



## GLOBAL FORESTRY SERVICES

Registered Office: 2446 N. San Gabriel Blvd., Suite #C, Rosemead, CA 91770, USA.  
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## LEGAL VERIFICATION SERVICES

### Sarawak Audit Checklist / Report STLVS Principles 1 - 4

<b>Licensee</b>	Shin Yang Trading Sdn. Bhd. (173051-H)	<b>Reference #</b>	GFSS 024-008
<b>Contact Person</b>	Andy Wong Ko Hock (Committee Advisor) James Wong Lieng Hiong (Team Leader) Lau Keiw Hieng (Document Officer)	<b>Report Date</b> <b>Date of close out</b>	18 January 2020 -
<b>Office Address</b>	Lot 515, Jalan Datuk Edward Jeli, Piasau, Industrial Estate, 98000 Miri, Sarawak, Malaysia.	<b>Telephone</b> <b>Fax</b>	+6013 833 3568 +6012 856 4237
<b>Site Address</b>	T/3228 Belaga, Kapit, Sarawak.	<b>Telephone</b> <b>Fax</b>	+6085 664 999 +6085 656 699
<b>Email</b>	andywong@shinyang.com.my jameswong@shinyang.com.my khlau@shinyang.com.my	<b>Approved By</b>	Dr. Kevin Grace

#### Statements

GFS Statement of Compliance #	GFS 058 LVS		
Issuance Date	01 February 2020	Expiration Date	31 January 2021

#### Assessment Details

Assessment dates	13 – 17 January 2020
Scope of Assessment	STLVS P1 – 4: Forest Timber License No. T/3228
Species	Harvested using the Reduce Impact Logging Plan: <i>Shorea</i> spp. (Red and Yellow Meranti), <i>Shorea</i> spp. / <i>Lithocarpus</i> spp. (Empenit), <i>Cephalomappa</i> spp. (Arau), <i>Sapotaceae</i> spp. (Nyatoh), <i>Gluta</i> spp. (Rengas hutan), <i>Parkia</i> spp. (Petai), <i>Durio</i> spp. (Durian), <i>Octomeles sumatrana</i> (Binuang), <i>Eugenia</i> spp. (Ubah), <i>Mangifera</i> spp. (Asam), <i>Tristaniopsis</i> spp. (Selunsor), <i>Xanthophyllum</i> spp. (Nyalin), <i>Dialium indum</i> (KerANJI), <i>Beilschmiedia</i> spp. / <i>Litsea</i> spp. / <i>Dehaasia</i> spp. / <i>Phoebe</i> spp. / <i>Magnolia</i> spp. / <i>Nothaphoebe</i> spp. / <i>Ternstroemia</i> spp. / <i>Actinodaphne</i> spp. / <i>Cinnamomum</i> spp. (Medang), and <i>Alstonia</i> spp. (Pelai)
GFS Lead Assessor	Franklin Emang
GFS Assessor(s)	Priera Bagang, Siti Radiah Mohammad
Others	Not available

#### Document Control

GFS-FORM-006-STLVS-3.1	Title: STLVS P1-4 Checklist & Report	Issue: v03	Date: 01 Sep 2019
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### OBJECTIVES:

- The objective of this checklist is to verify compliance to the Criteria listed in the Sarawak Timber Legality Verification System as defined by **STLVS Principles 1-4 (v02)** dated **29 January 2019**.
- 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 company in accordance to the standard.

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GFS-FORM-006-STLVS-3.1	Title: STLVS P1-4 Checklist & Report	Issue: v03	Date: 01 Sep 2019
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### Summary Information

#### Overview of Licensee

##### Organization Information:

Shin Yang Sdn. Bhd. (97865-T) was incorporated on 24<sup>th</sup> February 1983 Shin Yang has established a number of associated companies and subsidiaries forming a group of companies. Shin Yang group of companies have diversified their business activities include construction, shipping (domestic & international), real estate, forest timber licenses, agricultural and forestry plantations, quarrying and other small businesses.

