DATE: 18 AUGUST 2014
PUBLICATION: THE SUN
SECTION: BUSINESS SECTION
HEADLINE: REACH ENERGY WARRANTS OUTSHINE MOTHER SHARE
CATEGORY: COMPANY NEWS
MEASUREMENT: 456 SQ CMS

ADIB RAWI YAHYA/ THESUN

Shahul Hamid (right) and other directors of Reach Energy watching the company's share price during its debut on Bursa Malaysia last Friday

Reach Energy warrants outshine mother share

> Normal for a SPAC's stock to open below its IPO price, says Inter-Pacific Securities head of research

BY **PREMALATHA JAYARAMAN**
sunbiz@thesundaily.com

KUALA LUMPUR: The fourth oil and gas special purpose acquisition company (SPAC), Reach Energy Bhd, which made its debut on the main market of Bursa Malaysia last Friday, closed below the reference price of 75 sen a share but its warrants were traded higher than the mother share.

At the close, Reach Energy's share price was down 4.5 sen to 70.5 sen with 294.8 million units done. The stock hit a high of 76.5 sen and a low of 69 sen during the day.

Investors seemed to be more attracted to the latest SPAC warrants, pushing up the warrants which were issued at 0.5 sen to 22.5 sen by the end of trade. The counter was the most actively on the day, with some 556.9 million shares traded.

The company's shares opened at 72.5 sen or 2.5 sen below their issue price of 75 sen with 11.13 million shares traded while its warrants opened at 28.5 sen, before reaching a high of 29 sen and later ending the day at 22.5 sen.

Inter-Pacific Securities Sdn Bhd head of research Pong Teng Siew said it was normal for a SPAC to open below the initial public offering (IPO) price.

"Although the mother shares were traded at a discount from its IPO price, investors have made money with the warrants," he told *SunBiz* on Friday.

Reach Energy is the fourth oil and gas SPAC to be listed on the exchange after Hibiscus Petroleum Bhd, CLIQ Energy Bhd and Sona Petroleum Bhd.

Shares of CLIQ Energy Bhd, Sona Petroleum Bhd and Hibiscus Petroleum Bhd also closed below their IPO prices on their first day of listing.

Reach Energy managing director Ir Shahul Hamid Mohd Ismail said the company is keen to complete its qualifying acquisition (QA) in the Asia-Pacific region within a three-year time frame.

"We have complete confidence that with the equipped knowledge, expertise and experiences in the exploration and production of the oil and gas industry, our team will be able to expedite the process and complete the QA within the timeframe under the SPAC guidelines," he told reporters after the listing of the company on Bursa Malaysia last Friday.

"We want to get on with the task ahead. We have a three-year time frame to find a good qualifying acquisition. We have been looking and evaluating," he said.

Shahul Hamid said Reach Energy will be focusing on hydrocarbon fields in the development and production phases, with reserves calculations in the 2P reserves category (proven and probable reserves).

He said there are plenty of opportunities for the company to acquire developed production assets as national oil companies and governments in the Asia-Pacific region are releasing oil and gas assets to independent operators to enable them to maximise production and recovery in a cost effective manner.

Shahul Hamid said the company is aiming to generate an operating revenue within the first two years from the date of completion of the QA.

It raised RM750 million through the public issue of one billion new ordinary shares at an issue price of 75 sen a share, which contributed to a market capitalisation of RM958.37 million upon listing and making it the largest SPAC in the country.

Of the RM750 million, the company has placed 94.75% or RM710.62 million to be used as payment for the QA while the balance will be used for listing expenses and working capital.