Hong Kong Property

FAQs on NDRC's Measures on Outbound Investment

Mainland China/Hong Kong Property & Conglomerates

Karl Chan AC
(852) 2800-8513
karl.chan@jpmorgan.com

Venus Choi
(852) 2800-8599
venus.choi@jpmorgan.com
J.P. Morgan Securities (Asia Pacific) Limited/ J.P. Morgan Broking (Hong Kong) Limited

Following the State Council's "***Regulations on Outbound Investment***" ("ODI") published in June (more), the NDRC released a draft of the revised "***Measures on Outbound Investment***" (first published in 2017) by expanding the scope to cover individuals. We view this largely as a follow-up that provides more granular implementation details, but it has heightened investor concerns that HK home purchases already fall within scope given the explicit reference to "land-use rights" in the draft. We set out **six FAQs** below, but in short: (1) "real estate" has always been within scope, but this typically refers to real estate *investment*; it remains unclear whether individuals' home purchases—particularly for self-use—would be captured; (2) even if individual purchases are deemed in scope, we see limited reason for the NDRC to reject self-use home purchases; for small-scale investments, we would also expect them to be permissible where filings are made and relevant taxes are paid (e.g., 20% on rental income and capital gains); (3) **Our key concern is actually not "capital outflow controls" or "property-related global taxation" per se, but uncertainty around the degree of retroactivity for broader global taxation on other foreign-earned income**, which could materially impact affordability for Mainland Chinese who intend to a buy a home in HK. This overhang, together with rate hike concerns, may lead to more cautious sentiment in the housing market in the near-term. Against this backdrop, **we prefer landlords over developers**. Our top picks are **Swire Prop**, **Link REIT**, **Wharf REIC** & **Hongkong Land**.

- **What's new?** On 21 August, China's National Development & Reform Commission (NDRC; 发改委) published a draft of the revised "***Management Measures on Outbound Investment***" (对外投资管理办法; original document in Chinese), which was originally issued in 2017, for public consultation until 20 September. This is a follow-up after the State Council proposed the framework for "***Regulations on Outbound Investment***" (国务院关于对外投资的规定) on 1 June (report). Compared to the original NDRC measures issued in 2017, the major amendments include: (1) expanding the scope to include "resident individuals" (i.e., following the direction set by the State Council); (2) defining overseas reinvestment (境外再投资) as a form of outbound investment; (3) adding special provisions exempting securities investments conducted through QDII schemes / Southbound Stock Connect / Cross-boundary Wealth Management Connect etc. from the measures. The revised measures also introduced a tighter filing framework on all offshore re-investments (prior: >US$300 million) and major adverse events. Please refer to Table 1 for a detailed comparison.

6 FAQs from Investors

- **Q1) Is "real estate" a new addition to the scope of ODI?** Not exactly. While "*acquiring ownership, land-use rights, or other interests in overseas land*" ("获得境外土地所有权、使用权等权益") is mentioned in the scope of outbound investment in the revised NDRC measures (while it was not specified in the State Council's framework published on 1 June), it was already mentioned in the original NDRC regulations in 2017 (original 2017 version in Chinese). Moreover, according to the official list of "sensitive industries for outbound investment" (境外投资敏感行业) published in 2018 (original

See page 11 for analyst certification and important disclosures, including non-US analyst disclosures.

document), "real estate" (房地产) is already within the scope. Therefore, the fact that real estate is within the scope of ODI is not a new change per se.

