



global witness

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## **Background investigations into companies bidding for Liberian forest management contracts**

This memorandum sets out Global Witness' findings on the relationships between the following companies:

- Atlantic Resources Limited and Samling via Perkapalan Damai Timar
- Southeast Resources Limited and Samling via Woodman
- Alpha Logging and Samling via Woodman

The memo also includes a profile of Eddington A Varmah, who is associated with Atlantic Resources, as well as an overview of some of Samling's operations that have raised serious concerns about the company's suitability as a manager of some of Liberia's most valuable forests.

### **1. Atlantic Resources Limited's connections with Samling via PDT and with Eddington Varmah**

#### *Connections with Samling*

Perkapalan Damai Timar (PDT) is named in the Forest Development Authority's Forest Management Contract Area "F" Checklist as a 'significant individual' of Atlantic Resources Limited.<sup>1</sup> The same document states that Perkapalan Damai Timar has a 60% stake in the company.<sup>2</sup>

The legal due diligence report on companies bidding for forest management contracts (FMCs), notes the following connections between Atlantic Resources, PDT and Samling<sup>3</sup>:

- The authors of the legal due diligence report received an affidavit confirming PDT's holding of 60% of shares in Atlantic Resources.<sup>4</sup>
- PDT is a 5% shareholder in Samling Global.<sup>5</sup>
- Atlantic Resources has submitted a copy of Samling Global Ltd's 2008 annual report as part of its bid.<sup>6</sup>
- Yaw Chee Ming is Director of Woodman and PDT and Chief Executive Officer and Director of Samling Global Limited.<sup>7</sup>

The financial due diligence report on companies bidding for forest management contracts (FMCs), notes the following connections between Atlantic Resources, PDT and Samling:

- 'Atlantic Resources Limited (ARL) has no financial statement of its own. The company is reliant on a shareholder Perkapalan Damai Timar (PDT) Sdn Bhd, a Malaysian Company who owns 60% shares in the ARL. PDT is an Investment Holding company.'<sup>8</sup>
- 'The ultimate provider of finance of US\$60 million is Samling Global where PDT owns 5% share claimed to be worth US\$100 million.'<sup>9</sup>

- ‘Submitted was a photocopied agreement (not notarised) between PDT and Samling Global, where Samling agrees to provide PDT with an amount of US\$60 million to finance ARL if ARL wins the Bid.’<sup>10</sup>
- ‘Perkapalan Damai Timar Sdn Bhd (PDT) is supporting Atlantic Resources Limited. Yaw Chee Ming is a director of that company. He is also the Chief Executive Officer and Director of Samling Global Limited, another company in which PDT own shares who ultimately will be providing funds to ARL.’<sup>11</sup>
- ‘There is a common director – Yaw Chee Ming – in companies supporting Southeast Resources Inc and ARL (Atlantic Resources Limited). Woodman Sda Bhd is purporting to support Southeast and Yaw Chee Ming is a director in Woodman.’<sup>12</sup>

The memo written by GEMAP Controller Thomas Downing in response to the due diligence reports notes the following connections between Atlantic Resources, PDT and Samling:

- The CEO of Samling Global, Mr Yaw, is also the Director of PDT.<sup>13</sup>
- Samling is providing US\$60 million in financing to PDT and PDT is in turn providing US\$60 million in financing to Atlantic Resources.<sup>14</sup>
- ‘Atlantic Resources is getting its financing (\$60 million) from PDT (a Malaysian firm) ... PDT, with only \$48 million in equity, is not capable of supplying the \$60 million to Atlantic Resources itself. The funds will in fact come from an affiliate, Samling Global.’<sup>15</sup>
- ‘The three companies – Woodman, PDT and Samling – as well as one individual (the director and CEO) all have a financial interest in, and some degree of influence over, the three bidders – Atlantic Resources, Southeast Resources and Alpha Logging.’<sup>16</sup>
- ‘Woodman and PDT are each too weak to provide financing themselves. Thus the Government of Liberia (GoL) cannot rely on these firms to back up the concessionaires. The GoL is relying, in fact, on Samling. Thus, the contracts with Samling must come within the GoL’s review (and the due diligence review) to ensure that they are enforceable. We need to avoid a situation in which Samling could withhold funds from Woodman and/or PDT, thereby stranding Southeast and/or Atlantic.’<sup>17</sup>

