CHAPTER 2

SUKUK DEFAULT FIRMS' PROFILES IN MALAYSIA

2.1 Introduction

Chapter 2 provides contextual background of the *sukuk* default firms in Malaysia with the central focus on explanation of *sukuk*. Section 2.2 discusses briefly the overview on *sukuk* history, definition of *sukuk* and characteristics of *sukuk* as compared to bond. To achieve the objectives of this study, it is also important to examine *sukuk* default events globally and domestically. Section 2.3 highlights the profile of 35 *sukuk* defaulted firms in Malaysia from 2002 until 2014, and the types of industries and sectors associated with the *sukuk* defaulted firms. Section 2.4 summarizes the chapter. The discussion on these topics is significant in providing the foundation for further discussions in the following chapter.

2.2 *Sukuk*

The word *sukuk* is still alien for many people. Bond is easily captured when explaining *sukuk*. For clarification and clear meaning of *sukuk*, the definition of *sukuk* and its comparison with bond are discussed further in this section.

A well-known Islamic finance scholar, Usmani (2002) stated that *sukuk* is designed to facilitate liquidity management, which otherwise is needed in keeping excess reserves to mitigate liquidity risk. The demand for *sukuk* has increased for more than thirthy years since its first issuance in 1990 in Malaysia as an Islamic bond. Further, it attracts universal responses as a proper option compared to product of conventional financing tool. Since then, it has expanded as one of the most important mechanisms to raise finances in the market through Islamic guidelines. Apart from the clear attraction to Islamic investors, the *sukuk* also appeals to conventional investors who are seeking valuable instruments for fixed income and capital gains (Mohamed, 2008).

Subsequently, IIFM (2010) also reported that the global *sukuk* market has grown with a Compound Annual Growth Rate (CAGR) of 88 per cent between 2001 and June 2009. According to them, the international *sukuk* market has grown faster, at a Compound Annual Growth Rate (CAGR) of 106 per cent. The growth rates seemed extraordinary, however the *sukuk* market did not slow down in 2008 and 2009 thus keeping its pace of earlier years.

2.2.1 Overview of *Sukuk* History

It is good to know an overview of the history of *sukuk*. The history is written by a group of researchers in their book. Meysam et al., (2014) wrote on the historical study in the Mediterranean area suggests that loans for withdrawal were carried out through interest sharing and risk sharing contracts. The loan was granted only if the borrower had several assets or was likely to require several proceeds from the financing. This historical research found that the creation of *sukuk* as a loan instrument started during the Turkish Empire. It was when an Islamic scholar helped to design public financing when the Maharaja was required to borrow a large amount of money to do reconstruction after the destruction of the Empire by the five Armies which ended in 1285 AD. The innovation of fund gradually increased in accordance with Islamic practice of loans which differed from Christian practices at that time based on Babylon and Roman legislation.

In the late 19th century, parallel to the annihilation of the Muslim empire in majority area, the adoption of *sukuk* slowly plunged, replaced by modern banking practices and the establishment of recent financial tools according to non risk sharing and pre-negotiated payment of interest. Over four decades, where profit and risk sharing were relaunched, *sukuk*'s Islamic debt instrument appeared in the late 1990′s in some countries (Meysam et al., 2014).

Growing interest in *sukuk* market can be traced in 1983 when the Malaysian government launched a government bond known as Government Investment Certificate (SPK) based on the concept of *Qard al-Hasan*. The purchase of SPK by the public was considered as loan for the government to be spent on development expenses (Suruhanjaya Sekuriti, 2002). As mentioned above, in the year 1990, the first *sukuk* was issued in Malaysia by Shell MDS which is a non-Muslim foreign firm. It was issued in Ringgit Malaysia (RM) with a moderate size of RM125 million (approximately US dollar 30 million) according to the principle of *Bai' Bithaman Ajil* (IIFM, 2011).

