



## LIONEX NEWSFLASH

edition May 2007

### WELCOME

Welcome to the first edition of the Lionex Newsflash. This newsletter will be distributed to Lionex business partners on a bi-monthly base. Please feel free to send your feedback on this Lionex Newsflash in order to be able to continuously improve the quality of the next editions.

### LIONEX MALAYSIA

An enthusiastic team of highly committed young people is serving a wide range of customers in Europe. Lionex has operations in both East - and West Malaysia. The majority of the timber products are being shipped out from Port KLang, Pasir Gundang and Tawau. Lionex Malaysia is currently implementing a new software system. One of the features will be the LOTS, Lionex Online Tracking System. Clients of Lionex will be able to track their order status through the website [www.lionex.biz](http://www.lionex.biz). We expect the system to be online by early 2008.

### LIONEX CHINA

The timber market is globalizing. In the timber business, China is currently playing an important and substantial role. Besides the growing demand from the local market, China becomes an important supplier of finished and semi finished timber products



to the various international markets. Recently Lionex has opened an office in Shanghai to serve its customer base better with a greater variety of products.

Mr Hong Boon Hui has been appointed as the representative of Lionex China. Mr Hong Boon Hui, Malaysian Chinese, has a 10 year experience in China and will manage the supply from various suppliers in China. Currently Lionex is offering a variety of flooring products, Pine, larch oak and spruce laminated products, moldings and finished products like outdoor-furniture. We expect the supply from China to grow rapidly within the the near future.

### LIONEX INDONESIA

Lionex increased its presence in Indonesia by appointing a new country manager, based in Surabaya. Mr Edward Luntungan will manage the sourcing, quality control and product development in Indonesia. A team of quality controllers will ensure a smooth supply of high quality products.

### CERTIFICATION

Sustainable forest management means managing forests to meet the needs of the present, without compromising the ability of future generations to meet their own needs by practicing a land stewardship ethic, which integrates the growing, nurturing and harvesting of trees for useful products, with the conservation of soil, air and water quality and wildlife and fish habitat.





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Lionex is committed to responsible purchasing of timber products. Our long term intention is that all timber used in products that we purchase is sourced from well-managed forests that have been FSC and/or MTCC certified. This commitment will be realized through a stepwise approach to responsible purchasing and work with suppliers and key stakeholders to ensure the best practices is followed.

### FLEGT

The Second round of negotiations on the Malaysia-EC FLEGT Voluntary Partnership Agreement was held in Brussels on 17 and 18 April.

The European Commission negotiates a voluntary bilateral Forest Law Enforcement Governance and Trade (FLEGT) agreement between timberexporting countries and the European Union. These will ensure that only guaranteed legally harvested timber will be imported in the EU from countries entering into FLEGT partnerships. The first country to express interest in concluding such an agreement was Malaysia, in September 2006, followed by Ghana in December and Indonesia in January 2007.

A first round of negotiations was held in Miri and a

second round was held in Brussels on 17 and 18 April. These first two meetings were successful in laying the groundwork for a FLEGT partnership agreement. Discussions concentrated on the definition of legality, the timber licensing system to ensure traceability of timber flows including checks and third party monitoring, and on the development of a stakeholder consultation process within Malaysia.



The third negotiation session is to be held in Malaysia in September with technical preparation sessions scheduled for June and possibly also August. The conclusion of the agreement is scheduled for December of this year.

### MARKET DEVELOPMENTS

The demand for tropical timber in the world remains strong.

Despite a slight adjustment of prices in the Dutch and German markets recently, it is expected that the prices will further rise within a couple of weeks/months. The strengthening of various Asian currencies like the Indonesian Rupiah, the Chinese Yuan and the Malaysian Ringgit will ultimately lead to higher export prices. The MYR is expected to be at a level of 3.35 by the end of 2007 and 3.30 in Q2 2008.

There has been a trend of replacement of meranti by sapeli in certain market segments but due to the strong demand in sapeli in the US and Europe the prices have risen substantially which have resulted to the fact that the prices of Sapeli and DRM are currently at the same level.

Due to the heavy rain in West Africa there are substantial problems to transport the timber from the mills in Congo and Cameroon to the port of Douala. Despite the fact that production of timber continues the supply of timber remains extremely difficult.

In the Dutch market there has been a slow down in activity the last few months, but it is expected that the market will rebound within a few weeks. Stock levels in Rotterdam have come down and stocks in especially 3 inch timber in Port Klang are low. The



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situation in 2.1/2 inch is similar to the 3 inch, whereby the stock levels in 4 inch are on the high side.

The GMS markets in France, UK and Eastern Europe are strong. Prices are firm and slightly going up. The market in Germany however is rather quiet. There seems to be enough stock in the standard 72x86mm DRM window scantlings and prices on the local market are below replacement levels. Various German importers are currently looking for substitute species.

Freight rates are relatively stable from Port Klang, but freight rates out of China have gone up recently.

The demand for komo finger jointed products remains strong. Zero defects in timber products is for more and more producers of window and door components the future. Lionex currently offers a range of DRM, Sapeli, Iroko and Merbau components with a komo certificate. Lionex will be able to offer finger jointed laminated products with the komo certificate by July 2007.

### PRODUCTS

One of the new products of Lionex is a variety of oak, larch and Chinese pine laminated window components. Top quality



scantlings are being produced out of these species. With our presence in China we are finally able to offer these products at competitive price levels.

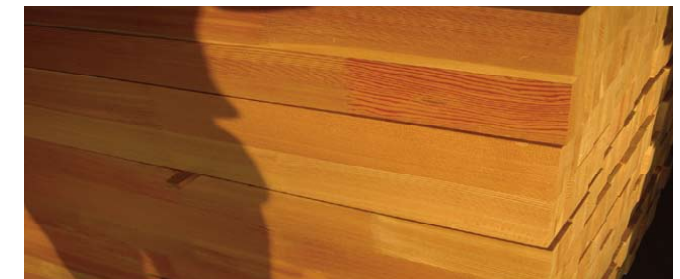
### LIONEX IN FRANCE

Lionex France deals with French importers based in the West and in the South East of France. The products are shipped to the Mediterranean port Fos sur Mer and to Atlantic ports like Le Havre, Dunkerque and to Antwerp in Belgium. Actually the main products are DRM AD and KD and Mengkulang sawn timber. Lately value added products like laminated and fingerjointed products are picking up. Species from Malaysia and Indonesia required in semi components are Durian and DRM.

Thanks to a selective sourcing of producers and professional quality control by a team of Lionex quality controllers in the countries of origin the first parcels were to great satisfaction of our customers.

Another success in France is the first order of pine table tops being sourced out of China. Together with a distributor in the south of France we developed a completely assembled set of tables and benches at a competitive price level.

The goal of Lionex France is to develop and expand a whole range of finished - and semi finished products from Malaysia, Indonesia and China in close cooperation with their partners in the French market.



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