Improvements and permanent additions to your property of this and similar character are necessary to the healthy and continuous development and retention of traffic, and expenditures for these purposes will not cease so long as the Company continues to prosper. These expenditures must be made either from profits or from new capital.

The Directors hold that the annual profits, after providing for a reasonable reserve fund, should be divided among the shareholders, and that additions and improvements to the property should be provided for by new capital.

The additions and improvements made for a number of years back have been provided for by the issue of four per cent Debenture Stock, the additions including the steamships in the China line.

Debenture stock has also been issued to take up interest bearing obligations of the Company as opportunity has offered, and when the exchange could be made to advantage.

Your Directors, however, are of the opinion that the time has arrived when these outlays may be advantageously provided for otherwise than by the issue of 4 per cent. Debenture Stock; and in order that a proper relation may be maintained between the fixed obligations of the Company and its Capital Stock, and in view of the high credit of the Company, which your Directors feel sure will be strengthened year by year, they procured the passing of an Act by the Parliament of Canada at its last session, restoring to the Company the powers of its original charter respecting the creation of preference stock.

This Act permits the creation of such preference stock as may be authorized by a two-thirds vote of the