

Appendix A (1).

REPORT ON THE FINANCES FOR THE YEAR 1912.

REVENUE.

The total revenue for the year amounted to \$8,180,694 being \$503,206 in excess of the estimate and \$683,463 more than the revenue in 1911. Compared with that year there were increases under every head with the exception of Interest and Land Sales, the decrease under the former head being accounted for by a Bank overdraft during the latter half of 1912.

2. The principal sub-heads showing an increase over the estimate are as follows:—

(a.) Stamp Duties, - - - - -	\$431,312
(b.) Land Sales, - - - - -	63,785
(c.) Assessed Taxes, - - - - -	60,292
(d.) Water Excess Supply and Meter Rents, - -	31,622
(e.) Fines, - - - - -	30,996
(f.) Other Miscellaneous Receipts, - - - - -	18,546
(g.) Junk Licences, - - - - -	17,982
(h.) Payment on account in respect of British Postal Agencies, - - - - -	15,484

These increases are due generally to the following causes:—

(a.) Death duties were paid on certain large estates, and trade was prosperous.

(c.) A new assessment, made during the year, showed a considerable increase in rentals, which increase is attributed to the influx of Chinese into the Colony on account of the unrest in South China.

(d.) Arrears on account of 1911 were paid in 1912.

(e.) The influx of Chinese owing to the unrest in South China led to a considerable increase in Police Court cases.

(f.) Certain unclaimed monies lapsed from bankrupt estates to the Government and the balance of the Praya Reclamation Fund was transferred.

(g.) An improved system of licensing was introduced, under which junk owners were required to pay the sum of \$1 for permanent licence books.

(h.) Arrears outstanding. When the estimates were framed the amount of these and the probable date of payment were not known.

3. The principal decreases were :—

- (a.) Kowloon-Canton Railway—Main Line, - - \$180,481
Attributed to the unsettled state of the Kwong Tung Province.
- (b.) Liquor Duties, - - - - - 19,425
An increase in the rates of duty did not bring in the revenue anticipated.
- (c.) Postage, - - - - - \$ 18,956
Anticipations based on the facilities afforded by the through railway traffic to Canton were not realised.
- (d.) Imperial Contribution on account of loss of Opium Revenue, - - - - - 15,880
Due to rise in exchange.
- (e.) Stone Quarries, - - - - - 8,095
The unrest in South China caused stagnation in the trade with the Kwong Tung Province.

EXPENDITURE.

4. The total expenditure amounted to \$7,202,543, being \$650,135 under the estimate, and \$125,366 more than the expenditure in 1911. Compared with the estimates there was decrease under every head with the exception of Miscellaneous Services, Military Expenditure, Public Works Recurrent, and Charitable Services. The excess, amounting to \$12,054, under Miscellaneous Services was largely due to charges in connection with a revised edition of the Ordinances and to an under-estimate of loss on subsidiary coins. Military Expenditure exceeded the estimate by a sum of \$17,068, being the balance of contribution due to the Imperial Government in respect of the year 1911: and an excess of \$18,536 under Public Works Recurrent is more than accounted for by an excess of \$27,952 in respect of the vote "Waterworks: Maintenance of City and Hill District", due to pumping necessitated by the deficient rain-fall.

5. The principal increases under sub-heads of expenditure are as follows :—

- (a.) Typhoon Refuge, Mongkoktsui, - - - - - \$121,289
Due to better progress being made with the work than was anticipated.
- (b.) Compensation for deprivation of marine front-age rights in respect of Kowloon Marine Lots 29, 30, and 31, - - - - - 97,227
This compensation was awarded by the Supreme Court in respect of reclamation being carried out at Yaumati.

The value in the Treasury Books was \$169,288.31, discount, written off the stock, being taken at 7 per cent. Coins of the face value of \$1,040,000 were sent to England during the year for purpose of demonetization.

16. The limits between which the rates of discount ranged were :—

50 cent pieces	1	per cent. to	4	per cent.
20	3½	”	8	”
10	4½	”	8½	”
5	par	”	5	”
Copper	8	”	12	”

The rates, as in previous years, were lowest towards the end of the summer, owing to the steady drain of subsidiary coin from Canton into the country during the silk season. On the 1st July an Ordinance prohibiting the circulation of foreign copper coin came into force, and from that date Hongkong copper coin has been interchangeable with ten cent pieces.

17. The circulation in December of notes of the three Banks having authorized issues was as follows :—

Hongkong and Shanghai Bank,	\$ 19,784,469
Chartered Bank of I., A. & C.,	5,329,419
Mercantile Bank of India,	496,323
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	\$ 25,610,211
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The inconvenient size of the silver dollar, approximating to that of a five shilling piece, has caused a steady demand on the part of the European population for one dollar notes, and a large number of notes of this denomination, issued by the Portuguese Banco Nacional Ultramarino, are in circulation. The Hongkong and Shanghai Bank were authorized during the year under review to increase their issue of these notes from \$226,000 to \$350,000.

There was during the year a limited circulation of notes issued by the Chinese Republican Government, but these did not find much favour and they reached a discount of thirty per centum, as they are payable only in subsidiary coin and their redemption is subject to various restrictions.

A. G. M. FLETCHER.
Treasurer.

30th April, 1913.

9. The following statement shows the Liabilities and Assets on the 31st December, 1912 :-

LIABILITIES.	\$ c.	ASSETS.	\$ c.
Deposits not Available,	223,777.48	Subsidiary Coins,	251,583.66
House Service,	3,805.52	Advances,	6,461.00
Crown Agents' Advances,	1,913,452.80	Imprest,	919.89
Postal Agencies in China,	140,303.79	Railway Construction,	5,249,535.29
Overdraft, Bank,	633,282.61	Unallocated Stores,	212,212.47
" Crown Agents' Current Account,	960.32		
Total Liabilities,	2,915,582.52		
Balance,	2,805,129.79		
Total,	\$ 5,720,712.31	Total,	\$ 5,720,712.31