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Reach Energy to buy asset in 'shortest time possible'

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KUALA LUMPUR: Reach Energy Bhd, the fourth and largest special purpose acquisition company (SPAC) to be listed on Bursa Malaysia, expects to secure its first oil and gas asset within one to two years of its initial public offering (IPO).

The listing, which will raise RM750mil, is slated for Aug 15.

"We are not short on acquisition targets and I'm confident it will take us less than three years to complete our qualifying acquisition (QA)," managing director Shahul Hamid Mohd Ismal told reporters at the launch of the prospectus yesterday.

"Our independent researcher has found that these assets (which fit Reach Energy's criteria) are available. Oil majors are also divesting their stakes in mature fields.

"It doesn't mean the assets are bad, as international oil companies tend to rationalise their interests from time to time.

"An acquisition will take months to complete, so we don't intend to waste time or money. We will make our QA in the shortest time possible," he added.

The listing attracted seven cornerstone investors, including tycoon Tan Sri Chua Mah Yu's son Chua Sai Men, Lembaga Tabung Haji, fund managers CIMB-Principal Asset Management Bhd and Hong Leong Asset Management Bhd, MKW Jaya Sdn Bhd, MTD Capital Bhd and Paul Poh, a close associate of Hong Leong Group chairman Tan Sri Quek Leng Chan, confirming a *StarBiz* report.

The investors, who are not subject to a lock-up period, will take up a



From left: Shahul, Hong Leong Investment Bank group MD Lee Jim Leng and Reach Energy chairman Izlan Izhah.

combined 210 million shares and warrants, or 16.45% of Reach's enlarged share base.

SPACs are shell companies with no operations or income-generating business at the point of listing.

SPACs undertake an IPO to raise funds to acquire businesses or assets, otherwise known as QA.

Reach Energy aims to clinch a brownfield asset in the Asia-Pacific region with the ability to generate early revenue within two years of acquisition.

The company will sell one billion shares at 75 sen each, with 980 million shares earmarked for placement to selected investors and the balance 20 million for balloting to the Malaysian public.

Of the total IPO proceeds of

RM750mil, 94.75%, or RM710.6mil, will be placed in an Islamic trust account until the QA is approved.

Reach Energy can raise a further RM958mil when the warrants are exercised in full. The free warrants are issued on a one-for-one basis per Reach Energy share.

"We believe that we are able to create value for our shareholders by acquiring the right assets and subsequently operating and managing the assets.

"We shall achieve this objective by leveraging on our management team members, who are technical specialists with many years of practical experience in the entire value chain of the exploration and production industry.

"The quantum of proceeds raised

from our IPO will place us in a strong position to acquire brownfield assets which can generate early revenue to help fuel our future growth. We want to be the operator of these assets, as the key to success in this arena is institutionalising low cost operation," Shahul said.

He said the company aimed to establish itself as an independent Malaysia-based oil and gas exploration and production company with domestic and global operations.

"The liberalisation of the oil and gas industry in this region has resulted in the release of development and/or production assets by national oil companies and governments for independent development, which has provided us with vast investment opportunities," he added.