CASH FLOW IS KING
HEALTHY CASH FLOW A LIFELINE FOR BUSINESS SURVIVAL

THE MCO PLAYBOOK
STRATEGY GUIDE FOR PRE, DURING & POST MCO ACTION

DARE TO DIVERSIFY
OUT FROM THE COMFORT ZONE & IN TO DIGITALISATION

COVID-19 BUSINESS RECOVERY STRATEGY GUIDE
FOREWORD

The movement control order (MCO) triggered by the Covid-19 pandemic brought Malaysia to a standstill. Most businesses, especially those in the non-essential services category, had to halt regular operations which has adversely affected their income and cash flow.

DATO’ DR. CHUA HOCK HOO
Adjunct Professor of UKM & OCU (US) & Co-Founder of Cheng & Co Foundation

Many companies are on the brink of downsizing or, worst, collapsing. Small and medium enterprises (SME) which makes up close to 98% of businesses and is the most important cog in Malaysia’s economic engine, are hit the hardest especially those that lack technology and resources.

Cheng & Co began in 1993 as a small firm with only three employees. While this crisis is unlike anything we have ever encountered, we have faced our fair share of challenging times in the early days that almost cost us the firm and we can appreciate the pain points of SMEs today.

During the MCO, Cheng & Co Foundation conducted nearly 30 webinar sessions nationwide over several weeks via Zoom with SMEs from various industries, to help address their fears and problems of the present circumstances and what to expect when the new normal kicks in.

We discussed and explored various strategies and methods and came up with viable solutions for SMEs to mitigate the negative impact of the Covid-19 pandemic on their business and help keep them afloat while taking the necessary steps to aid their recovery.

It is our aim to continue helping as many SMEs as possible and to this end, we have put together our Business Recovery Strategy Guide which consists essential measures that SMEs must take in order to survive and sustain post-MCO and beyond.

This guide was made possible thanks to our team of specialists and experts whose unwavering commitment to ensure our clients’ needs are constantly attended to irrespective of the circumstances, will benefit countless other SMEs.

Firstly, I would like to thank our Strategy Director Alex Kang whose foresight helped conceptualise these webinar sessions right after the MCO kicked in. My appreciation also goes out to the Head of our Women Leadership Centre, Ms Tay Lee Hoon and Head of Taxation, Mr Lam Kwai Soon.

Both are leading members of our webinar committee and organiser of all the sessions. They were responsible for

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THE COVID-19 PANDEMIC & IMPACT ON BUSINESSES

THE CORONAVIRUS OR COVID-19 PANDEMIC has brought life and businesses to a halt. While the world is no stranger to global pandemics, what we're witnessing today is unprecedented, triggering shutdowns and lockdowns the world over. The Malaysian government was forced to implement the Movement Control Order (MCO) to curb infections and save lives.

While the order was absolutely necessary, it has impacted businesses, especially small and medium enterprises (SME), in ways which leaves many uncertain about their future. There are genuine fears that a big number of SMEs could go under due to lack of income, cash flow and struggles to adopt to the new normal.

SMEs are an important cog in Malaysia's economic engine, making up close to 98% of businesses in the country and providing nearly 70% of employment. Therefore, it is important that the SME chain is not broken, failing which it could set our economic back for years.

During the MCO, Cheng & Co Foundation conducted almost 30 seminars and sharing sessions throughout the country with small and medium enterprises, from various industries, via Zoom to understand and help address their fears and challenges of the situation and how to mitigate the impact of the Covid-19 pandemic and the MCO.

Cheng & Co Foundation's Business Recovery Guide consists essential findings and solutions for SMEs to take into consideration and implement them in the best way possible to keep your business afloat during this crisis which can help kick start a revival once we begin coming to terms with the new normal.
STRATEGY 1
CASH FLOW PROJECTIONS FOR THE YEAR AHEAD

Document Your Commitments
This is the most important strategy which will go on to define other important areas of your operations. Clarity is needed in this stage in order to determine how effectively the following strategies will work for your business. To begin your projections for the next 12 months, first document your company’s monthly commitments. Upon doing so, calculate the number of months that these commitments will carry on through against cash and cash equivalent available. This will provide an indication of the cash flow strength of your business and the prospects that lie ahead. It is important to record your commitments for at least three months and above for a more accurate assessment.

If your cash flow status is rather unpleasant or, worse, critical, here are some ways for you to increase your cash flow to stabilise your company which is the need of the hour as business is unlikely to be as usual in the foreseeable future.

Government Stimulus Package and Measures
On 6 April 2020, Malaysian Prime Minister Tan Sri Muhyiddin Yassin unveiled a special stimulus package to aid SMEs. The package, worth RM10 billion is aimed to ease the impact of the MCO on SMEs, with an increased wage subsidy of RM600 a month for employers which is an additional RM29 billion from the initial economic stimulus package of RM5.9 billion.