Later, in November 1999, Bank Negara Malaysia (BNM) issued the second series of Malaysian Saving Bond (BSM02) for pensioners in RM2 billion whereby RM1 billion was issued based on the concept of *Bai'al-Inah* (Bank Negara Malaysia, 1999). Another important development in *sukuk* market was recorded when Free Interest Private Debt Security known as Cagamas *Mudharabah* Bond was launched in May 1993 by Cagamas Berhad using the concept of *Mudharabah*. Its purpose was to finance the Islamic housing loan from institutions that provided Islamic housing finance for their customers with the value of RM30 million (Suruhanjaya Sekuriti, 2002). Generally, the growth in Islamic Capital Market Industry especially for *sukuk* succeeds the variation of Islamic Investment Instruments and drives the development of Islamic capital market in Malaysia.

This can be achieved through the role of *Shariah* Advisory Board (SAB) of Security Commission (SC) which provides guidelines for Islamic investment that becomes the main source of reference for investors and fund managers to ensure that Muslims can participate in investment without hesitation in the Malaysian Islamic Capital Market especially in *sukuk*

(Mohd Yahya et al., 2009). Malaysian *sukuk* market has also grown to become more innovative and sophisticated to meet the diverse risk-return profiles and fulfill the requirements of both issuers and investors (Zaid et al., 2011).

2.2.2 Definition of *Sukuk*

It is stated in Malaysian *Sukuk* Market Handbook (2010), that the word *sukuk* is commensed from Arabic literature, the plural word of *sakk*, which means "legal instrument, deed, or check" and had been used widely by Muslims in the Middle Ages. It is interesting enough that Islamic finance had been practised widely and successfully in trade and commercial activities since hundreds of years ago.

Furthermore, as defined by Accounting and Auditing Organization for Islamic Financial Institutions or AAOIFI (2010), *sukuk* means "certificates of equal value which are represented after subscription has been closed, the certificates receipt of the value, common title to shares and rights in tangible assets, putting it to use as planned, services and usufructs, or equity of a special investment activity or equity of a given project". As stated by one of renowned Islamic bodies in Islamic finance, the definition by AAOIFI is accepted and practised by many nations as the guiding principles in *sukuk* concepts and trading mechanism (Al-Baluchi, 2006). Other international regulatory bodies, International Islamic Financial Market (IIFM) defines *sukuk* as a "commercial paper that gives an investor the ownership in an inherent asset", and Islamic Financial Services Board or IFSB[3] defines *sukuk* as certificates representing a proportional undivided right of ownership in evident assets, or a business enterprise (such as a *mudharabah*) or a pool of predominantly tangible assets (IIFM, 2011).

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[3]The IFSB is an international standard-setting organisation that promotes and enhances the soundness and stability of the Islamic financial services industry by issuing global prudential standards and guiding principles for the industry, broadly defined to include banking, capital markets and insurance sectors.

In Malaysia, the authorised Islamic finance body, Malaysian International Islamic Finance Centre (MIFC) refers *sukuk* as a certificate of trust securities that provide investors with the portion of the assets including cash flows and risks that match the ownership. In security market, an agency responsible for it is Securities Commission (SC) whereas for Islamic capital market is SAC. The SAC defines *sukuk* as certificates or documents of ownership of a pro-rated unsecured asset (Abedifar, Molyneux & Tarazi, 2013).

However, some works of literature define *sukuk* as bond. For instance, IFSB frequently refers *sukuk* as "Islamic bonds" (IFSB, 2009). MIFC also stated that "in the same ground as financial bonds in the conventional financial industry, *sukuk* can be said as a proof of ownership title which is employed by financial institutions to raise liquid cash" (Mohamad Zaid, Ahamad Asmadi, Nurfahiratul & Mohd Roslanet, 2011). On one hand, the SC differentiates *sukuk* with conventional bonds as "structured with a *Shariah*-compliant assets through the contract of certain exchanges. This contract can be made through the purchase vis-a-vis sales of assets with leasing of assets, deferred payment or participation in the business of money involving interest (Latham & Watkins, 2017). The authors also stated that, *sukuk* employs the use of several *Shariah* principles, ranging from *bai' bithaman ajil* (BBA), *musyarakah*, *mudharabah*, *ijarah*, as well as *murabahah* which allow investors to benefit through the transaction.

Mohamed Ariff et. al., (2014), however disagreed with the previous literatures where the researchers suggested that *sukuk* are not bond-like bank-lending or funding contracts that are based on; (i) pre-fixed or variable interest rate, (ii) mere profit share, (iii) non-risk-sharing contracting, (iv) primary guaranty which are to be at the terminal time period, (v) fundamental conventional funding is difficult to order in non simple ways, at least as practised because of deficiency of an SPC, and (vi) there are no certainty for restriction but only pro-society economic activities.

