

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").

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 Final terms and conditions will be read jointly and superseded as stipulated in the letter of offer and facility agreement after credit assessment and approval for the financing.

Seek clarification from your institution if you do not understand any part of this document or the general terms.

Accepted Bills-i Sale (AB-i Sale)

August 2018

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 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 Murabahah via Tawarruq arrangement that refers to purchasing of Shariah compliant commodity with deferred price, then selling it to a third party to obtain cash.
- The mechanics involved in AB-i Sale :
 1. Bank buys the commodity* (same value as financing amount) from a commodity supplier on spot (Bank now owns commodity);
 2. Customer has appointed the bank as an agent 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 markup (same value as selling price) on deferred payment (instalment). Upon the purchase, the Customer now owns the commodity.
 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. Bank (as agent of the Customer) sells Customer's commodity (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 Crude Palm Oil 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 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?

- 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 ranges from 21 days to 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 follow:

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.

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 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 post judgment = IIMM rate on the basic judgment sum.</p> <p>Note: (i) Compensation charges shall not be compounded and 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 is entitled to set-off any credit balance in your deposit account maintained with the Bank against any outstanding balance.
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. You are also responsible to settle any shortfall after your asset is sold. • The Bank has a right to commence recovery activities (including engaging third party debt collection agencies), foreclosure and bankruptcy proceedings. <p>Note: Legal action against you may affect your credit rating leading to credit being more difficult or expensive.</p>

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 :

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

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 (compulsory)

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

Hong Leong Islamic Bank, Wholesale Banking-i,
Address : Level 23, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur
Telephone No. : +603-2081 8888
E-mail : sme@hlbb.hongleong.com.my
Website : www.hlisb.com.my
- Small Debt Resolution Committee (SDRC), established by Bank Negara Malaysia that provides assistance to viable small and medium scale enterprises (SMEs). You may contact SDRC at:

SDRC Secretariat, Development Finance and Enterprise Department
Address : Bank Negara Malaysia (BNM), Jalan Dato' Onn 50480 Kuala Lumpur
Telephone No. : 1-300-88-5465
E-mail : bnmtelelink@bnm.gov.my
Website : www.bnm.gov.my
- If you wish to complaint on the products or services provided by us, you may contact us at:

Hong Leong Islamic Bank, Wholesale Banking-i,
Address : Level 23, Hong Leong Tower, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur
Telephone No. : +603-2081 8888
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 HAS THE RIGHT TO 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 July 2018.