As an SME, depending on the strength of your workforce, one of the biggest factors that will impact your cash flow will be salary payments. To alleviate the burden of salaries on your cash flow during this period, the following Wages subsidy programme (WSP) can be utilised:
- If your workforce is more than 200, at least 200 of your employees are eligible for this subsidy.
- If your workforce falls in the range of 76 to 200, your company is eligible for RM800 for each employee.
- If you are a small organisation with a workforce of between 1 and 76, your company is eligible to receive RM1200 for each employee.
It is important to note that for your company to be eligible for the wage subsidies, it must:
- retain employees for at least six months
- have registered or contributed to PERKESO before 1 April 2020
- be registered with SSM, Pihak Berkuasa Tempatan (PBT) or Pihak Berkuasa Perkhidmatan Profesional, Saintifik or Teknika and started operating before 1 January 2020.

Alongside this, the government also created a Prihatin Special Grant amounting to RM2.1 billion, micro credit and micro loan schemes for eligible SMEs. The list of eligible micro SMEs will be provided by the local authorities and SSM to the government.

Your organisation must be registered with the Inland Revenue Board (IRB) to be eligible for the following:
- RM3000 special grant for each company with annual sales of below RM300,000
- Micro-credit scheme from Bank Simpanan Nasional with 0% interest rate without any collateral. A company is eligible up to a maximum of RM75,000 with revenue of less than RM300,000 or less than five employees.
- Micro loan scheme with Tekun Nasional for a maximum loan amount of RM10,000 per company, interest free. Again, eligibility is revenue of less than RM300,000 or less than five employees.
Besides govt subsidies, there are other measures to take to create breathing space for your cash flow and increase chances of sustainability.

**Tax Instalment Deferment** – For SMEs with paid-up capital of less than or equal to RM2.5 million and a gross business income of RM50 million and below, you can apply for tax instalment deferments for three (3) months beginning April 2020 and six (6) months if your business is tourism related, starting on the same month until September 2020.

**Special Relief Facility (SRF)** – Open to sole-proprietorship, partnership, LLP or PLP only and considered SMEs as defined by SME Corporation Malaysia. In the event there are shareholding from PLCs and GLCs, it must not exceed 20%. SMEs must be owned by Malaysians residing in Malaysia with minimum shares of 51%. A loan size of RM1 million is allocated for each SME at interest rates of 3.5% with no collateral required with five and a half years tenure including the six-month moratorium period. This facility is available until 31 December 2020.

**Employer Advisory Services (EAS)** – To work towards a viable solution for employee contributions during this crisis, companies can explore options for deferment, restructuring and rescheduling of statutory contributions to their Employee Provident Fund accounts beginning 15 April 2020. For more information, visit www.kwsp.gov.my.

**Foreign Worker Levy** – If your company employs foreign workers, levy can be reduced by 25% for this with permits ending between 1 April 2020 and 31 December 2020. However, this facility is not applicable for house maids.

**Rental Relief** – SMEs renting properties or premises owned by GLCs or other state-government owned companies, will be eligible for rental exemptions or discounts. For the private sector, special tax deductions that equal the amount of rent reduction for April 2020 to June 2020 will be given to property owners who rent their properties to SMEs.

It is imperative that SMEs reduce rent by at least 30% to ease cash flow hence begin discussions with land or building owners as soon as possible for rental deferments.
The following are the eligibility criteria for SMEs to enjoy this relief:

- For Micro SMEs (all sectors) with turnover of not more than RM300,000 per annum or with employee not more than five.
- For Small companies in manufacturing with turnover of more than RM300,000 and less than RM15 million or with an employee count of between five and 75. SMEs in services and other sectors must fall in the turnover range of RM300,000 and RM3 million, or have an employee count of between five and 30.
- For medium sized companies in manufacturing, eligibility is for those with a turnover of between RM15 million and RM50 million or with a workforce of between 75 and 200. SMEs in services and other sectors must record a turnover between RM3 million and RM20 million, or with a workforce of between 30 and 75.

**CHECKLIST - CASH FLOW PROJECTIONS FOR THE YEAR AHEAD**

<table>
<thead>
<tr>
<th>Assessment Item</th>
<th>Guide</th>
<th>Current</th>
<th>Action / Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Prepare a list of monthly commitments and calculate the number of months of commitments against cash and cash equivalent available.</td>
<td>At least 3 months and above</td>
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<tr>
<td>2. Ways to increase cash flow of the company:</td>
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<tr>
<td>a. Government stimulus package and measures.</td>
<td>Refer to Appendix I</td>
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<tr>
<td>b. Discuss with staff on the situation.</td>
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<tr>
<td>3. Prepare cash flow projections.</td>
<td>Refer to Appendix II</td>
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</tbody>
</table>
STRATEGY 2: WHAT TO DO DURING MCO

Essential Services
If your business falls under the essential services category, firstly identify the factors that renders your business non-operational despite falling in this category. Subsequently, consider tweaking your business model to move away from regular operations and identify means to increase sales to improve cash flow rather than going for profits.

Cash flow generation is a big concern during the MCO and can make or break the sustainability of a business post-MCO. To take financial or tax consultancy as an example, the implementation of cloud accounting, cloud tax and cloud payroll systems will ensure your services can continue to rendered with minimum interruption but increased efficiency.

Non-Essential Services
If your business falls under the non-essential services category, it is likely to be more vulnerable than essential services. Therefore, similar to essential services, you are encouraged to realign your business model and embrace digital platforms to provide convenience to customers / clients to drive sales and income.

