/31 estimated to produce	928,000
Postal Rates from 1/4/31 estimated to produce...	150,000

The effect of these proposals was estimated to bring the deficit back to the original figure of \$1,912,000 (allowing for 20% Military Contribution on the extra revenue).

28. The dollar actually dropped on the 14th February 1931 to 10 $\frac{3}{4}$ d. the lowest point reached. Meanwhile the question of increasing licences, fees and other receipts was explored. The result of this may be seen by referring to the table given earlier in this report. The revenue was well maintained and at the end of the half year \$2,068,007 more than one half of the original estimate of \$27,488,759 for the whole year had been obtained.

29. In normal times the revenue of Hong Kong comes in steadily throughout the year. There is no period shewing a heavy excess over any other period. The following figures show the collections during each Quarter of 1931.

1st Quarter	\$7,942,445
2nd ,, 	\$7,869,941
3rd ,, 	\$8,089,384
4th ,, 	\$9,244,952

Land Sales owing to the continued building development brought in a total of \$3,177,807 or \$1,677,807 over the Estimate. This is second to the record year of 1923 when \$3,488,797 was received. Expenditure was restricted to services absolutely essential to the administration of the Colony and notwithstanding the low dollar the original estimates were only exceeded by \$1,372,929. England's departure from the gold standard in September made a considerable difference to Hong Kong and reduced the dollar equivalent of the Colony's sterling commitments during the last quarter. This helped materially. In addition the payment of officers on sterling salaries on the half and half principle mentioned above, saved the Treasury approximately \$1,100,000 throughout the year.

30. Remittances from abroad continued to flow into the Colony during 1931 but not to the same extent as in 1929 and 1930. Bankers fixed deposit rates at the beginning of the year were about 2% for renewals of year money. No interest was paid on new short money. In October 2% and in special cases a little more was again obtainable for 12 months. There is still a large amount of surplus funds in the Colony available for investment. The silver dollars which in 1930 appeared to be a serious embarrassment have now been absorbed. The coins have to some extent gone into circulation in replacement of dollar notes which are no longer issued but by far the greater part has been absorbed in the silver reserve of the Hong Kong and Shanghai Bank whose note issue has shewn an expansion commensurate with public demands.

31. Trade as a whole in Hong Kong may be described as about the same with a quieter tendency. From statistics however, the import trade would appear to have been slightly better than in 1930. The export trade did not shew any signs of increasing in spite of the low dollar. The political troubles in China were added to by serious floods during the earlier part of the year in the Southern Provinces and later on by the overflowing of the Yangtse River causing disease and famine and finally the Chinese tariffs were increased. A feature worth recording was the boycott of Japanese goods during the last quarter of the year. The effect of this was a large falling off in imports from Japan which together with the higher dollar during the last three months deflected the trade in piece goods to the United Kingdom. It is indeed a source of satisfaction to record how well Hong Kong has stood up against world depression and unrest.

32. The year from a Treasurer's point of view has been most difficult and arduous. A shilling dollar in January and every prospect of a very large deficit by December called for the greatest care in expenditure. The subsequent increases in taxation especially in the many minor licences and fees as enumerated earlier in this report were not done without a great deal of care and consideration.

EDWIN TAYLOR,
Treasurer.

THE TREASURY,

Hong Kong, 5th May, 1932.