Credit Opinion

28 January 2026

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	A_g
Outlook	Stable

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China Overseas Grand Oceans Group Limited

Initial credit rating report

CCXAP assigns first-time long-term credit rating of A_g to China Overseas Grand Oceans Group Limited, with stable outlook.

Summary

The A_g long-term credit rating of China Overseas Grand Oceans Group Limited ("COGO" or the "Company") is underpinned by the Company's (1) strong market position and high brand recognition in its core markets; (2) prudent financial management and good liquidity profile; and (3) robust financing channels and financial flexibility.

However, the rating is constrained by the Company's (1) sensitivity to the persistently weak property market in Mainland China; (2) focus on lower-tier cities, resulting in persistent destocking and asset impairment risks; and (3) ongoing pressure on profitability.

The rating also incorporates our assumption that the Company is likely to receive extraordinary support from its controlling shareholder, China Overseas Land & Investment Ltd. ("COLI"), given its (1) strong and well-defined strategic position within COLI; (2) high degree of operational integration with COLI, including the sharing of the same brand; and (3) proven track record of receiving support from COLI in terms of project resources and funding.

The stable outlook on COGO's rating reflects our expectation that over the next 12 to 18 months, the Company will maintain a stable standalone credit profile, supported by its sustained market position and prudent financial management. We also expect its importance to COLI is unlikely to change in the near to medium term.

Rating Drivers

- Strong market position and high brand recognition in the target markets, despite risks from lower-tier city focus
- Declining contracted sales amid the ongoing adjustment of the real estate market
- Adequate land bank with cautious acquisition strategy, but high exposure to lower-tier cities
- Declining revenues and profitability, pressured by inventory impairment
- Prudent financial management and good liquidity profile
- Robust financing channels and a disciplined financing policy
- Strong shareholder support from COLI

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) the parent company's capacity to support strengthens or the likelihood of the support increases; or (2) the Company demonstrates improved standalone credit profile, such as significant improvement in contracted sales, moderated pressure of destocking and asset impairment, and significant progress in deleveraging, such that net gearing ratio reduces and EBIT interest coverage improves on a sustained basis.

What could downgrade the rating?

The rating could be downgraded if (1) the parent company's capacity to support weakens or the likelihood of the support decreases; or (2) the Company indicates deteriorated standalone credit metrics, such as significantly increased leverage level, weakened cash flow stability, decline in profitability with no signs of recovery.

Key Indicators

	2022FY	2023FY	2024FY	2025H1
Total Assets (RMB billion)	180.8	152.0	129.2	127.7
Total Equity (RMB billion)	37.4	38.1	37.6	38.4
Contracted Sales (RMB billion)	40.3	42.8	40.1	16.6
Total Revenue (RMB billion)	57.5	56.4	45.9	14.5
Net Profits (RMB billion)	3.1	2.0	1.2	0.4
Net Profit Margin (%)	5.3	3.6	2.6	2.6
Net Gearing Ratio (%)	75.4	61.7	47.9	47.2
Contracted Sales/Total Debt (x)	0.8	1.0	1.0	-
Cash/Short-term Debt (x)	1.6	1.5	1.7	1.5
EBITDA/Interest (x)	2.8	1.8	1.4	-

All ratios and figures are calculated using CCXAP's adjustments. Indicators marked with "-" are not applicable or not comparable.