Supermarkets and food stalls are a good example of service realignment. Supermarkets are providing delivery services for regular groceries while food stalls – generally provide eat in or takeaway – too are accepting online bookings and deliveries to customers. Understand your customer / client requirements and identify the right digital platform for uninterrupted service.

Tax Compliance & Banking Facilities
Get down to business with your financial consultant and auditor to sort your tax and audit matters to ensure compliance to all deadlines. While there is some leeway given during the MCO, it’s still important to abide by submission deadlines. It’s equally crucial to review your financial statements in a timely manner and ensure they are healthy from the bank’s perspective, especially on Debt Service Ratio, mismatch, and Gearing Ratio, in order to enjoy banking facilities which you will probably need to increase your cash flow.

Address Miscalculations & Mismanagement
There are many areas that might have been overlooked in the past due to various reasons. Take this opportunity to right the wrongs. Check all your records and identify any incomplete date and rectify them. While it is not advisable to go to your place of business, keep check of your stocks virtually if possible.

Next up is to perform sales data analysis, preferably utilising the Pareto principle, also known as the 80/20 rule which is defined as 80% of your results coming from just 20% of your efforts. Last but not least, keep tabs with the impact of the covid-19 pandemic on a global level and adopt best practises from countries where businesses are coping well and continue to operate.
Insurance Premium Reduction
A key area of business expenditure that you can reduce is your insurance premiums using the 3R strategy – Review, Revise and Restructure. The idea behind this strategy is to increase the value of your coverage while maintaining the same premium cost to help you gain potential savings of up to 20%.

Revise - revise your existing insurance protection plan in order for your business to achieve optimised protection.
Review - spend sufficient time and resources to review your present insurance policies with historic claims reports.
Restructure - We will guide you on restructuring your current insurance coverage to help you meet our 3R objectives by either lowering your cost or increasing your coverage.

This, in effect, is a corporate risk management strategy that you should begin discussing with your financial consultant as soon as possible to ease the burden on your cash flow. The same can be done for your company’s banking facilities to reduce monthly commitments and ease up more cash that can be channelled towards other pressing areas of your business.

CHECKLIST - WHAT TO DO DURING MCO

<table>
<thead>
<tr>
<th>Assessment Item</th>
<th>Yes</th>
<th>No</th>
<th>Suggestion</th>
<th>Comments / Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Is your business under the category of essential services?</td>
<td></td>
<td></td>
<td>If Yes, consider changing your business model to increase sales for cash flow enhancement instead of profit.</td>
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<tr>
<td>2. Is your business a non-essential service?</td>
<td></td>
<td></td>
<td>Brainstorm with sales team to change business model.</td>
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<tr>
<td>3. Can you identify the factors that resulted in your business being non-operational (despite being in essential services)?</td>
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<tr>
<td>4. Do you need to revise your business model?</td>
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<tr>
<td>5. Do you have a plan to revise your business model?</td>
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<tr>
<td>6. Workout cash flow projections for the next 12 months based on the five assessment items above.</td>
<td></td>
<td></td>
<td>Refer to Section 1, point 3.</td>
<td></td>
</tr>
<tr>
<td>7. Follow up with your tax agent &amp; auditor regarding your taxation and auditing matters to ensure compliance with the latest deadline.</td>
<td></td>
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</tbody>
</table>
8. In order to obtain bank facilities, your company must review its financial statements to ensure reports are healthy from a bank’s perspective e.g. Debt Service Ratio (DSR), mismatch, and Gearing Ratio.

9. Explore with your HR Department to assign other tasks for redundant employees during the MCO.

10. Rectify the company’s malpractices such as:
   a. Incomplete record keeping;
   b. Stock take (not advisable to go back to work);
   c. Classify customers into Class A, B and C;
   d. Sales data analysis (Pareto principle - also known as the 80/20 rules);
   e. Others.

11. Keep track of global issues and economic impact of the pandemic. Explore best practices from similar industries in China and study how they handle their businesses during the pandemic.

12. Reduce the company’s insurance premium cost by engaging professionals.
**STRATEGY 3: WHAT TO DO AFTER MCO**

**Compliance & Extensions**
The bigger challenge begins right here. As we have never been in this situation before, it’s understandable that a lot of uncertainties will creep in not knowing how to react or what step to take in what will be considered a new normal. Begin this phase of your business by meeting all compliance due dates for audit submissions, tax submissions and secretarial requirements.

In the event your cash flow situation has weakened, talk to your financial consultant to help negotiate extensions to give your company some relief. This will also help manage cash flow position more effectively and take prompt yet calculated action to ensure there is adequate cash flow to pull your business through this challenging period.

During this period while monitoring cash flow, much the same is required for your company’s profits and ensure tax revisions are done on the 9th month of the year to avoid getting penalised for under estimation of your company taxes.

**Contract Renewals**
Your business is likely to be tied down with multiple contractual obligations such as tenancy agreements, employee and vendor contracts. Negotiate with your landlord for a moratorium or deferment of your rental commitment for at least three months. Negotiate with your employees to work out an amicable solution that works out for all.

