EXPLANATORY NOTES ON MAIN STATISTICAL INDICATORS

Industry refers to the material production sector which is engaged in the extraction of natural resources and processing and reprocessing of minerals and agricultural products, including (1) extraction of natural resources, such as mining, salt production (but not including hunting and fishing); (2) processing and reprocessing of farm and sideline produces, such as rice husking, flour milling, wine making, oil pressing, silk reeling, spinning and weaving, and leather making; (3) manufacture of industrial products, such as steel making, iron smelting, chemicals manufacturing, petroleum processing, machine building, timber processing; water and gas production and electricity generation and supply; (4)repairing of industrial products such as the repairing of machinery and means of transport (including cars).

In industrial statistics surveys, the units of enquiry are corporate industrial enterprises with independent accounting systems.

Corporate industrial enterprises with independent accounting systems refer to enterprises engaging in industrial production activities, which meet the following requirements: (1) They are established legally, having their own names, organizations, location and able to take civil liability; (2) They possess and use their assets independently, assume liabilities and are entitled to sign contracts with other units; (3) They are financially independent and compile their own balance sheets.

Enterprises covered in the industrial statistics in the Yearbook include the following categories by their registration:

State-owned and State-holding Enterprises refer to state-owned enterprises plus State-holding enterprises. State-owned enterprises refer to non-corporate economic organizations whose entire assets of the enterprise are owned by the state and which are registered in accordance with “The Regulations of the People's Republic of China on the Registration and Management of Enterprise Legal Persons”. They do not include state-owned sole proprietorship companies in limited liability companies. State-owned holding enterprises include: (1) state-owned absolute holding enterprises in which in the total paid-in capital of an enterprise, the state-owned economic entity's paid-in capital (share capital) is more than 50% of the enterprise’s total paid-in capital (share capital). (2) state-owned relative holding enterprises in which in the total paid-in capital of an enterprise, the share of the paid-in capital (share capital) owned by the contributor of the state-owned economy is not more than 50% but is relatively larger than any other contributor of the economic composition; or state-owned agreement holding enterprises in which in the total paid-in capital of an enterprise, the share of paid-in capital (share capital) owned by the contributor of the state-owned economy is not more than other economic components, but has actual control of the enterprise in accordance with the agreement. (3) enterprises in which each investor holds 50% of the shares and it is not clear who is absolutely holding, if one of them is a state-owned economy shall be treated as state-owned holding enterprises.

Collective Enterprises refer to economic organizations whose assets are collectively owned and which are registered in accordance with “The Regulations of the People's Republic of China on the Registration and Management of Enterprise Legal Persons”.

Share-holding Cooperative Enterprise refers to a collective economic organization which is based on the cooperative system and set up with its employees jointly investing in shares and absorbing a certain proportion of social assets to invest in, and carries out self-management, assuming sole responsibility for profits and losses, working together, managing democratically, and combining the distribution according to work with the distribution of dividends according to shares.

Joint-operation Enterprises refer to economic organizations which are formed by two or more enterprise legal persons or institutional legal persons of the same or different types of ownership, on the principle of voluntariness, equality and mutual benefit, and with joint investment. Associated enterprises include state-owned joint ventures, collective joint ventures, state-owned and collective joint ventures and other joint ventures.

State-owned joint ventures: refer to all affiliates being state-owned.

Collective joint ventures: refer to all associates being collectives.

State-owned and collective joint ventures: refer to joint ventures being both state-owned and collectives.

Other joint ventures: refer to enterprises in joint ventures other than the above-mentioned three joint ventures.

Limited Liability Company refers to an economic organization which is registered in accordance with "The Regulations of the People's Republic of China on the Administration of the Registration of Companies" and is jointly funded by more than two and fewer than 50 shareholders, with each shareholder assuming limited liability for the company on the basis of his subscribed contribution and the company assuming responsibility for its debt with all its assets. Limited liability companies also include state-owned sole proprietorship companies and other limited liability companies.

Company Limited by Shares refers to an economic organization which is registered in accordance with "The Regulations of the People's Republic of China on the Administration of the Registration of Companies" and in which all its registered capital consists of the same number of shares and its capital is raised through the issuance of shares, with each shareholder assuming limited liability for the company on the basis of the shares he buys and the company assuming responsibility for its debt with all its assets.

Private Enterprise refers to a profit-making economic organization that is established by natural persons or controlled by natural persons and is based on wage labor. Private enterprises include privately owned enterprises, private partnership enterprises, private limited liability companies, private limited companies, and individually owned enterprises registered in accordance with the provisions of "The Company Law", "The Partnership Enterprise Law", "The Provisional Regulations for Private Enterprises", and "The Individually Owned Enterprise Law".

