



# Global Insolvency: 2025 Reflections and 2026 Projections

Malaysia



# Malaysia

# Insolvency Trends in Malaysia: 2025 Overview

In 2025, Malaysia's insolvency landscape showed a notable decrease in corporate liquidation cases. Data from the Malaysian Department of Insolvency, up to August 2025, indicates a 12% drop in reported cases compared to the same timeframe in 2024.

While the number of filings has softened, there's a noticeable uptick in underlying distress, especially among SMEs. This is largely due to:

- **Tighter Financing Conditions:** SMEs are finding it harder to secure working capital and refinancing, even with stable policy rates, as financing conditions are less favourable than during the pandemic.
- **Trade Challenges and Demand Uncertainty:** Slower growth in major export markets like the US and China, coupled with tariff tensions, are impacting export-driven manufacturers and their supply chains.
- **Increased Operating Costs:** Businesses face rising costs due to subsidy cuts (fuel, electricity, utilities), expanded sales and service tax (SST), higher insurance premiums, and broader input price pressures, all of which are squeezing margins.

- **Sluggish Recovery and Competition:** The slower-than-expected recovery, along with heightened competition in consumer sectors, is pressuring SMEs in retail and Food and Beverage services. These businesses struggle to pass on cost increases to price-sensitive customers.

As in previous years, most winding-up petitions are initiated by companies and financial institutions, accounting for over 80% of total petitions, with the remainder largely from government bodies and individuals.

Although there's no published data on court-sanctioned restructurings like schemes of arrangement, we've seen a rise in companies seeking advice on formal restructuring. This follows amendments to the Malaysian Companies Act 2016, which have bolstered the corporate rescue framework, making court-supervised restructuring a viable option for distressed yet viable companies.





## Sector Trends

In 2025, the construction and property sectors faced ongoing challenges. With tighter financing, rising material and labour costs, and operational inefficiencies, smaller players saw their margins squeezed and cash flows strained. This was especially true for contractors and developers with high leverage.

Several notable companies, including Bina Puri Holdings Bhd, Ho Hup Construction Company Bhd, and Reneuco Berhad, began restructuring through schemes of arrangement. Many smaller private developers of residential and commercial projects also faced insolvency or informal restructuring, highlighting stress in the mid- to lower tiers of the market.

Manufacturing, particularly export-oriented businesses, experienced shifts in global demand and supply chain adjustments due to US tariffs. While semiconductor-related segments showed resilience, traditional industries like furniture and electronic manufacturing services faced more earnings volatility.

Retail and hospitality sectors continued adapting to post-pandemic consumer behavior, marked by increased price sensitivity and changing leisure preferences. Some retailers showed signs of stress, with higher inventory levels and margin compression due to increased promotional and marketing expenses.

In 2025, several privately held hotel owners entered liquidation, driven by fierce competition and unsustainable legacy debt from the Covid period once trading normalized.

Other segments include smaller financial intermediaries, holding and investment companies, and property-related entities, many of which are grappling with rising funding costs, tighter lending criteria, and valuation pressures on their assets.

## Notable Insolvencies

In 2025, Malaysia's corporate landscape remained stable, with no significant rise in large-scale insolvencies or restructurings. Smaller private entities led formal filings, while larger companies navigated challenges through refinancing, balance sheet adjustments, and informal solutions.

Amidst this backdrop, 2025 marked significant strides in several ongoing, high-profile restructuring efforts:

- **Vantris Energy Berhad (formerly Sapura Energy Berhad):** This restructuring in the oil and gas services sector was notably intricate, involving diverse stakeholders, cross-border considerations, and a thorough balance sheet overhaul. The scheme of arrangement received court approval in March 2025 and concluded successfully by September 2025. Our involvement dates back to 2021.
- **Pestec International Berhad:** This pre-pack scheme aimed to restructure a listed engineering and infrastructure group grappling with liquidity and operational hurdles. The court sanctioned the scheme in April 2025.
- **KNM Group Berhad:** This involved selling key assets in Germany to reduce debt, with the scheme receiving court approval in October 2025.

We're actively engaged in various insolvency and restructuring projects across construction, property, hospitality, and plantation sectors. Our involvement in significant cases includes the winding up of Serba Dinamik Holdings Berhad, London Biscuits, and the restructuring of Bina Puri. While large corporate insolvency filings have been relatively few, we've noticed a marked increase in early-stage inquiries.

## Legislative Changes

On 29 July 2025, Malaysia took a bold step forward by passing the Cross-Border Insolvency Bill 2025. This Bill embraces the UNCITRAL Model Law on Cross-Border Insolvency, marking a significant leap in modernising Malaysia's insolvency framework. The Model Law was fast-tracked—taking just seven months from the working committee's formation to parliamentary approval—highlighting a clear policy drive to align with global best practices. This follows the 2024 updates to Malaysia's corporate rescue framework, which introduced super-priority rescue financing, pre-packaged schemes of arrangement, and cross-class cram down.

2025 also witnessed a pivotal Federal Court ruling in the London Biscuits Bhd liquidation. The Federal Court overturned the Court of Appeal's 2023 decision, supporting the actions of former liquidator Lim San Peen (former PwC Partner) and confirming Victor Saw Seng Kee of PwC Malaysia as the sole liquidator. In essence, the Court:

- Recognised that termination benefits and payments in lieu of notice to employees can be classified as 'costs and expenses of winding-up' under section 527(1)(a) Companies Act 2016, when they facilitate a going-concern sale benefiting creditors.

