EXPLANATORY NOTES ON MAIN STATISTICAL INDICATORS

Investment in Fixed Assets refers to the volume of activities in construction and purchases of fixed assets of the whole country and related fees, expressed in monetary terms during the reference period. It is a comprehensive indicator which shows the size, structure and growth of the investment in fixed assets, providing a basis for observing the progress of construction projects and evaluating results of investment. Total investment in fixed assets in the whole country includes, by type of ownership, the investment by State-owned units, collective-owned units, individuals, joint ownership units, share-holding units, as well as investments by entrepreneurs from foreign countries and from Hong Kong, Macao and Taiwan, and by other units, by investment in construction projects and investment in real estate development two parts.

Investment in Construction Projects refers to construction projects involving a total planned (or required) investment of 5 million yuan and over by enterprises of various types of ownership, institutions, administrative units and individuals in urban areas.

Investment in Real Estate Development refers to investment by real estate development companies, commercialized buildings construction companies and other real estate development units of various types of ownership in the construction of buildings, such as residential buildings, factory buildings, warehouses, hotels, guesthouses, holiday villages, office buildings, and the complementary service facilities and land development projects, such as roads, water supply, water drainage, power supply, heating supply, telecommunications, land leveling and other infrastructural projects. It does not include activities in pure land transactions.

Sources of Funds for Investment in Fixed Assets are categorized as funds from the State budget, domestic loans, foreign investment, self-raised funds, and others, depending on the sources of investment.

(1) Fund from the State budget consists of budgetary appropriation and loans from the State budget. More specifically, it includes, from the budget of the central government, capital construction fund (operation fund and non-operational fund), special expenses (e.g. expenses on substituting petroleum with coal), loans from repayment, discount fund, expenses on innovation and trial production of new products, expenses on urban construction, expenses on temporary construction from business departments, development fund for less developed areas, as well as local budgetary fund transferred from the central budget.

(2) Domestic loans refer to loans of various forms borrowed by investing units from banks and non-bank financial institutions during the reference period for the purpose of investment in fixed assets, including loans issued by banks from their self-owned funds and deposit, loans appropriated by higher authorities, special loans by government, loans arranged by local government from special funds, domestic reserve loan, and working loan.

(3) Foreign investment refers to foreign funds received during the reference period for the construction and purchase of investment in fixed assets (covering equipment, materials and technology), including foreign borrowings (loans from foreign governments and international financial institutions, export credit, commercial loans from foreign banks, issue of bonds and stocks overseas), foreign direct investment and other foreign investments. Excluded from this category is capital in foreign exchanges owned by China (foreign exchanges owned by the central and local governments, foreign exchanges retained by enterprises, foreign exchanges by enterprises through the regulating mechanism, loans in foreign exchanges issued by the Bank of China with its own fund, etc.). In calculating the utilization of foreign capital, foreign currencies are converted into Chinese Renminbi applying the current exchange rate when the foreign capitals are actually used.

(4) Self-raised funds refer to extra-budgetary funds for investment in fixed assets received during the reference period by investing units from central government ministries, local governments, enterprises and institutions, including their self-raised funds.

(5) Others refer to funds for investment in fixed assets received from sources other than those listed above, including capital raised through issuing bonds by enterprises or financial institutions, funds raised from individuals and through donations, and funds transferred from other units.

Investment in Fixed Assets by Sector The classification of construction projects by sector is determined by the major products or the purpose of the projects when they are put into production or use, and by the nature of their social economic activities. In general, one project or one enterprise or institution can only be classified into one sector.

Investment in Fixed Assets by Jurisdiction of Management refers to the classification of investment by the competent authorities under which investment is made by construction units, enterprises, institutions or administrative units.

(1) Central investment refers to the investment in projects or by enterprises, institutions or administrative units which are under the direct leadership and management of the State Council and of the national commissions, ministries, agencies and State-owned large corporations. Various ministries and departments of the State Council prepare and implement plans for investment in fixed assets by those departments, and arrange and ensure the supply of materials and key equipment required for the projects.

(2) Local investment refers to the investment in projects or by enterprises, institutions or administrative units which are under the direct leadership and management of departments under the provincial, prefecture and county governments. Also included are projects by foreign-invested enterprises and enterprises without competent managing authorities.

Investment in Fixed Assets by Type of Construction Construction projects in general can be classified, by the type of construction, into new construction, expansion, reconstruction and technical transformation, moving and restoration. However, investment by type of construction is not applied to investment by real-estate development units, investment in rural areas and private investment in housing construction in urban areas and in industrial and mining areas.