- **Q2) "Resident individuals" are newly added to the revised measures. Does this mean all individual Mainland Chinese tax residents need to get NDRC approval when buying properties in Hong Kong?** This is not totally clear from the proposed measures, and thus this remains a gray area, in our view. While real estate is indeed within scope, typically this refers to real estate ***investment*** (e.g. a Mainland Chinese company investing in a residential or commercial project in a foreign jurisdiction). For example, for Alibaba to acquire floors of One Causeway Bay, an office building in Hong Kong, even as an owner-occupier, this requires NDRC approval. However, it is not entirely clear whether individuals' home purchases for self-use are considered "outbound investment" (especially those who already reside in Hong Kong). We tend to believe home purchases for self-use should not be within the scope, but there is no clarification from the authorities, and thus this may remain an overhang.
- **Q3) Let's just assume (for now) individual Mainland Chinese homebuyers are really required to get NDRC approval when buying homes in HK (the worst-case scenario), what are the implications?** First, at the very least this means the Chinese authorities are not banning Mainland Chinese from buying property in Hong Kong. However, **as a recap, the current cross-boundary remittance framework—capped at US$50,000/person per year (Table 5) from Mainland China to HK—already does *not* permit "buying homes" as a valid remittance purpose** (as such, this is non-compliant even before the revisions of the measures). Under the existing rules, Mainland Chinese buyers are allowed to buy HK properties as long as the fund sources are outside of Mainland China (e.g. salary income or dividends received in Hong Kong). Even if the latest NDRC rules require pre-approval, we do not see why NDRC may reject it if it is for self-use (especially for those who live in Hong Kong), unless the fund sources may be found to be illegitimate. As for those who buy for investment (e.g. earning rental income), if there is proper filing & payment of relevant taxes, we also do not see why NDRC may disapprove. However, the additional administrative procedures could indeed deter some potential homebuyers.
- **Q4) On the opposite side, if we assume individual Mainland Chinese end up *not* needing NDRC approval to buy properties in HK, does that mean all problems are gone?** Not really. Even under this scenario, all Mainland Chinese taxpayers (even those who reside in HK but still maintain a *hukou* in a Mainland Chinese city) are theoretically speaking still subject to the relevant taxes: (1) **20% on rental income tax** (but in Hong Kong, rental income is already subject to 15% property tax, and under the principle of no double taxation, in theory the additional tax rate is 5%, which is manageable); (2) **20% on capital gains tax** (currently not implemented in Hong Kong, and thus this would make holding HK properties less financially attractive for a Mainland Chinese person, although at the very least this is not a stamp duty that Mainland Chinese must pay regardless of profit; the tax is only payable if there is a profit). **The rules have been around for a while, and thus are not new. The question is whether they will be strictly enforced.** In fact, we already see that the authorities would like to strictly enforce these 20% taxes on offshore trusts owned by Mainland Chinese, as per the official notice published on 24 July (more from our previous report). For now, the authorities appear to target ultra-high net worth individuals only, but of course we cannot rule out whether taxation for individuals will also be scrutinized.
- **Q5) Does that mean CRS may include real estate soon?** Currently, the Common Reporting Standard (CRS) does not cover real estate, but we think eventually it may be included, although implementation may take a long time. However, even if inclusion is not yet imminent, theoretically speaking Mainland Chinese tax residents are still required to file their overseas real estate assets with the Mainland Chinese tax authorities. Moreover, if the tax authorities are serious about enforcement, technically speaking

tracing back the home ownership in Hong Kong should not be entirely impossible (but indeed it could be harder for jurisdictions other than Hong Kong).