- Stressed that the majority creditors' preferences should significantly influence the court's choice of liquidator.
- Clarified that if one joint liquidator is conflicted, the non-conflicted liquidator can act independently under section 478(2) Companies Act 2016.

This judgment offers crucial insights into the proper use of liquidators' powers and the conditions under which Courts will step in regarding professional appointments, marking a notable advancement in Malaysian insolvency law.

Together, these reforms empower practitioners to navigate complex, cross-border corporate challenges and foster a more robust, investment-friendly business landscape.

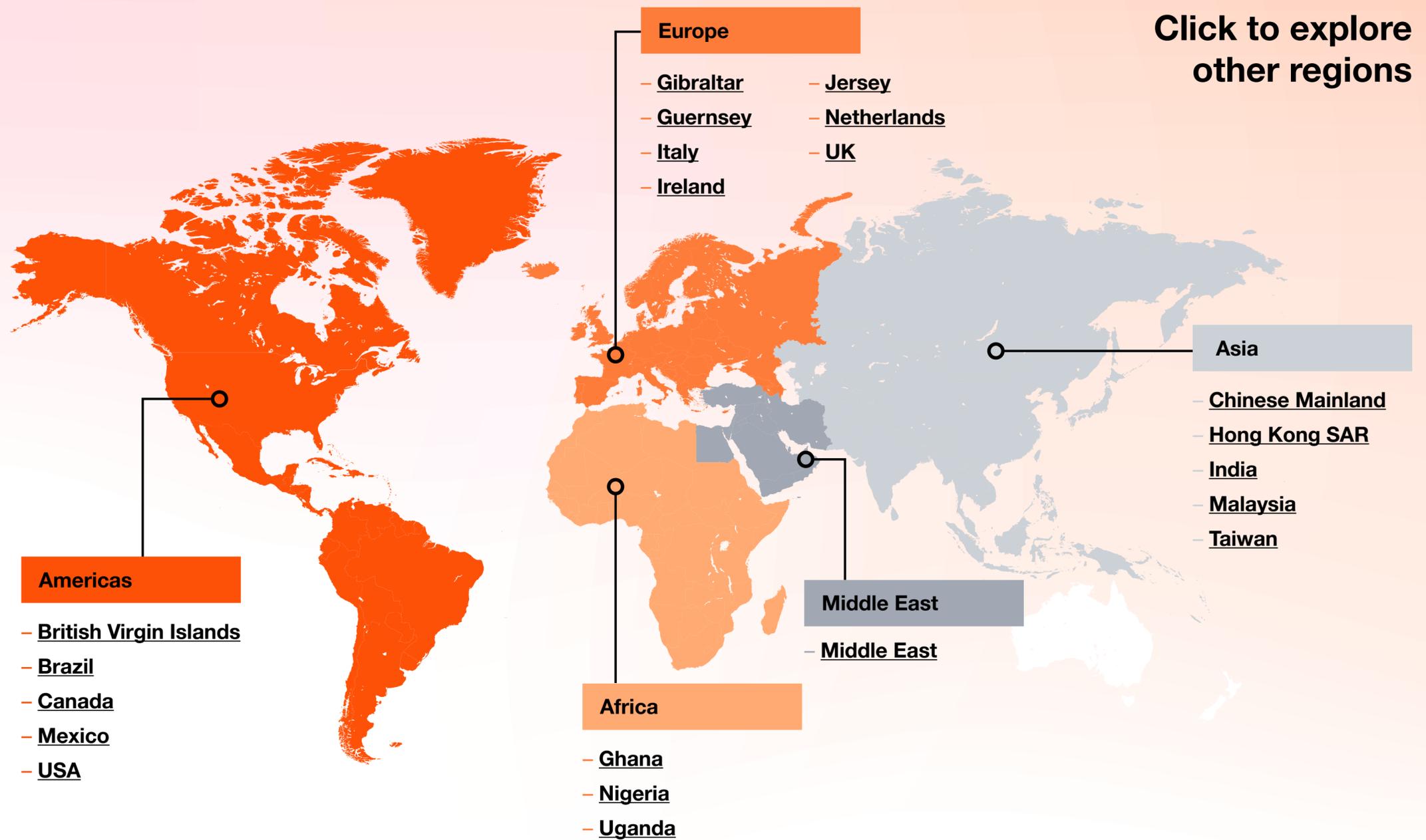
## Outlook for 2026

In 2026, Malaysia's insolvency and restructuring landscape is set to remain steady, buoyed by ongoing foreign investment, a gradual uplift in consumer confidence, and sustained government backing. Yet, challenges persist: external demand, Ringgit fluctuations, and global trade uncertainties will continue to exert pressure.

Companies with high leverage and limited cash reserves are particularly at risk. Any dip in performance or cash flow could swiftly lead to financial strain, prompting more proactive restructuring and stakeholder discussions.

Taking early action is crucial. Tackling issues promptly offers more options to stabilise and rejuvenate businesses, while also mitigating the risk of directors trading while insolvent.

The Companies (Amendment) Act 2024 introduces reforms that support earlier, court-supervised interventions. We foresee increased use of enhanced corporate rescue mechanisms as the market becomes more familiar with the new framework. This evolution could attract fresh capital from rescue financiers willing to lend for priority status, fostering more orderly and value-preserving outcomes for creditors and shareholders, as opposed to defaulting into winding-up.



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