

PRelated Information on Hainan's Legal Profession and Preferential Policies

I. Background Information on the Development of Hainan's Legal Profession in Recent Years

As the youngest province in China, the development of Hainan's legal profession started relatively late. However, it has expanded rapidly in recent years. Thirty-five years since Hainan's establishment as a province, the development of Hainan's legal profession has experienced three stages: slow growth, upsurge, and reform and innovation. In 2018, before establishing the Hainan Free Trade Zone /Port, Hainan had 2,140 practising lawyers and 133 registered law firms. As of November 11th, 2023, 5,794 lawyers are practising in Hainan. Compared to before the establishment of the free trade zone/ port, the growth rate of lawyers is 171%, and for law firms, the growth rate is 234%, with 444 registered law firms. Hainan has introduced three foreign law firms to set up representative offices in Hainan, which are Mcqiu Lawyers Haikou Representative Office (Australia), Ricky Tan & Co Haikou Representative Office (Malaysia), Ching & Partners Sanya Representative Office (Malaysia); set up two association law firms between Hong Kong and the mainland, which are China Commercial Anthony Siu (HaiKou) Association Law Firm, Huihai & Loongyeung (Sanya) Associated Law Firm; retained ten lawyers of Hong Kong as legal consultants, and four of them have been qualified as Appointed Attesting Officers.

Through enhanced cooperation and communications between the Hainan and Hong Kong legal professions, there has been a breakthrough. Before *the Regulation of Lawyers in Hainan Special Economic Zone* amendment in September 2019, there were no Hong Kong law firms and lawyers practising in Hainan. Through systematic innovations and opening up policies, as well as publicizing the institutional advantages of the Hainan legal profession in Hong Kong's commercial newspapers, Hainan has successfully attracted two Hong Kong law firms to set up association law firms in Hainan and retained ten lawyers of Hong Kong as legal consultants. This makes up for the blank in developing the Hainan legal profession and effectively promotes the improvements in Hainan lawyers' professional level and quality.

II. Regulations Formulated and Introduced by Hainan

i. Amend the Regulation of Lawyers in Hainan Special Economic Zone

In September 2019, Hainan amended the Regulation of Lawyers in the Hainan Special Economic Zone to meet the need for foreign legal services in the Hainan Free Trade Zone (port) and crack institutional barriers restricting the development of its legal profession. This amendment draws on the experience of legal services of Singapore, Dubai, Hong Kong, and other advanced free trade ports. The regulation contains institutional innovations regarding opening up, the scope of practice, organization form, and entry requirements. It promotes the Hainan legal profession's specialization, diversification, and internationalization. Hainan is actively striving for support from the Central Government to achieve innovative breakthroughs in current legislation, particularly in relaxing foreign law firms' scopes of practice. It allows foreign law firms and firms of Hong Kong and Macao to set up representative offices in Hainan. Those agencies can engage in services and national legal affairs, which have already been approved, and non-litigation services for business affairs relating to Hainan. This is an exclusive policy approved by the Central Government to Hainan.

ii. Formulate and Issue Supporting Rules for Hong Kong Related Legal Services

To further improve foreign and Hong Kong-related legal services in the Hainan Free Trade Port, Hainan has formulated four supporting rules such as *the Pilot Measures on Implementing Association Law Firms Between Law Firms in Hong Kong Special Administrative Region, the Macao Special Administrative Region and Law Firms in Hainan*; *The Measures for Chinese-Foreign Association Law Firm in the Hainan Province*, as well as issued *the Positive List of Non-Litigation Services for Business Affairs Concerning Hainan and Provided by the Representative Offices of Foreign law firms and law firms of Hong Kong SAR, Macao SAR (2021 version)*. The introduction of the supporting rules forms a "1+4+N" system, further strengthening the system's operability and enforceability.

III. Preferential Policies for Hong Kong Law Firms and Lawyers practising in Hainan

i. Preferential Tax Policy

The enterprise tax rate for a foreign law firm's representative office registered in Hainan is 15%. If the representative office is registered in other provinces, the enterprise tax rate shall be 25%.

ii. Talent Policy

The chief representative of a foreign law firm's representative office can be identified as talent (category D); the representative can be identified as talent (category E); lawyers assigned by Hong Kong law firms practising in Hainan-Hong Kong association firms shall be identified as talents (category E). Moreover, they are entitled to tax exemption when their income tax rate is over 15%.

iii. Rental Assistance

Rental assistance is provided to foreign law firms' representative offices in Hainan if their office lease is in WGT or the Central Legal Service District in Jiang Dong New Area.

iv. Reward Policy

For representative offices of foreign, Hong Kong, and Macao law firms that lease their offices in Haikou, the People's Government of Haikou Municipality provides rental subsidies equal to 50% of their total annual rent, and the subsidy is provided for three consecutive years. The total subsidy amount is at most 1 million RMB. For association law firms of Hong Kong and Mainland law firms that lease their offices in Haikou, the subsidy given is equal to 50% of their total annual rent, and the subsidy is provided for three consecutive years. The total subsidy amount is no more than 500,000 RMB.

IV Forms of Hong Kong Law Firms, Lawyers practising in Hainan

i. Setting Up Representative Offices

According to *the Measures for the Administration of Representative Offices of Law Firms of the Hong Kong Special Administrative Region and the Macao Special Administrative Region Stationed in the Mainland*, *The Measures for Chinese-Foreign Association Law Firm in the Hainan Province*, a representative office can engage in services and national legal affairs, which have already been approved, and non-litigation services for business affairs relating to Hainan. This is an exclusive policy approved by the Central Government to Hainan, which changes the rule that a representative office and its

representatives may only engage in activities excluding the legal affairs of mainland China, and expands the scope of practice for a representative office and its representatives.

ii. Setting Up an Association Law Firm with the Law Firm of Hainan

According to the *Measures for the Administration of Representative Offices of Law Firms of the Hong Kong Special Administrative Region and the Macao Special Administrative Region Stationed in the Mainland*, *The Measures for Chinese-Foreign Association Law Firm in the Hainan Province*, representatives and its Hong Kong lawyers may be merely engaged in the approved legal services in Hong Kong, or any country other than China.

iii. Serving as Hainan Law Firm's Legal Advisors

According to the *Measures for the Administration of Hong Kong Law Practitioners and Macao practising Lawyers Hired As Legal Advisors in Mainland Law Firms*, with regard to the practising lawyers of Hong Kong who are hired as legal consultants in mainland law firms may be merely engaged in the approved legal services in Hong Kong, or any country other than China.

While implementing the above measures, Hainan prioritizes Hong Kong lawyers who have qualified as Appointed Attesting Officers.

The Department of Justice of Hainan Province sincerely invites the Association of China-Appointed Attesting Officers Limited, China Legal Service (H.K) Ltd, and the Law Society of Hong Kong to visit Hainan and Hong Kong law firms and lawyers (especially those who are qualified as Appointed Attesting Officer) to practice in Hainan, and enjoy the dividends of development. Hainan endeavours to promote the smooth implementation of its legal profession and institutions with the greatest sincerity, the most practical policies, and the best service. Let us work together to promote the development of Hainan and Hong Kong's legal profession!