Therefore, from the aforementioned definitions, the researcher defines *sukuk* as an Arabic word for legally binded documents on investment or business activities between parties involved that detail all transactions involved and comply with *Shariah* or Islamic principles. This definition of *sukuk* is used in this study.

Apart from the abovementioned definition of *sukuk*, this study also defined the term "non-default", "default" and "near-default". The term "non-default" is defined as those firms which are able to pay back the debt fully. "Default" is defined by the inability to pay back the debt fully, while the term "near-default", is defined by firm having difficulties or inabilities to pay back or fulfill their obligations within stipulated time, but the firm managed to be bailed out or saved from default.

2.2.3 Types of *Sukuk*

The *sukuk* structure differs according to *Shariah* principles used, among others are from the *murabahah* (cost-plus sales), *mudharabah* (public partnership), *musyaraka*h (partnership), *ijarah* (rental/lease agreement), *salam* (pre-payment of assets for future delivery) and *istisna* (own building properties) (Mohd. Yahaya et al., 2012).

(i) *Murabahah* (cost-plus sales) is the *sukuk* investment which is a contract sale between the bank and its client for the sale of goods at a price which includes a profit margin agreed by both parties. As a financing technique, it involves the purchase of goods by the bank as requested by its client. The goods are sold to the client with a mark-up. Repayment, usually in installments as specified in the contract.

(ii) *Mudharabah* (public partnership), is the *sukuk* investment which is used to increase public partnership in capital-intensive projects, as an example of the development of airport facilities, dams and powerplants. For that purpose, the special purpose vehicle or SPV will issue a *sukuk* to raise funds needed to develop the projects. SPV that manages project development behave as a *sukuk* holder. Any income or fee generated during the liquidation or sale is paid to the *sukuk* holder as an approved share.

(iii) *Musyarakah* (partnership) is the investment where *sukuk* represents the ownership of *musyarakah* equity. The *musyarakah* agreement is a form of collaborative agreement between the issuer and the original owner to engage in *Shariah*-compliant investment activities. In the disposal structure of *musyarakah*, two companies including the original owner provide a group of assets and SPV that raise cash by selling *sukuk* notes to investors. This entered into a *musyarakah* agreement (partnership) for a fixed period of time and agreed to the ratio of profit and loss sharing. The issuer also promises to purchase the *musyarakah* SPV stock regularly. The original owner usually tries to make use with efficient assets. The cash back generated from *musyarakah* is paid as a profit to the *sukuk* investor. At the end of a permanent *musyarakah* period (due date), the issuer will buy a *musyarakah* stock at a pre-agreed price, whereby the SPV no longer has any shares in partnership.

(iv) *Ijarah* (rental/lease agreement) is an option to conservative lease. The Special Purpose Vehicle (SPV) *sukuk* structure consists of asset purchased for the *sukuk* manufacturer. Then the asset is leased back to the *sukuk* publisher for the specified period, with the agreement to sell the asset back to the lessee end of the lease term. At the same time, SPV manufactures the *ijarah* certificate to an investor representing its undivided ownership in the underlying asset. Over the period of the lease contract, SPV receives rental payments for asset used and distributes them to certificate holders according to their ownership ratio. At the date of maturity, the payment of the *sukuk* holder ceases and assets ownership to the leases. If the asset has a market value, the *sukuk* holder can realise capital gains or loss.

(v) *Salam* (pre-payment of assets for future delivery) is used to carry out futures contracts where by the price of commodities or assets is paid fully to the seller by the buyer in place but delivery will be conducted on a certain future date. Commodities need to be standardized, where quality and good quantities are determined and obtained in the market. The delivery date and future must be clearly stated in the contract. SPV issue, *sukuk* to elevate finance to purchase certain commodities at a certain price with a certain future delivery date. The firm accepts the full selling price in advance where the selling price is lower than the future price. SPV takes delivery and sale of commodities at a market price that is higher than the purchase price. The difference between selling price and purchase price is the profit that will be shared among the *sukuk* holders.

