Corporate rescue in Malaysia:

A practical guide for CEOs and CFOs

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01 Understanding Malaysia's corporate rescue framework

When a business comes under sustained financial strain, decisions that were once routine become increasingly complex.

As stakeholder expectations intensify, Chief Executive Officers (CEOs) and Chief Financial Officers (CFOs) must navigate competing priorities: keeping the business running, preserving value, and managing cashflows, and determining which stakeholders to focus on—all while avoiding the risks of prolonged 'business as usual' including potential board exposure to insolvent trading and personal risk.

The key question you may be confronted with is: "What are my options, and which path offers the best chance of survival with minimal collateral damage for the company and for the board?"

This is where a clear understanding of formal rescue options becomes essential.

Several key takeaways should shape your decision-making from the start:

Malaysia offers a robust corporate rescue toolkit

Malaysia's corporate rescue framework has evolved significantly following the 2024 amendments to the 2016 Companies Act. This includes improvements to Scheme of Arrangement, Corporate Voluntary Arrangement, and Judicial Management that address different levels of distress and stakeholder complexity.

No one-size-fits-all: strategy must be tailored

A clear understanding of the position of the company and its viability, restructuring requirements and the tools available to you is essential to determine the right path forward.

Act early, act strategically

Delayed intervention significantly limits restructuring pathways and increases stakeholder risk.

Common pitfalls undermine recovery outcomes

Poor communication, underestimating liquidity, weak stakeholder engagement, and over-reliance on a single mechanism may derail restructurings—if not managed well.

Start with the essentials

Three fundamental questions you should consider as the first step:

1

Is the business viable and sustainable once debt is right-sized and operations are stabilised?

2

How supportive are key stakeholders—shareholders, lenders, suppliers, customers, and regulators?

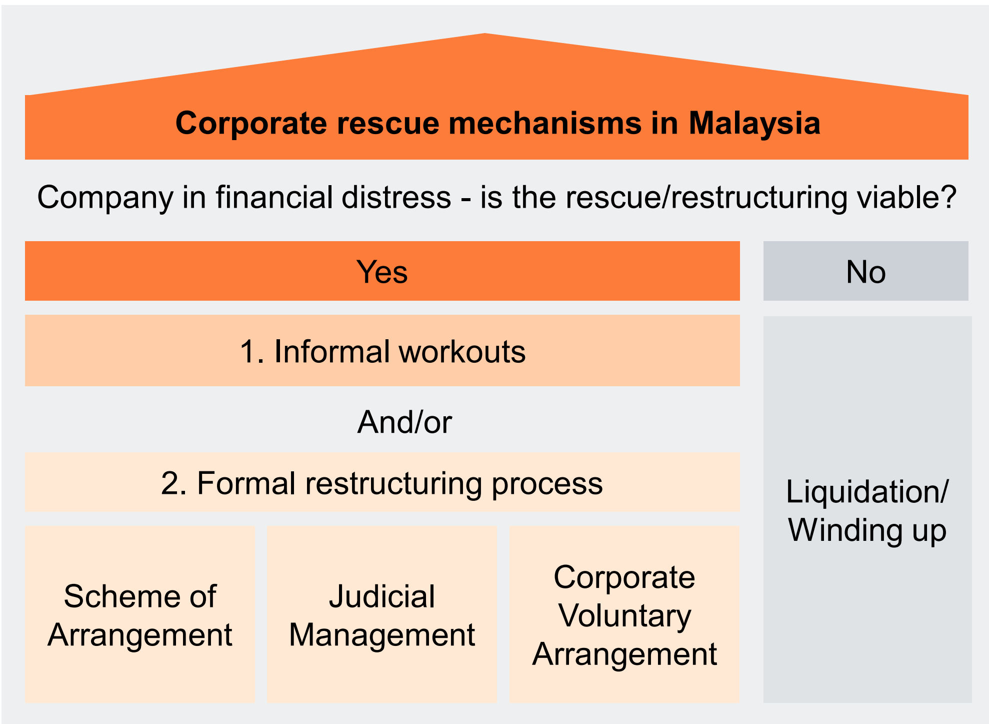
3

How much time is available before enforcement, winding-up action, or loss of critical customers and suppliers?

If the business model is sound and key stakeholders are supportive of its viability, an informal workout would be feasible and preferred.