(1) New construction in general refers to construction projects, which start from scratch, of enterprises, institutions, administrative agencies. Construction in existing enterprises, institutions or agencies is generally not considered as new construction. In case the size of the existing unit is quite small, and the value of newly added fixed assets is more than three times of the original value, the expansion will be considered as new construction.

(2) Expansion refers to construction of new major production workshop, branch factory or independent production line within a factory or in other locations, for the purpose of increasing the production capacity (or improving efficiency) or adding new production capacity. Newly constructed accommodation for the operation of institutions and administrative organizations (such as newly constructed buildings for teaching in schools, buildings for clinics or wards in hospitals, etc.) are also classified as expansion.

Also included in expansion are investments by existing enterprises or institutions in building major production line(s) or branch factory(ies) along with some work on innovation, for the purpose of expanding the production capacity of original products or producing new products.

(3) Reconstruction and technical transformation refers to construction projects by existing enterprises or institutions in innovation or technical transformation of the old facilities (including auxiliary production equipment and welfare facilities). Also considered as reconstruction is the construction of new workshops by the existing enterprises or institutions to change the variety of products to meet the market demand (such as the production of civil products by defence industries), or to bring the designed production capacity into full play through a more balanced production process on production lines. Technical transformation refers to replacement of old technology or equipment by new technology or equipment, in order to expand the reproduction through improvement of technology contents in production, to improve product quality, to promote new products, to save energy, to reduce consumption, to expand the production scale and to improve overall social-economic efficiency. Contents of technical transformation include: updating of machinery, equipment and tools; reforming production process by using energy or materials saving technology; construction of factory workshops and transformation of public facilities; improvement of working conditions and environment, etc.

Investment in Fixed Assets by Structure By their contents and the mode of implementation, investment activities are classified into 3 categories, i.e. construction and installation, purchase of equipment and instrument, and other expenses.

(1) Construction and installation (work volume of construction and installation) refers to the construction of houses and buildings and the installation of various kinds of equipment and instruments. They include construction of houses; equipment foundations, industrial kilns and stoves, and metal structure work; preparation works and temporary works for project construction, and clearing up works post project construction; pavement of railways and roads, drilling of mines and putting up of oil pipes; construction of water conservancy; construction of underground air-raid shelters and construction of other special projects; value of equipment for heating, sanitation, ventilation, lighting, gas, painting, etc. that are covered by the budget of housing projects; laying out of various pipelines (for steam, compressed air, petroleum, tap water and sewage) and wiring and cabling for electric power and for communications; installation of various machinery and equipment; testing operation for pre-testing the quality of installation projects, and land and other development work conducted by real estate developers for commercialized housing. The value of equipment installed is itself not included in the value of installation projects.

(2) Purchase of equipment and instruments refers to the total value of equipment, tools, and instruments purchased or self-produced which come up to the cut-off point for fixed assets by the construction units or investing enterprises or institutions. Equipment, tools and instruments purchased or self-produced for new workshops by newly established or expanded units are categorized as "purchase of equipment and instruments" no matter whether they come up to the cut-off point for fixed assets.

(3) Other expenses refer to expenses arising during the construction or purchase of fixed assets other than those mentioned

above.

Projects under Construction refer to projects with construction and installation activities undertaken in the reference period. All projects that have construction activities undertaken during the reference period are reported as projects under construction irrespective of the length of construction work. The number of projects under construction can reflect the actual size of investment in fixed assets during a given period, and when compared with the number of projects completed and put into use during the same period, it demonstrates the results of investment in fixed assets from the angle of the speed of the construction. Depending on the nature of construction activities, projects under construction can also be classified into projects beginning construction in current year, winding-up projects in current year and stopped or suspended projects in previous years (with resumption of work in current year).

Projects Completed and Put into Use Industrial projects refer to the major projects and anxilliary facilities having been completed in accordance with the design documents, resulting in forming production capacity and having checked and accepted after relevant tests, while the living and welfare facilities having been completed and being capable of ensuring normal production. Non-industrial projects refer to the major projects and anxilliary facilities which have been completed in accordance with the design documents ; have been checked, accepted after relevant examination; and have been formally delivered for use.