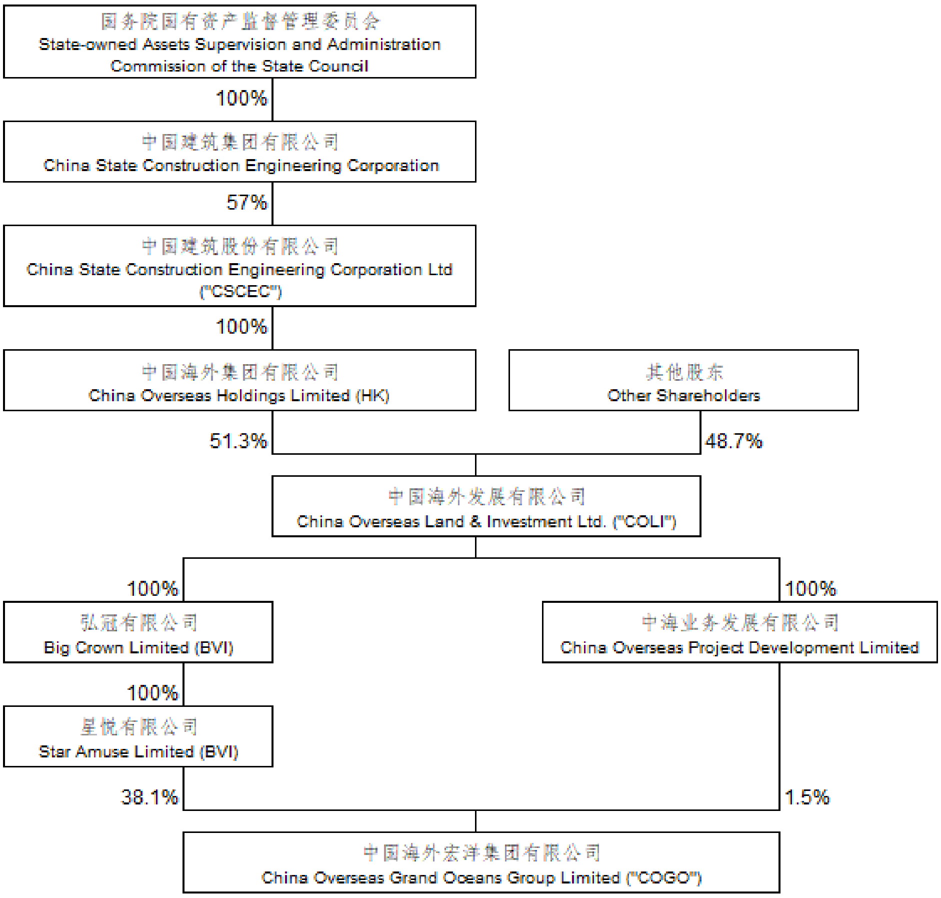
Source: Company data, CCXAP research

Corporate Profile

Established in 1979, COGO (Stock Code: 0081.HK) is one of the leading real estate developers with nationwide operations in China. As a major operating arm of COLI, the Company is primarily engaged in real estate development and property leasing focusing on second- and third-tier cities in Mainland China.

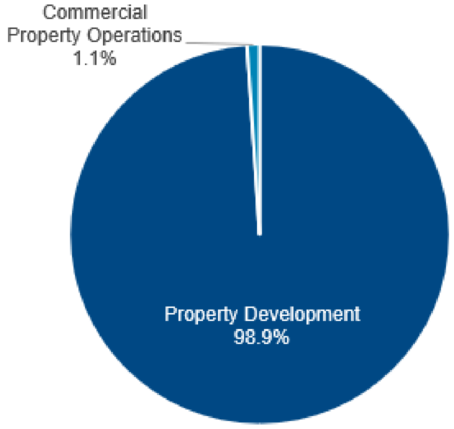
In 2010, COGO completed a backdoor listing on the Hong Kong Stock Exchange. As of 30 June 2025, COLI (Stock Code: 0688.HK) was the controlling shareholder of the Company and collectively held 39.6% of the Company's shares. COLI is a leading nationwide listed property developer, with China State Construction Engineering Corporation Ltd. ("CSCEC") being the controlling shareholder and the State-owned Assets Supervision and Administration Commission of the State Council ("SASAC") being the ultimate controller.

Exhibit 1. Shareholding chart as of 30 June 2025



Source: Company information, CCXAP research

Exhibit 2. Revenue structure in 2024



Source: Company information, CCXAP research

Rating Considerations

Business Profile

Strong market position and high brand recognition in the target markets, despite risks from lower-tier city focus

As a core real estate development arm of COLI, COGO benefits from the group's reputable brand and extensive operational experience. These attributes underpin its established business profile and competitive positioning in its core cities, where it holds leading market share. The Company has a nationally diversified footprint, focused on second- and third-tier cities across key regions, including the Yangtze River Delta, Pearl River Delta, Bohai Rim, Northeast, Central and Western China. As of mid-2025, the Company had a business presence in 39 cities, and it ranked among the top three in terms of sales in most of these cities, demonstrating strong market competitiveness. Its franchise strength is evidenced by its top-three ranking in contracted sales in 19 cities, including the first position in 8 cities such as Lanzhou and Yinchuan. In recent years, the Company has strengthened its market position by leveraging its prudent and focused operations to capture opportunities amid the retreat of some competitors from these markets.