As employee contracts are a sensitive matter – one wrong move can result in your company facing action from the Human Resources Ministry, so engage a Human Resource legal expert to advice on appropriate ways to go about negotiations with employees to ensure no labour laws are breached and avoid any legal action against your company.

**Merges & Acquisitions**
One of the most time-honoured strategies that has served SMEs well during tough times is mergers and acquisitions (M&A). If at this point your cash flow continues to remain on the edge with slim chances of revival despite taking all the aforementioned measures, it is time to consider an M&A with a larger firm with which you can establish a good synergy.

This helps prevent liquidation of your company and creating a new crisis involving employee retrenchments which is a very complicated situation to be in. M&As should not always be thought of as a takeover. It can also be approached as a merger and affiliation where a larger firm can provide technical and human capital support for your operations to keep going.

**CFO Support Services**
The upcoming period of uncertainty means it will be tough for companies to go about business as usual. Up to this point, there are many measures that have been illustrated in this guide for businesses to take to increase cash flow and sustain post-MCO and beyond. For an SME, these measures may seem like an arduous task or, worse, intimidating to contemplate.

Therefore, after taking steps to increase cash flow, consider allocating a reasonable budget to engage a CFO Support Services provider to receive CFO level advice and guidance concurrent with the needs of your business. CFO Support Services are designed to help business owners make critical financial decisions to achieve the steps discussed to this point.

CFO Support Services will look into your tax estimation especially if your business falls in industries such as tourism, hotels and F&B that are likely to be heavily impacted by the MCO and post-MCO environment. Your bank loan matters (loan applications or deferring repayments), accounting, financial management and HR issues will also be taken care with CFO Support Services.
## CHECKLIST - WHAT TO DO AFTER MCO

<table>
<thead>
<tr>
<th>Assessment Item</th>
<th>Yes</th>
<th>No</th>
<th>Suggestion / Info</th>
<th>Comments / Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Work towards meeting compliance due dates and seek extensions if possible, for:</strong></td>
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<tr>
<td>a. Audit</td>
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<tr>
<td>b. Tax</td>
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<tr>
<td>c. Secretarial</td>
<td></td>
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<tr>
<td><strong>2. Explore the possibility of re-aligning your business model - build relationships with your existing clients.</strong></td>
<td></td>
<td></td>
<td>Customer relationship management (Class A and B customer).</td>
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<tr>
<td><strong>3. Monitor closely your company’s cash flow position and take wise action to ensure cash is adequate for sustainability</strong></td>
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<tr>
<td><strong>4. To monitor the company’s profit and remember to do tax revisions on the 9th month of the year to avoid under estimation penalties.</strong></td>
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<td><strong>5. Explore the possibility of restructuring your banking facilities as there is stamp duty exemptions granted.</strong></td>
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<tr>
<td><strong>6. Contract renewals:</strong></td>
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<td></td>
<td>Take into consideration Force Majeure &amp; Doctrine of Frustration clauses.</td>
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<tr>
<td>a. Tenancy agreement</td>
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<tr>
<td>b. Employee employment contract</td>
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<tr>
<td>c. Others relevant contracts</td>
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<tr>
<td><strong>7. Monitor the possibility of your company getting wound up by creditors.</strong></td>
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<td></td>
<td>Threshold for winding up is RM50,000 and six months’ notice.</td>
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<tr>
<td><strong>8. Explore the possibility of merger and acquisition opportunities.</strong></td>
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</table>
STRATEGY 4
A NEW BUSINESS PLAN

Technology Driven
This, in a nutshell, means less reliance on physical and more compliant with digital. It’s no secret that SMEs that suffer the most during a crisis of this nature are those with business models very much driven by a more traditional means of operations. The Covid-19 pandemic should serve as an eye opener on the importance of digitalising critical functions for seamless operations.

Technology such as cloud computing, remote access, data analytics, cloud tax and cloud HR should be made a transitional priority upon lifting of the MCO. Technology is a great enabler for SMEs irrespective of size and allows for business to be carried out almost as usual and keeping clients happy while opening up opportunities to expand into new markets.

Manpower Management
This period gives you the opportunity to re-evaluate your manpower capacity and capabilities. Figure out if you have the appropriate personnel at each level and assess their skillset against their experience to determine if your current workforce is sufficient to operate. If cash flow is a challenge and your company is overstaffed, tough employee retention decisions need to be made.

Go back to basics and relook into the nature of your business and every aspect of your sales or service to determine your hiring criteria moving forward. Some departments or roles may not require full-time personnel due to regularity of the job such as event organising, creative, etc. Consider outsourcing these tasks or hire personnel on an ad-hoc basis when required.

Financial Issues
As noted in Strategy 1, your cash flow status needs constant attention even at this stage. Engage in constant discussions with your financial consultant to ensure your cash flow remains on track to make long-term sustainability possible. Look into your credit policies such as cash and credit terms, revise them accordingly and negotiate with your clients to ensure quicker inflow of cash.

Business Operation
Firstly, assess the relevance of the products or services provided to determine if they are still in demand. Understanding customer behaviour and preferences will go a long way to help identify what the market is looking for. If the nature of your services and solutions are still very much in demand, consider further digitalisation to increase efficiency and transparency.