##### Key regulations:

The legal framework is provided in the following laws (ordinances), rules and regulations:

- Statement of Forest Policy (1954)
- Forest Ordinance (2015)
- Forest Rules (1954)
- National Parks Ordinance (1956)
- National Parks and Nature Reserves Ordinance (1998)
- Wildlife Protection Ordinance (1958)
- Sarawak Timber Industry Development Corporation Ordinance (1973)
- Sarawak Timber Industry (Registration) Regulations (2008)
- Sarawak Forestry Cooperation Ordinance (1995)
- State of Sarawak Forest Timber License (FTL)
- Inter-agency Standard Operating Procedures (SOPs) for Performance of Forestry Functions in Sarawak (Ministry of Resource Planning and Environment, 2012)
- Minimum Wages (Amendment) (No.3) Order 2013
- Sarawak Labour Ordinance (Cap.76)
- Employment Act 1955

##### Description & Licenses:

Shin Yang Trading Sdn. Bhd. (Shin Yang Trading) has a Forest Timber License No. T/3228 granted by the Forest Department Sarawak (FDS) for timber harvesting operations within a licensed area of 72,025 ha of natural forest. The forest area is a Permanent Forest Estate. The Forest Timber License of 49,840 ha was initially issued to Jebadi Sdn. Bhd. on 30<sup>th</sup> April 1990, then transferred to Diamond League Sdn. Bhd. on 30<sup>th</sup> April 1999 and subsequently transferred to Shin Yang Trading on 13<sup>th</sup> June 2003. The licensed area was revised to include forest areas located by Sungai Kajang that expanded the licensed area to 72,025 ha.

#### Document Control

GFS-FORM-006-STLVS-3.1	Title: STLVS P1-4 Checklist & Report	Issue: v03	Date: 01 Sep 2019
------------------------	--------------------------------------	------------	-------------------

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### Management / Land Tenure:

The management is based at Forest Timber License No. T/3228 located in the Sungai Bahau – Sungai Kahei and Sungai Kajang area in the Belaga district that was issued to Shin Yang Trading on 13<sup>th</sup> June 2003 and expires on 29 April 2020 for all activities within the concession. Shin Yang Trading has formally sub-contracted Shin Yang Sdn. Bhd. (97865-T) to conduct logging operations in FTL No. T/3228.

According to the Forest Timber License No. T/3228, the yield regulation is based on an annual licensed cutting area of 2,360 ha/year (Working Plan - Page 5) under a planned rotation of 15 years, with an estimated production area of 35,405 ha. The cutting limit for Dipterocarp is 50+ cm DBH and non-Dipterocarp is 45+ cm DBH (Ref. #: WPO 628.369(VIII)-58 dated 28<sup>th</sup> November 2017).

### Management Planning (FMP / GP):

The revised General Plan (GP) has been approved by the FDS on 24<sup>th</sup> October 2019 [Ref. #: (02) JHS/600-3/7/110/Jld.3] that covers 72,710 ha of the licensed concession inclusive of the international buffer zone of 1 KM. The General Plan consists of a map of the license that was revised and approved on 24<sup>th</sup> October 2019 and valid through December 2041. A total of 25 re-entry coupes have been identified within the FTL No. T/3228 under a revised GP.

### Operational activities:

Shin Yang Trading has re-defined and re-numbered the coupe areas for FTL No. T/3228 and now divided into 25 coupe areas that were re-numbered and approved in the revised GP.

Shin Yang Trading is currently only operating in Coupe 01AR

- Coupe #: 01AR; Coupe area = 6207 ha; Blocks = 82
- *Detailed Harvesting Plan (DP)* – approved on 29<sup>th</sup> November 2016
- Permit to enter Coupe (PEC Heading 5) is endorsed by SFC for active Blocks 08 & 09 - Logging Jan 2020

### Land use classification:

Land classification	General Plan (ha)
Total Licensed Area: FTL No. T/3228	72,710
Production Area	59,151
Natural Forest Management Area	59,151
Plantation Forest (ITP)	0
Protected Forest & Conservation Areas	6,232
Social Community & Shifting Agriculture	672
International Buffer zone (1 km)	6,655
Infrastructure, Roads Buildings, etc.	NA

### Environmental context:

- Forest type and history of management  
FTL No. T/3228 is a logged over lowland MDF areas associated with the less rugged Terrain Classes II and III (slopes less than 35 degrees) that has been logged under conventional

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GFS-FORM-006-STLVS-3.1	Title: STLVS P1-4 Checklist & Report	Issue: v03	Date: 01 Sep 2019

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## LEGAL VERIFICATION SERVICES

systems. The steep area defined as Class IV terrain (slope > 35 degrees) to be identified in the GP and reserved as green belts and conservation areas for biodiversity conservation.

