

Sabah TLAS Audit Report

Sabah Legality Standard Principles 1 – 4

Licensee	Licensee: Lingkabau Durian Eco Tourism Sdn. Bhd. (1426350-A) Contractor: Syarikat Kontrektor Lee Yun Sdn. Bhd. (105585-A)	Reference #	GFSSBH 003-179a
Contact Person	Liew Thin Choi (Manager) Ng Shi Teng (Management representative)	Date of Report Date of close out	03/02/2023 06/04/2023
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		Approved By	Dr. Kevin Grace

Statements

Audit Statement	NC: Non-Compliance – Criteria 1.2 & 2.1 (Outstanding)		
Issuance Date	Not applicable	Expiration Date	Not applicable

Assessment Details

Assessment Dates	30 January – 03 February 2023
Scope of Assessment	Sabah TLAS P1-4: JPHTN/FRM 700-2/4/1/867/4
Species	Mixed species
Lead Assessor	Varenius Untomon
Assessor(s)	Ivy Justin
SFD Staff	Mohd. Azrul (DFO Beluran), Mohd. Roslie (PPD Beluran), Ahmaddul Sharif (PPD Beluran), Mohd. Hussin (PPD Beluran), Isran (PPW Sandakan), Maulana (PPW Sandakan)

OBJECTIVES:

- The objective of this checklist is to verify compliance to the Criteria listed in the Sabah Legality Standard as defined by Principles 1 - 4 for Sabah dated November 2020 (**SFD-TLAS-002**).
- Compliance is defined when all applicable criteria are observed to be compliant. A Minor Gap to any indicator does not constitute non-compliance to a criterion. A Major Gap to any applicable indicator does reflect non-compliance to a criterion. Compliance for a criterion where multiple minor gaps are identified in indicators under the criterion may reflect non-compliance to the criterion.
 - All issues identified under this standard shall be considered appropriate to the scale and degree of forestry operations undertaken by the parties under the agreement.

Summary Information

Overview of Licensee:

- Lingkabau Durian Eco Tourism Sdn. Bhd. (Lingkabau Durian Eco Tourism) has an area of land to develop into a durian plantation and eco-tourism. The high demand for *Musang King* has increased prices for this variety, making it one of the most expensive durians on the market. The demand for *Musang King* continues to be strong due to its popularity and high quality, making it a lucrative option for durian growers and suppliers in Malaysia. Therefore, Lingkabau Durian Eco Tourism sees this opportunity as a profitable venture for a company specializing in agriculture and eco-tourism.
- Before developing the Durian plantation, site preparation is needed. Therefore, Syarikat Kontrektor Lee Yun Sdn. Bhd. (105585-A) (Syarikat Kontrektor Lee Yun) was appointed as a logging contractor by Lingkabau Durian Eco Tourism to extract and sell logs inside state land under land title, CL. 085352085.
- The total area for development is 189.1 ha. The area will be developed into agricultural land, i.e., Durian plantation after salvage logging is completed.
- Lingkabau Durian Eco Tourism is under the jurisdiction of Beluran District Forestry Office.

Current Operations:

- A total of 1,036 logs (1,775.26m³) has been harvested from the Form IIB Lingkabau Durian Eco Tourism Sdn. Bhd.

Form IIB permit JPHTN/FRM 700-2/4/1/867/4, dated 10/01/2023. Based on the approval, the Form IIB will expire after one month from the approval date.

Parcel	Total logs	Total volume, m ³	FIIB Receipt	RM
1	13	8.91	2B461615	311.85
2	174	214.56	2B461616	9,655.20
3	100	229.00	2B461617	18,320.00
4	19	81.59	2B461618	7,751.05
5	35	27.35	2B461619	17957.25
6	505	642.87	2B461620	28,929.15
7	158	406.12	2B461621	32,489.60
8	32	164.86	2B461622	15,661.70
Total	1,036	*1,775.26		114,075.80

***Note:** A slight discrepancy in the total volume of FIIB royalty payment (1,775.26 m³) against the approved FIIB permit (1,773.63 m³) results in a volume difference of 1.63 m³.

- The Form IIB area was divided into 9 blocks with a total of 189.1 ha. No transport of logs to the mill yet due to poor weather conditions.

Land use classification:

Land classification	Total Area (ha)	Current Status (As of January 2023)
Country Lease land (CL. 085352085) (9 blocks)	189.1	Total logs: 1,036 pieces Volume: 1,775.26 m ³ Logged area (Block): Block 2,3,4,5,6 & 7. Unlogged area (Block): Block 1, 8 and 9.