Enterprises with Funds from Hong Kong, Macao and Taiwan refers to all industrial enterprises registered as the joint-venture, cooperative, sole (exclusive) investment industrial enterprises and limited liability corporations with funds from Hong Kong, Macao and Taiwan.

Foreign Funded Enterprises refer to all industrial enterprises registered as the joint-venture, cooperative, sole (exclusive) investment industrial enterprises and limited liability corporations with foreign funds.

Light Industry refers to the industry that produces consumer goods and hand tools. It consists of two categories, depending on the materials used:

(1) Industries using farm products as raw materials. These are the branches of light industry which directly or indirectly use farm products as basic raw materials, including the manufacture of food and beverages, tobacco processing, textile, clothing, fur and leather manufacturing, paper making, printing, etc.

(2) Industries using non-farm products as raw materials. These are the branches of light industry which use manufactured goods as raw materials, including the manufacture of cultural, educational articles and sports goods, chemicals, synthetic fibre, chemical products for daily use, glass products for daily use, metal products for daily use, hand tools, medical apparatus and instruments, and the manufacture of cultural and office machinery.

Heavy Industry refers to the industry which produces capital goods, and provides various sectors of the national economy with necessary material and technical basis for production. It consists of the following three branches according to the purpose of production or the use of products:

(1) Mining, quarrying and logging industry, which refers to the industry that extracts natural resources, including extraction of petroleum, coal, metal and non-metal ores.

(2) Raw materials industry refers to the industry that provides various sectors of the national economy with raw materials, fuels and power. It includes smelting and processing of metals, coking and coke chemistry, chemical materials and building materials such as cement, plywood, and power, petroleum refining and coal dressing.

(3) Manufacturing industry which refers to the industry that processes raw materials. It includes machine-building industries which equip sectors of the national economy; industries producing metal structure and cement products; and industries producing means of agricultural production, such as chemical fertilizers and pesticides.

In accordance with the above principles of classification, the repairing trades, which are engaged primarily in repairing products of heavy industry, are classified as heavy industry while those which are engaged in repairing products of light industry are classified as light industry.

Gross Industrial Output Value

It refers to the total value of the industrial end products produced in the form of currency and the industrial labor services provided by an industrial enterprise during the reporting period.

(1) Principles to be followed in the calculation of total industrial output value

① The principle of industrial production is that all the final products produced and services provided by the enterprise during the reporting period should be included. The final product, whether or not it is sold during the reporting period, should be included as long as it is produced during the reporting period. Any product that is not industrially produced cannot be included in the total industrial output value.

② The principle of the final product is that the value of the finished product produced by the enterprise must be the final product produced by the enterprise and no further processing is required after passing inspection. The semi-finished product sold externally by the enterprise should also be regarded as the final product in the total industrial output value. However, the value of their initial balance at the end of the period can only be calculated for the semi-finished products and the products being manufactured transferred in all the workshops within the enterprise.

③ The "factory law" principle is that the total industrial output value of a legal person industrial enterprise as a whole is the total value of the final products and the services provided by the enterprise during the reporting period.

(2) The content of total industrial output value includes three parts:

the value of finished products, the income of external processing fees, and the value of their initial balance at the end of the period for the self-made semi-finished products and the products being manufactured.

① The value of finished products: refers to the total value of all the industrial finished products (including semi-finished products) produced by an enterprise during the reporting period and requiring no further processing during the reporting period sold or ready for sale after being inspected and packed into the warehouse. The value of finished products includes the value of the self-made equipment produced by the enterprise and the value of finished products used by the enterprise's construction in progress, other non-industrial sectors and life welfare departments, but does not include the value of the finished products (semi-finished products) processed with the material from the orderer.

The total industrial output value is based on the current price. The value of the finished product is calculated by multiplying the physical quantity of the finished product by the average unit price of the product that does not include the value-added tax (output tax amount) payable during the reporting period. In the accounting calculation the value of the finished product is calculated according to the cost price for the self-made equipment or the self-produced and used finished product that is transferred at a cost price.

②The income of external processing fees: refers to the income of fees from the processing of industrial products externally undertaken (including the processing of the materials from the orderer) by an enterprise during the reporting period and the income of processing fees received from external industrial product repair operations and the income from the processing, repair, equipment installation and so on provided for internal non-industrial departments. The income of external processing fees is calculated at the price that does not include value-added tax (output tax amount) payable.

For enterprises with external processing production as the main factor, and the proportion of external processing fee income is relatively large, if the external processing fee income occurs across the reporting period, in order to ensure the accuracy of the calculation of the production value of the total output value, the external processing fee income should be adjusted according to actual conditions and the external processing fee income that should actually be collected during the reporting period is recorded.

