

PRODUCT DISCLOSURE SHEET
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Kindly read this Product Disclosure Sheet ("PDS") together with the terms in the letter of offer before you decide to take up **SME Grow-i** with Hong Leong Islamic Bank ("Bank").

**Hong Leong CM Flexi Term Financing-i
(under SME Grow program) ("SME Grow-i")**

The information provided is merely general information of the product. Be sure to read the final terms and conditions in the letter of offer after credit assessment and approval for the financing.

October 2023

Please seek clarification from the Bank if you do not understand any part of this document or the general terms.

1. What is this product about?

- SME Grow-i is a one-off basis non-revolving Islamic financing facility which complies with Shariah principles that has a predetermined maturity date and payment schedule.
- It is an unsecured Islamic financing facility to assist you in meeting your working capital needs.
- SME Grow-i comes with a variable (floating) rate and is pegged or attached to Islamic Financing Rate ("IFR"). Under this product, you are protected against a higher rate by the ceiling rate or the maximum profit rate chargeable i.e. the Contracted Profit Rate ("CPR") where selling price is capped at CPR. No matter how high the IFR fluctuates, you will not be charged more than the CPR.

2. What is the Shariah contract applicable?

The Shariah contract used is *Tawarruq*. *Tawarruq* refers to 2 sale and purchase contracts. The first involves the sale of an asset (commodity) by the Bank to the Customer on a deferred basis. Subsequently the Customer will sell the same asset to a third party to obtain cash.

The following is the mechanism for SME Grow-i:

1. Bank buys the commodity* (which is used as underlying asset) at a price equivalent to the Financing Amount (same value as the Commodity Purchase Price as stated in the Letter of Offer) from a commodity supplier on spot as principal. Bank now owns commodity;
2. Customer appoints the Bank as an agent (*wakil*) to purchase the commodity from the Bank on the Customer's behalf and also appoints the Bank as an agent to sell the commodity to third party.
3. Bank sells the commodity to Customer at cost plus mark-up (*Murabahah***) at a Selling Price (same value as the Commodity Sale Price as stated in the Letter of Offer) on deferred payment (instalments). Pursuant to the appointment as the Customer's agent above, Bank will accept/purchase the sale of commodities by the Bank to the Customer. The Customer now owns the commodity.
4. As owner of the commodity, Customer may opt to:
 - (a) take physical delivery/possession at his own expense; or
 - (b) sell the commodity to a third party for cash;
5. If the customer chooses 4(b), Bank (as agent of the Customer) sells the Customer's commodity at Financing Amount to third party on spot for cash;
6. Bank disburses the sale proceeds (financing amount) to Customer.

* *Commodity:*

- (a) *The commodity is in the form of Crude Palm Oil or any other Shariah compliant commodities to be traded under the Facility which shall be acceptable to the parties and as approved by the Shariah Committee of the Bank;*
- (b) *The trading is carried out on a multi-commodity trading platform which facilitates Tawarruq transactions and has been approved by the Shariah Committee of the Bank.*

** *Murabahah:*

Murabahah is a sale and purchase of commodity where the acquisition cost and the mark-up (profit) are disclosed to the Customer.

3. What do I get from this product?

- Commodity Sale Price will be calculated based on CPR (as stated in the Letter of Offer).
 - Profit charges will be calculated based on Effective Profit Rate ("EPR")*. EPR charges is pegged to IFR and ranges from IFR + 2.75% to IFR + 3.25% p.a.
 - Financing tenure of up to 60 months or 5 years.
- * If the profit amount based on EPR is lower than the profit amount based on CPR, rebate will be granted on the difference upon receipt of full settlement by the Bank.

