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Reach Energy to raise RM750m from IPO

PETALING JAYA: Reach Energy Bhd, a special purpose acquisition company (SPAC), expects to raise RM750 million from its initial public offering (IPO) in conjunction with its listing on the Main Market of Bursa Malaysia.

According to its draft prospectus which was uploaded on the Securities Commission Malaysia (SC) website yesterday, its public offering comprises one billion ordinary shares at an issue price of 75 sen per share and one billion free detachable warrants on the basis of one warrant for one public share subscribed.

"We shall use the total proceeds from the IPO amounting to RM750 million for the acquisition of target company and/or asset as qualifying acquisition, our working capital requirements and to defray estimated listing expenses," said the company in the draft prospectus.

The company is a SPAC and currently has no operations or income-generating business, and intends to list as a SPAC.

It aims to establish itself as an independent Malaysia-based exploration and production (E&P) company with global and domestic operations.

The company believes that there are favourable environment and market conditions in the oil and gas (O&G) industry for its qualifying acquisition, particularly in the Asia Pacific region with established hydrocarbon basins that it intends to focus on, specifically Malaysia, Indonesia, Australia, Myanmar, Thailand, the Philippines and Vietnam.

The favourable conditions are due to the liberalisation of the O&G industry resulting in the release of development and/or production assets by NOCs and governments for independent development; improved financial viability of development and/or production assets; and economic viability for development and/or production assets to the incumbent larger IOCs and NOCs.

The drive to develop huge unconventional O&G resources is attracting the attention of larger IOCs which is opening up more opportunities

for smaller independent oil companies while the application of new techniques to improve oil recovery and enhance oil production for development and/or production assets adds to the favourable conditions.

"These opportunities will encourage new breed of small and medium but more agile independent E&P companies like our company to emerge and participate in the O&G development and production activities," said the company.

The company aims to focus on relatively low-risk development and/or production assets with a primary objective to produce O&G and generate early revenue within two years from the date of completion of the qualifying acquisition.

Post qualifying acquisition, it intends to eventually own a balanced portfolio of E&P assets with the objective of growing its reserves.

It also intends to further develop its position as a regional operator of O&G assets and to participate in the growing E&P opportunities in Malaysia.

The last date of the draft prospectus exposure is June 2, 2014. Hong Leong Investment Bank is the principal adviser, placement agent and underwriter.

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