(vi) *Istisna* (own building properties) is used for the purpose of financing of large and complex capital-intensive products or assets such as aircraft manufacturing, ship and development of large infrastructure projects. SPV raises the funds needed to pay for the sales price. The fund shall be used for manufacturing or developing projects or assets. At the maturity date of SPV may either sell or lease the project and all profits shall be distributed to the *sukuk* holders.

2.2.4 Characteristics of *Sukuk* Compared to Bond

There are several differences between *sukuk* and bond. Although, types of characteristics are not attributed in *sukuk*, but a lot of *sukuk* that are available contemporarily in the market have similar characteristics with the conventional bond. The *sukuk* contract must explicitly or strictly abide by *Shariah* principles, which requires the monitoring from a *Shariah* board to carry out its implementation (Oliver Ali Agha & Grainger, 2009).

Following are the characteristics of bonds. First, bonds cannot be employed to represent ownership of bond holders in the firm where the bonds are issued. Rather, the interest-bearing debt owed to the holders of the bonds are therefore documented. Second, the bond holders receive regular interest payment as capital. Third aspect has to do with the fact that the return of principal is guaranteed by bonds when compensated at maturity date whether the firm is gainful or otherwise. Fourth, conventional bond issuers are not necessary to return over the agreed quantity of interest as well as the principal. Whatever profits that may have been received by the firm will be exclusive and accrued to the issuer. Therefore, the bond holders possess no right to call for a share from the profits above the interest. Comparison of *sukuk* and bond characteristics are described in Table 2.1.

Table 2.1: The Characteristics of *Sukuk* Compared to Bond based on Characterization

	Sukuk	**Bond**
Definition	Financing of a fixed income certificate allowed in the province of Islamic *Shariah* jurisdiction as raised on construction, or trading in a particular asset and identifiable	Securities in the form of debt which is repaid before a particular date considered as a maturity date, which is in addition to the benefit (at a fixed rate)
Nature	Non-debt of issuers but unissued shares of ownership of certain assets/projects/services	Debt of issuer
Relationship between investor and issuer	Relationship between investor and issuer is according to the *Shariah* principles used in *sukuk* issuance such as leasing, sales, partnership or agency relations	Relationship is between borrower and lender as the contract used in bond is loan.
Security	Protected by the right of ownership of the project or the basic asset in addition to any additional structured supplements	Commonly an unsecured debenture except in cases like equipment trust certificate, first mortgage bonds
Purpose	Only for permitted purposes (*halal*)	Not restricted purposes

Asset-backed	A minimum of 51 per cent significant asset	No requirement
Claims	Claim for ownership of certain projects/assets/services	Ownership claims on the company
Responsibility of holders	Responsibilities specified in connection with the assets/transactions/basic projects restricted to the level of participation in the issue	Not responsible for the state of the issuer
Principal and return	Not guaranteed by the issuer	Not guaranteed by the company
Trading of security	Sale of an ownership interest/share in specific assets/projects/services	Sale of shares in a company

Source: Mohamad Zaharuddin (2014) and Researcher's Compilation (2020)

Besides that, both *sukuk* and bond are similar in their fundamental function as both are "a guaranteed certificate but, dissimilar in certain practices" (Abdul Majid et al., 2011). Although *sukuk* and bond have some similarities, yet some basic differences among the two instruments which are based solely in the fundamental characteristics or purpose of finance vis-a-vis the way they are structured. *Aqad* presents in *sukuk* (oath agreement apart from binding agreements and must be taken verbally by all parties involved in the transactions), *niat* (intention), and compliance with *Shariah*. Almost all Islamic transactions must be with action of *aqad* for it to be legitimized.

2.2.5 Global *Sukuk* Default Events

In addition, *sukuk* has similarity with the conventional bond in terms of their exposure to default risk. There were 72 defaulted issuers in both non-Islamic (conventional bond) and in sovereign *sukuk* recorded in the Malaysian capital market for the period of 1997-2011 (RAM 1997-2011). The highest default events occurred in 1998, in which 16 issuers (non-Islamic) were defaulted (MARC, 2010). Meanwhile, the highest *sukuk* default event happened in 2009, in which nine issuers defaulted.