③ The balance of the value of self-made semi-finished products or products being manufactured at the end and beginning of the period. In order to make the industrial output value consistent with the material consumption value of the intermediate input of industry, in order to calculate the industrial added value in the same way, the principle for calculating this indicator is: when calculating the cost of semi-finished products and products being manufactured in the accounting of enterprise accounting products, the total industrial output value must include the value of the initial balance at the end of the period of self-made semi-finished products or products being manufactured. The contrary does not include.

The balance of the value of self-made semi-finished products or products being manufactured at the beginning and end of the period is equal to the balance of the value of the self-made semi-finished products or products being manufactured at the end of the period minus their value at the beginning of the period. If the value at the end of the period is less than the value at the beginning of the period, this indicator is negative. When the enterprise calculates the production value, it shall calculate it as a negative value and cannot treat it as zero.

(3) Several specific regulations for the calculation of total industrial output value

① Where the production of self-provided raw materials (including self-provided parts and components) is irrespective of the degree of complication of its processing, the full value shall be calculated, that is, the value of the self-prepared raw materials shall be used to calculate the total industrial output value.

② Where the processing of incoming materials, the processing enterprise only charges processing fees, the processing enterprise shall calculate the total industrial output value in accordance with financial settlement processing fees, that is, the value of the orderer's incoming materials shall not be included. There are two general situations: a. for the processing of incoming materials between industrial enterprises, the processing enterprise (that is, the contracting unit) calculates the total industrial output value according to the financially settled processing fees; the enterprise that commissions processing (that is, the outsourcing unit) calculates the total industrial output value according to the full price. b. for the processing of incoming materials between an industrial enterprise and a non-industrial enterprise, when the industrial enterprise is used as a processing enterprise, its total industrial output value shall be calculated according to the processing fees.

③ The balance of the value of self-made semi-finished products or products being manufactured at the beginning and end of the period shall, in principle, be included in the total industrial output value. However, if the costs of self-made semi-finished products or products being manufactured are not calculated in the accounting product costing, it shall not be included in the total industrial output value; if the costs of self-made semi-finished products or products being manufactured are calculated in the accounting product costing, it shall be included in the total industrial output value.

The basis for distinguishing between processing of raw materials and production of self-provided raw materials is the financial settlement relationship between the processing enterprise and the enterprise that commissions processing. If the enterprise that commissions processing provides raw materials without settlement with the processing enterprise, the processing enterprise charges the processing fee, and the product is returned to the enterprise that commissions processing for sales, this mode is called processing; if the raw materials provided by the enterprise that commissions processing is settled with the processing enterprise, and the finished product is returned to the enterprise that commissions processing by the processing enterprise and also settled, this mode is called production of raw materials.

Total Assets refers to the resources formed by the enterprise's past transactions or events, owned or controlled by the enterprise and expected to bring economic benefits to the enterprise. Assets are generally classified into current assets and non-current assets based on liquidity (realization of assets or asset consumption time). Of them, current assets can be divided into monetary funds, transactional financial assets, bills receivable, accounts receivable, prepayments, other receivables, inventory, etc; non-current assets can be divided into long-term equity investments, fixed assets, intangible assets and other non-current assets. The report is based on the closing balance of the item "Asset Total" in the "Balance Sheet" of the accounting.

Enterprises that implement the "Accounting Standards for Business" or the "Accounting Standards for Small Business" : total assets = total current assets + total non-current assets; corporate assets that implement other enterprise accounting systems include current assets, long-term investments, fixed assets, intangible assets, and others assets.

Total Current Assets refers to an asset that meets one of the following conditions is classified as a current asset: (1) it is expected to be realized, sold or consumed in a normal operating cycle, mainly including inventory, accounts receivable; (2) it is mainly held for trading purposes; (3) it is expected to be realized within one year (including one year) from the balance sheet date; (4) within one year from the date of the assets and liabilities, cash or cash equivalents that are not limited in their ability to exchange other assets or settle their liabilities. It includes currency funds, bills receivable, accounts receivable, inventory and other items. The report is based on the closing balance of the item "Current Asset Total" in the "Balance Sheet" of the accounting.

Original Value of Fixed Assets refers to the cost of the fixed assets, including the total expenditure incurred by the enterprise when it purchases, self-builds, installs, reconstructs, expands, and technically transforms a certain fixed asset. The report is based on the closing debit balance of the accounting "fixed assets" account.

Total Liabilities refer to the current obligations of the enterprise formed from past transactions or events that are expected to result in the outflow of economic benefits from the enterprise. Liabilities are generally divided into current liabilities and non-current liabilities according to the length of the repayment period. The report is based on the closing balance of the item "Total Liabilities" in the "Balance Sheet" of the accounting.

Enterprises that implement the "Accounting Standards for Business" or the "Accounting Standards for Small Business": Total debt = total current liabilities + total non-current liabilities; corporate liabilities that implement other corporate accounting systems include current liabilities and long-term liabilities.

