REACH ENERGY BERHAD ("REACH ENERGY" OR "COMPANY")

PROPOSED PLACEMENT OF NEW ORDINARY SHARES OF RM0.01 EACH IN REACH ENERGY TO RAISE GROSS PROCEEDS OF UP TO RM180.0 MILLION ("PROPOSED PLACEMENT")

We refer to the Company's announcement dated 23 May 2016 in relation to the Proposed Placement ("**Announcement**"). Unless otherwise stated, all abbreviations used herein shall have the same meaning as those used in the Announcement.

On behalf of the Company, HLIB and Maybank IB wish to announce the following additional information:

1. Rationale for undertaking the Proposed Placement as opposed to a pro-rata issuance via rights issue

As set out in Section 2.2 of the Announcement, subject to prevailing market conditions, the Proposed Placement may be implemented in tranches within six (6) months from the date of approval of Bursa Securities for the listing of and quotation for the Placement Shares on the Main Market of Bursa Securities or any extended period as may be approved by Bursa Securities taking into consideration the then prevailing market conditions and the size of the Proposed Placement to be implemented.

In this connection, as highlighted in Section 3(i) of the Announcement, the Proposed Placement will enable Reach Energy to raise the much-needed funds, as and when required in an expeditious manner and at the same time, manage its capital base after taking into account Reach Energy group's financial performance, given that the Company has the flexibility and may implement the Proposed Placement in tranches over a period of time as opposed to a pro-rata issuance of securities via a rights issue.

Notwithstanding that the Proposed Placement will give rise to the dilution of the existing shareholdings of Reach Energy's shareholders, the Company is of the view that the Proposed Placement is the most appropriate avenue to raise funds as opposed to a rights issue due to the following:

(i) shorter implementation timeline for the Proposed Placement;

(ii) the ability to tranche the Proposed Placement at issue price(s) based on the prevailing market conditions then; and

(iii) as the Proposed Placement can be implemented in tranches, the Company would have better flexibility to plan the timing of implementation of the Proposed Placement to match the timing of funds required after taking into consideration the prevailing market conditions then as compared to a rights issue which must be implemented in one go.

2. Conditionality and timing of undertaking the Proposed Placement

Pursuant to Paragraph 6.27 of Equity Guidelines issued by the Securities Commission Malaysia ("**Equity Guidelines**"), a special purpose acquisition company ("**SPAC**") is prohibited from issuing any securities prior to the completion of the qualifying acquisition unless by way of a rights issue. In addition, pursuant to Paragraph 6.61 of the Main Market Listing Requirements of Bursa Securities, a SPAC must not undertake any new issue of securities unless it is by way of rights issue of securities.

As set out in Section 5 of the Announcement, the Proposed Placement is conditional upon the Proposed Acquisition but not vice versa, and is to be undertaken and implemented after the completion of the Proposed Acquisition. Pursuant to Paragraph 6.02 of the Equity Guidelines, completion of qualifying acquisition means the point of time whereupon all conditions precedent set out in the sale and purchase agreement governing the qualifying acquisition have been fulfilled. Accordingly, the completion of the Proposed Acquisition would be when all the conditions precedent set out in the SPA have been fulfilled or waived ("**Unconditional Date**") and the Proposed Placement will only be undertaken and implemented after the Unconditional Date.

3. Shareholders' approval for both the Proposed Acquisition and the Proposed Placement (collectively "Proposals") to be sought at the same EGM

As set out in Section 5 of the Announcement, the Proposed Placement is subject to, amongst other, approval of shareholders of Reach Energy which will be sought at the same EGM to be convened for the Proposed Acquisition. The reason of seeking the shareholders' approval for the Proposed Placement at the same EGM with the Proposed Acquisition are as follows:

(i) the shareholders of Reach Energy will be apprised of the details of the Proposals as a whole when voting at the EGM as the proceeds from the Proposed Placement is intended to be used mainly to settle the Remaining Completion Amount and/or the Deferred Consideration;

(ii) cost savings in holding only one EGM for purposes of seeking shareholders' approval; and

(iii) to address the potential cash shortfall in the trust account following any adverse movement in the foreign exchange.

This announcement is dated 26 May 2016.