

### Example of Early Settlement Calculation of Interest-Free Tax Loan

A 12-month loan of HK\$100,000 at a monthly flat rate of 0% and add-on handling fee of 1.5% per annum

Average Monthly Interest = HK\$100,000 x 0% = HK\$0

Interest for the full term = HK\$0 x 12(instalments) = HK\$0

Handling fee in each monthly repayment amount = HK\$100,000 x 1.5% / 12 = HK\$125

Monthly repayment amount = (HK\$100,000 + HK\$125 x 12) / 12(monthly payments) = HK\$8,459

Annualized Percentage Rate (APR)<sup>#</sup> = 2.79% (including 1.5% add-on handling fee)

Early settlement calculation\*:

Early repayment of the Loan is permissible subject to the Lender's prior consent and my/our repayment of the following:

- (i) the outstanding principal of the Loan and accrued interest up to the repayment date, both recalculated or calculated at the interest rate of monthly effective rate of the Loan on a monthly basis;
- (ii) all other monies, fees, charges, costs and expenses payable under the Loan;
- (iii) interest calculated at the aforesaid monthly effective rate for the period commencing from the day after the repayment date to the next monthly instalment payment date (both days inclusive); and
- (iv) early repayment handling fee equal to 2% on the outstanding principal of the Loan (recalculated or calculated at the aforesaid monthly effective rate).

Provided always that the sum of (iii) and (iv) shall be not less than HK\$500.

\* Assuming the early settlement will be made on the 6<sup>th</sup> monthly instalment due day

The monthly effective rate can be solved by the following equation

Equation	$PV = \sum_{t=1}^n \frac{PMT}{(1+r)^t}$	PV = Loan Amount PMT = Monthly Instalment Amount t = No. of Instalment n = Loan Tenor r = Monthly Effective Rate
Example	$\$100,000 = \sum_{t=1}^{12} \frac{\$8,459}{(1+r)^t}$	By solving the equation, r = 0.2310227%

Monthly Effective Rate = 0.2310227%

Based on the monthly effective rate of 0.2310227%, the early settlement amount is as follows:

Nth of Instalment	Monthly Instalment	Interest		Principal Repaid		Outstanding Principal		Early Repayment Handling Fee (Outstanding Principal x 2%)		Early Settlement Amount i) For Early Repayment Handling Fee > \$500, Outstanding Principal + Early Repayment Handling Fee ii) For Early Repayment Handling Fee < \$500, Outstanding Principal + \$500		Early Settlement Amount with monthly instalment amount*
0							HK\$ 100,000.00					
1	HK\$ 8,459.00	\$100,000 x 0.2310227% =	HK\$ 231.02	\$8,459 - \$231.02 =	HK\$ 8,227.98	\$100,000 - \$8,227.98 =	HK\$ 91,772.02					
2	HK\$ 8,459.00	\$91,772.02 x 0.2310227% =	HK\$ 212.01	\$8,459 - \$212.01 =	HK\$ 8,246.99	\$91,772.02 - \$8,246.99 =	HK\$ 83,525.04					



6	HK\$ 8,459.00	\$58,669.59 x 0.2310227% =	HK\$ 135.54	\$8,459 - \$135.54 =	HK\$ 8,323.46	\$58,669.59 - \$8,323.46 =	HK\$ 50,346.13	\$58,669.59 x 2% =	HK\$ 1,173.39	HK\$ 51,519.52	HK\$ 59,978.52
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### Compare the early settlement penalty amount and total add-on handling fee of the remaining tenors

Nth of Instalment	Early Repayment Handling Fee	Total remaining add-on handling fee if no early settlement takes place before the loan maturity (Sum up the add-on handling fee amount in the remaining loan tenor)
1	HK\$ 2,000.00	HK\$ 1,375.00
2	HK\$ 1,835.44	HK\$ 1,250.00
3	HK\$ 1,670.50	HK\$ 1,125.00
4	HK\$ 1,505.18	HK\$ 1,000.00
5	HK\$ 1,339.48	HK\$ 875.00
6	HK\$ 1,173.39	HK\$ 750.00
7	HK\$ 1,006.92	HK\$ 625.00
8	HK\$ 840.07	HK\$ 500.00
9	HK\$ 672.83	HK\$ 375.00
10	HK\$ 505.20	HK\$ 250.00
11	HK\$ 500.00	HK\$ 125.00
12	HK\$ 500.00	HK\$ -

As these are interest-free tax loan products with add-on handling fee amount, normally the expenses will not be saved by making the early settlement.

# The annualized Percentage Rate ("APR") is calculated according to the standard of Hong Kong Association of Banks and rounded to 2 decimal places. An APR is a reference rate which includes the basic interest rates and other applicable fees and charges of the product expressed as an annualized rate.

\* As the early settlement is made on each monthly instalment due day, the corresponding monthly instalment amount will be included in the early settlement amount.

The above example is for reference only.