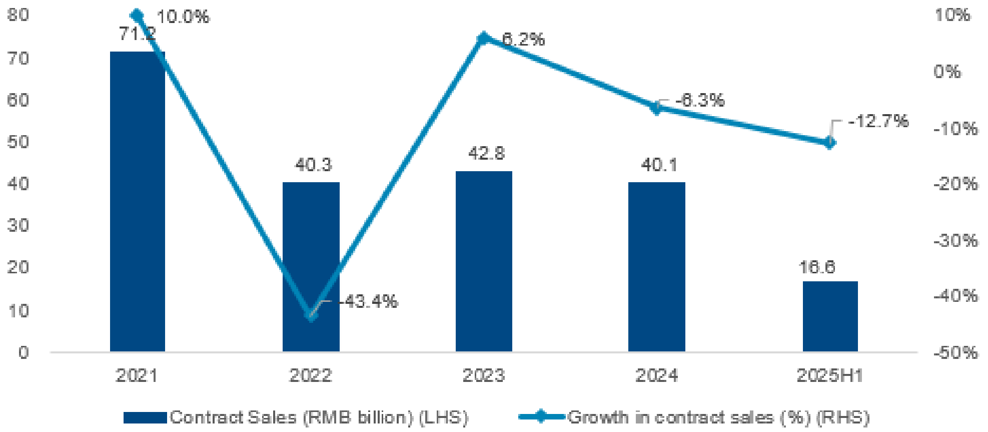
However, COGO's operation stability and strength is partially constrained by its lower-tier cities focus. In recent years, China's real estate sector has remained in a prolonged phase of clearing and adjustment. Amid ongoing policy measures, the market has shown signs of periodic warming. High-tier cities have benefited from relatively strong endogenous demand and higher policy sensitivity, leading to the stabilization and recovery. In contrast, lower-tier cities face weaker underlying demand, volatile prices, and constraints from high inventory overhang. For property developer in lower-cities, while competitive pressures have partially eased, destocking risks and impairment pressures still persist.

Overall, we anticipate that the Company can leverage its strong brand and supply chain advantages to maintain its leading position in these markets. Meanwhile, the Company applies rigorous risk control in its city selection for new projects, underpinned by a focus on provincial capital cities and targeting upgraders.

Declining contracted sales amid the ongoing adjustment of the real estate market

Due to the comprehensive downturn in China's real estate market and weaker demand in lower-tier cities, COGO's housing sales performance has deteriorated since 2021. The Company's contracted sales dropped sharply from RMB71.2 billion in 2021 to RMB40.1 billion in 2024. In the first half of 2025, the Company's contracted sales amounted to RMB16.6 billion, down by 12.7% year-on-year ("YoY"). The magnitude of decline in the Company's contracted sales amount was at a moderate level within the industry. The sales of residential projects in Hefei, Lanzhou, Ganzhou, and Shantou contributed most of the contract sales during 2025H1. Meanwhile, the Company's average residential selling price also dropped about 2.1% YoY to RMB12,200 per square meter. To address the pressure from inventory accumulation, the Company has slowed down the pace of new project development and adopted a more cautious growth strategy. As of 31 December 2024, the Company's properties under development recorded RMB57.9 billion, a substantial decrease compared to RMB127.2 billion in 2021. Given the continued sluggish demand in China's real estate market and the persistent oversupply in lower-tier cities, we expect COGO's contracted sales to remain under pressure in the near term.

Exhibit 3. Contracted Sales from 2021 to 2025H1



Source: Company information, CCXAP research

Despite the decline in property sales, the Company has maintained strong sales collection, with its collection rate remaining around 95% over the past three years. The relatively high sales collection rate demonstrates the Company's brand competitiveness and facilitates faster capital recovery, enabling it to strategically acquire land ahead of the curve during the real estate downturn.

COGO faces limited exposure to risks from joint ventures and jointly controlled projects. In 2024, the Company's contracted sales from joint ventures and jointly controlled projects amounted to RMB3.0 billion, accounting for only 7.6% of its total contracted sales.

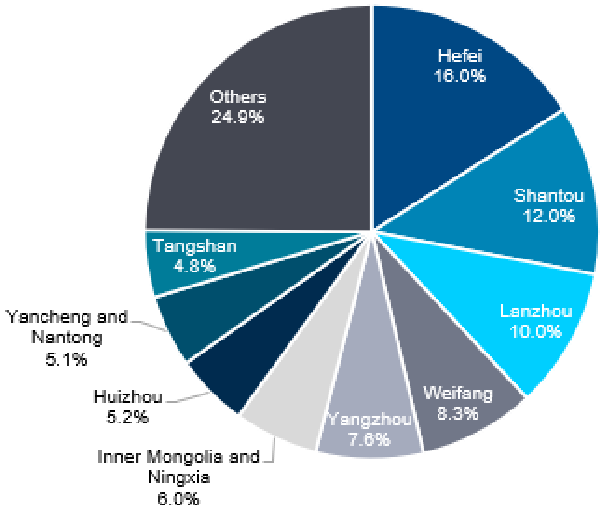
In addition to residential project development, COGO has also invested in several commercial and office properties for leasing, generating stable rental income annually. As of 30 June 2025, the Company held 12 investment properties, with a total leasable area of 314,000 square meters. In 2024, these investment properties generated RMB250.0 million in rental income for the Company, which accounted for a relatively small proportion of the total revenue.