Newly Increased Production Capacity (or Project Efficiency) refers to the increase in design capacity (or project efficiency) through investment in fixed assets, which reflects the accomplishment of investment in fixed assets in physical form and serves as an important basis for evaluating the economic efficiency of investment.

The newly increased production capacity (project efficiency) are usually expressed in one of the following forms:

(1) volume of output of products, i.e. the volume of output that the project can produce during a given period (usually a year). For instance, the capacity in coal mining is expressed in 10,000 tons/year, the capacity in producing chemical pesticides expressed in ton/year, the capacity in producing tractors in tractor/year, etc. For some chemical products where the effective contents differ significantly, the production capacity is expressed as the designed effective content equivalent, such as in the case of sulphuric acid, soda ash, caustic soda, etc;

(2) volume of raw materials processed per unit of time, i.e. the volume of raw materials that could be processed by the project per day (or per hour), such as tons of materials processed per day by a sugar refining project or edible vegetable oil project, or tons of urban sewage processed per day, etc;

(3) number or capacity of major equipment increased, such as number of cotton or silk looms increased, wool spindles increased, or capacity (in kilowatts) of power generators increased, etc;

(4) physical measures (volume, capacity, area, and length) of construction, which is typical for non-industrial projects, for instance, the length of railways put into operation, the length of highways, the capacity of reservoirs, the capacity of warehouses, the floor space of housing projects, capacity for new students in schools or beds in hospitals, areas under new irrigation project, etc.

The special features of projects may sometimes call for the combined use of two or more measurements to reflect the increase in production capacity (or project efficiency); for instance, the new capacity for the production of internal combustion engines is expressed in sets per year and kilowatts per year simultaneously.

To standardize the nomenclature and unit of measurement for newly increased production capacity (or project efficiency), the National Bureau of Statistics has developed the *Nomenclature and Codes for New Production Capacity (Project Efficiency)*. All reporting units with investment activities are required to follow these two nomenclatures in reporting statistics on new production capacity (project efficiency).

Floor Space of Buildings under Construction refers to the total floor space of the horizontal section of outer walls above the plinth of the building, including the effective area and the area occupied by the structure. This indicator is one of the important indicators in physical terms to reflect the scale and accomplishment of the construction industry and also an important basis for monitoring the progress, calculating the cost, analyzing the efficiency and studying the supply of building materials in relation to the construction projects.

Floor Space of Residential Buildings refers to the floor space of the residential buildings among the total space of buildings under construction or completed.

Floor Space under Construction refers to total floor space of all buildings under construction during the reference period, including floor space of newly started buildings during the reference period, floor space of construction extended from the previous period to the current period, and floor space of construction suspended during the previous period and resumed in the current period. Floor space of construction completed in the current period, and floor space of construction started and then suspended in the current period are also included in the floor space under construction of the current year.

Floor Space Completed refers to the floor space of all buildings completed in the reference period, which have been appraised and accepted (or come up to the designed standards) and have been transferred to owner units.

Completion Rate of Floor Space of Buildings refers to the ratio of the floor space of buildings completed in a certain period of time to the floor space of buildings under construction in the same period.

Newly Increased Fixed Assets refer to the newly increased value of fixed assets, constructed or purchased, that have been transferred to the investors. This is an indicator that demonstrates the results of investment in fixed assets in monetary terms, and an important indicator to reflect the speed of construction and to calculate the efficiency of investment.

Rate of Construction Projects Completed and Put into Use refers to the ratio of the number of construction projects completed and put into use in a certain period of time to the number of projects under construction in the same period. This reflects the investment efficiency from the perspective of the speed of projects construction.

Rate of Projects of Fixed Assets Completed and Put into Operation refers to the ratio of the newly increased fixed assets to the total investment made in the same period. This is a comprehensive indicator reflecting the speed of the employment of fixed assets and the investment efficiency at the macro-level. As the newly increase fixed assets is the result of a long period while the investment is completed in the current year, this indicator is expected to be used to reflect the employment of fixed assets over a long period of time.

Area of Commercialized Housing Sold refers to total contracted area of commercialized housing (i.e. area of floor space as designated in the formal contracts signed by both sides) during the reference time. It constitutes floor space of completed housing and floor space of future housing.

Value of Commercialized Housing Sold refers to the total contracted value (i.e. value of sales/purchase for selling/purchase of commercialized housing as designated in the contract signed by both sides) during the reference time. This indicator has the same coverage as the area of commercialized housing sold, which constitutes floor space of completed housing and floor space of housing yet to be completed.