

DAP: Corporate records not good enough
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DAP secretary general Lim Guan Eng has pointed to the financial scandals involving Southern Bank Bhd (SBB) and Transmile Group as an indication that financial statements of public companies are unreliable.

Both public-listed companies have been named in news reports as having overstated revenue and profit figures.

Last week, a special audit by Moores Rowland Risk Management Sdn Bhd revealed that air cargo operator Transmile had overstated revenues by RM530 million for the financial years 2005 and 2006. Its shares plunged 36 percent last Friday.

SBB's net assets as at end 2005 had been overstated by about RM160 million, according to a financial review by PricewaterhouseCoopers (PwC).

Lim, in a press conference on Saturday, said the scandals point to three failures in regulatory oversight:

- Inappropriately valuing certain derivative financial instruments and not writing down the full collateral value
- Wrongly writing back specific provisions made on certain foreclosed properties
- Capitalising, instead of expensing certain costs

"Barely getting over the news of falsified accounts in Transmile, Malaysians celebrated our King's birthday with shocking reports that SBB net assets had been overstated," Lim said.

"Even if a bank is involved in falsifying financial reports, then the string of companies caught for such wrongdoings ... represent only the tip of the iceberg."

Other companies recently in trouble include GP Ocean, Nasioncom and Ocean Capital Bhd.

Lim said Prime Minister Abdullah Ahmad Badawi should undertake a full review "to restore public and investor confidence" in public financial records and corporate governance.

"The fear is whether there are more companies who have also followed what these companies have done in falsifying their financial statements," he said.

Transmile major shareholder, Kuak Group has initiated a probe led by chief executive officer Gan Boon Aun and chairperson Dr Ling Liong Sik (photo).

Transmile market value, currently trading at RM6.25 per share, could trade to as low as RM3.33 in the next 12 months, analysts said.

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