Adequate land bank with cautious acquisition strategy, but high exposure to lower-tier cities

COGO has adhered a cautious and prudent land acquisition strategy, aligning its pace with market developments and internal sales achievements. From 2022 to 2024, the Company's newly acquired land bank, in terms of both area and value, decreased significantly. In 2024, the value of new land acquisitions accounted for 13.0% of its contracted sales during the year. In 2025, considering its future operation needs, the ongoing government policies to stabilize the property market, and the recovery in the land market, the Company accelerated its land acquisition pace. During the first half of 2025, it secured a total of 11 new projects, with a total acquisition price of RMB6.2 billion, covering an aggregate area of 1.3 million square meters and marking the first YoY increase in recent years.

COGO possesses an adequate land bank to support its business development over the coming years. As of 30 June 2025, the Company's total land reserves reached 13.5 million square meters, of which its attributable land reserves amounted to 11.5 million square meters. In terms of regional distribution, the Company's existing land reserves are geographically diversified. As of end-2024, Hefei district, Shantou district, and Lanzhou district represented for the largest concentration, accounting for 16.0%, 12.0%, and 10.0% of the total, respectively. The Company continues to maintain its strategic focus on second- and third-tier cities, with its newly added project reserves also being predominantly concentrated in such markets. However, the demand downturn in its core lower-tier markets necessitates stronger execution capabilities from the Company to convert its land bank.

Exhibit 4. Distribution of total land bank by region as of end-2024



Source: Company information, CCXAP research

Financial Profile

Declining revenues and profitability, pressured by inventory impairment

COGO's revenue kept decreasing due to weak contacted sales and prolonged settlement period during the past three years. Its total revenue dropped from RMB57.5 billion in 2022 to RMB45.9 billion in 2024, representing a decline of 20.2%. The gross profit margin, affected by pressure on sales in the Mainland China property market and rigidity in project costs, has been narrowing over the same period. Meanwhile, in recognition of the asset value impairment caused by the market downturn, the Company has recognized significant inventory impairment since 2022, with a total of RMB4.8 billion in property impairment charges recorded over the past three years, which was recorded in the cost. Overall, the gross profit margin decreased from 14.4% in 2022 to 8.4% in 2024. In 2025H1, the Company recorded total revenue of RMB14.5 billion, a YoY decline of 33.4%, and the gross profit margin stood at 9.3%.

Through effective cost control, the Company has consistently reduced its selling and administrative expenses. Meanwhile, interest expenses have also continued to decline because of debt reduction and lowering financing cost. Overall, the Company's EBIT margin declining from 10.4% to 4.8% over the past three years, and its net profit margin fell from 5.3% to 2.6%.

The Company maintains a highly focused business profile, with property sales consistently contributing around 99.0% of its total revenue. Meanwhile, in the first half of 2025, the Company recorded a net loss of joint ventures and associates, primarily due to the settlement of legacy high-cost projects. Considering the limited exposure to joint ventures and associates, the impact from these unconsolidated entities is negligible.

We expect the Company’s revenue will continue to see a slight decrease over the next 12-18 months, given persistent inventory destocking pressure and weakened contracted sales. That said, as high-margin projects gradually contribute to revenues, the profitability is expected to improve. In the first half of 2025, the Company's average selling price declined by 2.1% YoY, and the average cost of its newly acquired land reserves fell more sharply by 17.0% YoY, representing for a potential expansion in the margin space for future projects.

Prudent financial management and good liquidity profile

COGO has prudent financial management, evidenced by its moderate leverage, strong liquidity coverage, and adequate interest coverage metrics. Due to the adoption of a cautious investment and land acquisition strategy in recent years, along with active refinancing of existing high-interest debt, COGO’s total debt level has declined over the past three years. The Company’s total debt decreased from RMB47.6 billion at the end of 2022 to RMB41.4 billion as of 30 June 2025, while its total capitalization ratio (total debt/total capital) declined from 56.0% to 51.9% over the same period. Moreover, its net gearing ratio lower to 33.6% at mid-2025, indicating a relatively moderate level of debt leverage.