- Principal commercial species  
 The current vegetation is predominantly logged over mixed Dipterocarp forest (MDF). Patches of shifting cultivation with secondary vegetation may be found that includes species of Macaranga, Adinandra, and Ficus. The forest has been subject to 7-year period timber harvesting from 2003 to 2010. Most remaining trees consist of species of the Dipterocarp family (*Shorea* spp., *Eugenia* spp. (Ubah), and non-Dipterocarp family Dialium (KerANJI) and Lauraceae (Medang).
- Specific biological values (e.g. rare or endangered species)  
 The EIA identified fauna included 29 species of mammals, 27 species of frogs, and 187 species of birds (CTC 1995). Presence of Bornean gibbon, red langur, pig-tailed macaque, barking deer and mousedeer were observed in the upper Batang Baleh River.
- Birds observed during the EIA included pigeons, hornbills, starlings, mynas, sparrows, spiderhunter, sunbird and flowerpecker (April 2009 EIA report).
- Environmental services e.g., critical watersheds, wildlife corridor, etc. provided by the forest. Rivers associated with the project area includes Sungai Kajang, Sungai Bangan, Sungai Malarang, Sungai Baleh and Sungai Linau.

Recommended width of the riparian buffer zone within a project area based on rivers:

Stream	Width (m)	Recommended Buffer (m)
Sungai Kajang	30-40	40
Sungai Linau, Sungai Kahai	10-15	10-20
Other smaller tributaries	5-8	10

- Existing EIA report  
 CNF Consultancy Sdn. Bhd. (715028-U) conducted an EIA in April 2009. The EIA assessment report "Re-Entry Forest Logging under Timber License T/3228 at Linau, Kapit Division Sarawak" was approved by the Natural resources & Environmental Board (NREB) on 15<sup>th</sup> July 2009 [Ref. #: (12) NREB/6-3/2F/33].

### Social context

#### Social Assessment:

Apart from the Social Impact Assessment (SIA) in the EIA report, Shin Yang Trading also had conducted an internal SIA for Long Lidem on 16/06/2017 (Ref.#: Linau/T3228/SIA, Revision 03 dated 31/12/2019) that evaluates the social impact from forest operations, mitigation and effectiveness measures for the identified social impact areas. The current SIA report also stated that Long Lidem are still dependent to forest resources.

#### Key findings of social assessment:

There was only one longhouse identified and mapped inside the licensed area, namely Long Lidem. The community was residing inside the FTL No. T/3228 since 1969 and located approximately within 3KM radius from the licensed boundary. Shifting cultivation occurred on slopes along roads, footpath or stream reserves has been stopped for the last 6 to 7 years ago. Fruit trees grown were durian, mangoes; pinang, rambutan, langsat, banana, etc. and other crops planted were yam, tapioca and vegetables. Forest

Document Control			
GFS-FORM-006-STLVS-3.1	Title: STLVS P1-4 Checklist & Report	Issue: v03	Date: 01 Sep 2019



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products collected included rattan, bamboo and bemban for making handicraft such as floor mat, tray and basket. Currently, hunting and fishing are the only activity conducted by the local community to support their livelihood. The SIA result has summarized that the monthly income range for Long Lidem household is from RM0 to RM900.

Regarding education, primary boarding school was available at the Long Kajang and Lusong. Whereas, the nearest secondary schools are available in Kapit and Bintulu. There is no public road or transportation available. The local community relies on existing logging road networks and rivers for transportation. There was no medical facility or clinic at the project site. The nearest clinic was at Abit Camp inside the FTL No. T/3342. More severe health or emergency cases are mainly referred to Kapit or Bintulu General Hospitals.

No areas within FTL No. T/3228 have been gazetted as Native Customary Right (NCR) under the Land Code.

Village location with GPS Coordinates in FTL No. T/3228

No.	Race	Village Name	GPS Coordinates (Timbalai)	Coupe	Remark(s)
1	Punan	Long Lidem	N 02° 20' 8" E 114° 40' 40"	Original coupes 1 AR / 2AR, Re-numbered coupes: 19AR – 25 AR	Estimated populations: 27 doors/109 peoples

### Social Monitoring:

Shin Yang Trading has a social officer to coordinate communication with the Long Lidem community in FTL No. T/3228. According to the group interview during the assessment, there is a good relationship between the community and the company. The longhouse community can contact Linau Camp manager whenever the village has an issue that is outside the committee system.