If creditor groups are fragmented or winding up enforcements are imminent, formal court-backed protections may be necessary, alongside ongoing negotiations.

Successful restructuring often combines both informal negotiations to build consensus, anchored by a credible formal option (such as a Scheme of Arrangement) that can bind holdouts and provide breathing space.



Source: Companies Act 2016

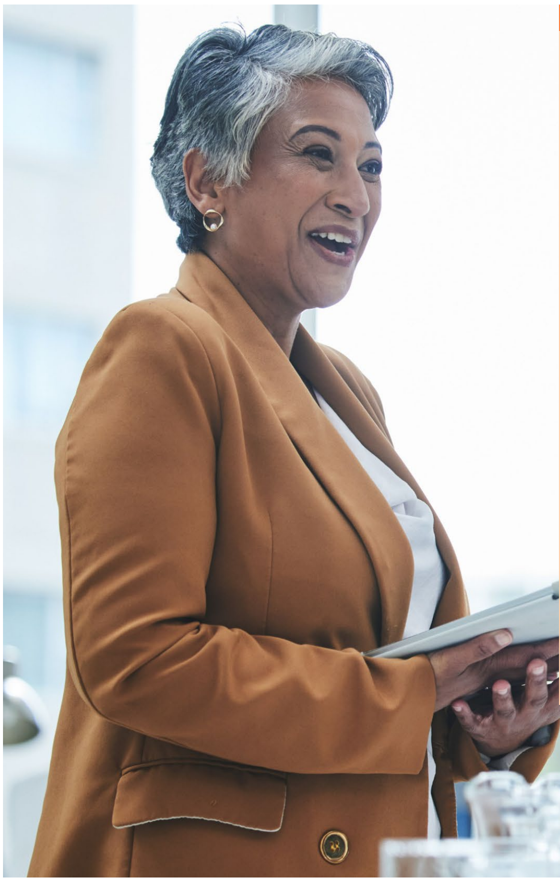
02 Informal workouts

For many Malaysian corporates, the first approach is to pursue an informal workout with key creditors/lenders. This works best with a manageable number of creditors/lenders, a fundamentally viable business, and collaborative relationships.

Common solutions include:
- Extended loan maturities
- Rescheduled repayments
- Repayment grace periods
- Discount or waiver of late payment interest
- Refinanced current debt
- Increased credit limits/temporary bridge financing.

These arrangements are usually confidential and tailored to your company's circumstances.

At the same time, companies may improve their financial position by selling part or all of their assets or business undertakings outside formal court proceedings, using the proceeds to reduce debt and stabilise operations.



An important platform in this space is the Corporate Debt Restructuring Committee (CDRC), operating under Bank Negara Malaysia.

First established during the 1998 financial crisis, the CDRC offers a confidential, out-of-court forum for companies with debt owed to licensed banks and development financial institutions to negotiate a consensual restructuring. Companies must meet specific criteria to qualify for admission to the CDRC, as outlined in the CDRC Code of Conduct.

A summary of the key benefits and limitations is provided on the following page.

Benefits:

- Suitable where there is a syndicate of banks and parties who wish to avoid immediate legal action while exploring a coordinated solution
- Used alongside, or as a precursor to more formal court-based options for companies with significant non-bank creditors, or where enforcement risk is acute
- The ‘closed-door’ nature of the process mitigates the risk of negative publicity and public scrutiny, protecting the company's reputation during a sensitive period

Limitations:

- Only covers participating institutions and does not provide a legal moratorium
- Access is limited to companies with a minimum aggregate debt of RM10 million owed to at least two participating institutions

From a CEO or CFO perspective, the advantages of informal and CDRC-led processes are clear: minimal public scrutiny, continued control over the company, and lower direct legal and court costs. If lenders are aligned, an informal workout can be faster and less disruptive than a formal process.

The trade-off is the lack of any statutory moratorium. No matter how constructive the discussions, any single lender or creditor retains the ability to take enforcement action. Where there are multiple lenders with differing interests, the risk of a single dissenting party derailing the entire proposal becomes real.

To make an informal workout credible (with or without CDRC-led processes), management must come prepared—supported by robust, bottom-up financial projections (including short-term cash flow forecasts), a realistic business plan, and a willingness to be transparent with lenders. Early, proactive engagement helps build critical goodwill and preserves options.