Although the Company’s contracted sales collections have decreased, its liquidity position remains relatively strong. As of 30 June 2025, the Company held unrestricted cash and cash equivalents of RMB23.3 billion, which could fully cover its short-term debt of RMB15.3 billion. Meanwhile, its EBITDA interest coverage, while having softened, stayed adequate at 1.4x at the end of 2024, indicating continued earnings sufficiency for debt servicing.

We believe that as the Company has accelerated the pace of land investments since 2025, its debt leverage may experience a moderate increase in the near term, and it will continue to maintain its prudent investment and financing strategy.

Robust financing channels and a disciplined financing policy

COGO’s financing ability is underpinned by its dual-platform corporate structure, which allows it to access both onshore and offshore funding channels. As of the end of June 2025, the Company has exhibited diversified and healthy funding channels, including domestic and overseas bank loans (76.6% of the total debt), domestic corporate bonds (14.5%) and offshore US dollar bonds (8.9%). To reduce financing costs, the Company has actively leveraged the low-interest-rate environment in the domestic market over the past two years to refinance existing high-interest debt, resulting in a reduced exposure to US dollar and Hong Kong dollar floating-rate debt. By implementing sound financing strategies, the Company’s overall cost of debt decreased from 4.2% in 2022 to 3.5% as of the end of June 2025.

In 2025, the Company’s subsidiary, China Overseas Grand Oceans Properties Group Co., Ltd., issued several tranches of 3-year and 5-year onshore corporate bonds, with the coupon rate ranges between 2.4% and 2.7%. The Company also obtained solid relationships with large banks. As of 30 June 2025, the Company obtained total banking facilities of RMB40.7 billion, with RMB9.0 billion remained available, indicating sufficient standby liquidity. Meanwhile, in September 2025, the Company secured an offshore syndicated loan facility up to RMB3.0 billion from a consortium of seven banks in Hong Kong, helping it to prepay in advance its USD512.0 million notes issued in 2021 during November of the same year.

Furthermore, COGO's state-owned background and its parent company are conducive to maintain its low-cost and stable financing channels. The Company can share credit facilities with its parent company, through multiple domestic and international banking channels.

Shareholder Support

High likelihood of support from parent company

We believe COGO is highly likely to receive extraordinary support from its controlling shareholder, COLI, given its (1) strong and well-defined strategic position within COLI; (2) high degree of operational integration with COLI, including the sharing of the same brand; and (3) proven track record of receiving support from COLI in terms of project resources and funding.

COLI is assessed to have a strong supportive capacity. As the core property platform and flagship brand of CSCEC, COLI holds a leading position as a large-scale, nationwide listed developer with significant competitive advantages. COLI possesses a proven and diversified business profile, centered on residential development with a complementary commercial portfolio. Its operations span major cities across Mainland China, Hong Kong, and Macau, backed by extensive development expertise. As of the end of 2024, COLI's total assets amounted to RMB908.6 billion, with contracted sales of RMB310.7 billion and revenue of RMB185.2 billion in 2024. In 2024, COLI ranked second in the real estate industry in terms of total sales value and first in terms of equity sales value.

As the primary entity focused on real estate development and sales in lower-tier cities within COLI, COGO has consistently received support from its parent company. The Company exhibits strong synergies with COLI in business strategy and financing channels. When developing and selling real estate projects, the Company leverages the brand strength of "China Overseas Property" for marketing, which has fostered high customer loyalty. This is clearly reflected in its strong sales collection rate over the past few years. Additionally, as a central state-owned enterprise, COLI can facilitate access to a wide range of high-quality industry chain resources for the Company, such as premium land parcels and suppliers, thereby enhancing its comparative advantages across different regional markets. Overall, we believe there is a high likelihood that COLI will provide credit support to the Company, based on its moderate strategic importance, high operational relevance, and relatively low legal ties with its parent company.

ESG Considerations

COGO faces environmental risks due to its property development activities in numerous mid-tier cities across Mainland China. Such risks can be mitigated by conducting environmental studies and planning prior to project commencement, as well as by closely monitoring throughout the construction phase.

As a listed real estate company, COGO is also exposed to certain social risks. The Company faces elevated societal expectations to uphold the housing rights of property owners, maintain stable employment, and engage in community co-development.

COGO's key governance risks mainly stem from its concentrated ownership structure, which necessitates heightened scrutiny over related-party transactions and board independence. Moreover, it must navigate stringent cross-border compliance and disclosure requirements as a Hong Kong-listed entity.

Rating Methodology

The methodology used in this rating is the Rating Methodology for Real Estate Development Industry (December 2019).

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