

For Immediate Issue**HONG KONG SME SECTOR TO FEEL PINCH OF DISAPPOINTING BUDGET
*Taxation Expert Says Financial Secretary Should Follow Singapore's Lead***

*Hong Kong, 4th March 2009.....*In response to the 2009/10 Hong Kong budget delivered last week by Financial Secretary, Mr. John Tsang Chun-wah, Hong Kong boutique financial services provider, AFP Group, headed by Asia taxation expert Mr Roddy Sage, has publicly expressed disappointment at the lack of measures taken to support Hong Kong's SME's, at a time when they need it most.

In view of the current global recession, and in light of last year's promises of significant public expenditure, the hope in many quarters was that the Financial Secretary would announce a further fiscal stimulus package. Unfortunately, the giveaways of the previous budget proved to be no indication of the Financial Secretary's willingness to run significant budget deficits in the future.

" 'Slight' is perhaps the best way to describe the scale of the fiscal stimulus in this budget," says AFP Group CEO Roddy Sage. "I do not believe that this year's budget will ease the pain of those taxpayers who have contributed to the Government's reserves for many years. We should note that those reserves are being maintained at a relatively high level. Mr Tsang clearly places a lot of faith in Hong Kong's 'can do' spirit to propel it beyond the current short term challenges into more prosperous times," he added.

With the exception of the SME Loan Guarantee Scheme that was introduced late last year, there was little to assist SME's in this year's budget; subsidies to assist staff retention, reductions in corporate tax rates for less profitable companies, and provision for the carry back of tax losses were all absent. So too was a continuation of the waiver of the company business registration fee.

Equally as notable in its absence from the budget is the lack of detail as to how the Government will promote and enhance Hong Kong as a financial centre. Long sought after revisions to legislation that would enable the fund management and trust administration industries to compete on a level playing field were not forthcoming. Even clarification of the Inland Revenue Department's application of its own practice note on the location of the source of income was not mentioned.

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Continues Roddy, “Until such basic issues as these are addressed, Hong Kong will struggle in the challenge to be recognised as Asia’s leading financial centre.

“By comparison to the measures that Singapore has put in place to prop up its SME sector during these trying times, this budget clearly does not far go far enough. I believe that the coming year will be one in which we will sadly see more job losses and more SME’s – the backbone of the Hong Kong economy - going to the wall,” he concluded.

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