

PRODUCT DISCLOSURE SHEET



Kindly read this Product Disclosure Sheet together with the terms and conditions before you decide to take up the Accepted Bills-i Sale (AB-i Sale) with Hong Leong Islamic Bank ("the Bank").

Accepted Bills-i Sale (AB-i Sale)

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 Final terms and conditions will be read jointly and superseded as stipulated in the letter of offer and facility agreement after credit assessment and approval for the financing.

October 2020

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

1. What is this product about?

- Accepted Bills-i in general is a usance bill of exchange drawn by the customer to his/her order and accepted by the Bank and payable on a specified future date.
- Accepted Bills-i Sale (AB-i Sale) is an Islamic trade financing facility, which complies with Shariah principles to finance customer's genuine trade related sale/export of goods to another person who may be a resident (any party within Malaysia) or non-resident (any party outside Malaysia), evidenced by proper and adequate documentation. The actual selling price, financing tenure and maturity date are to be determined at point of each disbursement / utilisation.
- AB-i Sale facilities are used only for genuine working capital requirements and must not be used to finance sales of fixed assets or services.
- AB-i Sale financing permits only tangible halal goods and non-listed goods* under Bank Negara Malaysia's AB-i Guidelines.

2. What is the Shariah concept applicable?

- AB-i Sale is based on Shariah principles of Tawarruq arrangement which 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 AB-i Sale :
 1. Bank buys the commodity (which is used as underlying asset)* (at same value as financing amount) from a commodity supplier on spot (Bank now owns commodity);
 2. Customer has appointed the bank as an agent (wakil) to accept the commodity that Bank purchased and also as an agent to sell the commodity to third party.
 3. Bank then sells the commodity to Customer at cost plus mark-up (Murabahah) (same value as selling price) on deferred payment (instalment). Upon the purchase, the Customer now owns the commodity. Murabahah is a sale and purchase of an asset where the acquisition cost and mark-up are disclosed to the Customer.
 4. As owner of 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 Customer's commodity (at same value as financing amount) to third party on spot for cash;
 6. Bank disburses sale proceeds (financing amount) to Customer.
- * Commodity:*
- (a) The commodity is in the form of Platinum or any other Shariah compliant commodities to be traded under the Facility 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 Eiger Trading Platform 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?

- Multiple disbursements/utilisation within the approved Facility Limit.
- Profit Rate is fixed upfront for each utilisation based on AB-i Effective Islamic Cost of Fund ("ICOF") + Accepted Commission.
- Financing tenure differs for each utilisation. Generally, the financing tenure ranges from twenty one (21) days to three hundred and sixty five (365) days (Not exceeding remaining credit period to exporter/seller)
- The minimum financing amount is set at RM 50,000 and in multiples of RM 1,000.
- Selling Price which is inclusive of profit charges is fixed at point of each disbursement calculated based on prevailing ICOF Rate illustrated as follows:

Illustration only

Invoice value	:	RM 1,000,000.00
Tenure	:	90 days
Islamic Cost of Funds Rate (ICOF)	:	4.0% p.a.
Accepted Commission	:	2.0% p.a.
AB-i Face Value or Draft Value/Murabahah Selling Price	:	RM 1,000,000.00
Facility/Financing Value	:	RM 990,136.99
Profit Amount based on ICOF	:	RM 9,863.01

* Accepted Commission is not part of the Selling Price

4. What are my obligations?

- Selling price is to be fully paid at maturity of every disbursement.

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

Stamp Duties	As per Stamp Duty Act 1949 (revised 1989).
Legal and Disbursement Fees	Solicitor fee as per the Solicitor's Remuneration Order 2005 including fees for registration of charge, land search, bankruptcy search, relevant government tax and other tax or levy as per the scale fees charged by the respective authorities.
Trading Fee	For SME Customer - RM 4 for every RM 1.0 million of financing amount on a pro-rated basis (subject to a minimum of RM1 per transaction). For Non - SME Customer - RM 8 for every RM 1.0 million of financing amount on a pro-rated basis (subject to a minimum of RM2 per transaction)

Important: Relevant Government Tax shall be imposed on fees and charges, where applicable.

