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'Interest rate hike approved by ex-PM'

> Former GM misled govt on interest hike request, court told

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SHAH ALAM: Former Port Klang Authority (PKA) chairman Datuk Lee Hwa Beng (pix) told the High Court former prime minister Tun Abdullah Ahmad Badawi had approved a proposal initiated by PKA's then general manager Datin Paduka O.C. Phang without consulting the company's board members.

He said the proposal stemmed from a request by Kuala Demensi Sdn Bhd (KDSB) to increase chargeable interest from 5% to 7.5% per annum for additional development works (ADW) for PKA.

"Prior to the execution of ADW on Feb 24, 2006, Phang issued a letter

to then transport minister Tan Sri Chan Kong Choy seeking his instructions on KDSB's request.

"The letter stated that PKA members were of the view that KDSB's request was reasonable and could be accepted," he told Judicial Commissioner M. Gunalan yesterday.

Lee said following a letter by Chan to Abdullah on March 28, 2006 seeking approval to the proposal, it was approved the next day.

He further testified that Phang misled Chan when she wrote the letter as the said request by KDSB had not even been presented to the PKA board members for consideration and approval.

The move, he said, cost PKA an additional liability of RM49.367 million and was not made in the best interest of the company.



"Phang ought to have known at the material time that PKA was not in the position to self-finance the project as highlighted by the auditor-general in his various reports, the earliest dated on May 27, 2004."

The breach was among 15 breaches of fiduciary duties allegedly committed by Phang when helming the Port Klang Free Zone (PKFZ) project.

On Wednesday, PKA lawyer Lim Chee Wee claimed in his opening statement that Phang was responsible for eight key agreements between PKA and KDSB but failed to refer any of them to the board members for their deliberation and approval, prior to their execution.

PKA is suing Phang for criminal breach of trust and breach of fiduciary duties leading to a sudden rise in costs from RM1 billion to RM7.453 billion for the purchase of the land (from KDSB).

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