

**DATE:** 27 JUNE 2014  
**PUBLICATION:** THE MALAYSIAN RESERVE  
**SECTION:** CORPORATE SECTION  
**HEADLINE:** REACH ENERGY UPBEAT ON IPO ATTRACTION  
**CATEGORY:** COMPANY NEWS  
**MEASUREMENT:** 326 SQ CMS

# Reach Energy upbeat on IPO attraction

*Company confident of raising RM750m from keen investors to spend on O&G assets*

by AZLI JAMIL

REACH Energy Bhd (REB) is confident of getting the support from institutions and high net-worth individuals for its upcoming initial public offering (IPO) of one billion new shares, raising RM750 million for the company to spend on oil and gas (O&G) assets.

"We are attracting a lot of interest from institutional, high net-worth individuals and retail investors for our IPO exercise and the interest has picked up even more since we received approval from the Securities Commission (SC)," CFO Azmi Arshad said at the signing of the company's underwriting agreement with Hong Leong Investment Bank Bhd in Kuala Lumpur yesterday. However, Azmi declined to provide more details about the interested parties.



Pic by Hafzi Mohamed

**CFO Azmi says the RM750m raised will be used to acquire qualifying assets within reasonable time**

The special-purpose acquisition company (SPAC), en route to a third-quarter 2014 listing on the Main Market of Bursa Malaysia Bhd, will be the largest SPAC and the first to be listed under the SC's new guideline for SPAC listing aimed to provide greater protection to investors, effective Nov 1, 2013.

"The new guideline that is more stringent includes moratorium which

bar the management team from selling their shares until the acquired assets had started commercial production and generated one full year of revenue," said Azmi.

The previous three SPACs, Sona Petroleum Bhd, Cliq Energy Bhd and Hibiscus Petroleum Bhd, raised RM550 million, RM364 million and RM235 million respectively.

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# Detachable warrants as IPO sweetener

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According to Azmi, the RM750 million raised will be used to acquire qualifying assets within reasonable time and until that happens, the company will place RM710.62 million (94.75%) of the IPO proceeds in an Islamic trust account as REB is Shariah-compliant. In addition to the ordinary shares, investors in REB will also receive free detachable warrants that are valid for eight years, acting as a sweetener to its offering, said Azmi.

MD Shahul Hamid Mohd Ismail said REB plans to acquire producing brownfield assets within the Asia-Pacific

region. However, he wouldn't say which country will be of most interest to the company.

"We will definitely seek assets where we will have management and strategy control," said Shahul.

Shahul said the company will consider buying more than one asset but qualified that all the assets have to be acquired at "one go" and not separately.

REB plans to launch its prospectus by end of July where 980 million shares will be allocated for placement to selected investors with the remaining 20 million shares for the public.