- **Q6) What is our biggest concern?** While investors are mostly worried about either "capital outflow control" or "property-related global taxation for Mainland Chinese", these two are not exactly our biggest concerns. For "**capital outflow control**", although the headline "Mainland Chinese homebuyers" in HK account for 29/37% (by volume/ value) (Figure 3) (based on Mandarin *pinyin* of last name), we believe the majority are those who reside in Hong Kong with genuine home demand. We estimate that non-HK-based Mainland Chinese homebuyers account for 5-10% by volume, or 10-15% by value (Table 4). As for **global taxation (on property-related taxes)**, even if this is strictly enforced, property-related taxes may not significantly affect the appetite of Mainland Chinese homebuyers who have genuine housing needs in HK, especially as the 20% capital gains tax is only applicable when they make a profit. For a Mainland Chinese person who buys for self-use and does not resell, theoretically there is no additional taxation. In our view, **our biggest worry is the uncertainty about the degree of retroactivity of global taxation for individuals**, which has implications beyond property-related taxes, as theoretically it includes all other types of income (e.g. salaries) earned outside of Mainland China. Currently there is no explicit mention of retroactivity in the event of non-compliance, but if we take reference to the taxation on offshore trusts (report), it states that "*unpaid taxes on assets placed in trusts since **January 2023**, and on trust income received before 2026, must be settled within 90 days to avoid penalties for late payment*", and thus a 3-year period seems to be the potential time frame. However, the exact implementation rules remain a question mark. In the worst-case scenario (say the retroactivity covers unpaid taxes for the past 20 years), this may significnatly affect the savings & cash flows of Mainland Chinese individuals who reside in Hong Kong, and thus affect their affordability. We estimate that Mainland Chinese residents who have resided in HK for <7 years (i.e., not yet eligible for HKSAR passport) amount to 200-400K (2-5% of HK population). **Another concern we have is the potential lack of clarification or clear rules about Mainland Chinese buying properties in HK** (which is possible as the ODI rules do not appear to aim at cracking down on Mainland Chinese home purchases in HK). **If there ends up to be some clarification, it could be a clearing event for investors. If there isn't, then this may remain an overhang for a while.**



Karl Chan AC
(852) 2800-8513
karl.chan@jpmorgan.com

NDRC's Management Measures on Outbound Investment (对外投资管理办法)

Table 1: Comparison of the original 2017 measures and the proposed measures (Part 1 out of 3)

	Area	Original 2017 rules	2026 consultation draft
1	**Title**	Titled **Administrative Measures for Enterprise Outbound Investment** "企业境外投资管理办法" and primarily regulates projects undertaken by domestic enterprises.	Renamed **Administrative Measures for Outbound Investment** "对外投资管理办法" The proposed framework regulates investors more broadly.
2	**Scope of investors**	Applies principally to domestic enterprises.	"Investors" expressly include **enterprises, other organizations and resident individuals** "境内的企业、其他组织和居民个人" in **Mainland China**
3	**Direct and indirect investment**	Covers investment by a domestic enterprise directly or through an overseas enterprise under its control.	Covers investors acquiring overseas interests **directly or indirectly**, and expressly states that **overseas reinvestment** ("境外再投资") constitutes outbound investment.
4	**Overseas organizations**	Definitions and investment examples mainly refer to overseas enterprises and assets.	Adds references throughout to overseas **other organizations** ("其他组织"), as well as enterprises and assets.
5	**Data as an investment contribution**	Chinese investment amount includes currency, securities, physical assets, technology, intellectual property, equity, debt, financing and guarantees.	Expressly adds **data** to the assets and rights counted toward the Chinese investment amount.
6	**Substance-over-form principle**	No express overarching principle.	Adds that the identification of investors, outbound investment, control and Chinese investment amount shall follow the principle of **substance over form** ("实质重于形式").
7	**Investor responsibilities**	Encourages integrity, avoidance of improper competition, protection of employees, respect for local customs, social responsibility and environmental protection.	Expandsinto explicit obligations covering international practices, local customs, business ethics, fair competition, social responsibility, national image, ecological protection, workers' rights, national security, national interests and public interests.
8	**Mandatory online filing**	Investors **may** use the online system to complete approval/filing and reporting procedures.	Investors **shall** use the online system, subject to exceptions for state secrets or matters unsuitable for online submission.
9	**Overseas reinvestment reporting**	A report is required only for a **large non-sensitive project**, defined as Chinese investment of ***>US$300 million.***	***Any*** non-sensitive investment must be reported **20 working days before implementation**. The requirement also covers round-trip investment into Mainland China through controlled overseas entities.
10	**Filing by resident individuals**	No filing authority is designated.	For resident individuals, the filing authority would be the provincial development and reform department at the investor's registered domicile or habitual residence.

