

## Sabah TLAS Audit Report Principles 5 & 6

<b>Organisation</b>	Tenant: Chuan Huan Trading Sdn. Bhd. 201501016026 (1141359-K) Landlord: Hap Seng Property Investment Sdn. Bhd. 198901006336 (183641-A)	<b>Reference #</b>	GFSSBH 004-757
<b>Contact Person</b>	Mr. Ting Sii Chuan (Manager)	<b>Audit Date</b>	03/12/2024
<b>Office Address</b>	Shed No. 37 & 62, 63, Sawmill B, Ladalam Timber Complex, Jalan Tanjung Batu Laut, 91000 Tawau, Sabah, Malaysia.	<b>Date close out</b>	-
<b>Mill Address</b>	Shed No. 37 & 62, 63, Sawmill B, Ladalam Timber Complex, Jalan Tanjung Batu Laut, 91000 Tawau, Sabah, Malaysia.	<b>Telephone</b>	+6014 699 2946 +6010 982 9608
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		<b>Approved By</b>	Dr. Kevin Grace

### Statements

Statement of Compliance	GFS 216 WTP		
Issuance Date	09 December 2024	Expiration Date	08 December 2025

### Assessment Details

Company Type	Sawmill, Exporter
Scope of Assessment	Sabah TLAS P5-6: JP(T)TW002/05(B01), KON(TTW)003/16(KK), FDS(TW)(S)031/2019(MT), FDS(TW)(E)031/2019(MT)
Product Group	Sawn timber
Source of Material	Sabah, Malaysia.
Species	<i>Drybalanops</i> spp. (Kapur), <i>Dipterocarp</i> spp. (Keruing), <i>Koompassia malaccensis</i> (Impas), <i>Parashorea</i> spp. (White seraya), <i>Shorea</i> spp. (Red seraya, Yellow seraya, Selangan batu), <i>Annonaceae</i> spp. (Karai), <i>Eugenia</i> spp. (Obah), <i>Terminalia subspathulata</i> (Talisai), Myristicaceae (Darah-darah), <i>Cotylelobium</i> spp. (Resak batu), <i>Koompassia excelsa</i> (Mengaris), <i>Dialium indum</i> (KerANJI), Other Timber (OT)
Lead Assessor	Anne G. Grace
Assessor(s)	Sheanna Kehong, Awena Jaibin
SFD Staff	Mangumba @Abd Majid Patiroi

### Terms of Assessment

The scope of the evaluation is to verify compliance with Chuan Huan Trading 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 is 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 knowledge of GFS.

**Background Information:**

**Chuan Huan Trading Sdn. Bhd. (Chuan Huan Trading)** is, on and from 21/04/2015, incorporated under Companies Act 2016, and is registered in Kuala Lumpur, Malaysia, with registration #: 201501016026 (1141359-K). Chuan Huan Trading produces sawn timber and exports them to Sarawak, South Korea, Japan and Taiwan.

Bestearn Sdn. Bhd. is, on from 27/06/1989, incorporated under Companies Act 2016 and changed its name to Hap Seng Property Investment Sdn. Bhd. (Hap Seng Property Investment) with registration #: 198901006336 (183641-A).

Hap Seng Property Investment leased Sawmill B (Shed 37) Shed 62 and Shed 63, from 01/11/2023 to 31/10/2025 to Chuan Huan Trading for processing and storing of sawn timber.

**Associated Organizations & Subcontractors:**

Chuan Huan Trading has an agent, Arus Borneo Sdn. Bhd. to handle export documents.

**Description of the Supply Chain:**

From July 2023 to November 2024, Chuan Huan Trading purchased raw materials from the suppliers as below:

Supplier	License	Raw Material	Location	GFS WTP # STCC #	Overall Risk *
Benta Wawasan (Serijaya Industri Sdn. Bhd.)	FRM: JPHTN/FRM700-2/1/15JILID2/65 JPHTN/FRM700-2/1/15JILID2/67	Round logs	Kalabakan	-	High
Rakyat Berjaya Sdn. Bhd. (Kinsasynergy Sdn. Bhd. & Terus Jadi Sdn. Bhd.)	SFMLA 09/97	Round logs	Kinabatangan	GFS 178 LVS (28/04/2025)	Low
Gold Rank Sdn. Bhd.	JP(T)TW001/10(X04)	Round logs	Tawau	GFS 010 WTP (25/06/2024)	Low
Sapulut Forest Development Sdn. Bhd.	SFMLA 04/97	Round logs	Keningau	GFS 025 LVS (09/07/2025)	Low

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

**Summary Results:**

(Major gap = 0, Minor gap = 6, Observation = 0)

GAPs: Year 2024				
GAP #	Type	Checklist	Status	Description
001/2024	minor	5.1.6 6.4.2	New	<b>December 2024:</b> The CoC procedure for administration lacks reference to legal permits and requirements, purchasing raw material, maintenance of records of raw material, production, sales in relation to TLAS status and retention time of records.
002/2024	minor	5.2.1, 6.1.1, 6.1.2, 6.1.3	New	<b>December 2024:</b> The current system for purchasing & receiving of raw material is not according to the CoC procedure.
003/2024	minor	5.2.3, 5.2.4, 5.2.5	New	<b>December 2024:</b> Removal Passes from Kinsasynergy and Gold Rank were not stamped as Sabah TLAS Compliant.
004/2024	minor	5.2.7, 5.2.11, 5.2.12	New	<b>December 2024:</b> Inconsistent in identifying the Sabah TLAS status on WIP and FG.
005/2024	minor	5.3.1, 5.3.2	New	<b>December 2024:</b> Expired JTK license, one worker was not registered

				under COI and one work permit expired.
006/2024	minor	5.3.5	New	<b>December 2024:</b> One worker did not contribute EPF and No JKPP 8 submitted for 2023.

\*Major = Non-Compliance

Observations: Year 2024		
Obs #	Checklist	Description
-	-	-

<b>Highlights of Close-Out Visit (if applicable)</b>	<b>Date:</b> -
Not applicable	

Recommendations
<p><b>Chuan Huan Trading 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>Gap 001/2024 (minor) – Checklist 5.1.6, 6.4.2:</b> Chuan Huan Trading Administration procedure needs to include legal compliance (permits, labour, environment, etc.) maintenance of records for raw material, production &amp; sales / export based on TLAS status.</p> <p><b>Gap 002/2024 (minor) – Checklist 5.2.1, 6.1.1, 6.1.2, 6.1.3:</b> Chuan Huan Trading shall ensure the current system for purchasing and receiving is according to the COC procedure and maintain the Sales Contract in the office.</p> <p><b>Gap 003/2024 (minor) – Checklist 5.2.3, 5.2.4, 5.2.5:</b> SFD shall ensure the removal Pass is stamped as Sabah TLAS CC for suppliers compliant under Sabah TLAS P1-4.</p> <p><b>Gap 004/2024 (minor) – Checklist 5.2.7, 5.2.11, 5.2.12:</b> Chuan Huan Trading shall identify the Sabah TLAS status from receiving to the packaging.</p> <p><b>Gap 005/2024 (minor) – Checklist 5.3.1, 5.3.2:</b> Chuan Huan Trading should renew the JTK license annually, work permit for workers must be valid and all workers shall be registered under COI.</p> <p><b>Gap 006/2024 (minor) – Checklist 5.3.5:</b> All workers must register and contribute monthly EPF as stipulated in the EPF website, Chuan Huan Trading to submit JKPP 8 for 2023 annually by 30<sup>th</sup> January.</p> <p>The next surveillance visit is scheduled for December 2025.</p>

**End of Summary Report**