03 Scheme of Arrangement (SOA)

The SOA is a useful restructuring tool when your stakeholder group gets more complex—especially when lenders, bondholders, numerous trade creditors, or multiple related companies are involved. An SOA is particularly suited to larger corporates and groups, where different entities and creditor classes must be coordinated.

It is a court-supervised compromise between the company and its creditors (and/or shareholders). If the SOA is approved by at least 75% in value of each class of creditors and sanctioned by the court, it binds all affected creditors within that class, including those who voted against it or abstained.

The 2024 enhancements to the Companies Act 2016 has made SOA more robust with the introduction of pre-packaged schemes, cross-class cram-down and super-priority rescue financing. Furthermore, an automatic short-term restraining order (moratorium) can now take effect upon filing, giving the company immediate protection from legal proceedings while the scheme is progressed.

Pre-packaged schemes

Where the terms have been substantially negotiated in advance with key creditors and can be sanctioned without convening a creditors meeting. This saves time, cost and execution risk as the company will be able to seek court sanction without going through a full-blown creditors' meeting process, after pre-negotiating the restructuring terms with key creditors.

Cram-down

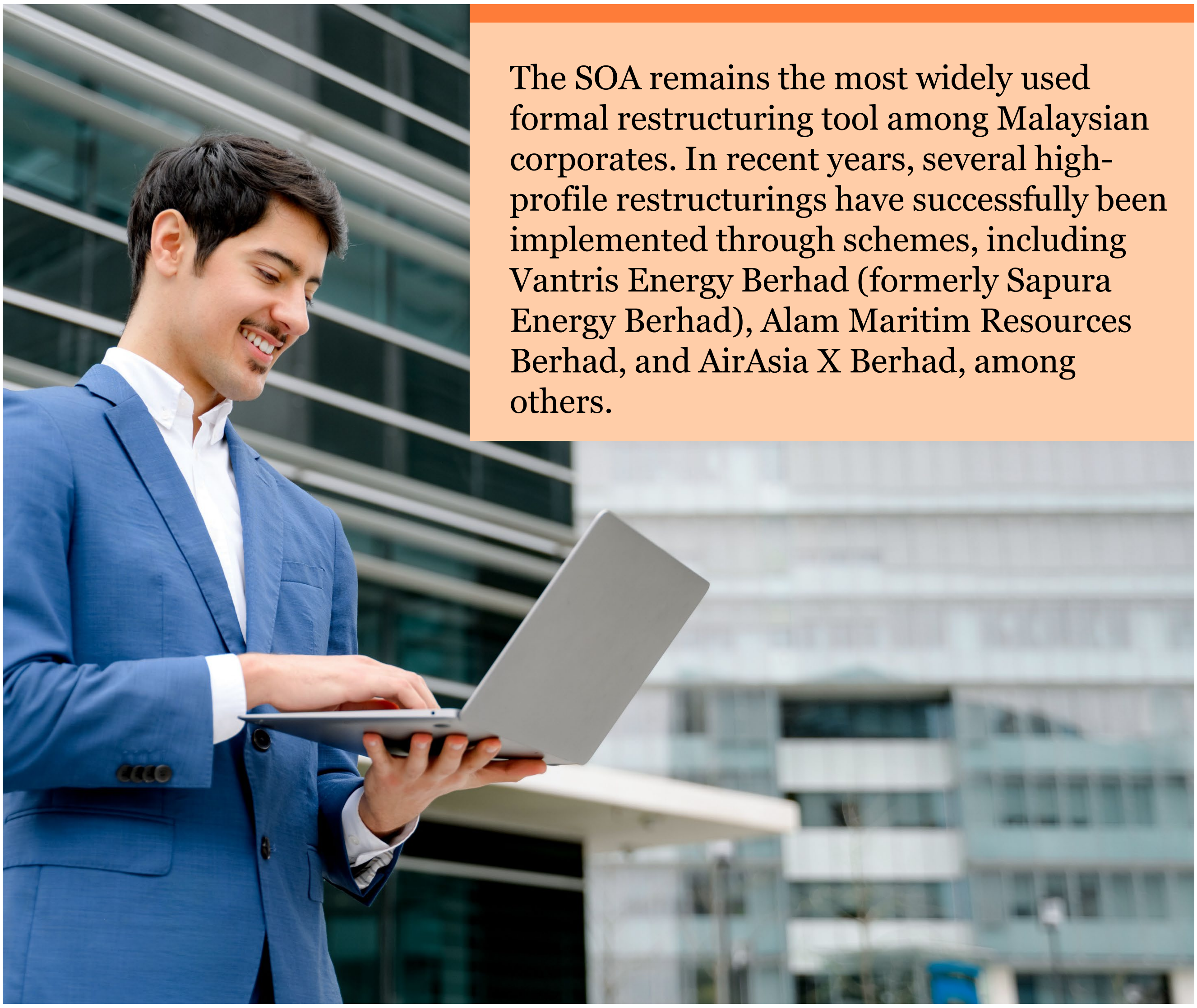
Perhaps most important from a strategic standpoint is the introduction of cross-class cram-down. Under specified conditions, the court can now approve an overarching scheme even if one or more creditor classes vote against it, as long as the overall outcome is fair and at least one class has approved. This reduces the leverage of holdout creditors and improves the chances of implementing a viable restructuring.