Global Witness has uncovered a variety of additional data which indicate that Perkapalan Damai Timar has relationships with the Samling group of companies:

- A Malaysian online directory states that Perkapalan Damai Timar and Samling Strategic Corporation have the same address.<sup>18</sup>
- A Hong Kong stock exchange announcement by Samling Global Limited on 20 March 2007 states that Perkapalan Damai Timar holds 5% of share capital of Samling Global Limited.<sup>19</sup>
- Global Witness has also obtained two other company announcements that describe a series of interconnected relationships involving Samling, Perkapalan Damai Timar and two other companies, Lingui and Glenealy.<sup>20</sup> A Kuala Lumpur stock exchange announcement by Lingui dated 20 October 2006 states that “Samling Global is a major shareholder of Lingui (indirect interest 59.69%).”<sup>21</sup>
- On 30 June 2009 Global Witness received an email from the Head of Corporate Communications of Samling. In this message she writes on behalf of Samling Global Limited, Lingui Developments Berhad and Glenealy Plantations, in a manner which implies they are part of the same company: ‘We wish to assert that Samling Global Limited/Lingui Developments Berhad/Glenealy Plantations (M) Berhad are not involved in the bidding or awarding of any forest management contract in Liberia. We therefore regret that we will not be able to respond to your due diligence questionnaire.’<sup>22</sup>

## *Association with Eddington Varmah*

Atlantic Resources Limited's bid evaluation documents name Eddington A Varmah as having a 20% stake in Atlantic. Background checks revealed that in 1998, President Charles Taylor nominated then Senator Eddington A Varmah as Minister of Justice. During his time as Minister of Justice, Varmah signed an agreement with Exotic Tropical Timber Enterprises (ETTE), that did not refer to what services had been rendered, whereby the Taylor regime paid ETTE US\$2million. ETTE was owned by Leonard Minin, a business partner and confidant of Charles Taylor. He has been identified in the police records of several countries. In August 2000, Minin was arrested in Italy, and in June 2001 charged with arms trafficking and the illegal possession of diamonds. He was found with faxes documenting arms deals, weapons catalogues, and forged end-user certificates.<sup>23</sup>

After peace negotiations Varmah was chosen as deputy speaker in the National Transitional Legislative Assembly of the Liberian Government (NTLA). Yet, on March 14, 2005, Cllr. Varmah was implicated in a financial scandal and was suspended indefinitely along with his boss and two colleagues for their alleged role.<sup>24</sup>

## **2. Southeast Resources Limited's connections with Samling via Woodman**

Southeast Resources Ltd's bid evaluation documents name Woodman SDN-BHD as a 60% shareholder in the company.<sup>25</sup>

The legal due diligence report on companies bidding for forest management contracts (FMCs) notes the following connections between Southeast Resources, Woodman and Samling:

- The authors of the report have seen an affidavit of confirmation of fact of Woodman SDN-BHD's shareholding in Southeast Resources.<sup>26</sup>
- They have also seen a contractual agreement between Woodman SDN-BHD and Southeast Resources Inc under which Woodman is to provide US\$70 million in cash and other assets to Southeast Resources.<sup>27</sup>
- Yaw Chee Ming is Director of Woodman and PDT and Chief executive Officer and Director of Samling Global Limited.<sup>28</sup>

The financial due diligence report on companies bidding for forest management contracts (FMCs), notes the following connections between Southeast Resources, Woodman and Samling:

- 'The financier for Southeast Resources Inc (SRI) for this bid is one of its shareholders – Woodman Sdn. Bhd of Malaysia.'<sup>29</sup>
- 'There is a common director – Yaw Chee Ming – in companies supporting Southeast Resources Inc and ARL (Atlantic Resources Limited). Woodman Sda Bhd is purporting to support Southeast and Yaw Chee Ming is a director in Woodman.'<sup>30</sup>

The memo written by GEMAP Controller Thomas Downing in response to the due diligence reports, notes the following connections between Southeast Resources, Woodman and Samling:

- 'Southeast is getting its financing (\$75 million) from Woodman (a Malaysian firm). Alpha Logging (which won a concession in an earlier tender) is also getting its financing (\$70 million) from Woodman.'<sup>31</sup>

- 'It's difficult to see how Woodman, with only \$70 million in equity (and a \$4 million loss in 2008) can supply \$75 million to Southeast Resources and \$70 million to Alpha. Given the relationship between Woodman and Samling, it seems that Samling may be providing the funds for Southeast and Alpha, and channeling them through Woodman.'<sup>32</sup>
- The CEO of Samling Global, Mr Yaw, is also the Director of Woodman and Samling Global is a major supplier of Woodman.<sup>33</sup>
- 'The three companies – Woodman, PDT and Samling – as well as one individual (the director and CEO) all have a financial interest in, and some degree of influence over, the three bidders – Atlantic Resources, Southeast Resources and Alpha Logging.'<sup>34</sup>
- 'Woodman and PDT are each too weak to provide financing themselves. Thus the Government of Liberia (GoL) cannot rely on these firms to back up the concessionaires. The GoL is relying, in fact, on Samling. Thus, the contracts with Samling must come within the GoL's review (and the due diligence review) to ensure that they are enforceable. We need to avoid a situation in which Samling could withhold funds from Woodman and/or PDT, thereby stranding Southeast and/or Atlantic.'<sup>35</sup>

Global Witness has uncovered a variety of additional data which indicate that Woodman has relationships with the Samling group of companies:

- According to a company announcement on the 25 May 2005 by Hap Seng Consolidated Berhad, Samling Strategic Corporation is the holder of a 50% shareholding of Woodman Holdings.<sup>36</sup>
- A Kuala Lumpur stock exchange announcement on 20 October 2006 by Lingui states that "Yaw Chee Ming, the Managing Director of Lingui is also a Director of Yaw Holding, Samling Strategic Corporation, Samling Global, Barama, Pantai Bayu Indah and Woodman."<sup>37</sup>
- Woodman's website describes the company as being "the main timber contractor for the Samling Group of companies ever since our inception in 1982".<sup>38</sup>

### 3. Alpha Logging's connections with Samling

The memo written by GEMAP Controller Thomas Downing in response to the due diligence reports, notes the following connections between Alpha Logging, Woodman and Samling:

- (Quoting a due diligence report on Alpha, carried out in August 2008): 'when the company [Alpha] was pre-qualified, sixty percent of its shares were owned by a Korean company named Eagon... after pre-qualification... Eagon sold its shares to Malaysian company Woodman.'<sup>39</sup>
- 'Southeast is getting its financing (\$75 million) from Woodman (a Malaysian firm). Alpha Logging (which won a concession in an earlier tender) is also getting its financing (\$70 million) from Woodman.'<sup>40</sup>
- 'It's difficult to see how Woodman, with only \$70 million in equity (and a \$4 million loss in 2008) can supply \$75 million to Southeast Resources and \$70 million to Alpha. Given the relationship between Woodman and Samling, it seems that Samling may be providing the funds for Southeast and Alpha, and channeling them through Woodman.'<sup>41</sup>
- 'The three companies – Woodman, PDT and Samling – as well as one individual (the director and CEO) all have a financial interest in, and some degree of influence over, the three bidders – Atlantic Resources, Southeast Resources and Alpha Logging.'<sup>42</sup>
- 'Woodman and PDT are each too weak to provide financing themselves. Thus the Government of Liberia (GoL) cannot rely on these firms to back up the concessionaires. The GoL is relying, in fact, on Samling. Thus, the contracts with Samling must come within the GoL's review (and the due diligence review) to ensure that they are enforceable. We need to avoid a situation in which

Samling could withhold funds from Woodman and/or PDT, thereby stranding Southeast and/or Atlantic.<sup>43</sup>

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- A Kuala Lumpur stock exchange announcement on 20 October 2006 by Lingui states that “Yaw Chee Ming, the Managing Director of Lingui is also a Director of Yaw Holding, Samling Strategic Corporation, Samling Global, Barama, Pantai Bayu Indah and Woodman.”<sup>45</sup>
- Woodman’s website describes the company as “the main timber contractor for the Samling Group of companies ever since our inception in 1982”.<sup>46</sup>

