

The Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA)

**Proforma Cost Statement for CO(CEPA) Application with
Product Development Cost Included in the Hong Kong Value-added Content**

CO(CEPA) UCR No. : _____

Description of Goods : _____

Mainland HS Code : _____

Quantity of Goods : _____

Hong Kong value-added content	Costs incurred for the above goods (HK\$)		
1. Raw materials and component parts (Note 1)	(a)		
2. Direct labour costs (Note 2)	(b)		
3. Product development costs (Note 3)	<i>Self-developed</i>	<i>Developed by or Purchased from a Third Party (Note 4)</i>	<i>Total</i>
			(c)
Amortisation method used (Note 5)			
	Total cost [(a)+(b)+(c)]:		(d)
	FOB value of the goods (HK\$) (Note 6):		(e)
	Hong Kong value-added content as % of FOB value [(d)/(e) x 100%]:		

I _____ of _____
(Name of signatory)

* Proprietor
* Partner
* Director/a responsible person (Note 7)

_____ (FR No.: _____) (hereinafter referred to as "the factory")
(Name of factory and Factory Registration No.)

am duly authorized to make this declaration for and on behalf of the factory and hereby declare that:

- (a) this Cost Statement is prepared in accordance with the conditions for issuing CO(CEPA) as stipulated by the Director-General of Trade and Industry in the circulars on CO(CEPA);
- (b) the information provided in this Cost Statement is true and correct and that the goods described in the above CO(CEPA) application have fulfilled the 30% Hong Kong value-added content requirement under CEPA and that product development costs are included in the Hong Kong value-added content;
- (c) the above product development costs are exclusively incurred in Hong Kong for the goods described in the above CO(CEPA) application; and
- (d) the calculation of the Hong Kong value-added content including the product development costs is consistent with generally accepted accounting principles.

I hereby undertake to have this Cost Statement audited by a Certified Public Accountant and make available the audited Cost Statement to any officer authorized by the Director-General of Trade and Industry and/or the Commissioner of Customs and Excise within 30 days upon request.

Stamped and Signed by (Note 7) : _____ (_____)
(Office held)

Name of Signatory : _____
(English) (Chinese) HKID Card/
Passport No. : _____

Telephone No. : _____

Date : _____

* Delete whichever is not applicable.

Note:

1. Raw materials must be wholly obtained in Hong Kong. Component parts must be of Hong Kong origin according to the applicable Hong Kong origin rules. If no relevant Hong Kong origin rules are available, the component parts must be the product having undergone processing and manufacturing operations in Hong Kong, which result in a change in the 4-digit HS heading from that of the basic materials used to produce the component parts.
2. Labour costs refer to wages related directly to the production of the goods. Costs such as employee transport and management wages may not be included in the Hong Kong value-added content.
3. Product development carried out in Hong Kong for the purposes of producing or processing the goods. Development expenses should be related to the exporting goods and include:
 - (i) fees payable for the development of designs, patents, patented technologies, trademarks or copyrights (referred to as “rights” collectively) carried out by the manufacturer himself,
 - (ii) fees payable to a natural or legal person in Hong Kong for undertaking development of those rights, and
 - (iii) fees payable for purchasing those rights owned by a natural or legal person in Hong Kong.

Please state the type of product development costs involved (designs, patents, patented technologies, trademarks or copyrights) and provide information for each type of cost.

4. Please also specify the name of the third party in this column. The third party must be a legal person or a natural person in Hong Kong, who has already made and submitted a Declaration and Undertaking (Form FRD2) to the Trade and Industry Department under the Factory Registration of the factory named in this Cost Statement.
5. Please state the accounting method (e.g. straight line, diminishing balance or unit of products) used for allocating the factory’s product development costs to the goods covered in this Cost Statement.
6. FOB value as declared on the CO(CEPA). FOB value refers to the cost of the goods to the Mainland buyer abroad up to and including the loading of the goods on to the exporting vessel, vehicle or aircraft.
7. The person signing for and on behalf of the factory must be an authorized signatory under Factory Registration.