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Illegal logging: New fines for Samling in Guyana

Additional fines raise doubts if investors were properly informed on risks related to Samling's logging operations – Samling shares fall to all-time low

Several logging companies are being collectively fined 275 million Guyana Dollars (1.35 million US Dollars) for breaches of Guyana's forest regulations, newspapers in the South American state have reported over the weekend. Barama Company Limited, the Malaysian Samling group's wholly-owned subsidiary, is once again among the companies in breach of Guyana's forest laws. The exact amount of the fine imposed on Samling has not been revealed.

With two logging concessions over 1.65 million hectares of tropical rainforest, Barama is the largest forest concession holder in Guyana. In October 2007, additional "harvesting rights" claimed by Barama over an additional 230'000 hectares were found to be against the law and suspended with immediate effect. At the time, the Samling subsidiary was fined with a penalty of 96.4 million Guyana Dollars (474'000 US Dollars).

According to Sunday's edition of the Staebroek News, a late 2007 audit by the Guyana Forestry Commission (GFC) revealed "delinquencies regarding requisite forest inventories and operation plans". The newspaper quotes Minister of Agriculture Robert Persaud as saying that "several concessionaires were harvesting in blocks that were not approved for harvesting by the GFC." Both Staebroek News and Kaiteur News also mention a further, hitherto unknown 50 million Guyana Dollars (246'000 US Dollars) fine that Barama is due to pay for breaches in third-party concessions. Neither the shareholders nor the general public have so far been informed by Samling on the background of this fine.

The repeated fines for non-compliance with Guyana's forestry laws raise the question if Samling has purposely misled investors on the risks related to purchasing the company's shares. Samling has consistently rejected doubts regarding the legality and sustainability of its logging operations in Guyana and in the East Malaysian state of Sarawak.

Last Friday, Samling shares fell to a new all-time low and closed at 1.41 Hong Kong Dollars, over 30 percent below the 2.08 Hong Kong Dollars they were sold for in March 2007 on the occasion of Samling's public listing. Initially, the value of Samling shares had climbed sharply and peaked at 3.55 Hong Kong Dollars in July 2007.

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Historical price graph of Samling shares:
http://www.hkex.com.hk/invest/index.asp?id=company/pricemenu_page_e.asp
or <http://www.samling.com>

Staebroek News story: <http://www.staebroeknews.com/index.pl/article?id=56537349>