### Scope of Assessment

- The scope of the evaluation is to verify compliance of FTL No. **T/3228** licensed to **Shin Yang Trading Sdn. Bhd.** with the Principles 1-4 of the STLVS Standard (v02) 29 January 2019.
- Site evaluation to verify and report the level of compliance by **Shin Yang Trading 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 only minor gaps or no gaps against any applicable criteria of the standard. Non-compliance to the Sarawak Legality Standard occurs when a Major Gap is issued against an indicator and associated criterion.

### Itinerary of Assessment

Date	Activities	GFS Staff	Mandays
13 January 2020 Monday	Travel to Abit camp located in FTL No. T/3342	Franklin Emang, Piera Bagang, Siti Radiah Mohammad.	3
14 January 2020 Tuesday	Site visit to FTL No. T/3228: Coupe 01 AR current activities (harvesting operations, boundary checks; sampling of stumps and logs in the field) check buffer zones, steep	Franklin Emang, Piera Bagang, Siti Radiah Mohammad.	3

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GFS-FORM-006-STLVS-3.1 | Title: STLVS P1-4 Checklist & Report | Issue: v03 | Date: 01 Sep 2019

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	<p>slopes.          Site visit: Linau Camp - Scheduled waste – Log Yard          a. Opening meeting at office (a.m.)          b. Site visit: Coupe 1AR active operations in blocks 08 &amp; 09 (harvesting operations), boundary checks (license boundary, coupe boundaries, block boundaries); sampling of stumps and logs in the field, checks buffer zone, etc. (a.m. – p.m.)          c. Sampling of logs at Place of Royalty Marking (PoRM) (a.m.)          d. Linau Camp: Labour quarters, workshop, scheduled waste. store, lubricant store, diesel depot, dumping pit, etc. (a.m.)</p>		
15 January 2020 Wednesday	<p>Longhouse visit: Long Lidem (a.m.)          Document review (p.m.)</p>	<p>Franklin Emang,          Prieria Bagang,          Siti Radiah Mohammad.</p>	3
16 January 2020 Thursday	<p>Travel to Miri (a.m. – p.m.)</p>	<p>Franklin Emang,          Prieria Bagang,          Siti Radiah Mohammad.</p>	3
17 January 2020 Friday	<p>Document review          Closing meeting</p>	<p>Franklin Emang,          Prieria Bagang,          Siti Radiah Mohammad.</p>	3
18 January 2020 Saturday	<p>Reporting: GFSS 024-008</p>	<p>Dr. Kevin Grace          Franklin Emang</p>	2
Total			17

### Highlights of Assessment

**Shin Yang Trading Sdn. Bhd.** has complied with the Sarawak Legality Standard (Principles 1-4) as no non-compliance was identified during the assessment on **13 – 17 January 2020**.

Summary of current status of operations against each principle.

#### Principle 1. Right to Harvest:

Shin Yang Trading has demonstrated compliance with license requirements, EIA requirements and management planning guidelines. The company is currently only conducting harvesting operations in Coupe 01AR. Shin Yang Trading has redefined coupe areas to 25 coupes and renumbered coupe areas in FTL No. T/3228.

The General Plan consists of a map of the concession-licensed area to identify the coupe areas for production, protection based on steep slopes 35° & above (Terrain class IV) international buffer zones and other areas for protection.

#### Principle 2. Forest Operations:

Shin Yang Trading has demonstrated compliance with forestry operation standards, demarcation of boundaries and areas for protection, tree enumeration, control of timber production, log transportation,

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GFS-FORM-006-STLVS-3.1	Title: STLVS P1-4 Checklist & Report	Issue: v03	Date: 01 Sep 2019
------------------------	--------------------------------------	------------	-------------------

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Shin Yang Trading Sdn. Bhd. / FTL No. T/3228



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### Highlights of Assessment

worker safety and health.

#### Jan 2019: Gap 001/2019 (Minor) – Checklist 2.3.2

Inconsistency on identification and protection of several buffer zones in Coupe 1AR. One Permanent stream was not identified or adequately protected. A marked buffer zone was not protected but also not associated with a permanent stream.

The impact caused by new bridge construction (N 02° 15' 56.5" E 114° 41' 00.8") has not yet been mitigated and the old bridge has not been removed.

#### Jan 2020: Gap 001/2019 (Minor) - Closed

Some of logs from the old bridge were removed. No blockage of the water way was observed. Buffer zones were identified for permanent stream and protected.