Environmental Context:

- The project area is located within state land under land title #: CL. 085352085, adjacent to Timimbang FR Class I and Bonggaya FR Class II, located at the southern and eastern boundary

of the project area. The topographic pattern is relatively undulating ground with an altitude from 100 m to 300 m above sea level.

- Dipterocarp diversity is low and non-dipterocarps become more dominant. Based on records, trees above 30 cm DBH growth size have been identified and recorded within the project site. The common trees found within the project area are Macaranga, Seraya, Mempening, Binuang, Keruing, Sedaman, Darah-Darah, Melapi and Laran.
- The soil is made up mostly of Lokan Association, Maliau Association, Dalit Association and Crooke Association. The parent materials of these associations are sandstone and mudstone.
- For areas of 100 ha or more but less than 500 ha, the land owner shall have a Proposed Mitigation Measure report (PMM) developed by a qualified environmental consultant and approved by the Director of EPD. As of the assessment, PMM has yet to be developed for Lingkabau Durian Eco Tourism Sdn. Bhd. area.

Social Context:

- The licensed area is within Kg. Lintabong Sugut, Labuk & Sugut. The nearest forest reserve is Timimbang Forest Reserve and Bonggaya Forest Reserve, located south and east of the licensed area.
- The nearest village is Kg. Lintabung Sugut is located in the west, within a radius of 1 km from the entrance gate.
- Land titles have been awarded to Lingkabau Durian Eco Tourism as private property.
- There is no other NCR claim area inside the titled land. The area is planned to be developed into a durian plantation.

Scope of Assessment

- The scope of the evaluation is to verify compliance of **Lingkabau Durian Eco Tourism Sdn. Bhd. (Syarikat Kontrektor Lee Yun Sdn. Bhd.)** with the Form IIB permit No. JPHTN/FRM 700-2/4/1/867/4.
- The assessment is in accordance on the terms of the agreement for the “Sabah Legality Standard Principles 1 - 4 dated November 2020 (SFD-TLAS-002).
- Site evaluation to verify and report the level of compliance by **Lingkabau Durian Eco Tourism Sdn. Bhd.** and contractors to the standard in respect to each of the criteria within this report.
- Compliance is defined when the auditee demonstrates that the indicators consist of none or only minor gaps against any applicable criteria of the standard. Non-compliance to the Sabah Legality Standard occurs when the auditee does not demonstrate adequate compliance to a criterion.

Itinerary & Mandays: Form IIB: Lingkabau Durian Eco Tourism Sdn. Bhd. (Syarikat Kontrektor Lee Yun Sdn. Bhd.) / Beluran District / 30 January – 03 February 2023 (Total Mandays = 12)

Date	Activity	GFS Staff	Mandays
30 January 2023 Monday	Travel to Telupid and overnight at IPS Rest house.	Varenus Untomon Ivy Justin	2
31 January 2023 Tuesday	Travel to Lingkabau Durian Eco Tourism (Postponed due to flash flood). Travel to PPD Beluran. Opening meeting and Document Review	Varenus Untomon Ivy Justin	2
01 February 2023 Wednesday	Travel to Lingkabau Durian Eco Tourism (failed-second attempt). Document review at PPD Beluran.	Varenus Untomon Ivy Justin	2
02 February 2023 Thursday	Document review finalizing report at PPD Telupid.	Varenus Untomon Ivy Justin	2
03 February 2023 Friday	Closing meeting at PPD Beluran Travel to Kota Kinabalu.	Varenus Untomon Ivy Justin	2
04-05 February 2023	Reporting GFSSBH 003-179	Dr. Kevin Grace Varenus Untomon	2
Total			12

Highlights of Assessment

(Major Gaps = 2; Minor Gaps = 0; Observations = 0)

April 2023: (Major Gaps = 2; Minor Gaps = 0, Observations = 0)

Lingkabau Durian Eco Tourism Sdn. Bhd. (Syarikat Kontrektor Lee Yun Sdn. Bhd.) has not complied with the Sabah Legality Standard (**SFD-TLAS-002**) as non-compliance was identified under Criteria 1.2 and 2.1 during the assessment on 30 January – 03 February 2023.

Summary of status of operations by **Principle**:

Principle 1.

The State Government, through the Land and Survey Department, awarded the title land to the beneficiary for agriculture proposes. Locality maps identified the location of the title land.

Power of Attorney between the beneficiaries and contractor achieved on 22/08/2022 and witnessed by Mr. Wong Kui Shung, Advocate and Solicitor in Kota Kinabalu [Ref.#.: K22/C102/SPA(038-SKLYS/CK)].

