



Cheng & Co

# MERGER & AFFILIATION SEMINAR 2012

*by Dr. Chua Hock Hoo  
September 2012*

**CHENG & CO GROUP 诚国集团**

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Malaysia Office: Kuala Terengganu, Ipoh, Klang, Pandan Indah, Melaka, Batu Pahat, Johor Bharu

International Office: Shenzhen, Guangzhou, Hong Kong, Singapore, Perth

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Chartered Accountants  
The Firm of the Future

# The Growth of Cheng & Co

- ➔ **Merger & Acquisition**
- ➔ **Joint Venture**
- ➔ **Affiliation**

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# Formation of Cheng & Co

19 / 1 / 1993

## Founders



**Prof Dr. Paul Cheng**

Senior Partner

DBA, DComSc, MBA, BBus  
CA(M), FCPA, CPA(M), FTII, CMIIA



**Dr. Chua H. H.**

Managing Partner

PhD, MBA, CA(M), FCPA, FCMA, FTII, CFP

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# The Partners



2011      2005      1997      1993      2005      2008      2009      2009

From left to right: Mr. CS Ong , Mr. HP Chua, Mr. KC Liew , Dr. Chua HH, Mr. Steven Yap, Mr. WL Tan ,  
Mr. KS Lam, Mr. Tom Wong

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# Formation of Cheng & Co

*19 / 1 / 1993*

1<sup>st</sup> Acquisition of old accounting firm,  
established in 1949 (KL) :

## Challenges & Issues :

- Change of the Practice.
- Minimum Audit Schedule Fee by MIA.
- Collection of Debts.
- Quality of Work & Standardization.
- Training of Staff.

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# Acquisition

Acquisition of Audit Firm in 1997 (Ipoh) :

## Challenges & Issues :

- Visiting the existing clients.
- As the platform for the growth of Cheng & Co Ipoh.
- Working culture and working environment.

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# Merger

Merge of Konsultax S/B with Cheng & Co Taxation in 2004 :

## Challenges & Issues :

- Overstaff issue.
- “Discover” talented staff.  
*Currently, he is Cheng & Co's Tax Specialist and Core Partner.*
- Contributions of Mr Lee, Tax Specialist (founder of Konsultax S/B).



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# Formation of Vision, Mission & Philosophy in 2005 (TQM)

## Vision

To be **THE LARGEST HOME-GROWN ACCOUNTING FIRM** to achieve international recognition by providing professional services.

## Mission

To have **ONE-STOP PROFESSIONAL CENTRE** for the convenience, time and cost savings to the business communities seeking professional services.

## Philosophy

We adopt a **TOTAL APPROACH** to the needs of our clients by providing a complete range of professional services critical to our clients success at all times.

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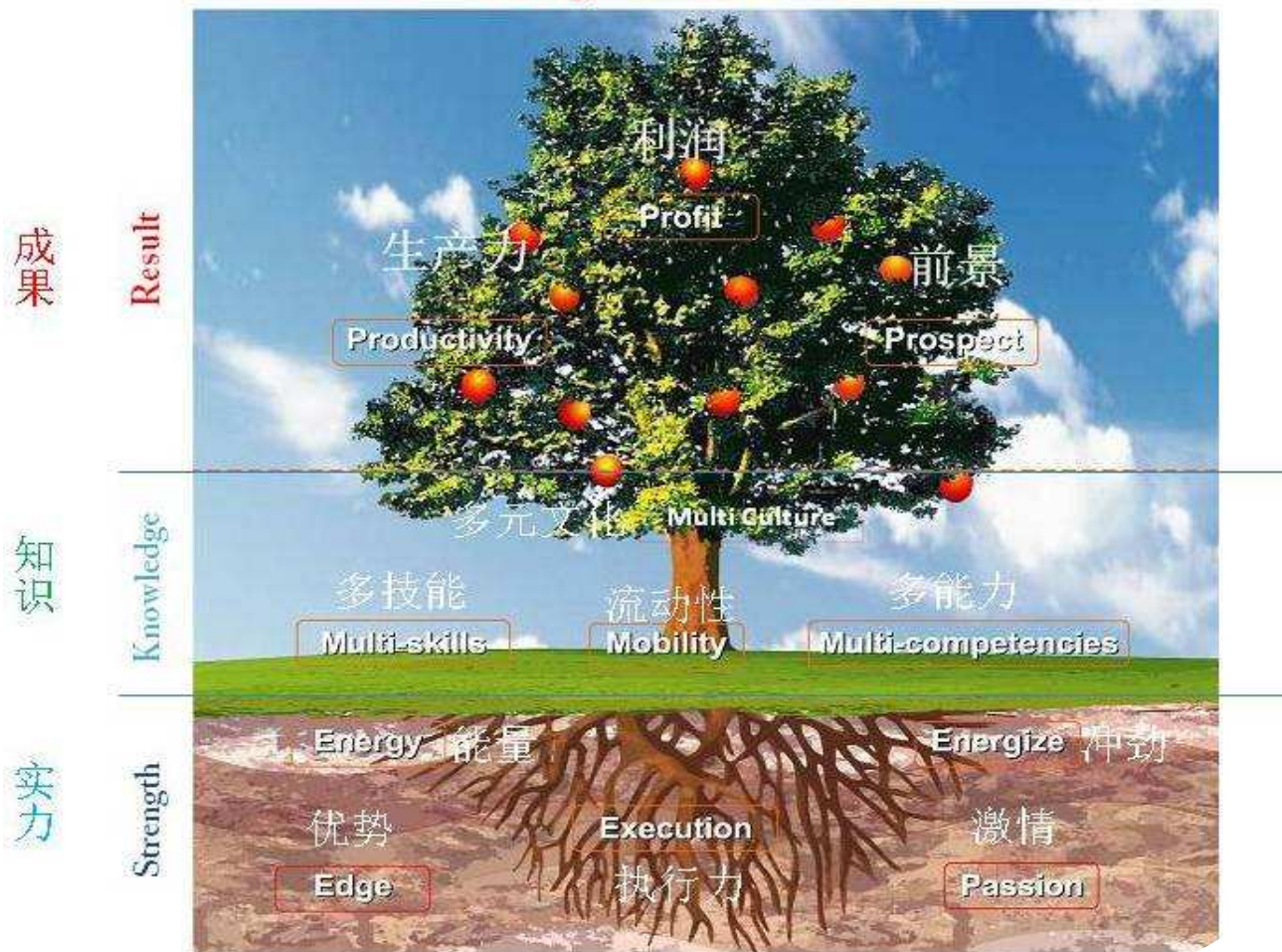


