

**Witness: Liong Sik support letter helped win AAA rating**  
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**By Melissa Chi**

KUALA LUMPUR, Nov 10 — A letter of support from former transport minister Tun Dr Ling Liong Sik helped secure a top-tier rating for bonds raised for the construction of the Port Klang Free Zone (PKFZ) and sold for RM40 million in profit, a witness told the High Court today.

Mohd Izzuddin Yusof, 52, the eighteenth witness for the trial, was formerly with the Malaysian Rating Corporation (MARC) Berhad from August 1996 to July 2006. He was the chief operating officer when he left the company.

“In my opinion, without the letter of support, it is possible that the rating given by MARC is lower than AAA because the letter has high weightage in determining the rating of the bond,” he told the cheating trial of Dr Ling today.

Putrajaya had earlier proposed that the Port Klang Authority issue bonds with a six per cent yield to pay for 1,000 acres of Pulau Indah land for the PKFZ.

Dr Ling’s letter of support for bonds raised by the turnkey contractor through one of the SPVs — Special Port Vehicle Bhd (SPVB) — was publicised by the Public Accounts Committee (PAC) and the press in 2007.

Critics allege that the letter of support penned by the then-transport minister on May 28, 2003 — which coincided with his last day in office — and three others by his successor, Tan Sri Chan Kong Choy, were seen by the market as government guarantees to fulfil PKA’s obligations to landowner Kuala Dimensi Sdn Bhd (KDSB).

In his testimony today, Mohd Izzuddin said KDSB had used a special purpose vehicle (SPV) to raise bonds for the project because it was too heavily indebted.

He also said that in order to secure the AAA rating, there needed to be a letter of support from the Ministry of Transport, approval from the MARC’s rating review committee, and legal documentation related to the bonds security obtained by the ratings agency.

“With the letter, MARC can give the highest rating, AAA and give confidence to the investors in the bond market on the ability Port Klang Authority to fulfil its obligations under the agreement with Kuala Dimensi,” Mohd Izzuddin said.

Defence lawyer Wong Kian Kheong asked the witness if there was any default or downgrade of the rating.

“To my knowledge, no,” he said, to both questions.

Another witness, Ismadi Isenin, 46, formerly a senior vice-president and the head of department of the capital market at the Malaysian International Merchant Bankers Berhad

(MIMB), disagreed with the defence counsel that MIMB had any other interests other than being the lead arranger, facility agent and the primary subscriber.

However, he agreed that all conditions of the bond issuance including the legality of the bond was complied with, as approved by the Securities Commission Malaysia.

"When MIMB subscribed to this bond, they have to gauge, anticipate the market condition. If they cannot sell down the bonds, the bonds will end up in MIMB's book.

"They may make money, they may lose money. That's the risk they had taken at that point in time," Ismadi explained to the court.

He added that in this case, the market had moved towards their favour, resulting in the sale of all the bonds.

The Malaysian Insider understands that MIMB had paid RM1.31 billion to obtain the bonds, and sold them to 17 secondary subscribers for RM1.35 billion, amounting to RM40 million in trading gains.

Former transport minister Dr Ling was charged in July last year with knowingly deceiving the Cabinet into approving the land purchase for the Port Klang Free Zone (PKFZ), which resulted in wrongful losses for the government.

The prosecution has argued that the additional interest of 7.5 per cent per annum, amounting to some RM720 million, had pushed PKA's land purchase from RM1.09 billion to RM1.88 billion for the port project.

Dr Ling, a former MCA president, also faces two alternative charges of deceiving the Cabinet into believing that the purchase at RM25 psf and the 7.5 per cent interest rate were acknowledged and agreed to by the government's Valuation and Property Services Department (JPPH) despite knowing that there was no such agreement.

Dr Ling faces up to seven years' jail and a fine if convicted of the principal charge under Section 418 of the Penal Code.

The trial resumes on November 14.

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