#### **4. Samling’s history of predatory and illegal logging**

- In 1997, Global Witness revealed that Samling was illegally sourcing timber from a Cambodian wildlife sanctuary.<sup>47</sup>
- In 1997 a letter from the Cambodian government complained that Samling were guilty of:
  - Starting to cut before receiving a permit
  - Cutting outside permitted areas
  - Cutting undersized logs
  - Continued logging after imposition of 31<sup>st</sup> December 1996 logging ban.<sup>48</sup>
- A Concession Review by the Asian Development Bank in 2000 said that the Cambodian logging concession management regime was a ‘total system failure’ and that all concessionaires – of which Samling was the largest – were violating their contracts with the government.<sup>49</sup>
- Samling is one of the companies logging the last remaining areas of primary forest in the Malaysian province of Sarawak. It is at the centre of a bitter conflict with the Penan minority, who claim that the firm is abusing their rights and destroying their livelihoods.<sup>50</sup>
- In January 2007, Barama, a Samling subsidiary, had its Forest Stewardship Council certification suspended in Guyana after an independent auditor uncovered a range of violations including logging in Amerindian lands without the free and informed consent of local populations and failure to conduct appropriate environmental impact assessments.<sup>51</sup>
- On 7 October 2007, a statement from the Government of Guyana reported that ‘the President speaking briefly on the recent alleged breaches of forestry procedures, said there appears to collusion between Barama Company Limited (Samling subsidiary) and some concessionaires and staffers at the Guyana Forestry Commission (GFC) to defraud the government of revenue. The President warned that there will be consequences for all the parties involved based upon preliminary investigations. “There are some concessionaires who have a joint arrangement with Barama to harvest on their concessions to defraud the government of revenue... They will face consequences... it seems to be a system among these three parties to defraud the government of revenue,” President Jagdeo said”<sup>52</sup>
- There is substantial evidence that Concord Pacific, controlled by Samling, also violated laws in Papua New Guinea, using a road construction project as the cover for a massive logging operation.<sup>53</sup>

#### **5. Responses from the companies**

On 12 June 2009 Global Witness wrote to the following companies to request information about their connections with each other and their business interests in Liberia: Perkapalan Damai Timar, Samling Global Limited, Glenealy Plantations (M) Berhad, Lingui Developments Berhad, Woodman SDN BHD, Atlantic Resources Limited, Southeast Resources Limited, Eagon Industrial Co, Ltd. (parent) and Alpha Logging & Wood Processing Incorporated.

Global Witness received only one reply – a letter from Samling Global Limited, which stated that ‘Samling Global Limited is not involved in the bidding or awarding of any forest management contract in Liberia. We therefore regret that we will not be able to respond to your due diligence questionnaire.’

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<sup>1</sup> Forest Development Authority, Forest Management Contract Area “F” Checklist on Atlantic Resources Ltd, Liberia, 2009.

<sup>2</sup> Forest Development Authority, Forest Management Contract Area “F” Checklist on Atlantic Resources Ltd, Liberia, 2009.

<sup>3</sup> The Liberia Governance and Economic Management Assistance Program (GEMAP) is a partnership between the Government of Liberia (GOL) and the international community that seeks to build a system of economic governance to promote accountability, responsibility and transparency in fiscal management so that Liberia's resources will be used in the interests of its citizens.

<sup>4</sup> International Procurement Agency & CoEn Consult Ghana, ‘Final Due Diligence Report FDA’, 30 June.

<sup>5</sup> International Procurement Agency & CoEn Consult Ghana, ‘Final Due Diligence Report FDA’, 30 June 2009.

<sup>6</sup> International Procurement Agency & CoEn Consult Ghana, ‘Final Due Diligence Report FDA’, 30 June 2009.

<sup>7</sup> International Procurement Agency & CoEn Consult Ghana, ‘Final Due Diligence Report FDA’, 30 June 2009.

<sup>8</sup> Ernst & Young, ‘Final due diligence on forestry concession bidders’, 29 June 2009.

<sup>9</sup> Ernst & Young, ‘Final due diligence on forestry concession bidders’, 29 June 2009.

<sup>10</sup> Ernst & Young, ‘Final due diligence on forestry concession bidders’, 29 June 2009.