Super-priority rescue financing

This gives providers of fresh funding a preferential position in the waterfall (ahead of existing unsecured creditors, and in some cases ahead of certain secured claims), making it easier to secure much-needed liquidity during the restructuring.

The price of this flexibility is process. Schemes require court applications, creditor meetings, and often the involvement of an independent insolvency practitioner—now mandatory in certain situations, including pre-packs, cross-class cram-down and super-priority rescue financing. The approval threshold is a majority of at least 75% in value of each class present and voting.

For CEOs and CFOs, the key question to be considered is scale and complexity. For multi-lender syndicates, groups with intercompany claims, or situations where it is important to bind a significant minority of objecting creditors, a scheme becomes the natural 'go-to' tool.



The SOA remains the most widely used formal restructuring tool among Malaysian corporates. In recent years, several high-profile restructurings have successfully been implemented through schemes, including Vantris Energy Berhad (formerly Sapura Energy Berhad), Alam Maritim Resources Berhad, and AirAsia X Berhad, among others.

04 Corporate Voluntary Arrangement (CVA)

A CVA sits somewhere between an informal workout and an SOA. It is designed as a more streamlined, out-of-court process with existing management remaining in control of day-to-day operations but with an independent insolvency practitioner appointed as a nominee to review the restructuring proposal.

A CVA is particularly useful where debt structures are relatively straightforward, and the main pressure is from a small number of lenders or creditors. The process provides a short moratorium — initially 28 days, extendable up to 88 days — during which legal actions are paused while the company and nominee put a proposal to creditors.

If approved by a majority of at least 75% in total value of creditors present and voting, the arrangement binds the creditors included in it and provides a structured way to compromise debts. As the court's role is more limited, CVAs are generally faster and cheaper than schemes.

As CEOs and CFOs, there are limitations you should be aware of. While secured creditors' rights are largely preserved, they can still enforce their security unless they voluntarily agree to a standstill. This means that where your largest stakeholders are secured lenders with limited appetite to compromise, a CVA may offer less protection than a scheme or judicial management. Likewise, very complex, multi-class situations are often beyond what a CVA can efficiently handle.

The CVA is best viewed as a tool for small to mid-sized businesses with simpler capital structures, where management wishes to stay in control, needs a short breathing space, and can realistically secure support from the key creditors.

05 Judicial management (JM)

JM is the most interventionist form of the main corporate rescue mechanisms. Under this process, the court appoints an independent judicial manager to take over management and control of the company, with a mandate either to rehabilitate the company as a going concern or to achieve a better outcome for creditors than an immediate liquidation.

For a board, judicial management is often considered when lender confidence in existing management has eroded, when stakeholders are deeply divided, or when there is scepticism about management's ability to execute a turnaround. This is an attractive option for creditors as an independent, court-appointed professional steps into the driver's seat, and a moratorium takes effect, preventing most legal actions and enforcement attempts.

From the company's perspective, judicial management can help you stabilise operations, reset governance and, in some cases, negotiate a more credible restructuring plan. It may also be the only way to get support from creditors who insist on independent oversight as a condition for concessions or further funding.