Example:

Facility Amount / Limit / Commodity Purchase Price	:	RM 100,000.00
IFR	:	6.64% p.a.
Profit rate	:	IFR + 2.75% p.a.
Financing Tenure	:	60 months/5 years
CPR	:	15.00% p.a.
EPR	:	9.39% p.a.
Monthly Payment Amount (based on EPR)	:	RM 2,095.00
Total Profit	:	RM 42,740.00
Commodity Sale Price	:	RM 142,740.00

No.	Payment Commence 1st of the following month	Billed Profit	Principal Paid	Remaining Unearned Profit	Principal Balance O/S	Current Outstanding Balance	Next Payment Due Date	Effective Profit Rate
0				42,740.00	100,000.00	142,740.00	1-Mar-23	9.39%
1	2,095.00	797.63	1,297.37	41,942.37	98,702.63	140,645.00	1-Apr-23	9.39%
2	2,095.00	761.70	1,333.30	41,180.67	97,369.33	138,550.00	1-May-23	9.39%
3	2,095.00	776.55	1,318.45	40,404.12	96,050.88	136,455.00	1-Jun-23	9.39%
:	:	:	:	:	:	:	:	:
:	:	:	:	:	:	:	:	:
59	2,095.00	33.48	2,061.52	16,996.87	2,138.13	19,135.00	1-Feb-28	9.39%
60	2,154.08*	15.95	2,138.13	16,980.92	0.00	16,980.92	1-Mar-28	9.39%

* The final payment amount may be varied to fully settle all amount outstanding. When principal outstanding is zero, rebate will be given to set-off Remaining Unearned Profit

Note: Please note the above rates and tenure is indicative only. The final approved amount of your financing, tenure and effective profit rate is subject to the Bank's approving criteria and may differ from the above. For actual details of Facility offered, please refer to letter of offer.

If and whenever the EPR is varied as a consequence of variations to the IFR and actual no. of days in a month, your final payment amount may be varied to settle principal balance outstanding & billed profit to full settle the financing.

4. What are my obligations?

- To pay the scheduled instalment payments comprising of principal and profits in a timely manner (calculated based on EPR and daily reducing outstanding principal).
- Payments are scheduled on monthly basis.
- To settle all amounts outstanding on or before the expiry of the facility tenure i.e. maturity date.

IMPORTANT:

- If payment falls on non-working days or public holiday, payment shall be made on the immediate preceding working day.
- The Bank may, from time to time, vary the IFR but not exceeding the CPR. If and whenever the EPR is varied as a consequence of variations to the IFR, the Bank may make the following adjustment consequent upon such variation, namely, either:
 - by varying the amount of Monthly Payment; or
 - by varying the number of Monthly Payment.

Any adjustment will be subject to the Bank furnishing to you at **least 21 days prior written notice.**

- Your monthly payment amount may be varied if the EPR changes.

Table below depicts the variation of monthly payment and total payment amount if the IFR changes (example based on Item 3):

	6.64%	7.64%	8.64%
IFR	6.64%	7.64%	8.64%
Effective Profit Rate	9.39%	10.39%	11.39%
Monthly	2,095.00	2,144.00	2,194.00
Total Profit at the end of tenure	25,759.08	28,722.77	31,717.55
Total Payment amount at the end of <i>tenure</i>	125,759.08	128,722.77	131,717.55

Note: Calculation of total profit and total payment amount in table above is based on scenario that the IFR change takes place before the disbursement of financing. In event the IFR changes during the tenure of the financing, the monthly Payment Amount will be revised accordingly, and the total profit and total payment amount will differ.

5. What are the fees and charges do I have to pay?

Stamp Duties	As per Stamp Duty Act 1949 (including any revision made to it), and will be debited from the Facility Amount prior to the release of the Facility.
Processing Fee	Currently, all processing fees are waived for approved Facility.
SJPP Guarantee Fee	In the event the Guarantee Scheme(s) for the Facility is approved by Syarikat Jaminan Pembiayaan Perniagaan Berhad ("SJPP"), the Guarantee Fee(s)* payable by you is based on the SJPP's liability under the risk sharing ratio** with the Bank. The Guarantee Fee(s) is charged by SJPP on a yearly basis based on the principal outstanding and may be subject to such other terms and conditions imposed by SJPP. The Bank will include this Guarantee Fee(s) into the Bank's EPR such that the Guarantee Fee(s) is paid on an equal instalment basis.
Commodity Trading Fee	RM4.00 for every RM1.0 million of financing amount on a pro-rated basis.