Syarikat Kontrektor Lee Yun Sdn. Bhd. was appointed as the contractor to extract and sell logs from Form IIB Lingkabau Durian Eco Tourism Sdn. Bhd. [Extraction and Sale of Timber Agreement, Ref. #: K22/C102/SPA (038-SKLYS/CK) dated 22/08/2022]. The agreement was witnessed by Mr. Wong Kui Shung, Advocate and Solicitor in Kota Kinabalu and stamped with the Lembaga Hasil Dalam Negeri stamp [Ref. #: KK/BSKK/10/600-2/1/2(60)] dated 23/09/2022.

February 2023: Gap 001/2023 (Major) – Checklist 1.2.2

No evidence of the Proposal Mitigation Measures was developed and approved by the EPD for the 189.1 ha with respect to land conversion as required.

April 2023: Gap 001/2023 (Major) – Outstanding

Prisma Adventure Sdn. Bhd. was appointed to develop a “Proposal for Mitigation Measure” (PMM), however, no evidence that a PPM was submitted and approved by EPD.

February 2023: Gap 002/2023 (Major) – Checklist 1.2.3

ECR monitoring reports were not submitted since the PMM was not developed as required.

April 2023: Gap 002/2023 (Major) – Outstanding

No evidence that ECR reports were submitted to the EPD as required.

The GFS team could not access the licensed area due to flooding. The licensed area is located at Kg. Lintabong Sugut, Labuk & Sugut and approximately 65 km from Kg. Bakong – Bakong.



Based on the PPD Beluran report, all boundaries are clearly marked on the ground. The reports are available and submitted to the Chief Conservator of Forests for Form IIB permit issuance.

Principle 2.

Syarikat Kontrektor Lee Yun maintained the production records/log lists.

Upon application for Form IIB permit, the log lists were attached as a reference for the SFD to conduct verification inspection in the field.

February 2023: Gap 002/2023 (Major) – Checklist 2.1.11

ECR monitoring reports were not submitted since the PMM was not developed as required.

April 2023: Gap 002/2023 (Major) – Outstanding

No evidence that ECR reports were submitted to the EPD as required.

Highlights of Assessment

Principle 3.

The SFD did not require OP to be registered inside the licensed area.
Syarikat Kontrektor Lee Yun had paid the applicable licensing fees and other charges to the SFD.
The heavy machineries used in the licensed area are registered with SFD.

As of the assessment, Syarikat Kontrektor Lee Yun has yet to transport the logs due to poor weather conditions.

Principle 4.

There is no village identified within the licensed area. The land title has been awarded and it is private property.

Summary Results:

(Major gap = 2, Minor gap = 0, Observation = 0)

April 2023: (Major Gaps = 2; Minor Gaps = 0, Observations = 0)

Gap raised against indicators & criteria during the February, 2023 assessment.

GAP	Type	Checklist	Status	Description
001/2023	Major	1.2.2	Outstanding	February 2023: No evidence of the Proposal Mitigation Measures was developed and approved by the EPD for the 189.1 ha with respect to land conversion as required. April 2023: Prisma Adventure Sdn. Bhd. was appointed to develop a "Proposal for Mitigation Measure" (PMM); however, no evidence that a PPM was submitted and approved by EPD.
002/2023	Major	1.2.3 2.1.11	Outstanding	February 2023: ECR monitoring reports were not submitted since the PMM was not developed as required. April 2023: No evidence that ECR reports were submitted to the EPD as required.

Observation raised against indicators & criteria during the February, 2023 assessment.

Obs #	Checklist	Description
-	-	-

Highlights of Close Out Visit (if applicable)	Dates	06 April 2023
Major Gap 001/2023 and 002/2023 shall be addressed within two months by April 2023. Syarikat Kontrektor Lee Yun has yet to develop a PMM assessment for approval by EPD and ECR reports as required. Thus, the Major gaps remain outstanding.		

Recommendations

Lingkabau Durian Eco Tourism Sdn. Bhd. (Syarikat Kontrektor Lee Yun Sdn. Bhd.) has not demonstrated compliance with the Sabah Legality Standard (**SFD-TLAS-002**) as non-compliance was identified under Criteria 1.2 & 2.1 and is NOT eligible to receive a GFS Statement of Compliance or a Sabah TLAS Compliance Certificate from SFD.

The Major Gap shall be addressed within two months by **April 2023**.

Gap 001/2023 (Major) Outstanding – Checklist 1.2.2: Syarikat Kontrektor Lee Yun shall prepare a Proposal Mitigation Measures for the licensed area and submit it to EPD for approval.

Gap 002/2023 (Major) Outstanding – Checklist 1.2.3, 2.1.11: ECR monitoring reports are required to be developed and submitted to the EPD to convert the 189.1 ha to agricultural land use.

The next annual surveillance audit will be scheduled for February 2024.

End of Summary Report