<sup>11</sup> Ernst & Young, ‘Final due diligence on forestry concession bidders’, 29 June 2009.

<sup>12</sup> Ernst & Young, ‘Final due diligence on forestry concession bidders’, 29 June 2009.

<sup>13</sup> International Procurement Agency & CoEn Consult Ghana, ‘Response to the Comments of the Draft Due Diligence Reports’, June 6 2009.

<sup>14</sup> International Procurement Agency & CoEn Consult Ghana, ‘Response to the Comments of the Draft Due Diligence Reports’, June 6 2009.

<sup>15</sup> International Procurement Agency & CoEn Consult Ghana, ‘Response to the Comments of the Draft Due Diligence Reports’, June 6 2009.

<sup>16</sup> International Procurement Agency & CoEn Consult Ghana, ‘Response to the Comments of the Draft Due Diligence Reports’, June 6 2009.

<sup>17</sup> International Procurement Agency & CoEn Consult Ghana, ‘Response to the Comments of the Draft Due Diligence Reports’, June 6 2009.

<sup>18</sup> <http://www.hotfrog.com.my/Companies/Perkapalan-Damai-Timur> lists Perkapalan Damai Timur Sdn Bhd, Wisma Samling Jln Temenggong Oyong Lawai Jau 98000 Miri Miri Sarawak 98000 Malaysia, Miri 98000, Sarawak; p: 608-5439099.

<http://www.hotfrog.com.my/Companies/Samling-Strategic-Corporation> has Samling Strategic Corporation Sdn Bhd, Wisma Samling Jln Temenggong Oyong Lawai Jau 98000 Miri Sarawak, Miri 98000, Sarawak, p: 608-5439099.

<sup>19</sup> Samling Global Limited, ‘Exercise of Over-Allotment Option’, 16 March 2007.

<sup>20</sup> Lingui Developments Berhad, ‘General Announcement, Reference No C&-060818-DEE10 18 August 2006; Glenealy Plantations (Malaya) Berhad’, 12 December 2008.

<sup>21</sup> Lingui Developments Berhad, ‘Proposed renewal of shareholders’ mandates for recurrent related party transactions of a revenue or trading nature’, 20 October 2006.

<sup>22</sup> Email from Cheryl Yong, Head of Corporate Communications, Samling, 30 June 2009.

<sup>23</sup> Amnesty International, Oxfam & IANSA, ‘UN arms embargoes: an overview of the last ten years’, Control Arms Campaign, March 2006, <http://asiapacific.amnesty.org/library/Index/ENGIOR400072006?open&of=ENG-390>; Global Witness, *Taylor Made*, September 2001, p.9, [www.globalwitness.org](http://www.globalwitness.org); Global Witness, *Logging Off*, August 2002, p.9, [www.globalwitness.org](http://www.globalwitness.org).

<sup>24</sup> Christopher Melville, ‘Senior Parliamentarians Suspended on Corruption Charges in Liberia’, World Markets Research Centre, March 15, 2005; Africa News, ‘Following Indefinite Suspension, Speaker Remains Defiant’, March 16, 2005; Sam K Zinnah, ‘Liberia: In his efforts to escape justice, former Charles Taylor justice minister eyes legislature in Liberia’, The Liberian Times, 16 September, 2007, [http://www.theliberiantimes.com/article\\_2007\\_09\\_16\\_2939.shtml](http://www.theliberiantimes.com/article_2007_09_16_2939.shtml).

<sup>25</sup> Forest Development Authority, Forest Management Contract Area “K” Checklist on South Eastern Resources Ltd, Liberia, 2009.

<sup>26</sup> International Procurement Agency & CoEn Consult Ghana, ‘Final Due Diligence Report FDA’, 30 June 2009.

<sup>27</sup> International Procurement Agency & CoEn Consult Ghana, ‘Final Due Diligence Report FDA’, 30 June 2009.

<sup>28</sup> International Procurement Agency & CoEn Consult Ghana, ‘Final Due Diligence Report FDA’, 30 June 2009.

<sup>29</sup> Ernst & Young, ‘Final due diligence on forestry concession bidders’, 29 June 2009.

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<sup>30</sup> Ernst & Young, 'Final due diligence on forestry concession bidders', 29 June 2009.

