

Shariah Committee Meeting No. 4/2024 (10)

[SHARIAH COMMITTEE'S REPORT]

INAUGURAL ANNUAL REPORT OF SHARIAH COMMITTEE OF TERENGGANU INC FOR FINANCIAL YEAR
ENDED 2022 AND 2023



In the name of Allah, the most Beneficent, the most Merciful

In carrying out the roles and responsibilities of Shariah Committee ("SC") of Terengganu Incorporated Sdn. Bhd. ("Terengganu Inc"), we hereby submit the following report on Shariah compliance of Terengganu Inc's business activities and operations for the financial year ended 31st December 2022 and 31st December 2023.

The Management shall at all times be responsible to ensure Terengganu Inc's aims and operations, business affairs and activities in relation to its financial business are conducted in accordance with Shariah rules and principles. It is our responsibility to form an independent opinion, based on our advice and review on various aspects of Terengganu Inc's operations, business, affairs and activities in to report to Board of Director ("the Board") on the state of its compliance with the Shariah rules and principles.

We have been assisted by the Shariah Secretariat that plays prominent roles in conducting Shariah research, providing daily Shariah advisory as well as managing Shariah non-compliance risks in relation to Terengganu Inc's business operations.

For financial year ended ("FYE") 2022 and 2023, we had convened six (6) Shariah Committee meetings in which we reviewed and deliberated on, among others, the Shariah policy, guidelines and issuance of shariah rulings which will be stated below. In performing our roles and responsibilities, we have obtained all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that Terengganu Inc has complied with Shariah rules and principles.

The followings are the significant developments that took place during the financial year, which reside under our purview:

SHARIAH GOVERNANCE

We have approved in our meetings several key initiatives undertaken by Terengganu Inc to strengthen its Shariah governance framework. These initiatives include the establishment of the following governance documents:

- a. Terms of Reference ("TOR") for the Shariah Committee;
- b. Terengganu Inc Group ("TIG") Shariah Policy; and
- c. Group Business Zakat Guideline ("GBZG").

These initiatives are aimed at establishing a robust Shariah governance framework within Terengganu Inc and ensuring that its business operations consistently in line with Shariah rules and principles.

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ISSUANCE OF SHARIAH RULINGS

For FYE2022 and FYE2023, we have issued the followings Shariah rulings:

- a. Redeemable Convertible Preference Shares ("RCPS") of Eastern Pacific Industrial Corporation Berhad ("EPIC");
- b. Utilization of Cash Water Deposit ("CWD") Fund for Investment Purpose by Syarikat Air Terengganu Sdn. Bhd. ("SATU");
- c. Sublease of Corporate Store to the Non-Halal Restaurant Operator;
- d. Wakalah-Based Contract for Inter-Company Financing
- e. Treatment of Interest Charged to Subsidiaries; and
- f. Zakat Obligation on Dormant Companies.

SHARIAH AWARENESS PROGRAM

During the year, two (2) Shariah training and awareness programmes were successfully organised to ensure all TIGs employees have reasonable understandings on the Shariah rules and principles and its application in business operations. The programmes conducted were as follows:

- a. Engagement with TDM Berhad and EPIC on *Wakalah* Inter-Company Financing; and
- b. Engagement with the Subsidiaries on TIG Business Zakat Guideline.

SHARIAH NON-COMPLIANCE ("SNC") EVENTS & NON-HALAL INCOME

Throughout 2022 and 2023, the following SNC events were identified within TIG:

- a. Two (2) companies exceed the 5% threshold of the Shariah Screening requirements by recognizing a portion of interest income from loans and advances provided to subsidiaries; and
- b. Five (5) companies were found using conventional current accounts as their operating accounts, which are not in line with Shariah rules and principles.

These incidents are due to the TIG's ongoing transition towards full Shariah compliance. To address these issues, we have granted a six (6) months period for the companies to rectify the SNC events by converting interest-bearing loans to Shariah-compliant financing and replacing conventional current accounts with Islamic accounts.

Subsequent to the SNC events, we noted that the TIGs operations may lead to non-halal income, such as interest received. These streams of income are unavoidable and shall be segregated from companies' income for the purpose of channelling to charity as approved by us. However, we gave an exception to the legacy interest income whereby TIGs may recognize the legacy interest as permissible income.

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BUSINESS ZAKAT OBLIGATION

Terengganu Inc was officially appointed as Zakat Agent of Majlis Agama Islam dan Adat Melayu Terengganu ("MAIDAM") effective on 1 November 2023 to take initiative for zakat calculation and collection for companies under TIG. We confirmed that 31 companies within TIG have fulfilled their obligation to pay zakat on its business for the financial year ended 2022 to MAIDAM amounting to **RM7,305,829.42** by adopting the computation based on TIG Business Zakat Guideline. Amount zakat paid by Terengganu Inc is **RM150,000.00**.

Aside from companies under TIG, Terengganu Inc also managed to collect zakat payment from two (2) external companies for business zakat and two (2) individuals for income zakat in which total zakat collection as of 31 December 2023 amounted to **RM7,415,829.42**.

For the total zakat collection of RM7,265,829.42 (excluding Terengganu Inc's own payment), Terengganu Inc is entitled to 5% zakat agent fee of as an income amounting to **RM363,291.47**.

OVERALL CONCLUSION

Based on the report, we concluded that:

- a. The policies and guidelines are in compliance with the Shariah rules and principles;
- b. Business Zakat calculations and payments for FYE2022 are in compliance with the Group Business Zakat Guideline; and
- c. Terengganu Inc is still in the stage of its transition to become a fully-fledged Shariah-compliant business.

On that note, we, the members of the Shariah Committee of Terengganu Inc, do hereby confirm, to the best of our knowledge and based on the information communicated to us that the operations of Terengganu Inc for the year ended 31st December 2022 and 31st December 2023 have been conducted in conformity with the applicable Shariah rules and principles.

We testify only to what we know. We could not guard against the unforeseen! (Surah Yusuf:81)

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SHARIAH COMMITTEE MEMBERS:



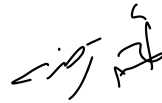
PROFESSOR DR. ABDUL KARIM BIN ALI
Chairman,
Shariah Committee

Date: 02.01.2025



PROFESSOR DATIN DR. RUSNI BINTI HASSAN
Member,
Shariah Committee

Date: 02.01.2025



USTAZ AHMAD TIRMIZI BIN TAHA
Member,
Shariah Committee

Date: 02.01.2025

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