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# The Growing Vision

$$4Ep + 4M = 3P$$



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# Journey from a Vision & Mission through Performance Measurements



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# Acquisition

Acquisition of Su Lim & Associates in 2010 :

## Challenges & Issues :

- Differences from the firm culture.  
(Eg. KPI, Performance Incentive, 360° c assessment)
- Collection Policy.

Biznews

NEW STRAITS TIMES \* WEDNESDAY, JANUARY 27, 2010



## Cheng & Co set to become largest local accounting firm

By Satiman Jamin  
news@nst.com.my

CHENG & Co said it is on track to become the country's largest local accounting firm with the completion of its merger with Terengganu-based Su Lim & Associates.

The merger deal marks Cheng & Co's 11th.

Its managing partner H.H. Chua said the merger deal was sealed within three months from initial talks.

He said the short time needed to seal the deal reflected the company's vast experience in the merger and acquisition exercise as it is its main growth strategy.

"Rather than wasting our resources creating a new branch from scratch and penetrating the local market ourselves, we offered a win-win deal to an established local company," he told reporters after the signing ceremony between Cheng & Co and Su Lim & Associates in Kuala Terengganu yesterday.

He said the only way forward for small accounting firms is to merge to become more efficient and competitive.

"Mergers are common practice even in the international scene. Malaysian firms, especially in the service sector, need to become strong to compete in the market, especially with international gi-

ants," Chua said.

With branches in Singapore, Shenzhen, Guangzhou, Hong Kong and Perth, Cheng & Co has tapped into the regional markets by capitalising on its Malaysian roots.

"Besides accounting, we offer halal certification consulting services to foreign companies that want to invest in the food industry here and in Indonesia," he said.

Although detractors may scoff at the idea of an accounting firm offering halal certification consulting, Chua said it gives Cheng & Co an added advantage in providing one-stop consulting services to customers.

"We have roped in halal-certification experts who could liaise with Jakim in Malaysia and MUI in Indonesia on how to make our clients' businesses halal-compliant. This is vital to their operations here and in other Muslim countries," he said.

Chua said the ability to be multilingual has also helped the company to clinch business deals.

Cheng & Co's next move is to merge with accounting firms in other major cities in the country where it has yet to have a branch.

"I cannot say for sure where we will be next, but we will like to have branches in Penang, Sabah and Sarawak," Chua said.

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# Joint Venture

CHENG & CO AUSTRALIA PTY LTD

Joint Venture with LSM Corporate Services in Perth 2011 :

## Challenges & Issues :

- “Culture Shock”.
- Local practice licenses requirement.



- ❖ *Acquisition Opportunity.*
- ❖ *Goodwill & Terms of Payment.*
- ❖ *High Successful Rate.*

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# Affiliation

CHENG & CO AUSTRALIA PTY LTD

Affiliation with INPACT Asia Pacific in Perth 2012 :



## Challenges & Issues :

- Cross Selling of Services.
- Sharing of Local Knowledge/Expertise.

