

PRODUCT DISCLOSURE SHEET



Kindly read this Product Disclosure Sheet together with the terms in the letter of offer before you decide to take up the Hong Leong CM Flexi Term Financing-i (CMFTF-i) with Hong Leong Islamic Bank ("Bank"). Be sure to also read the general terms and conditions.

The information provided is merely general information of the product. The terms and conditions indicated in this Product Disclosure Sheet are tentative/indicative and may change at the discretion of the Bank. Final terms and conditions will be read jointly and superseded as stipulated in the letter of offer and facility agreement after credit assessment and approval for the financing.

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

Hong Leong CM Flexi Term Financing-i (CMFTF-i)

October 2020

1. What is this product about?

- CMFTF-i is a one-off basis non-revolving Islamic financing facility which complies with Shariah principles that has a predetermined maturity date and paymentschedule.
- It is generally used for financing the purchase of fixed assets such as properties or machineries and sometimes for working capital.
- CMFTF-i comes with a variable (floating) rate and is pegged or attached to Islamic Financing Rate (IFR) or Islamic Effective Cost of Fund (ICOF). 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 or ICOF fluctuates, you will not be charged more than the CPR.

2. What is the Shariah concept applicable?

The Shariah principle used is *Tawarruq* arrangement. *Tawarruq* refers to two sale and purchase contracts. The first involves the sale of an asset 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 mechanics involved in CMFTF-i:

1. Bank buys the commodity* (which is used as underlying asset) (at same value as financing amount) 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 and also appoints the Bank as an agent to sell the commodity.
3. Bank sells the commodity to Customer at cost plus mark-up (*Murabahah*) (same value as selling price) on deferred payment (instalments). Upon the purchase, the Customer now owns the commodity. *Murabahah* is a sale and purchase of an asset where the acquisition cost and the mark-up are disclosed to the Customer.
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 (b), Bank (as agent of the Customer) sells Customer's commodity (at same value as 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 such as Bursa Suq Al Sila' or any other commodity trading platform, which facilitates Tawarruq transactions and has been approved by the Shariah Committee of the Bank.*

3. What do I get from this product?

- Margin of Financing (MOF) offered will depend on the purpose of financing. Typically, for property financing the MOF is up to 80%.
- Commodity Sale Price will be calculated based on CPR. Typically, CPR is based on 6% above prevailing IFR.
- Profit charges will be calculated based on Effective Profit Rate (EPR)*. EPR charges will depend on the purpose of financing and is pegged to IFR or ICOF. Generally, for property financing rates ranges from IFR - 1.8% to IFR + 1.0% p.a. while for working capital rates are at IFR + 0.5% to IFR + 3.0% p.a.
- Financing tenure differs with the purpose of financing. Generally, the financing tenure ranges from 5 years to 15 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 1,000,000.00
Islamic Financing Rate	:	7.04% p.a.
Profit rate	:	IFR - 2.00%
Financing Tenure	:	180 months/up to 15 years (max)
Contracted Profit Rate (CPR)	:	13.04%
Effective Profit Rate (EPR)	:	5.04%
Payment Amount (based on EPR)	:	RM 7,929.00
Total Profit	:	RM 1,282,220.00
Commodity Sale Price	:	RM 2,282,220.00

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				1,282,220.00	1,000,000.00	2,282,220.00	1-Mar-18	
1	7,929.00	4,280.48	3,648.52	1,277,939.52	996,351.48	2,274,291.00	1-Apr-18	5.04%
2	7,929.00	4,127.40	3,801.60	1,273,812.12	992,549.88	2,266,362.00	1-May-18	5.04%
3	7,929.00	4,248.55	3,680.45	1,269,563.57	988,869.43	2,258,433.00	1-Jun-18	5.04%
:	:	:	:	:	:	:	:	
:	:	:	:	:	:	:	:	
179	7,929.00	70.68	7,858.32	854,304.89	8,624.11	862,929.00	1-Feb-33	5.04%
180	8,657.43	33.32	8,624.11	854,271.57*	0.00	854,571.57*	1-Mar-33	5.04%

* 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/facility agreement.