Source: National Development and Reform Commission (NDRC)

Karl Chan AC
(852) 2800-8513
karl.chan@jpmorgan.com

Table 2: Comparison of the original 2017 measures and the proposed measures (Part 2 out of 3)

	Area	Original 2017 rules	2026 consultation draft
11	**Outbound-investment security review**	National-interest and national-security considerations form part of approval and enforcement, but no distinct security-review provision is included.	Introduces a specific **outbound-investment security review** (**"境外投资安全审查"**) for investments and related transfers or disposals of assets and interests that affect or may affect national security.
12	**New supervisory measures**	Supervision is conducted through online monitoring, interviews, written inquiries and spot checks.	Added: regulatory interviews, warning letters, orders to rectify, periodic reporting orders, required adjustments to investment plans, and orders to defer investment or related activities.
13	**Filing review and assessment**	-	The filing period may be extended by up to **seven working days** for complex cases or interdepartmental consultation; assessment time is excluded.
14	**Pre-investment activity reporting**	-	Investments must be reported at least **10 working days before important preliminary work** if Chinese investment is at least US$100 million or the investment concerns China's diplomatic relations with another country.
15	**Completion and termination reports**	Projects subject to approval or filing must submit a completion report within **20 working days after completion.**	Investments within the approval, filing or overseas-reinvestment reporting scope must submit a completion **or termination** report within **10 working days**.
16	**Information-reporting standard**	Investors are responsible for the truthfulness, legality and completeness of submitted materials.	Reports must be **true, accurate, complete and timely**. Investors must promptly supplement or correct unreported, incorrectly reported or omitted information.
17	**Professional service providers**	Consultants may prepare approval applications.	Professional institutions must comply with laws and professional standards, perform their duties diligently, and avoid concealment, false records, misleading statements and material omissions. Breaches may be referred to the relevant regulator for action.
18	**Governance and internal controls**	-	Investors and controlled overseas enterprises must improve governance and establish systems (e.g. compliant operations, internal controls, safe production and emergency response etc.).
19	**Major adverse event reporting**	Major casualties, significant overseas asset losses or damage to China's diplomatic relations must be reported within **five working days** after occurrence.	A report must be submitted **immediately** throughout the period in which the investment and resulting assets/interests remain in existence. New triggers include ***foreign demands for technology or data, and foreign demands to transfer or dispose of investment-related assets or interests***.
20	**Annual reporting**	No general annual outbound-investment report.	Investors must submit an annual report by **31 March** covering outbound-investment information as of the end of the preceding year.

Source: National Development and Reform Commission (NDRC)

Karl Chan AC
(852) 2800-8513
karl.chan@jpmorgan.com

Table 3: Comparison of the original 2017 measures and the proposed measures (Part 3 out of 3)