However, if demand for your products and services are on the wane, you can opt to repackage your offerings to make it more appealing or begin identifying new business opportunities that often opens up after a crisis. Explore those with greater chances to excel via e-commerce, digital marketing and cloud deliveries which will be the order of the day when the new normal kicks in.

Threat Identification
The next step upon identifying your preferred business opportunity is to make proper threat assessments. Thoroughly analyse the industry to identify potential competitors or the prospect of having competition in the future. Also check on risk factors and causes, and work out plans to mitigate them. It’s critical to have this plan in place before getting into a new business or model.
## CHECKLIST - A NEW BUSINESS PLAN

<table>
<thead>
<tr>
<th>Assessment Item</th>
<th>Yes</th>
<th>No</th>
<th>Action / Comments</th>
</tr>
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<tbody>
<tr>
<td><strong>1. Manpower</strong></td>
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<tr>
<td>• Do you have staff with appropriate competence levels? (e.g. skills, experience, number of staffs)</td>
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<tr>
<td>• Check if you have the appropriate type of hiring for your business i.e. do you require full time employees, casual workers just to meet one off event or outsource to third parties instead?</td>
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<tr>
<td><strong>2. Technology</strong></td>
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<tr>
<td>• Is your technology up-to-date? (e.g. cloud computing to access remotely, data backup, etc.)</td>
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<tr>
<td><strong>3. Financial</strong></td>
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<tr>
<td>• Are there any cash flow issues? (consider manpower, technology upgrade, etc.)</td>
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<tr>
<td>• Does your credit policy need revising? (e.g. cash term, reduced credit term)</td>
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<tr>
<td>• Consider restructuring loans to improve cash flow.</td>
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<tr>
<td><strong>4. Business/Operation</strong></td>
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<tr>
<td>• Have you fully maximized your asset usage? (e.g. asset utilization rate)</td>
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<tr>
<td>• Are the goods and services provided by the company still in demand?</td>
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<tr>
<td>• Have customer behavior/preference changed over time?</td>
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<tr>
<td>• Do you see any new opportunities for your business following the crisis? (e.g. online marketing of goods and services, new customer requests, etc.)</td>
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<tr>
<td>• Is your business adequately insured?</td>
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<tr>
<td>• Do you see any potential threats that may be detrimental to your business? (e.g. new competitors) Have you found ways to mitigate/reduce these risks?</td>
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<tr>
<td>• Is outsourcing of services viable for the business? (e.g. accounting, payroll, etc.)</td>
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STRATEGY 5: EXIT PLAN

Assessing Future Prospects
This stage is when SMEs have to do a reality check on their survival prospects. Begin by assessing your ability to protect your company from creditors and the options available such as restructuring, M&A, or liquidation. Negotiate with your creditors and come to a mutually agreeable repayment plan with some deferment to help your cash flow situation. Delaying this process is not advisable as it could lead to litigation which could strain your cash flow.

It’s equally important to constantly follow-up with your debtors to recover as much as possible in the short-term. If there is no respite, mergers and acquisitions are once again a good fall-back option. If a complete takeover of your business is out of the question, as mentioned in Strategy 3, mergers and affiliations will be the next best thing to keep your business running.

Your shareholders too could play an important role in your long-term survival prospects. Discuss their willingness to continue funding your business and keep it going. If the outcome is negative, it’s time to look at exit plans. The safer option here is to engage a professional consultant who will take into account every plausible scenario and help you make an informed decision.

CHECKLIST - EXIT PLAN

<table>
<thead>
<tr>
<th>Assessment Item</th>
<th>Yes</th>
<th>No</th>
<th>Action / Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Follow-up with debtors to recover as much debts as quickly as possible.</td>
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<tr>
<td>2. Negotiate with creditors on an agreeable repayment plan to defer payment as much as possible.</td>
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<tr>
<td>3. Has any secured creditor taken action to recover debts owing by your company? If yes, have you attempted to negotiate with the secured creditor to restructure the outstanding loan?</td>
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<td>4. Are there opportunities for merger/acquisition to keep the business running?</td>
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<td>5. Are your shareholders willing to fund and continue with the business? If no, have you contacted professional advisors on the best possible method to exit your business?</td>
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<tr>
<td>6. Consider professional advice.</td>
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</table>
ACKNOWLEDGMENT

Cheng & Co Foundation would like to thank the following specialists who conducted the Zoom seminars and meticulously compiled all the issues and feedback to put this Business Recovery Guide together.