If and whenever the EPR is varied as a consequence of variations to the IFR/ICOF 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 outstanding principal).
- Payments are generally scheduled on monthly/quarterly/semi-annually/annually basis (calculated based on EPR and daily reducing balance 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, subject to the CPR, vary the IFR/ICOF. If and whenever the EPR is varied as a consequence of variations to the IFR/ICOF, the Bank may make the following adjustment consequent upon such variation, namely, either:
 - by varying the amount of any Periodic Instalments; or
 - by varying the number of the Periodic Instalments.

Any variation 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):

Payment Frequency	Today at the above EPR	If EPR goes up 1%	If EPR goes up 2%
IFR	7.04%	8.04%	9.04%
Effective Profit Rate	5.04%	6.04%	7.04%
Monthly	7,929.00	8,461.00	9,011.00
Total Profit at the end of tenure, excluding GPP	427,220.00	522,980.00	621,980.00
Total Payment amount at the end of tenure, excluding GPP	1,282,220.00	1,522,980.00	1,621,980.00

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, 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).
Legal and Disbursement Fees	Legal fees for preparation of the financing documentation and security documentation as per the Solicitor's Remuneration Order 2005.
Trading Fee	<p>For SME customer – RM 7.50 for every RM 1.0 million of financing amount (and its equivalent in another currency e.g. USD<<7.50>>/USD 1.0 million) on a pro-rated.</p> <p>For Non - SME customer – RM 15 for every RM 1.0 million of financing amount (and its equivalent in another currency e.g. USD<<15.00>>/USD 1.0 million) on a pro-rated.</p> <p>Note: In the event where the facility currency and fee settlement currency is different, the exchange rate used by the commodity trading platform provider shall apply.</p>

Note: All fees, commissions, charges and other monies payable shall be exclusive of and subject to any Government Tax, where applicable.

6. What if I fail to fulfil my obligations?

Compensation Charges for Late Payment (Ta'widh)	<p>a) For default instalment payment(s) during facility tenure = 1% p.a. on the overdue amount;</p> <p>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);</p> <p>c) For default payment after expiry of facility tenure = BNM Islamic Interbank Money Market ("IIMM") rate on the outstanding balance (outstanding principal plus accrued profit);</p> <p>d) For default payment after court judgment has been obtained against you = IIMM rate on the basic judgment sum.</p> <p>Note: (i) Compensation charges must not be added to the outstanding principal and must 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</p>
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 subject to issuance of seven (7) days' prior written notice to you.
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. Your asset may be foreclosed and you will have to bear all costs. In the event the sale proceeds are insufficient to settle in full the outstanding amount due and owing, you will be responsible to settle any shortfall. 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?

- 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:

$$\text{Rebate on early settlement} = \text{Remaining Unearned Profit} (-) \text{Early Settlement Charges}^* \text{ (if any)}$$

- 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/required to be taken:

- 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)
- Fire takaful if property is given as security for the financing (**compulsory**)

9. What are the major risks?

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

Note:

- (i) For Facility that is pegged to ICOF, in the event of fluctuation in ICOF, the EPR will only be changed on each ICOF period.
(ii) 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:

Hong Leong Islamic Bank Berhad, Commercial & SME Banking
Address : Level 9, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur
Telephone No. : +603-7661 7777
E-mail : sme@hlbb.hongleong.com.my
Website : www.hlisb.com.my

- Alternatively, you may seek the services of:

- a) **Khidmat Nasihat Pembiayaan (KNP)**, a service formalized 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 : www.myknp.com.my

- b) **Agensi Kaunseling dan 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)
Alamat : Tingkat 5 & 6, Menara Bumiputra Commerce, Jalan Raja Laut 50350 Kuala Lumpur, Federal Territory
Telephone : 1-800-88-2575
E-mail : enquiry@akpk.org.my

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

Hong Leong Islamic Bank Berhad, Commercial & SME Banking
Address : Level 9, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur
Telephone No. : +603-7661 7777
E-mail : sme@hlbb.hongleong.com.my
Website : www.hlisb.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 CMFTF-i, please visit any of our business centers nationwide or you may visit our website at www.hlisb.com.my or www.bankinginfo.com.my website.

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

IMPORTANT NOTICE

THE BANK MAY PROCEED WITH LEGAL ACTION AND FORECLOSURE OF YOUR ASSET FINANCED BY OR CHARGED AS COLLATERAL TO THE BANK 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 October 2020