Somehow, the issue of *sukuk* default was first highlighted by Al-Eqtisadiah, the Saudi financial newspaper in 2009 (Al-Eqtisadiah, 2009). It was one of the first world wide publications that provided the readers with an in-depth analysis of the defaulted issue. Nurasyikin and Shahida (2013) acknowledged that the first *sukuk* to default and shocked the financial world was experienced by the Dubai World's developer (Nakheel) reputable for the construction of the Dubai Palm Islands in 2009. Since the issuance of the publication, and the Nakheel near-default event, the defaulted issue that involved many *sukuk* issuer firms caught the attention of the global *sukuk* market. Khnifer (2010) stated that 21 *sukuk* issuer firms were registered default within 20 months since 2009 with the total value of such issuance reaching almost USD2.1billion.

Meanwhile, report on high-profile cases (Islamic International Financial Market (IIFM), 2010; Khnifer, 2010; Harvey & Cosgrave 2012) on *sukuk* defaulted firms in 2009 involved some Gulf Cooperation Council (GCC) countries and the United States of America (US), such as Saad Group Golden Belt *Sukuk* (Saudi Arabia), the Kuwaiti Investment Dar *Sukuk* (Kuwait), and the East Cameron Gas Company *Sukuk* (US). Harvey and Cosgrave (2012) stated that these defaulted cases caused the market once again to become inactive in terms of primary market issuances mainly due to the overall credit crunch.

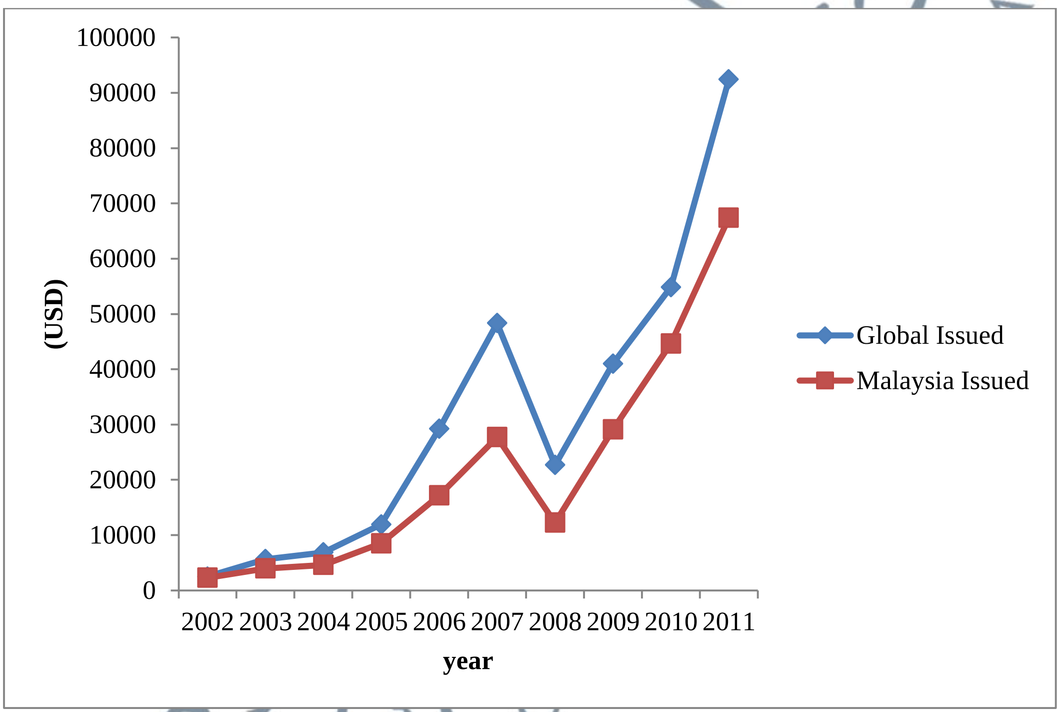
Table 2.2: *Sukuk* Defaulted in the Global Market, 2003-2009

Year	2003	2004	2005	2006	2007	2008	2009	Total
No. of Default	5	7	7	2	8	1	3	33
Amount (USD)	133.22	122.64	206.22	233.45	1,151.5	11.63	23.64	1,882.30
Place of Issued	Malaysia	Malaysia	Malaysia	Malaysia	Malaysia	Malaysia	Malaysia	Malaysia