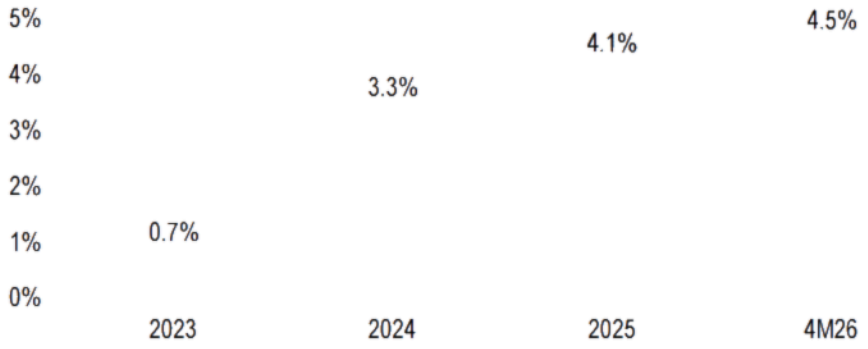
	Area	Original 2017 rules	2026 consultation draft
21	**Protection from discriminatory foreign measures**	Authorities may issue risk alerts	If annual reports show discriminatory or unreasonable foreign measures, the NDRC may, at the investor's request, restrict the relevant foreign party's Mainland investment, restrict domestic transactions or cooperation with that party, or take other feasible protective measures.
22	**Government response to foreign restrictions**	-	The NDRC may take corresponding measures where a country, region or international organization adopts discriminatory prohibitions, restrictions or similar measures against China in investment and business operations.
23	**Prohibited outbound investments**	Focus on sensitive investments and violations of laws, policies, treaties and national-security requirements.	Adds a specific offence for investing in outbound activities prohibited by the State. Authorities may order the investment to stop, require disposal of shares or assets, confiscate illegal gains and impose fines.
24	**Quantified financial penalties**	Warnings, rectification orders, suspension or termination of projects, remedial measures and potential criminal liability	Introduces monetary penalties (e.g. failure to complete approval/filing or submission of false or concealed information may attract a fine of **1%-5%** of Chinese investment; refusal to rectify may attract **5%-10%**, plus penalties for responsible individual)
25	**Temporary investment bans**	-	Authorities may refuse approval/filing applications for up to three years or prohibit outbound investment for **1-3 years** following specified violations. Harmful anti-competitive conduct may also attract a 1 to 3-year ban.
26	**Reporting breaches**	Failure to submit required reports may result in an order to rectify and, in serious or uncorrected cases, a warning.	Expands the reporting provisions covered and permits a warning **or public/official criticism** for serious or uncorrected breaches.
27	**Financial institutions**	Financial institutions may be penalized for financing or guaranteeing an approval/filing project lacking the required approval or filing.	Expands the provision to settlement, financing and guarantees for investments that have not completed required approval, filing **or overseas-reinvestment reporting**.
28	**Overseas financial-market investments**	-	Investments through QDII, Southbound Stock Connect, Cross-boundary Wealth Management Connect and similar channels are generally exempt from approval, filing and reporting, unless the investor obtains control, or another NDRC-specified circumstance arises.

Source: National Development and Reform Commission (NDRC)

Karl Chan AC
(852) 2800-8513
karl.chan@jpmorgan.com

"Company buyers" in HK residential market

Figure 1: HK residential property transactions – % of company buyers



Source: Midland.

"Mainland Chinese buyers" in HK residential market

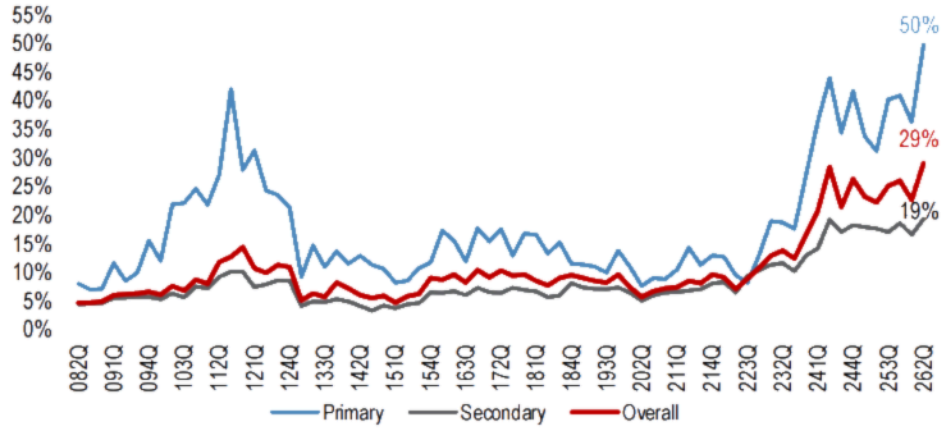
Table 4: HK private residential market – % of buyers who are not holders of Hong Kong Identity Card (HKID)

	Individual buyers who are not HKID holders			
	Volume (units)	as % of total	Value (HK$ bn)	as % of total
FY20/21	110	0.1%	1.1	0.2%
FY21/22	153	0.2%	1.6	0.2%
FY22/23	168	0.3%	1.6	0.4%
FY23/24	700	1.6%	6.8	2.0%
FY24/25	2,997	5.5%	31.3	7.2%

Source: HK Inland Revenue Department.
Note: FY denotes HK government's fiscal year (year ending 31 March). For example, FY24/25 refers to the period from 2Q24 to 1Q25.