There are, however, notable downsides to judicial management. The board and management effectively lose control over operational decisions. The mere fact of being placed under judicial management can trigger reputational concerns with customers, suppliers, and employees.

Another key limitation is that secured creditors can effectively block JM. If a secured creditor objects to the making of a JM order, the Court is generally required to dismiss the application. Early engagement with key secured lenders is therefore critical, as their support may determine whether the process can proceed.

For these reasons, judicial management is often used in more severe or contested situations: when informal attempts have failed, when governance concerns are acute, or when an independent party is needed to break a persistent deadlock among stakeholders.

A summary of key attributes of each rescue mechanism

Key attributes	SOA	CVA	JM
Brief description	Court-supervised restructuring where a compromise with creditors is conducted through court-led procedures	Largely out-of-court; debtor-in-possession restructuring proposed to creditors, supervised by an Insolvency Practitioner	Court-supervised corporate rescue where a JM takes control and proposes a rescue plan
Control of company	Existing management	Existing management	Insolvency Practitioner
Parties can initiate	Company/any creditor/member/ JM/liquidator	Company/JM/ liquidator	Company/any creditor
Court involvement	High	Low	Medium
Moratorium/ Restraining Order (RO)	Automatic 2-month moratorium upon filing - RO lasts for 3 months initially, extendable up to a maximum of 12 months from the initial date	Automatic 28-day moratorium upon court filing, extendable to 60 days with creditors' approval and nominee's consent	Automatic moratorium upon JM order, lasting up to 6 months initially, extendable to a maximum of 12 months
Creditors landscape	Complex or multi-class creditor structures, including secured and unsecured creditors	Simpler creditor profiles, typically only deals with unsecured creditors	Highly conflicted or enforcement-driven creditors, requiring independent control
Voting thresholds	≥ 75% in value of creditors present and voting in each class; court can impose cross-class cram-down on the dissenting class of creditors	≥ 75% in value of creditors present and voting	≥ 75% in value of creditors present and voting

06 Choosing the right path

Where your management can clearly demonstrate a credible restructuring plan and has the backing of key stakeholders, it is preferable to remain in control through a SOA or CVA.

If creditors are pushing for independent oversight, the appointment of an insolvency practitioner within a scheme process, or, as a last resort, JM, may be necessary to enable cooperation.

If the underlying business is not viable even after restructuring—because market demand has permanently shifted, key assets are obsolete, or margins are structurally negative—no rescue tool will fix the fundamentals. In such cases, the focus should shift to an orderly wind-down or liquidation.

A summary of informal workouts and formal restructuring

	Informal workouts	Formal restructuring
Pros	• Faster and more flexible • Lower cost • Less publicity/ scrutiny • Management stays in control	• Statutory/court-backed framework • Moratorium provides breathing space • Ability to bind dissenting creditors if thresholds are met • Better for complex or multi-creditor situations
Cons	• Requires consensus/full cooperation • Limited ability to bind holdout creditors • Limited protection from enforcement • May fail if creditor interests diverge	• More time-consuming and costly • Involves court/external advisors • Greater visibility, with higher disruption risk • Management control may be reduced in some processes

07 Common pitfalls for companies in distress

Delayed decision-making
Many companies wait too long, hoping that a temporary downturn will self-correct. By the time salary payments are missed, key suppliers have switched to cash-on-delivery, and lenders have started enforcement, your strategic options will be reduced significantly. Early distress is far easier and cheaper to address than a late-stage crisis.

Underestimating liquidity needs
Restructuring takes time. Designing, negotiating, and implementing any solution requires sufficient cash runway to keep operations going. Interim funding or rescue financing may be necessary. Under recent legal reforms, super-priority rescue financing is possible, but it typically requires careful structuring and often, the involvement of an independent insolvency practitioner.