Source: IFIS database (2003-2009)

Table 2.2 shows that at least 33 *sukuk* default worth USD1.9 billion occurred in the global market between 2003 to 2009. It also shows a record of seven (7) defaulted events in

2004 and 2005 respectively where the highest number of *sukuk* defaults was recorded in 2007, which was eight (8) and worth USD1,151.5 million. However, the number reduced to one in 2008 and increased to three in 2009. These numbers continued to rise and in 2010, another six (6) default events were reported (Khnifer, 2010). Based on IFIS database (2002-2011), this number of default events and amount incurred had impacted in major *sukuk* issuance countries of the world, such as Malaysia as shown in Figure 2.1, including Kuwait, United Arab Emirates, Saudi Arabia, Pakistan, and others including the United States of America. The followings are the statistics on the market share of global and Malaysian *sukuk* issued from 2002 until 2011.



Source: IFIS database (2002-2011)

Figure 2.1: Market Share of Global and Malaysian *Sukuk* Issued, 2002-2011

Figure 2.1 shows that the amount of *sukuk* issues (in USD million) for global and Malaysia increased tremendously from 2002 to 2007, followed by a market slumped to more than 50 per cent in 2008. However, the market showed an upward trend back in 2009 before it increased substantially in 2010-2011. The figure further depicts a similar trend between Malaysia and global *sukuk* market as it portrayed significant decrease in the issuance in 2008-2009. This trend indicates a market slowdown in 2008-2009, perhaps it could be related to the occurrence of world financial crisis.

2.2.6 Malaysian *Sukuk* Default Events

Sukuk is one of the most rapid development segments in the Islamic financial market. Currently, Malaysia holds high reputation of being the prime contributor to the global *sukuk*. Past events have shown how the Islamic finance industry world wide testify a number of *sukuk* defaults vis-a-vis almost defaults (Elmalki & Ryan, 2010). In Malaysia, *sukuk* default firm happened in 2002 by the Johor Corporation (Johor Corp.), nearly three years after its first issuance in 1999. Based on IFIS (2002-2004) and Bondstream (2005-2011), the number of defaults in Malaysia increased from 2002 until 2011, with the total amount of USD2,495 million (losses by the firm) as shown in Table 2.3. Even though the percentage of defaulted *sukuk* issuers in Malaysian firms is about 0.03 per cent, coupled with the wide variance in ratings, yet the default rate for Malaysian *sukuk* was low in 2009, recording about 0.46 per cent (SC, 2010).

Table 2.3: Firm *Sukuk* Default Rate in Malaysia, 2002-2011

Year	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**Total**
No. of Defaults	1	2	1	2	4	8	3	9	3	1	34
Amount (USD mil)*	157	63	219	69	452	907	97	338	148	44	2,495

Source: IFIS (2002-2004) and Bondstream (2005-2011) *USD1=MYR3.18

2.3 Profiling of *Sukuk* Defaulted Firms in Malaysia

The profiling of *sukuk* defaulted firms in Malaysia is based on the 35 *sukuk* issuance firms in between 2002 until 2014 as in Appendix 1. The firms were multi-sectoral ranging from property investment, consumer product to shipping, printing and publication. Subsequently, the data obtained from annual reports of the firms were categorised into firms' activities; type of industries, issuance date, rating agency, date of default, initial rating, final rating, type of *sukuk* and amount of *sukuk* issued. This profiling is used as referral in this study.

2.4 Types of Industries and Economics Sectors

Based on the profiling, the business activities of the 35 firms are classified into 16 types of industries and economic sectors. The 16 types of industries and economic sectors are investment holding, property development and construction, industrial products, consumer products, Special Purpose Vehicles (SPV), property development, investment holding and management services, industrial products and consumer products, industrial products-property development-investment, construction, property development and facilities management, property development and investment holding, securitisation services-investment, port, shipping and printing-distribution-marketing and publications as shown in Table 2.4.