6. What if I fail to fulfil my obligations?

Compensation Charges for Late Payment	<p>(a) 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>(b) 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>(c) For default payment after court judgement has been obtained against you = IIMM rate on the basic judgement sum.</p> <p>Note:</p> <p>(i) Compensation charges shall not be added to the outstanding principal and shall not be more than the outstanding principal</p> <p>(ii) Compensation charges method and rate are subject to changes as may be prescribed by BNM</p> <p>(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 any credit balance in your deposit account maintained with the Bank against any outstanding balance subject to the 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 are also responsible to settle any shortfall. • The Bank may commence recovery activities (including engaging third party debt collection agencies), foreclosure and bankruptcy proceedings. <p>Note: <i>Legal action against you may affect your credit rating leading to credit being more difficult or expensive.</i></p>
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7. What if I fully settle the financing before its maturity?

Customer is to be granted rebate (*ibra'*) for early settlement, which shall be calculated as follows :

$$ibra' = \text{Remaining unearned profit} - \text{early settlement charges}$$

Note: (i) Remaining Unearned Profit = Total Profit (-) Accrued Profit
(ii) Total Profit = Selling Price (-) Financing Amount

Customer is to be granted rebate (*ibra'*) for prepayment after considering the applicable pre-payment cost. Prepayment is allowed subject to the AB-i Sale draft is not sold to the secondary market.

8. Do I need any takaful coverage?

The following takaful coverage are recommended/required to be taken from the Bank's panel:

- Mortgage Reducing Term Takaful (MRTT) or any equivalent takaful coverage 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 (where applicable)

9. What are the major risks?

The Customer as purchasing agent is liable against liabilities, losses, cost, damages, fees (including legal fees) and expenses or whatsoever kind or nature which the Bank may sustain or incur by reason of or in consequence of purchasing agent acting or omitting to act in capacity as purchasing agent due to fault, negligence, and breach of terms and conditions.

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, you may visit any of our branches/ business centres nationwide or inform us in writing at:

Hong Leong Islamic Bank Berhad, Commercial and SME Banking
Address : Level 9, Menara Hong Leong,
No. 6, Jalan Damanlela,
Bukit Damansara, 50490 Kuala Lumpur

E-mail : sme@hlbb.hongleong.com.my

11. Where can I get assistance and redress?

- If you have any queries, please contact our nearest branches, business centre or your account relationship manager or us at:

Hong Leong Islamic Bank Berhad, Commercial and 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

- Agensi Kaunseling Dan Pengurusan Kredit (AKPK), an agency established by Bank Negara Malaysia to provide free services on Money Management, Credit Counselling, Financial Education and Debt Restructuring for Individuals and small and medium scale enterprises (SMEs). you may contact AKPK at

Address : Agensi Kaunseling dan Pengurusan Kredit (AKPK),
Tingkat 5 dan 6, Menara Bumiputra Commerce
11 Jalan Raja Laut
50350 Kuala Lumpur
Telephone No. : 03-2616-7766
E-mail : enquiry@akpk.org.my
Website : <https://www.akpk.org.my/>

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

Hong Leong Islamic Bank Berhad, Commercial and SME Banking,
Address : Level 9, Hong Leong Tower, 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 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
Website : www.ofs.org.my

12. Where can I get further information?

Should you require additional information on AB-i Sale, please visit any of our business centres nationwide or you may visit our website at www.hlisb.com.my or www.bankinginfo.com.my website

IMPORTANT NOTICE

THE BANK MAY PROCEED WITH LEGAL ACTION AND FORECLOSURE OF YOUR ASSET FINANCED BY THE BANK SHOULD YOU FAIL TO PAY YOUR MONTHLY INSTALMENTS PROMPTLY.

The information provided in this disclosure sheet is valid as at October 2020.