Chongqing Fengdu Culture Tourism Group Co., Ltd.

Lianhe Ratings Global Limited ("Lianhe Global") has upgraded the global scale long-term issuer Credit Rating of Chongqing Fengdu Culture Tourism Group Co., Ltd. ("CFCT" or "the company") to 'BBB' from 'BBB-'; Issuer Rating Outlook is Stable.

Summary	
Issuer Rating	BBB
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	16 October 2025

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Applicable Criteria
China Local Investment and Development Companies Criteria (31 July 2025)

Summary

The Issuer Credit Rating upgrade reflects CFCT's enhanced strategic importance in Chongqing's Fengdu County ("Fengdu"). As the sole local investment and development company responsible for tourism sector's development in Fengdu, CFCT continues to invest in and operate local major tourist attractions, including the Fengdu Ming Mountain Scenic Area and the Nantian Lake National Tourist Resort, while further developing hotels, docks, ecological restoration projects, theme parks, and other cultural tourism facilities. Its tourism revenue has been steadily increasing in the past three years. CFCT plays an increasingly important role in promoting the development of Fengdu's tourism industry, which is a key pillar of the local economy and a top priority for the Pepple's Government of Fengdu County ("the Fengdu government").

Considering the Fengdu government's full ownership, management oversight, strategic alignment and ongoing operational and financial support for CFCT, we believe it is highly likely that the Fengdu government would provide very strong support to CFCT if needed. In addition, the Fengdu government may face significant negative impact on its reputation and financing activities if CFCT encounters any operational and financial difficulties.

Fengdu is county under the jurisdiction of Chongqing with abundant tourism resources. In 2024, Fengdu's GDP grew steadily by 6.6% to RMB42.8 billion, while its direct tourism revenue reached RMB10.2 billion. Its budgetary revenue also continued to grow strongly by 9.7% to RMB3.0 billion.

The Stable Outlook reflects our expectation that CFCT's strategic importance would remain intact while the Fengdu government will continue to support CFCT's stable operation.

Rating Rationale

Government's Ownership and Supervision: CFCT is wholly by the local government, which has strong control over the company, including the appointment of senior management and supervision of development strategy, major financing plan and investment decisions. In addition, the local government formulates a performance assessment policy for the company, and regularly appoints auditors to review the company's operating performance and financial position.

Strategic Importance and Strategic Alignment: CFCT is the sole LIDC responsible for investing in and operating cultural tourism projects in Fengdu, playing a pivotal role in driving the development of the local tourism industry. The company currently operates two major tourist attractions in Fengdu: the Fengdu Ming Mountain Scenic Area and the Nantian Lake National Tourist Resort.

In 2024, CFCT obtained the 40-year operating rights for the Nantian Lake's infrastructure at a valuation of RMB2 billion. The company also plans to invest another RMB2 billion in developing additional cultural tourism projects in Fengdu. Its business operations and strategic planning are closely aligned with the Fengdu government's economic and social development objectives, as the local government strives to accelerate the growth of the local tourism sector.

Strong Government Support: The local government provided strong support to CFCT. The company received an array of tourism-related assets, as well as operational subsidies of RMB261 million between 2022 and the first half of 2024. The Fengdu government injected cash capital of RMB1 billion and RMB256 million into CFCT in 2022 and 2024, respectively, to fulfil its strategic mandates. We expect CFCT to receive ongoing support in the coming years, considering its strategic importance in Fengdu.

CFCT's Financials and Liquidity Position: CFCT's asset size grew significantly to RMB21.5 billion at end-June 2025 from RMB17.7 billion at end-2023, as the actively participated in tourism projects' development and acquired tourism-related resources in Fengdu. It borrowed heavily to finance its expansion, raising the total debt to RMB4.7 billion from RMB792 million over the same period. Its financial leverage, as measured by total debt to capitalization, remained at a manageable level of 25.3%, thanks to the local government's capital and asset injections.

CFCT faces moderate short-term debt servicing pressure, as over 90% of its debt was scheduled to mature after one year as of end-June 2025. The company held unrestricted cash of RMB232 million, compared to RMB193 million in short-term debt. In addition, CFCT maintains access to diverse funding sources, including bank loans, bond issuances, and other non-traditional channels to support ongoing operations. As of end-2024, the company had total bank facilities of RMB4.8 billion, with RMB1.7 billion available for use.