#### Jan 2019: Observation 001-2019 – Checklist 2.1.2

An area over 35 degrees over 2 ha was observed containing tagged harvest trees and not identified on the RILP for Block 66.

#### Jan 2020: Observation 001-2019 (Addressed)

Steep slopes over 2 ha was identified in RILP for blocks 8 and 9.

The main entry into FTL No. T/3228 is located outside of the licensed area (Linau Security manned gate; N 02° 19' 06.3" E 114° 42' 55.2"). This security checkpoint also functions as the main entry point to the licensed area.

Regular monitoring for encroachment of the licence boundary was conducted. Based on monitoring results, no sign of encroachment observed.

Shin Yang Trading production was well below the monthly production limit as approved by FDS. No evidence of cutting undersized trees. The current active coupe is Coupe 01AR. Shin Yang conducted 100% harvest tree marking and location mapping for the RIL Logging Plan (RILP). The cutting limit for Dipterocarp is 50+ cm DBH and non-Dipterocarp is 45+ cm DBH (Ref. #: WPO 628.369(VIII)-58 dated 28<sup>th</sup> November 2017).

Logs sampled in the PoRM were royalty assessed. Related documents on production, royalty payment and transportation were adequately maintained.

Field workers had valid documents and covered under SOCSO and insurance. All field workers were equipped with PPE. Training was provided to workers and they were aware of safety and health procedures. Training was documented and maintained.

#### Principle 3. Statutory Charges:

Shin Yang Trading demonstrated compliance with payment of Royalty Fees and other charges as required.

#### Principle 4. Other User Rights:

The EIA reported longhouse Lg. Lidem was the only longhouse located within 3 km from the FTL No. T/3228. No areas within FTL No. T/3228 have been gazetted as Native Customary Right (NCR) under the

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### Highlights of Assessment

Land Code. Shin Yang has established an agreement with Lg. Lidem on 1<sup>st</sup> May 1999.

A revised Goodwill Agreement was signed on 14<sup>th</sup> August 2017 between Shin Yang Trading and Lg. Lidem and FTL No. T/3328 Linau Camp to provide a monthly allowance to the head of the longhouse and committee members. Claimed Coupe areas were logged in 2014-2016, the claimed area is not planned for re-entry until 2035 and the agreement will need to be updated to reflect areas claimed in the new coupe area.

There are no outstanding disputes based on the interview conducted with Lg. Lidem. All issues are discussed and resolved during the periodic meeting with the Lg. Lidem committee. Shin Yang Trading has mapped areas claimed by Lg. Lidem along the Kajang River. All claims have been documented and agreements have been negotiated.

### Summary results:

(Major Gap = 0 / Minor Gap = 0 / Observations = 0)

GAPs :				
GAP #	Type	Checklist	Status	Description
001/2019	Minor	2.3.2	Closed	<p><b>January 2019:</b>            Inconsistency on identification and protection of several buffer zones in Coupe 1AR. One Permanent stream was not identified or adequately protected. A marked buffer zone was not protected but also not associated with a permanent stream.            The impact caused by new bridge construction (N 02° 15' 56.5" E 114° 41' 00.8") has not yet been mitigated and the old bridge has not been removed.</p> <p><b>January 2020:</b>            Logs from the old bridge were removed. No blockage of the water way was observed.            Buffer zones were identified for permanent stream and protected.</p>

*\*Note: Major Gap = Non-Compliance / Minor Gap still compliant to criterion. Minor Gap may be upgraded to a Major Gap if not adequately addressed by the date of the next surveillance visit.*

### Observations

Obs #	Checklist	Description
001-2019 Addressed	2.1.2	<p><b>January 2019:</b>            An area over 35 degrees over 2 ha was observed containing tagged harvest trees and not identified on the RILP for Block 66.</p> <p><b>January 2020:</b>            Steep slopes over 2 ha were identified in RILP for blocks 8 and 9.</p>

*\*Note: Observations can be upgraded to a Minor Gap if not adequately addressed by the date of the next surveillance visit.*

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Highlights of Close out visit (if applicable)	Dates
Not applicable	-

### Recommendations

**Shin Yang Trading Sdn. Bhd.** has demonstrated compliance with the Sarawak Legality Standard (Principles 1-4) for Forest Timber License No. T/3228 and is recommended to receive a GFS Statement of Compliance and STLVS Certificate of Compliance from FDS.

The next annual monitoring visit will be scheduled in January 2021.

### End of Summary Report

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