Table 2.4: Type of Industries and Number of *Sukuk* Defaulted Firms Involved in Sole Activity or Cross-Activities

No.	**Type of industries**	**No. of s*ukuk* firms involved in sole activity or cross-activities**
1.	Investment holding	5 sole activity
2.	Property development and construction	5 cross-activities
3.	Industrial products	5 sole activities
4.	Consumer products	5 sole activities

5.	Special Purpose Vehicles (SPV)	3 sole activities
6.	Property development	2 sole activities
7.	Investment holding and management services	2 cross-activities
8.	Industrial products and consumer products	2 cross-activities
9.	Industrial products, property development, investment	1 cross-activities
10.	Construction	1 sole activity
11.	Property development and facilities management	1 cross-activities
12.	Property development and investment holding	1 cross-activities
13.	Securitisation services, investment	1 cross-activities
14.	Port	1 sole activity
15.	Shipping	1 sole activity
16.	Printing, distribution, marketing and publications	1 sole activity

Source: Researcher's compilation and analysis from firms' annual report

From the table, five *sukuk* firms are in investment holding, other five *sukuk* firms are involved in property development and construction, whereas five other *sukuk* firms are in industrial products, while another five *sukuk* firms are in consumer products. Meanwhile, three *sukuk* firms are SPVs, two other *sukuk* firms are in property development, another two *sukuk* firms are in investment holding and management services while two *sukuk* firms are in industrial products and consumer products. Lastly, one *sukuk* firm is in industrial products-property development-investment, construction, property development and facilities management, property development and investment holding, securitization services-investment, port, shipping and printing-distribution-marketing and publications, respectively.

Some of the *sukuk* firms have been operating their businesses as a sole activity but some other *sukuk* firms run their businesses as cross-activities. Sole activity is defined by researcher in this study as "the *sukuk* firm that ventured into one industry and economic sector" whereas for cross-activities, "one *sukuk* firm ventured into various types of industries and economic sectors." This is important for this study to see whether the type of activities impacted the *sukuk* defaulted firms.

i. The *Sukuk* Defaulted Firm Involved in Sole Activity

The *sukuk* defaulted firm that involved in sole activity included industry and economic sector in investment holdings, industrial products, consumer products, SPV, property developments, constructions, ports, shippings and printing-distribution-marketing and publications.

ii. The *Sukuk* Defaulted Firm Involved in Cross-Activities

The *sukuk* defaulted firms involved in cross-activities which includes industry and economic sectors in property development and construction, investment holdings and management services, industrial products and consumer products, industrial products-property development-investments, property developments and facilities management, property developments and investment holdings, and securitisation services-investment.

In this study, it is also important to explore the types of business activities under industrial and economic sectors highlighted above. The list of cross-business activities include palm oil business, property development, management, and investment, manufacturing of textiles and fibre products, manufacturing and sale of cement and clinker, manufacturing of automotive battery, importers, exporters, broker of specialised heavy duty vehicles and assembling related products locally/manufacturing of specialised heavy duty and the provision of after sales services. Also are, property development and construction activities, property development and investment holding, implementation of asset-backed securitisation services involving investment, management and monitoring of a pool of assets to ensure collectibility of the assets, manufacturing of data storage products such as computer diskettes, video cassette tapes, compact disc recordables (CD-Rs), digital versatile disc recordable (DVD-Rs), plastic computer parts and turnkey project consultancy, business of minting of monetary coins including descriptions of commemorative coins and other related products.

Other businesses include manufacturing of copper rods, copper wire and copper strips for the power and telecommunication industries, construction the Ring Road, upgrading and widening of existing roads, designed and contruction of new alignment, and thereafter its operations, including deriving toll revenue and maintenance for 33 years. Included also, manufacturing and trading plastic products, manufacture and sale of flexible packaging materials, developer and facilities management, investment holding and integrated timber activities which consist of the manufacturing and trading and timber and timber related products, investment holding and the provision of management services. Further discussion is in the Chapter 6.

2.5 Summary

In summary, the first *sukuk* default event in Malaysia was in 2002, and it occurred when *sukuk* firms failed to fulfill the monthly obligations. Since then until 2014, a total of 35 *sukuk* defaulted firms were recorded in which mostly were from property investments that run cross-activities. Years of *sukuk* default fell between 2006 to 2009. These years coincided with the global financial crisis that strucked between 2007-2008. Hence, it shows the link between default event and type of business activities under industrial and economic sectors involving sukuk defaulted firms in between 2006 - 2008. The next chapter continues with literature review.