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APPENDIX 1
GOVERNMENT STIMULUS PACKAGE AND MEASURES

a. Government Stimulus Package and Measures

<table>
<thead>
<tr>
<th>Government Stimulus Package and Measures</th>
<th>Criteria / Eligibility</th>
<th>Yes</th>
<th>No</th>
<th>Action / Comments</th>
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</thead>
<tbody>
<tr>
<td>(A) TAX</td>
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<tr>
<td>i. Deferment of tax instalments:</td>
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<tr>
<td>a. 3 months beginning April 2020 until June 2020.</td>
<td>For SMEs with following criteria:</td>
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<tr>
<td>b. 6 months for companies related to the tourism industry beginning April 2020 until September 2020.</td>
<td>i. Paid-up capital less than or equal to RM2.5 mil; and ii. Gross business income of RM50 mil and below.</td>
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<tr>
<td>• Contact your tax agent and fill up the form.</td>
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<tr>
<td>• Follow up with tax agent/IRB for status of approval.</td>
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<tr>
<td>(B) BANK LOANS</td>
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<tr>
<td>i. Special Relief Facility (SRF) Features:</td>
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</tr>
<tr>
<td>a. Loan size RM1 mil for each SME</td>
<td>• Eligibility:</td>
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<tr>
<td>b. Interest rate at 3.5%</td>
<td>i. Sole-proprietorship, partnership, LLP or PLP only</td>
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<tr>
<td>c. Tenure 5.5 years including 6 months moratorium period</td>
<td>ii. SME as defined by SME Corporation Malaysia</td>
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<tr>
<td>d. No collateral required</td>
<td>iii. Shareholding by PLC and GLC in the SME not exceeding 20%</td>
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<tr>
<td>e. Available until 31 December 2020.</td>
<td>iv. Malaysians residing in Malaysia with min 51% shareholding in the SME</td>
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<td></td>
<td>v. Businesses registered with SSM, authorities/district offices in Sabah and Sarawak or statutory bodies for professional service providers</td>
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<td></td>
<td>• Refer to the respective participating financial institution for further details</td>
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</table>
(C) EMPLOYEE RELATED

i. **Wages Subsidy Program ("WSP")**
   a. For employee salary of RM4,000 and below.
   b. RM600 / RM800 / RM1,200 per eligible staff per month for 3 months.

   - **Criteria:**
     i. Employer must retain employees under WSP, no salary cuts, or give unpaid leave for 6 months.
     ii. Employer and employee need to register with or contribute to PERKESO before 1 April 2020.
     iii. Employer must start operating before 1 January 2020.
     iv. Employer has registered with SSM, Pihak Berkuasa Tempatan (PBT) or Pihak Berkuasa Perkhidmatan Profesional, Saintifik or Teknika before 1 January 2020.

   - **Refer to:**

   - **Apply through:**
     https://www.prihatin.perkeso.gov.my/
### PRIHATIN SPECIAL GRANT

A grant of **RM3,000** will be provided to eligible micro-enterprises.

- Micro credit refers to businesses with annual sales of below **RM300,000**.
- Micro SMEs are required to register with Lembaga Hasil Dalam Negeri (LHDN) to be eligible for the grant.
- The list of eligible micro SMEs will be provided by the local authorities and SSM to the government.

<table>
<thead>
<tr>
<th><strong>Government Stimulus Package and Measures</strong></th>
<th><strong>Criteria / Eligibility</strong></th>
<th><strong>Yes</strong></th>
<th><strong>No</strong></th>
<th><strong>Action / Comments</strong></th>
</tr>
</thead>
</table>
| **ii. Employer Advisory Services (“EAS”) under the EPF** Options for deferment, restructuring and rescheduling of employer contributions beginning 15 April 2020. | • Further details of EAS to be updated by EPF.  
www.kwsp.gov.my |   |   |   |
| **iii. Levy for Foreign Workers** Foreign worker levy fees (excluding for house maids) is reduced by 25% for those with permits ending during 1 April 2020 and 31 December 2020. |   |   |   |

(D) **PRIHATIN SPECIAL GRANT**

A grant of **RM3,000** will be provided to eligible micro-enterprises.
## (E) OTHERS

### i. Rental Relief

SME renting properties owned by GLCs and other State Government-owned companies will be given rental exemptions or discounts.

For private sector, special tax deductions equal to the amount of such rent reduction for April 2020 to June 2020 be given to property owners who rent their properties to SMEs (must reduce rent by at least 30%)  

- Discuss with land/building owner on deferment of rental.

### SMEs that qualify for Rental Discount Tax Deduction

#### Micro (All sectors)
- Turnover of not more than RM300,000 p.a. or Employees not more than 5.

#### Small
- **Manufacturing**
  - Turnover of more than RM300,000 and less than RM15 million, or
  - Employees more than 5 but less than 75.
- **Services & others**
  - Turnover of more than RM300,000 and less than RM3 million, or
  - Employees more than 5 but less than 30.

#### Medium
- **Manufacturing**
  - Turnover of more than RM15 million and less than RM50 million, or
  - Employees more than 75 and less than 200.
- **Services & others**
  - Turnover of more than RM3 million and less than RM20 million, or
  - Employees more than 30 and less than 75.
### Additional Economic Stimulus Package – PENJANA