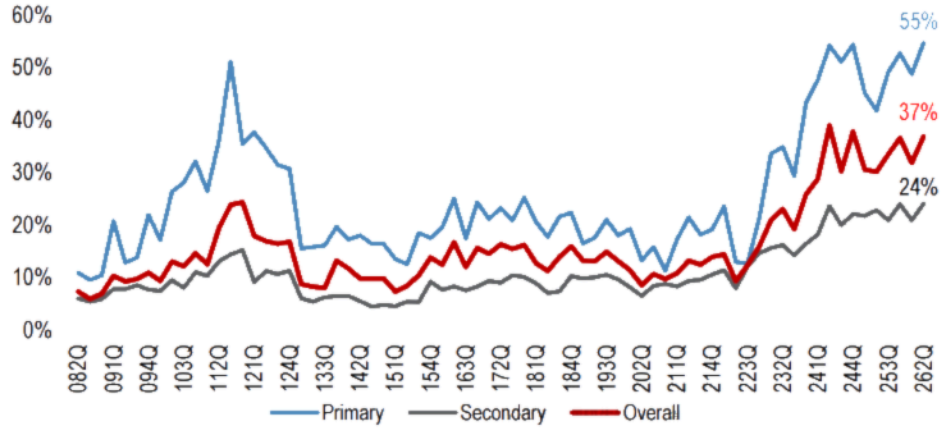
Karl Chan AC
(852) 2800-8513
karl.chan@jpmorgan.com

Figure 2: HK private residential market – % of "Mainland Chinese" buyers with a last name in Mandarin pinyin (by volume)



Source: Centaline.
Note: "Mainland Chinese" is defined here using the Mandarin pinyin of the buyer's last name and does not distinguish the buyer's current residence or identity. As a result, "Mainland Chinese" who are residing in Hong Kong—as well as local Hong Kong residents with Mandarin-pinyin last names—are also classified as "Mainland Chinese" in this dataset.

Figure 3: HK private residential market – % of "Mainland Chinese" buyers with a last name in Mandarin pinyin (by value)



Source: Centaline.
Note: "Mainland Chinese" is defined here using the Mandarin pinyin of the buyer's last name and does not distinguish the buyer's current residence or identity. As a result, "Mainland Chinese" who are residing in Hong Kong—as well as local Hong Kong residents with Mandarin-pinyin last names—are also classified as "Mainland Chinese" in this dataset.

Karl Chan AC
(852) 2800-8513
karl.chan@jpmorgan.com

Table 5: Personal cross-boundary remittance regulations from Mainland China to Hong Kong SAR

Category	Quota	Details
Facilitative foreign exchange arrangement 購匯便利化額度	US$50,000 per person per year	Directly conduct currency conversion at Mainland banks with identity document and remit outside the Mainland. If a remitter prefers not to use the quota / the conversion quota is reached, remitter shall provide the bank with supporting documents for verification of the use of funds (e.g. travel, study abroad, daily life, and medical care.)
Payment Connect 跨境支付通	Follow the facilitative foreign exchange arrangement (US$50,000 per year)	Real-time and small-value cross-boundary remittances at participating institutions in the Mainland
Withdraw cash using debt/credit cards issued in Mainland	Annual limit of RMB100,000, and a daily limit of RMB10,000	
Cross-border cash carrying	Rmb 20,000 per person per trip; or USD 5,000 for foreign currency	

