The Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA)
Agreement on Trade in Goods (the Agreement)

Proforma Cost Statement for CO(CEPA) Application with Product Development Cost Included in the Regional Value Content using Build-Up Method

CO(CEPA) UCR No. : _____

Description of Goods : _____

Mainland HS Code : _____

Quantity of Goods : _____

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

I _____ (Name of signatory) ○ Proprietor ○ Partner ○ Director/○a responsible person (Note 7) of

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

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 regional value content requirement under CEPA and the Agreement and that product development costs are included in the regional value 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 regional value 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 : _____ HKID Card/ Passport No. : _____
(English) (Chinese)

Telephone No. : _____

Date : _____

Note:

1. Raw materials and component parts to be included in the regional value content must fulfil the originating goods requirement under CEPA and the Agreement.

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 regional value content.

3. Product development carried out in Hong Kong for the purposes of producing or processing the exporting 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.