Total Ownership Equity refers to the residual equity that the owners of the enterprise's assets enjoy after deducting liabilities. The company's owners' equity is also called shareholders' equity. It includes paid-in capital, capital reserves, surplus reserves, undistributed profits, etc. The report is based on the closing balance of the item "Total Ownership Equity" in the "Balance Sheet" of the accounting.

Operating Income refers to the inflow of economic benefits formed by an enterprise engaged in production and operation activities such as selling commodities, providing labor services, and transferring asset use rights, including "main business income" and "other business incomes".

Main Business Income refers to income from principal businesses such as sales of goods and provision of labor services confirmed by the enterprise. The report shall be based on the sum of the credit balance (before the carry-over) for each month of the current year in the item "Main Business Income" of the accounting. If this account is not set up, "Business Income" is used instead in reporting.

Operating Costs refer to the actual costs incurred by an enterprise engaged in production and operation activities such as selling commodities, providing labor services, and transferring asset use rights, and "operating costs" should be matched with "operating income", including "main business costs" and "other business costs".

Taxes and Surcharges refer to the consumption tax, urban maintenance and construction tax, resource tax, environmental protection tax, education surcharge, and real estate tax, land use tax, vehicle and vessel use tax, stamp tax and other related taxes and fees that an enterprise should pay in accordance with the tax law for production and business activities.

Total Profit refers to the operating results of an enterprise during a certain accounting period. It is the surplus of various incomes after deduction of various expenses in the production and operation process, and reflects the total amount of profits and losses realized by the enterprise during the reporting period. The total profit is calculated as operating profit plus non-operating income, minus the non-operating expenses. It is reported in accordance with the accumulated amount of the item "Total Profit" in the accounting "Income Statement".

Value-added Tax (VAT) Payable refers to a turnover tax that is levied on the basis of taxation in accordance with the provisions of the tax law, with the value-added amount for the sale of goods, services, intangible assets, real estate or the provision of processing, repair and repair services, and the amount of goods imported. When reporting this indicator, the enterprise should calculate the value-added tax that should be borne by the enterprise according to the accrual basis.

Average Number of Employees refers to the average number of employees during the reporting period (annual, quarterly, monthly).

Ratio of Profits, Taxes and Interests to Average Assets reflects the profit-making capability of all assets of the enterprise and is a key indicator manifesting the performance and management and evaluating the profit-making potential of the enterprise. It is calculated as follows:

$$\begin{array}{c}\text{Ratio of Profits,}\\ \text{Taxes and Interests}\\ \text{to Average Assets (\%)}\end{array} = \frac{\begin{array}{c}\text{total profits +}\\ \text{total taxes +}\\ \text{interest payment}\end{array}}{\text{average assets}} \times 100\%$$

In the above formula, total taxes is the sum of tax and extra charges on the sales of products and value-added tax payable; and average assets is the arithmetic mean of the sum of beginning assets and ending assets.

Ratio of Debts to Assets reflects both the operation risk and the capability of the enterprise in making use of the capital from the creditors. It is calculated as follows:

$$\begin{array}{c}\text{Ratio of Debts}\\ \text{to Assets (\%)}\end{array} = \frac{\text{total debts}}{\text{total assets}} \times 100\%$$

Both assets and debts are figures at the end of the reference period.

Turnover of Working Capital refers to the number of times of turnover of working capital in a given period of time, which reflects the speed of the turnover of working capital of industrial enterprises, and is calculated as follows:

$$\text{Turnover of Working Capital} = \frac{\text{sales revenue of products}}{\text{average balance of total working capital}}$$

In the above formula, average balance of total working capital refers to the arithmetic mean of the sum of working capital at the beginning and at the end of the reference period.

Ratio of Profits to Total Industrial Costs refers to the ratio of profits realized in a given period to the total costs in the same period, which reflects the economic efficiency of input cost and is calculated as follows:

$$\text{Ratio of Profits to Total Industrial Cost (\%)} = \frac{\text{total profits}}{\text{total costs}} \times 100\%$$

The total cost of expenses is the sum of the sales costs, sales expenses, management expenses, financial expenses and research and development expenses of a product.

Turnover Days of the Finished Product Inventory refers to the number of days that an enterprise has experienced from acquiring the finished product inventory to having consumed and sold it, and is the ratio of the average finished product inventory to the operating cost, where the average finished product inventory is the arithmetic mean of the sum of the finished product inventory at the beginning of a period and that at the end of it.

Average Payback Period of the Accounts Receivable reflects the rate of withdrawal of the accounts receivable in current assets, and is the ratio of the average accounts receivable to the operating income, where the average accounts receivable is the arithmetic mean of the sum of the accounts receivable at the beginning of a period and that at the end of it.