Source: HKMA

Karl Chan AC
(852) 2800-8513
karl.chan@jpmorgan.com

Valuation Summary

Table 6: Hong Kong Property & Conglomerates – Valuation summary

Company	Stock Code	JPM Rating	JPM Price Target	Last Close (HK$)	Mkt Cap US$B	ADV US$M	P/E 1FY (x)	P/E 2FY (x)	Yield 1FY (%)	P/B 1FY (x)	Share price return 5D	1M	YTD	vs. peak
Hong Kong Property & Conglomerates														
Sun Hung Kai Properties	0016.HK	OW	135.00	126.30	46.7	90.4	15.9	15.1	3.1%	0.6	8%	5%	34%	-15%
CK Asset	1113.HK	OW	52.00	47.32	21.1	29.6	13.8	13.2	3.8%	0.4	3%	-1%	24%	-8%
Henderson Land	0012.HK	N	28.50	30.18	18.6	31.7	16.5	15.5	4.2%	0.4	12%	10%	10%	-13%
Sino Land	0083.HK	N	10.60	10.81	13.2	12.3	21.2	23.1	5.4%	0.6	5%	1%	7%	-19%
New World Development	0017.HK	N	6.80	7.10	2.3	4.8	-	-	0.0%	0.1	3%	7%	-2%	-88%
Wharf Holdings	0004.HK	NC	-	20.82	8.1	10.1	16.6	13.8	2.8%	0.4	4%	9%	-3%	-32%
Kerry Properties	0683.HK	NC	-	19.45	3.6	4.2	14.4	6.6	6.9%	0.3	3%	2%	0%	-22%
Developers							**15.9**	**15.5**	**3.7%**	**0.5**	**7%**	**4%**	**23%**	**-15%**
Swire Properties	1972.HK	OW	30.00	25.26	18.6	9.1	17.7	17.1	4.8%	0.5	4%	12%	25%	-4%
Hongkong Land (US$)	HKLD.SI	OW	10.70	8.42	17.9	18.5	35.3	31.7	3.2%	0.6	-1%	9%	25%	-5%
Link REIT	0823.HK	OW	43.00	39.30	13.0	50.6	15.7	15.6	6.4%	0.7	1%	1%	17%	-40%
Wharf REIC	1997.HK	OW	35.70	33.06	12.8	17.6	15.1	14.5	5.7%	0.6	2%	32%	38%	-27%
Hang Lung Properties	0101.HK	OW	10.00	7.30	4.8	8.0	12.1	11.5	7.1%	0.3	2%	2%	-10%	-63%
Hysan	0014.HK	NC	-	16.99	2.2	5.1	8.7	10.2	6.4%	0.3	0%	-3%	-6%	-41%
Champion REIT	2778.HK	NC	-	2.27	1.8	0.6	19.7	18.9	5.0%	0.4	0%	1%	-9%	-48%
Fortune REIT	778.HK	NC	-	4.55	1.2	1.8	15.7	15.9	7.4%	0.4	2%	0%	0%	-32%
Landlords							**20.6**	**19.4**	**5.1%**	**0.5**	**1%**	**11%**	**21%**	**-21%**
Hong Kong Property (Overall)							**17.7**	**16.8**	**4.3%**	**0.5**	**5%**	**7%**	**21%**	**-18%**
CK Hutchison	1.HK	OW	79.00	69.95	34.2	64.4	11.4	10.8	3.5%	0.4	0%	-3%	35%	-10%
Jardine Matheson (US$)	JM.SI	OW	94.00	61.00	17.9	24.9	10.4	9.9	4.3%	0.6	-1%	-3%	-8%	-24%
MTR Corp	66.HK	OW	39.00	33.68	26.8	24.1	18.0	26.8	3.9%	1.0	3%	5%	16%	-22%
Swire Pacific - A	19.HK	NC	-	104.20	15.9	12.1	10.8	10.1	4.3%	0.5	1%	10%	71%	-2%
Hong Kong Conglomerates							**11.1**	**10.5**	**3.7%**	**0.5**	**0%**	**-3%**	**20%**	**-15%**

Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates. Note: Companies marked "NC" are not under J.P. Morgan coverage; all estimates for such companies are based on consensus estimates from Bloomberg Finance L.P. Pricing as of close of August 24, 2026.