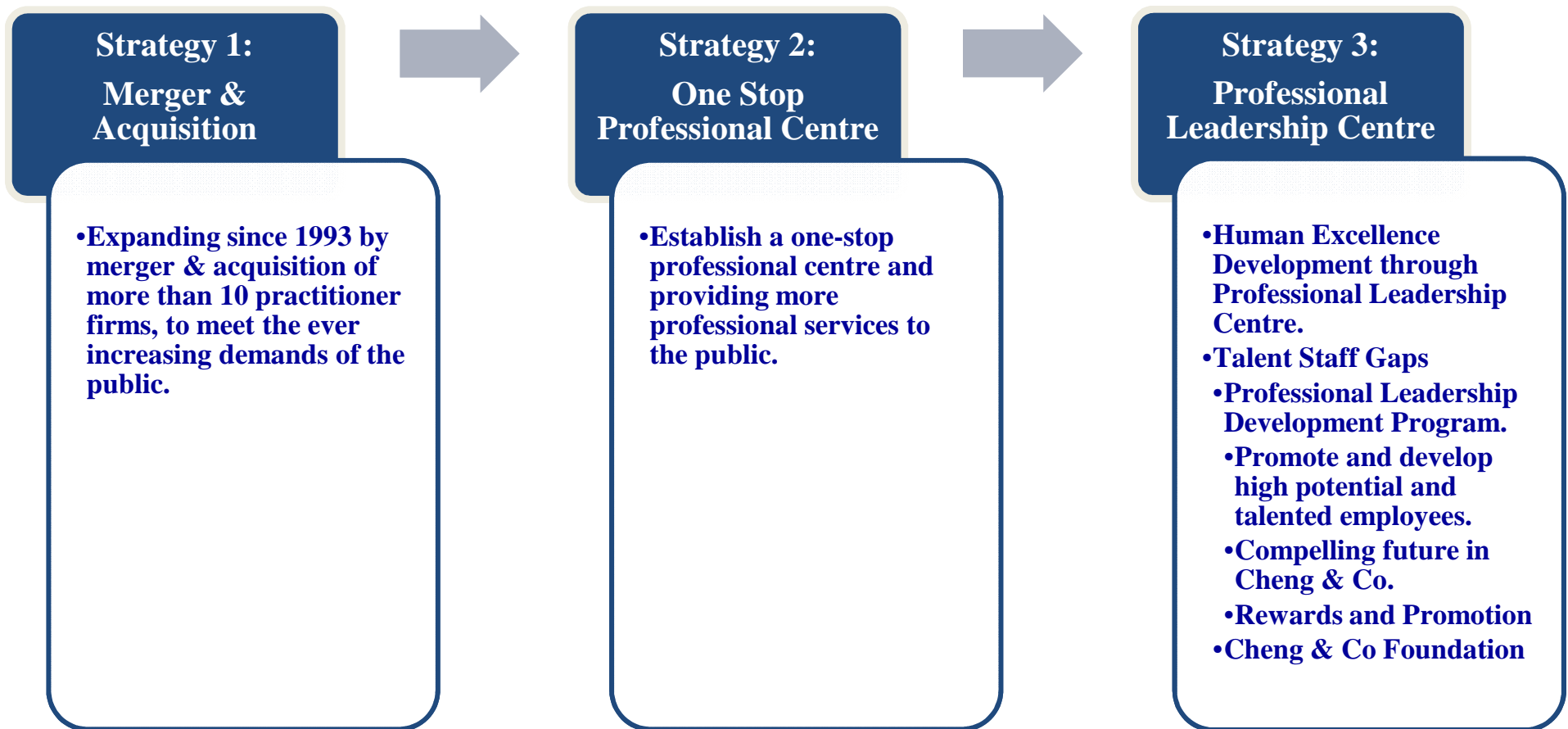
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# Milestone to Success

→ By upholding 3 main strategies



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# Responsiveness

Ranking of Audit Quality Attributes by Big 4 and non-Big 4

Rank	Audit Quality Attributes		Mean (Big 4)	Mean (Non-Big 4)	t-test p
<b>Audit Firm</b>					
1	Q1	– Audit firm experience with client	4.36	4.08	.316
2	Q3	– Audit firm industry expertise	4.14	3.97	.185
3	Q7	– Audit firm independence	4.06	3.94	.380
4	Q10	– Audit firm commitment to quality	4.00	3.77	.112
5	Q5	– Audit firm responsiveness to client needs*	3.76	3.86	.040
<b>Audit Team</b>					
1	Q6	– Audit team competence with Approved Accounting Std and Approved Auditing Std	4.16	4.08	.405
2	Q12	– Audit team member conduct to audit field work	3.96	3.86	.894
3	Q9	– Audit team exercises due care	3.97	3.79	.181
4	Q8	– Audit team independence*	3.98	3.73	.023
5	Q11	– Audit firm executive involvement in the engagement	3.88	3.78	.839
6	Q2	– Audit team experience	3.69	3.67	.390
7	Q4	– Audit team industry expertise	3.65	3.73	.265
8	Q13	– Audit team interaction with audit committee	3.73	3.43	.288
9	Q15	– Audit team maintain personnel sceptical attitude	3.49	3.18	.117
10	Q14	– Audit team ethical and knowledgeable in accounting and auditing	3.41	3.27	.102

Source: “The Relationship Between Audit Client Satisfaction and Audit Quality Attributes: Case of Malaysian Listed Companies” by Takiah Mohd Iskandar, Mohd Mohid Rahmat from UKM, & Hashanah Ismail from UPM, *Int. Journal of Economics and Management* 4(1): 155 – 180 (2010), ISSN 1823 - 836X.

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**Thank You**

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