<table>
<thead>
<tr>
<th>Additional Economic Stimulus Package – PENJANA</th>
<th>Criteria / Eligibility</th>
<th>Yes</th>
<th>No</th>
<th>Remarks</th>
</tr>
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<tbody>
<tr>
<td><strong>(A) Tax</strong></td>
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<tr>
<td>i. <strong>Deferment of tax instalments:</strong></td>
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<tr>
<td>6 months for companies related to tourism industry beginning April 2020 until September 2020 will be extended by another 3 months.</td>
<td>☑ Effective: 1 October 2020 to 31 December 2020</td>
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<tr>
<td><strong>(B) Bank Loans</strong></td>
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<tr>
<td>i. <strong>PENJANA SME Financing (PSF)</strong></td>
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</tr>
<tr>
<td>a. Loan size <strong>RM0.5 mil</strong> for each SME</td>
<td>☑ Timeline: Mid-June 2020 ☑ Refer to the respective participating financial institution for further details.</td>
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<td></td>
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<tr>
<td>b. Interest rate 3.5%</td>
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<tr>
<td>ii. <strong>PENJANA Tourism Financing (PTF)</strong></td>
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<tr>
<td>RM1 billion funding facility will be made available to finance transformation initiatives by SMEs in the tourism sector.</td>
<td>☑ Timeline: Beginning July 2020</td>
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<tr>
<td>iii. <strong>PENJANA Microfinancing</strong></td>
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<tr>
<td>a. The aggregated approved financing will be capped at RM50,000 per enterprise</td>
<td>☑ Timeline: Beginning June 2020</td>
<td></td>
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<tr>
<td>b. Interest rate 3.5%</td>
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<tr>
<td>c. RM50 million is earmarked for women entrepreneurs</td>
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</tbody>
</table>
### iv. Bumiputera Relief Financing

PUNB will provide RM200 million dedicated financial assistance for Bumiputera owned shariah compliant businesses in the form of
- Working capital
- Operational expenditure
- System automation
- Equipment and expenditure to implement social distancing practices (e.g. on PPEs)

**Features**
- Financing of RM100,000 – RM 1 million
- Tenure up to 5 years
- 3.5% p.a. profit rates.
- Moratorium of up to 6 months from disbursement

Through MARA, the Government will also allocate:
- RM300 million working capital loans to assist affected Bumiputera entrepreneurs including training colleges

**Features:**
- Maximum loan amount of RM1 million
- 3.5% p.a interest rate
<table>
<thead>
<tr>
<th>i. SME Go-Scheme for Liquidity Support</th>
</tr>
</thead>
<tbody>
<tr>
<td>SME Bank will provide financing support to contractors and vendors who were awarded small government projects (aggregate value of RM 4 billion) under the Pakej Rangsangan Ekonomi (PRE) 2020 and the PRIHATIN stimulus package.</td>
</tr>
<tr>
<td>Features:</td>
</tr>
<tr>
<td>- No deposits/ collateral needed</td>
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<tr>
<td>- The scheme will benefit G2 &amp; G3 contractors</td>
</tr>
<tr>
<td>- SME Bank shall pay directly to the contractors and vendors based on the presentation of invoices/ claims</td>
</tr>
</tbody>
</table>
**APPENDIX 1 - GOVERNMENT STIMULUS PACKAGE AND MEASURES**

**Aggregate value of RM 4 billion** under the *Pakej Rangsangan Ekonomi (PRE) 2020* and the *PRIHATIN* stimulus package.

**Features:**
- No deposits/collateral needed
- Presentation of invoices/claims

**Employee Related**

i. **Wages Subsidy Program (“WSP”)**

Extended for a further three months with subsidy of RM600 per employee for all eligible employers.

<table>
<thead>
<tr>
<th>Criteria:</th>
<th></th>
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</thead>
</table>
| i. Allow employers receiving wage subsidy to implement reduced work week (e.g. 4-day work week with a reduced pay of 20%) and reduced pay (the maximum allowable reduced pay is 30%)  
ii. Allow employers to receive wage subsidy for employees on unpaid leave, subject to employees receiving the subsidy directly (only applicable for tourism sector and businesses which are prohibited from operating during CMCO) |  |

**Refer to:**

## ii. PenjanaKerjaya - Hiring Incentive Programme

PenjanaKerjaya is an economic recovery initiative under the Ministry of Human Resource, administered by SOCSO’s National Employment Services to promote job creation among employers while increasing employment prospects. The categories available under PenjanaKerjaya:

- **MyApprentice**
  - This incentive is to encourage employers to employ post-graduate and post-school as apprentices.

- **HireMalaysia (3 categories)**
  - Incentive for employment of employee **lower than 40 years old**;
  - Incentive for employment of employee **40 years old and above**; and
  - Incentive for employment of “**golongan mudah terjejas**” such as OKU and participants under Program Return to Work PERKESO.

- **Mobility Assistance (Bantuan Mobiliti)**
  - One-off the payments to employee who move more than 100km (one way) to the workplace.
**APPENDIX 1 - GOVERNMENT STIMULUS PACKAGE AND MEASURES**

- **Program Latihan**
  - Provide reskilling and upskilling training through programme place and train based on the requirement of employer and employee under *PenjanaKerjaya*.
  
- **Refer to:**
### iii. Levy for Foreign Workers

Foreign workers levy fee (excluding house maid) is reduced by 25% for those permit end during 1 April 2020 and 31 December 2020.


### (D) Grant for Childcare

One-off grant of up to RM5,000 per childcare centre registered with the Ministry of Women, Family and Community Development (up to 31st December 2020) to comply with new healthcare SOPs

- Timeline: Beginning June 2020
### (E) Others

**i. Rental Relief**

Extension of special deduction equivalent to 30% reduction in rental for SMEs to 30th September 2020.

