

## Sabah TLAS Audit Report Principles 5 & 6

<b>Organisation</b>	Tenant: Lotus Region Sdn. Bhd. (767521-V) Licensee: Sangkil Makmur Sdn. Bhd.	<b>Reference #</b>	GFSSBH 004-582
<b>Contact Person</b>	Kartini Binti Hasani (Management Representative)	<b>Audit Date</b>	28/11/2023
<b>Office Address</b>	TB15242, Lot B4, Tingkat 1, Taman Univilla Fasa 3, Jalan Kuhara, 91000 Tawau, Sabah, Malaysia.	<b>Date close out</b>	-
<b>Mill Address</b>	Kg. Pitas, Bombalai, Tawau, Sabah, Malaysia.	<b>Telephone</b>	+6014 873 3983 +6019 802 7282
<b>Email</b>	lotus_region@yahoo.com.my DFO Tawau: Nooridayu.MohdAyub@sabah.gov.my	<b>Fax</b>	-
		<b>Approved By</b>	Dr. Kevin Grace

### Statements

<b>Audit Statement #</b>	GFS 296 WTP		
<b>Issuance Date</b>	04 December 2023	<b>Expiration Date</b>	03 December 2024

### Assessment Details

<b>Company Type</b>	Sawmill and Exporter
<b>Scope of Assessment</b>	Sabah TLAS P5-6: KON(TTW)002/2023(KK)
<b>Product Group</b>	Sawn timber
<b>Source of Material</b>	Sabah, Malaysia.
<b>Species</b>	<i>Tectona grandis</i> (Teak), <i>Shorea inappendiculata</i> (Selangan Batu)
<b>Lead Assessor</b>	Brandon James
<b>Assessor(s)</b>	Tommy Olui, Vanessa Abin
<b>FDS Staff</b>	Ahmad Sappan (PPD Tawau)

### Terms of Assessment

The scope of the evaluation is to verify compliance of Lotus Region Sdn. Bhd. to the criteria within the Sabah Timber Legality Assurance System (TLAS) Principle 5 - Mill Operations and Principle 6 - Trade and Customs standards. Compliance is defined when the organization demonstrates that there is no non-compliance to any applicable criteria. Non-compliance to the Sabah Legality Standard occurs when the organization does not comply with 1 or more criteria. Non-compliance must be formally addressed prior to certification or within 2 months following a surveillance assessment.

### Limitations of Assessment

The information presented in this report is based on documentation and other information presented by the client and observations made during the field verification under the assessment. Auditor's reporting of information presented by the client are taken as accurate, unless evaluated differently through the observations made during the assessment. All information presented in the report is accurate and complete to the best of knowledge of GFS.

**Background Information:**

Lotus Region Sdn. Bhd. (Lotus region) is registered in Tawau, with registration # 767521-V. Lotus Region currently produces and trades sawn timber for the local market and exports them to India and Peninsular Malaysia.

Sangkil Makmur Sdn. Bhd. (Sangkil Makmur) has leased its sawmill to Lotus Region with an agreement valid through 28/02/2025, permitting Lotus Region to operate part of the sawmill to produce sawn timber since August 2023.

**Associated Organizations & Subcontractors:**

Lotus Region does not engage other companies as their subcontractors to provide or manufacture products.

**Description of the Supply Chain:**

From August 2023 to October 2023, Lotus Region purchased raw materials from the suppliers as below:

Supplier	License	Raw Material	Location	GFS WTP # STCC #	Overall Risk *
Maju Mapan Trading Sdn. Bhd.**	JP(T)TW005/10(X04)	Round logs	Tawau	-	High
Tagasan Sdn. Bhd.	JPHTN/KNK 700-2/4 JILID6(132)	Plantation logs	Kunak	-	High
JD Salarong Sdn. Bhd. (SC Capital Management Sdn. Bhd.)	JP(NNN)005/2020(F1)	Round logs	Nabawan	Non-Compliance	High

Note: \*GFS risk evaluation is based on the risk matrix for Sabah TLAS (VL) materials & products.

\*\*Logs originated from Form IIB licensee Junaidi Awang & 45 Peserta, Tongod.

**Summary Results:**

(Major gap = 0, Minor gap = 0, Observation = 1)

GAPs: Year 2023				
GAP #	Type	Checklist	Status	Description
-	-	-	-	-

\*Major = Non-Compliance

Observations: Year 2023		
Obs #	Checklist	Description
001-2023	5.2.4	<b>November 2023:</b> A batch unit is not clearly defined or identified as a unit of production based on receiving from each supplier.

Highlights of Close-Out Visit (if applicable)	Date: -
Not applicable	

Recommendations
<p><b>Lotus Region Sdn. Bhd</b> has demonstrated compliance with the Sabah Standard Principles 5-6 for Chain of Custody and is recommended to receive a GFS Statement of Compliance and Sabah Timber Legality Assurance System Compliance Certificate (TLAS-CC) from SFD.</p> <p>Gap(s)/Observation(s) identified in this assessment should be addressed before the next surveillance visit. Action required to close the gap(s)/observation(s) include:</p> <p><b>Observation 001-2023 - Checklist 5.2.4:</b> The batch unit shall be numbered and clearly defined as a unit of production based on receiving by supplier or segregated monthly production of Sabah TLAS and non-TLAS materials.</p> <p>The next annual surveillance visit is scheduled for November 2024.</p>

**End of Summary Report**