Note:

- (i) All fees, commissions, charges and other monies payable shall be exclusive of and subject to any Government Tax, where applicable. For more information on other charges, you may log on to HLISB's website at www.hlisb.com.my.
- (ii) All fees and charges including stamp duties, legal fees/costs (where applicable) and/or registration fees (where applicable) in connection with SME Grow-i shall be deducted before the balance of the Facility Amount is made available to you. Recurring monthly profit payments (where applicable) shall be deducted from the designated HLB/HLISB Current Account/-i.
- (iii) * Guarantee Fee(s) is currently at 1.00% per annum payable upfront for SJPP SME Grow Guarantee Scheme managed by SJPP on the principal outstanding amount (subject to the aggregate Group financing limit not exceeding RM50.0 million for all SJPP guarantee schemes, including this financing. Group is defined as companies under the same group by way of shareholding (holding 50% or more), directors (providing guarantees) and/or related guarantors).
- (iv) ** Under the Guarantee Scheme(s), SJPP's liability is 70% of the Facility Amount.

6. What if I fail to fulfil my obligations?

Compensation Charges for Late Payment (Ta'widh)	<ol style="list-style-type: none"> a) For default instalment payment(s) during facility tenure = 1% p.a. on the overdue amount; b) For default causing the facility to be terminated or brought to court = 1% p.a. on the outstanding balance (outstanding principal plus accrued profit); c) For default payment after expiry of facility tenure = BNM's prevailing daily overnight Islamic Interbank Money Market ("IIMM") rate on the outstanding balance (outstanding principal plus accrued profit); d) For default payment after court judgment has been obtained against you = BNM's prevailing daily overnight IIMM rate on the basic judgment sum. <p>Note:</p> <ol style="list-style-type: none"> (i) Compensation charges will not be added to the outstanding principal and will not be more than the outstanding principal (ii) Compensation charges method and rate are subject to changes as may be prescribed by BNM (iii) Compensation charges is computed on a daily basis from the payment due date/maturity date/judgment date
Right to Set-off	The Bank may set-off/deduct any credit balance in your deposit account(s) maintained with the Bank against any outstanding balance <u>subject to issuance of seven (7) days' prior written notice to you.</u>
Right to Commence Recovery or Legal Action	<ul style="list-style-type: none"> • Legal action will be taken if you fail to respond to reminder notices. • The Bank may commence recovery activities (including engaging third-party debt collection agencies), foreclosure and bankruptcy proceedings. <p>Note: Legal action taken against you may affect your credit ratings and the ability to obtain any financing from other financial institutions.</p>

7. What if I fully settle the financing before its maturity?

- In the event of early redemption or early full settlement, you are required to reimburse the Guarantee Fee(s) in full to the Bank which the Bank has paid in advance to SJPP for that year.
- You must give the Bank 3 months prior written notice if you intend to fully settle the financing before its maturity.
- The Bank undertakes to grant you rebate (Ibra') at the point of early settlement. Rebate formula as below:

Rebate on early settlement = Remaining Unearned Profit (-) Early Settlement Charges* (if any)

- Note:**
- (i) Remaining Unearned Profit = Total Profit (-) Accrued Profit
 - (ii) Total Profit = Sale Price (-) Financing Amount
 - (iii) Accrued Profit is calculated based on Effective Profit Rate on the outstanding Financing Amount being disbursed

* For any actual cost incurred by the Bank e.g. discounted rate, legal fees, disbursement fees, stamp duty and valuation fees.

8. Do I need any takaful coverage?

The following takaful coverage are recommended to be taken and is optional:

- Mortgage Reducing Term Takaful (MRTT) or any equivalent takaful certificates policies to cover the company in the event of death or permanent disability of the customer or key men of the company (if applicable)

9. What are the major risks?

The EPR is a variable or adjustable rate and may change according to change(s) in the IFR. An increase in EPR may result in higher monthly payment. However, the EPR increase is capped at the CPR.

Note:

For Facility that is pegged to IFR, movement in IFR will change the EPR on the same day.

10. What do I need to do if there are changes to my contact details?

It is important that you inform us of any changes in your contact details to ensure that all correspondences reach you in a timely manner. To update your correspondence details, please contact us at +603-76268899 or visit any of our business centres nationwide.