Rating Sensitivities

We would consider downgrading CFCT's rating if (1) there is perceived weakening in support from the Fengdu government, particularly due to its reduced strategic importance, or (2) there is a significant reduction of the Fengdu government's ownership of CFCT, or (3) there is a downgrade in our internal credit assessment on the Fengdu government.

We would consider upgrading CFCT's rating if there is an upgrade in our internal credit assessment on the Fengdu government.

Operating Environment

Economic Condition of Fengdu

Fengdu's GDP grew steadily by 6.6% to RMB42.8 billion in 2024. Supported by abundant tourism resources and major tourist attractions, tourism remains the county's pillar industry, generating direct revenue of RMB10.2 billion. Meanwhile, the growth rate of fixed asset investment remained above 10% during the same period, driven by continuous investment in tourism-related projects.

Fengdu's Economic Condition (RMB billion)	**2022**	**2023**	**2024**
GDP	39.1	40.6	42.8
-Primary industry (%)	14.1	13.9	13.4
-Secondary industry (%)	39.6	38.9	35.2
-Tertiary industry (%)	46.3	47.2	51.4
GDP growth rate (%)	4.0	6.5	6.6
Fixed asset investment growth rate (%)	10.2	14.1	18.8
Population (million)	0.55	0.54	0.54

Source: Financial Bureau of Fengdu, statistical bureau of Fengdu and Lianhe Global's calculations

Fiscal Condition of Fengdu

The Fengdu government's budgetary revenue continued to grow strongly by 9.7% to RMB3.0 billion in 2024. Yet its government's fiscal balance remained weak, with a budget deficit of 145.0%.

As a result, the Fengdu government relied heavily on the higher governments' transfer payments, accounting for c. 50% of its aggregate revenue.

Fengdu's government debts increased to RMB18.8 billion at end-2024 from RMB16.4 billion at end-2023 due to the large new issuance of government debts to support the development of tourism and infrastructure projects. The government debt ratio (total government debt outstanding/aggregate revenue) of the Fengdu government increased to 194.0% from 173.9% over the same period.

Fengdu's Fiscal Condition

(RMB billion)	2022	2023	2024
Budgetary revenue	2.5	2.8	3.0
Budgetary revenue growth rate (%)	5.4	9.8	9.3
Tax revenue	0.8	1.1	1.0
Tax revenue (% of budgetary revenue)	31.6	38.1	33.4
Government fund income	0.8	1.5	1.7
Transfer payment	4.6	5.1	4.9
Aggregate revenue	**7.9**	**9.4**	**9.7**
Budgetary expenditure	5.6	7.0	7.4
Budget balance[1] (%)	-122.6	-154.0	-145.0
Government debt ratio (%)	159.4	173.9	194.0

*[1] Budget balance = (1-budgetary expenditure / budgetary revenue) * 100%*

Source: Financial Bureau of Fengdu, statistical bureau of Fengdu and Lianhe Global's calculations

Company Profile

CFCT was established in 1998 by the Fengdu government with an initial registered capital of RMB10 million. After an array of capital injections and equity transfers, the company is now solely owned and controlled by the State-owned Assets Centre of Fengdu County. By the end of June 2025, the company's registered capital was enlarged to RMB2.0 billion, and the paid-in capital was RMB1,256 million.

CFCT is an important LIDC responsible for tourism investment, development and operation in Chongqing's Fengdu County. The company also participates in other businesses, such as leasing and cemetery operations. CFCT's total revenue declined from RMB664 million in 2022 to RMB535 million in 2024, primarily due to a decrease in its traditional infrastructure development segment. However, tourism-related income surged from RMB21 million to RMB378 million during the same period. The higher profitability of its tourism segment drove the company's gross margin up to 41% in the first half of 2025, compared to just 3.7% in 2022.

Key Financial Data

(RMB million)	2022	2023	2024	2025.6
Total Assets	16,141	17,745	20,203	21,513
Equity	13,371	14,042	14,324	13,950
Debt	630	792	3,162	4,732
Debt / (Debt + Equity) (%)	4.5	5.3	18.1	25.3
Unrestricted cash/ST Debts (x)	0.5	0.1	3.8	1.2
Debt/EBITDA (x)	4.1	3.4	10.2	-
Revenue	664	669	535	172
Operation Profit	105	150	134	15
Gross Margin (%)	3.7	19.6	41.0	39.5
Cash from sales or services/ Revenue (%)	283.1	99.5	102.2	15.8

Source: CFCT and Lianhe Global's calculations

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