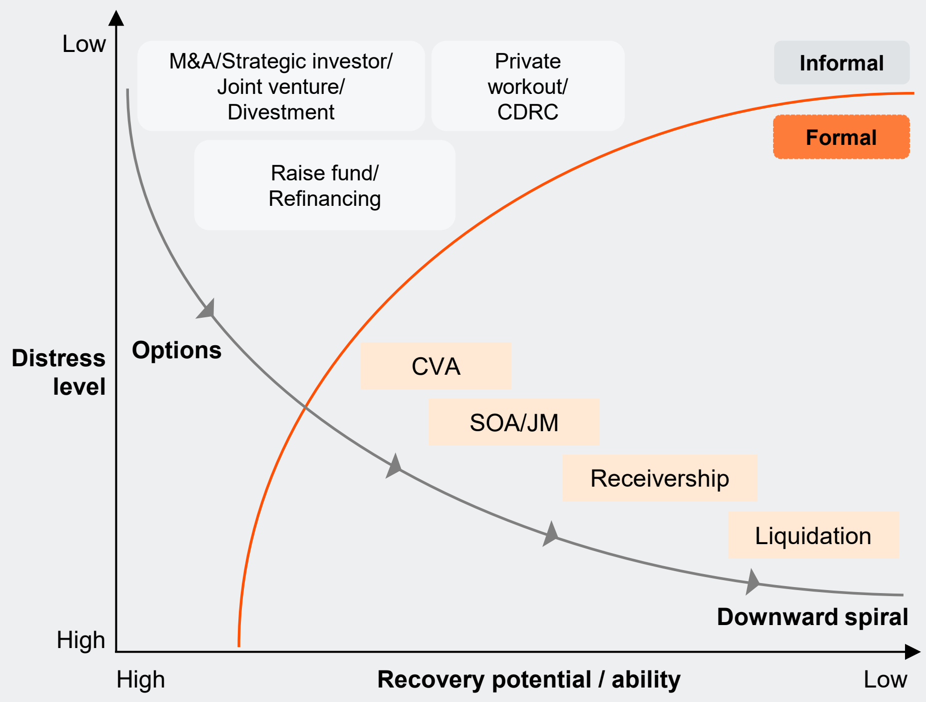
Lack of transparency and poor communication
Lack of transparency and inconsistent messaging to creditors/lenders can destroy trust faster than deteriorating numbers. You will benefit from adopting a clear and consistent communication strategy for creditors, employees, customers, and the market, aligned with legal and regulatory obligations.

Overlooking the needs of non-financial stakeholders
Major customers, strategic suppliers, unions, and regulators all matter. A technically sound restructuring plan can fail if it triggers loss of key customers or if operational continuity cannot be maintained during the process. Stakeholder management is key.

Choosing the wrong tool

This includes seeking JM merely to ‘buy time’ without a proper rescue plan; defaulting to a full scheme when a confidential lender workout would suffice; or attempting a CVA in a situation that clearly demands broader protection and creditor binding. Misalignment between the tool and the underlying strategy can be costly.

Corporate demise curve



Availability of **strategic options narrow rapidly** as distress deepens, as illustrated in the corporate demise curve above.

08 Act early, act strategically

Malaysia has included more robust features into its corporate rescue toolkit. The challenge for you, as CEOs and CFOs, is not the lack of options but choosing and sequencing them wisely.

In many successful cases, the pathway combines informal negotiations with key creditors/lenders, backed by a credible formal option such as a Scheme of Arrangement, sometimes with an independent insolvency practitioner appointed to enhance transparency and creditor confidence.

Our experience shows that early, data-driven engagement, and a realistic assessment of your stakeholder landscape can turn a distressed situation into a sustainable restructuring, while protecting as much value as possible for all parties.

If your company is beginning to experience stress from financial covenant compliance, tightening liquidity, or wavering stakeholder confidence, then it is best to quickly explore your options—before enforcement notices arrives and not after.

How PwC can help

Our Performance and Restructuring advisory team works alongside boards, management, and other key stakeholders to navigate critical moments of change.

We support organisations through every stage of restructuring or reorganisation—from early assessment to execution—bringing clarity, rigour, and momentum when it matters most.

Combining deep restructuring experience with data-driven tools, we help leaders confront difficult decisions early, evaluate viable turnaround options, and implement strategies that protect value and position the business for recovery. Reach out to us to discuss your options and take decisive action.

At PwC, we help clients build trust and reinvent so they can turn complexity into competitive advantage. We're a tech-forward, people-empowered network with more than **364,000 people** in **136 countries** and **137 territories**. Across audit and assurance, tax and legal, deals and consulting, we help clients build, accelerate, and sustain momentum. Find out more at www.pwc.com.

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