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

Hong Kong, 28 January 2026 – China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has assigned the first-time long-term credit rating of A_g to China Overseas Grand Oceans Group Limited ("COGO" or the "Company"), with stable outlook.

The A_g long-term credit rating of COGO 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.

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.

Rating Rationale

Credit Strengths

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. 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.

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. Moreover, the Company's liquidity position remains relatively strong. Its unrestricted cash and cash equivalents could fully cover its short-term debt, and it has adequate EBITDA interest coverage.

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 had 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%). 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.

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.

Credit Challenges

Sensitivity to the persistently weak property market in Mainland China. 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. 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. 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.

Focus on lower-tier cities, resulting in persistent destocking and asset impairment risks. 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-tier cities, while competitive pressures have partially eased, destocking risks and impairment pressures still persist.

Ongoing pressure on profitability. The Company's gross profit margin, affected by pressure on sales in the Mainland China property market and rigidity in project costs, has been narrowing over the past three years. 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. As high-margin projects gradually contribute to revenues, the Company's profitability is expected to improve in the upcoming years.

Rating Outlook

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.

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.

Rating Methodology

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

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