

Annex 3-2
Method of Calculation of FOB Value

1. FOB Value shall be calculated as follows:
 - (a) **FOB Value = Ex-Factory Price + Other Costs**
 - (b) **Other Costs** in the calculation of the FOB value shall refer to the costs incurred in placing the goods in the ship for export, including but not limited to, domestic transport costs, storage and warehousing, port handling, brokerage fees, service charges, *et cetera*.

2. Formula for ex-factory price:
 - (a) **Ex-Factory Price = Production Cost + Profit**
 - (b) Formula for **production cost**,
 - (i) **Production Cost = Cost of Raw Materials + Labour Cost + Overhead Cost**
 - (ii) **Cost of Raw Materials** shall consist of:
 - (AA) Cost of raw materials
 - (BB) Freight and insurance
 - (iii) **Labour Cost** shall include:
 - (AA) Wages
 - (BB) Remuneration
 - (CC) Other employee benefits associated with the manufacturing process
 - (iv) **Overhead Costs**, (non-exhaustive list) shall include, but not limited to:
 - (AA) real property items associated with the production process (insurance, factory rent and leasing, depreciation on buildings, repair and maintenance, taxes, interests on mortgage)
 - (BB) leasing of and interest payments for plant and equipment

- (CC) factory security
- (DD) insurance (plant, equipment and materials used in the manufacture of the goods)
- (EE) utilities (energy, electricity, water and other utilities directly attributable to the production of the good)
- (FF) research, development, design and engineering
- (GG) dies, moulds, tooling and the depreciation, maintenance and repair of plant and equipment
- (HH) royalties or licenses (in connection with patented machines or processes used in the manufacture of the good or the right to manufacture the good)
- (II) inspection and testing of materials and the goods
- (JJ) storage and handling in the factory
- (KK) disposal of recyclable wastes
- (LL) cost elements in computing the value of raw materials, i.e. port and clearance charges and import duties paid for dutiable component.