**ii. 50% remission of penalty for late payment of sales tax & service tax due and payable from 1st July 2020 to 30th September 2020.**
# APPENDIX 2 - CASH FLOW PROJECTIONS

<table>
<thead>
<tr>
<th>Cash Flow Projections</th>
<th>Yes</th>
<th>No</th>
<th>Action / Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUE</strong></td>
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<tr>
<td>1. What are the expected sales and collections for the next 12 months?</td>
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<tr>
<td>2. What are the credit terms given to customers? Revise if necessary. (Example: Negotiate with customers for win-win solutions)</td>
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<tr>
<td><strong>PURCHASE</strong></td>
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<tr>
<td>1. What are the purchases for the next 12 months?</td>
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<tr>
<td>2. Are there committed purchases for the company? Negotiate longer payment terms or reduce/cancel order if necessary. (Example: Review terms of contracts/agreements)</td>
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<tr>
<td><strong>STOCK</strong></td>
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<tr>
<td>1. Are your stocks or supplies in good condition?</td>
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<tr>
<td>2. Is your stock count accurate/up-to-date?</td>
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<tr>
<td>3. Are customer’s orders still intact?</td>
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<td>4. Do you need to postpone purchasing supplies for the time being?</td>
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<td>5. Can you cancel orders that you have made?</td>
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<td>6. Are the stocks still in demand?</td>
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<tr>
<td>7. How fast can the stocks be converted into sales?</td>
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<tr>
<td><strong>EXPENSES</strong></td>
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<tr>
<td>1. What are the fixed costs for the business?</td>
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<tr>
<td>2. What are the scheduled monthly expenses for the next 12 months?</td>
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<tr>
<td>3. Any of the scheduled monthly expenses can be deferred or reduced if required?</td>
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<tr>
<td><strong>STAFF COSTS</strong></td>
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<tr>
<td>1. What are the monthly staff costs?</td>
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<tr>
<td>2. Consider adjusting salaries / reducing manpower to ease cash flows / restructure workforce. (Example: Employment Negotiation Between Employers and Employees. Revamp organization structure realign work flow, staff allocations)</td>
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<tr>
<td><strong>LOANS</strong></td>
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<tr>
<td>1. What are the monthly financial commitments?</td>
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<tr>
<td>2. Consider loan deferment.</td>
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<tr>
<td><strong>STATUTORY OBLIGATIONS</strong></td>
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<tr>
<td>1. How much is the monthly tax instalments?</td>
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<tr>
<td>2. Consider tax deferment and revise the tax estimates.</td>
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</tbody>
</table>
ASSISTS BUSINESSES RESPONSE TO COVID19 IMPACT

Minor Impact

- Financial Healthcheck (CSS Lite Package)
  - Cash flow projections
  - Insurance Review
  - Tenancy Review
  - RM 2,000 (Non-customer)
    - 50% OFF for existing customer

- Outsourcing With Cloud Solution
  - Cloud system
  - Business Process Outsourcing (payroll, bookkeeping, processes)
  - Free Consultation over the Phone

Moderate Impact

- Maximize Cash Flow (CSS Prihatin Package)
  - Cash flow projections
  - Insurance Review
  - Tenancy review
  - Loan application (Special Relief Facility; SRF)*
  - RM 3,000 - RM 5,000 (Non-customer)
  - 50% OFF for existing customer
  - 2% successful fee on loan drawdown

- HR Advisory & Management
  - Contract review
  - Wage subsidy application
  - Lay-off advisory
  - Voluntary salary adjustment
  - RM 5,000

Major Impact

- Business Feasibility Help-Info
  - Cash flow review
  - Business potential
  - RM 2,000 (Non-customer)
    - 50% OFF for existing customer

- Corporate Rescue Mechanism / Judicial Management
  - Insolvency - Liquidation
  - OR
  - Free Consultation over the Phone

Sign up our CSS Package via the QR code

enquiry@chengco.com.my | +6 03-7985 9999
Cheng & Co Foundation together with CC Advisory Sdn Bhd and Sunjaya Catering co-organised a Social Distancing Awareness Lunch Event and gave away 530 lunch packs from 14th-15th and 18th – 20th May 2020 to the Kuchai Business Centre Community, Persatuan Kebajikan Kanak-Kanak Istimewa Insan and Victory of Children & Youth Home.

The objective of this event is to stress on and promote the guidelines of the new normal as issued by the Ministry of Health, Malaysia. Guidelines such as going back to work, social distancing, hand washing, premises cleaning and more will be emphasised in order for everyone to have an understanding of the current situation which requires constant care and vigilance despite the lifting of the MCO.

However, one of the best things to come out of this Covid-19 situation is our sense of togetherness to fight the pandemic by doing our part to observe social distancing and essential health measures at our workplace. Moreover, we believe that through this event we are able to boost the business community around the area which bodes well for future development and interesting prospects ahead.

We would like to express our gratitude to our valued sponsors -- See Song & Sons Sdn Bhd, Golden Win Hardware Sdn Bhd, Perniagaan Lee Gaya and Mr Yeo Pek Chong -- for joining forces with us in this Social Distancing Awareness Lunch Event.