11. Where can I get assistance and redress?

- If you have difficulties in making payments, you should contact us earliest possible to discuss payment alternatives. You may contact us at:

Credit Control Department, Hong Leong Islamic Bank Berhad

Address : Level 2, Tower A, PJ City Development, 15A Jalan 219, Section 51A, Petaling Jaya, 46100 Selangor
Telephone No. : 03-7952 3388
Fax : 03-7873 8228
E-mail : hlbsmerecovery@hlbb.hongleong.com.my
Website : www.hlisb.com.my

- Alternatively, you may seek the services of:

- a) **Khidmat Nasihat Pembiayaan ("KNP")**, a service formalised by Bank Negara Malaysia (BNM) in collaboration with Credit Guarantee Corporation Malaysia Berhad ("CGC") and Agensi Kaunseling & Pengurusan Kredit ("AKPK") via MyKNP@CGC that provides financial advisory and recommendations to Small & Medium Enterprises (SMEs) who were unsuccessful in obtaining business financing from banks. You may contact KNP at:

MyKNP@CGC Advisory Unit under CGC
Address : CGC Advisory at any CGC branches nationwide.
Please refer to CGC website for the branch location at <https://www.cgc.com.my/cgc-branches>.
Telephone : 03- 7880 0088
E-Mel : myknp@cgc.com.my
Website : bnm.gov.my/MyKNP

- b) **Agensi Kaunseling & Pengurusan Kredit ("AKPK")**, an agency established by Bank Negara Malaysia as a one-stop platform for both individuals and SMEs seeking financing restructuring services as well as financial education and credit advisory. You may contact AKPK at:

Agensi Kaunseling dan Pengurusan Kredit (AKPK)
Address : Level 5 & 6, Menara Bumiputra Commerce, Jalan Raja Laut 50350 Kuala Lumpur, Federal Territory
Telephone : 1-800-88-2575
E-mail : enquiry@akpk.org.my
Website : <https://www.akpk.org.my/smehelpdesk>

- If you wish to complain on the products or services provided by us, you may contact us at:

Customer Advocacy

Address : Level 13A, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur
 Telephone No. : 03-76268801/03-76268802/03-76268812
 E-mail : customerservice@hlibb.hongleong.com.my

- If your query or complaint is not satisfactorily resolved by us, you may contact Bank Negara Malaysia at:

Bank Negara Malaysia LINK or BNMTELELINK
 Address : Block D, Bank Negara Malaysia Jalan Dato' Onn 50480 Kuala Lumpur
 Telephone No. : 1-300-88-5465
 Fax : +603-2174 1515
 E-mail : bnmtelelink@bnm.gov.my

12. Where can I get further information?

Should you require additional information on SME Grow-i, you may visit our website at www.hlisb.com.my.

13. Other Financing Packages Available

- Hong Leong Commodity Murabahah Term Financing-i
- Hong Leong CM Cashline-i
- Hong Leong Commodity Murabahah Revolving Credit-i
- Hong Leong Industrial Hire Purchase-i
- Islamic Trade Financing-i

14. How do I make my monthly payment?

Making your monthly payment is hassle free through:

- Standing instructions from your Hong Leong Bank / Hong Leong Islamic Bank Current Account/-i
- Internet Banking (www.hongleongconnect.my) or via mobile phone app or tablet app
- Malaysian Electronic Payment System (MEPS) or Interbank Giro (IBG)*

Alternative payment methods include:

- ATM transfer to your financing account
- Bank in to your financing account via Cash Deposit Machine**
- Make your payment over-the-counter at the nearest branch

Important:

*Online IBG payment is RM0.10 per transaction

**Effective 2nd January 2015, RM 0.50 cheque processing fee and RM0.15 stamp duty will be charged per cheque issued.

Subject to Government Taxes, if applicable.

15. Do I need a guarantor or collateral

- One or more Guarantor is/are required.
- Guarantee in favour of the Bank by SJPP under the Guarantee Scheme(s) for 70% of the Facility Amount.

IMPORTANT NOTICE

THE BANK MAY PROCEED WITH LEGAL ACTION SHOULD YOU FAIL TO PAY YOUR PAYMENT ON TIME.

Reading Through Carefully The Details In The PDS Is Very Important So As To Ensure That You Get To Know And Understand The Product Terms And You Have Agreed To Be Bound By It.

The information provided in this disclosure sheet is valid as at April 2023.