<sup>31</sup> International Procurement Agency & CoEn Consult Ghana, 'Response to the Comments of the Draft Due Diligence Reports', June 6 2009.

<sup>32</sup> International Procurement Agency & CoEn Consult Ghana, 'Response to the Comments of the Draft Due Diligence Reports', June 6 2009.

<sup>33</sup> International Procurement Agency & CoEn Consult Ghana, 'Response to the Comments of the Draft Due Diligence Reports', June 6 2009.

<sup>34</sup> International Procurement Agency & CoEn Consult Ghana, 'Response to the Comments of the Draft Due Diligence Reports', June 6 2009.

<sup>35</sup> International Procurement Agency & CoEn Consult Ghana, 'Response to the Comments of the Draft Due Diligence Reports', June 6 2009.

<sup>36</sup> Hap Seng Consolidated Berhad, 'General Announcement Reference No HS-050524-63353', 25 May 2005.

<sup>37</sup> Lingui Developments Berhad, 'Proposed renewal of shareholders' mandates for recurrent related party transactions of a revenue or trading nature', 20 October 2006.

<sup>38</sup> [www.woodman.com.my/timber\\_ext.htmlb](http://www.woodman.com.my/timber_ext.htmlb).

<sup>39</sup> International Procurement Agency & CoEn Consult Ghana, 'Response to the Comments of the Draft Due Diligence Reports', June 6 2009.

<sup>40</sup> International Procurement Agency & CoEn Consult Ghana, 'Response to the Comments of the Draft Due Diligence Reports', June 6 2009.

<sup>41</sup> International Procurement Agency & CoEn Consult Ghana, 'Response to the Comments of the Draft Due Diligence Reports', June 6 2009.

<sup>42</sup> International Procurement Agency & CoEn Consult Ghana, 'Response to the Comments of the Draft Due Diligence Reports', June 6 2009.

<sup>43</sup> International Procurement Agency & CoEn Consult Ghana, 'Response to the Comments of the Draft Due Diligence Reports', June 6 2009.

<sup>44</sup> Hap Seng Consolidated Berhad, 'General Announcement Reference No HS-050524-63353', 25 May 2005.

<sup>45</sup> Lingui Developments Berhad, 'Proposed renewal of shareholders' mandates for recurrent related party transactions of a revenue or trading nature', 20 October 2006.

<sup>46</sup> [www.woodman.com.my/timber\\_ext.htmlb](http://www.woodman.com.my/timber_ext.htmlb).

<sup>47</sup> Samling operated as SL International in Cambodia during the 1990s. For a summary of the company's illegal activities, see Global Witness, *The Untouchables*, 1999.

<sup>48</sup> Letter from Minister of Agriculture, Tao Seng Huor (ref: 2116, 29 April 1997), quoted in Global Witness, *Just Deserts for Cambodia*, 1997.

<sup>49</sup> Asian Development Bank Sustainable Forest Management Project, *Cambodian Forest Concession Review Report*, 2000.

<sup>50</sup> Vijay Joshi, 'Tribes fight loggers to save Malaysian rain forests, but some welcome timber money,' Associated Press, December 15, 2007; World Rainforest Movement, 'Malaysia: Nomadic and semi-nomadic Penan communities intensify campaign against Samling Group', WRM's bulletin N<sup>o</sup> 117, April 2007.

<sup>51</sup> ASI-Accreditation Services International GmbH, 'FSC Annual Surveillance of SGS for 2006 – Forest Management Audit to Barama Co Ltd (BCL) Guyana' November 2006

<sup>52</sup> Guyana Government Information Agency, 'System to discourage log export to be implemented shortly,' Georgetown, GINA, October 8, 2007, <http://www.gina.gov.gy/archive/daily/b071009.html>.

<sup>53</sup> For a description of the activities of Concord Pacific and its relationship with Samling, see Greenpeace, *Partners in Crime*, March 2002, <http://www.greenpeace.org/australia/resources/reports/deforestation/partners-in-crime>. See also D. R. Melick, An Environmental Audit of the Kiunga-Aiambak Road and logging project, Western Province, Papua New Guinea, July 2003 and Centre for Environmental Law and Community Rights (CELCOR), *Bulldozing Progress*, 2006.