



REACH ENERGY BERHAD

company no: 1034400-D
(Incorporated in Malaysia)

Report on unaudited financial results for
the period 1 January 2016
to 30 June 2016

("Interim Financial Statements")

(The figures have not been audited)

**UNAUDITED CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD 1 JANUARY 2016 TO 30 JUNE 2016**

		CUMULATIVE 6 MONTHS	CUMULATIVE 17 MONTHS
		Unaudited for the period	Audited for the period
		1 Jan 2016 to 30 June 2016	1 Aug 2014 to 31 Dec 2015
	Note	RM	RM
Other income		17,347,820	41,106,116
Operating expenses	B1	(8,792,170)	(13,347,694)
Finance costs		(20,481,953)	(49,659,568)
Loss before taxation		(11,926,303)	(21,901,146)
Income tax expenses	B6	(4,140,632)	(10,251,441)
Net loss for the period, representing total comprehensive loss for the period/year		(16,066,935)	(32,152,587)
Loss after taxation attributable to:			
Owners of the company		(16,066,935)	(32,152,587)
Total comprehensive loss for the period attributable to:			
Owners of the company		(16,066,935)	(32,152,587)
Loss for the period comprises the following:			
Realised		(16,066,724)	(32,152,587)
Unrealised		(211)	-
Basic loss per ordinary share (RM):	B7	(0.06)	(0.12)
Diluted loss per ordinary share (RM):		-	-

Note:

1) There are no comparative figures due to the change of financial year end from 31 July to 31 December.

The condensed statement of profit or loss and other comprehensive income should be read in conjunction with the audited financial statements for the period ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

REACH ENERGY BERHAD
(company no. 1034400-D)
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	Note	Unaudited As at 30 June 2016 RM	Audited As at 31 Dec 2015 RM
Non-current assets			
Property, plant and equipment	B8	171,325	304,653
		<u>171,325</u>	<u>304,653</u>
Current assets			
Receivables, deposits and prepayments		171,486	189,523
Cash and bank balances	B9	787,743,217	778,358,252
Amount due from subsidiary	B16	2,019	-
Total current assets		<u>787,916,722</u>	<u>778,547,775</u>
Total assets		<u>788,088,047</u>	<u>778,852,428</u>
Equity and liabilities			
Capital	B10	22,035,158	22,035,158
Share-based payment reserve	B11	567,393	458,810
Warrants reserve	B12	45,277,924	45,277,924
Accumulated losses		(55,300,749)	(39,233,814)
Equity attributable to owners of the Company		<u>12,579,726</u>	<u>28,538,078</u>
Non-current liabilities			
Financial liability component of the Public Issue Shares	B13	758,533,296	738,051,343
Current liabilities			
Other payables and accruals	B14	2,567,646	1,996,259
Current tax liabilities		14,407,379	10,266,748
Total current liabilities		<u>16,975,025</u>	<u>12,263,007</u>
Total liabilities		775,508,321	750,314,350
Total equity and liabilities		<u>788,088,047</u>	<u>778,852,428</u>
Net assets/ (liabilities) per share (RM)		0.01	0.02

The condensed statement of financial position should be read in conjunction with the audited financial statements for the period ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements. The Board of Directors of Reach Energy Berhad has resolved to change the financial year end of the Company from 31 July to 31 December.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 30 JUNE 2016

	----- Attributable to Equity Holders of the Company -----				
	----- Non-distributable -----				
	Capital RM	Warrant reserve RM	Share-based payment reserve RM	Accumulated losses RM	Total RM
At 31 December 2015 / 1 January 2016	22,035,158	45,277,924	458,810	(39,233,814)	28,538,078
Loss/total comprehensive expenses for the period		-	-	(16,066,935)	(16,066,935)
<i>Contributions by owners of the Company</i>					
Issuance of ordinary shares and warrants	-	-	-	-	-
Share-based payment transactions	-	-	108,583	-	108,583
At 30 June 2016	22,035,158	45,277,924	567,393	(55,300,749)	12,579,726

The condensed statement of changes in equity should be read in conjunction with the audited financial statements for the period ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements. The Board of Directors of Reach Energy Berhad has resolved to change the financial year end of the Company from 31 July to 31 December.

**UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016**

	Unaudited for the period 1 Jan 2016 to 30 Jun 2016 RM
Cash flows from operating activities	
Loss before tax	(11,926,303)
<i>Adjustments for:-</i>	
Gain on disposal of property, plant and equipment	-
Depreciation of property, plant and equipment	150,251
Finance income	(17,253,607)
Finance cost	20,481,953
Share-based payment transaction	108,583
Operating loss before changes in working capital	(8,439,123)
Changes in working capital:	
Receivables, deposits and prepayments	18,037
Other payables and accruals	571,386
Amount due from subsidiary	(2,019)
Cash used in operations	(7,851,719)
Tax paid	-
Net cash used in operating activities	(7,851,719)
Cash flows from investing activities	
Acquisition of property, plant and equipment	(16,923)
Proceeds from sale of property, plant and equipment	-
Finance income received in banks	30,372,684
Placement of deposits with licensed banks (Trust Fund)	(29,931,822)
Net cash used in investing activities	423,939
Net decrease in cash and cash equivalents	(7,427,780)
Cash and cash equivalents at beginning of period	28,427,467
Cash and cash equivalents at end of period	20,999,687

Note:

1) There are no comparative figures due to the change of financial year end from 31 July to 31 December.

The condensed statement of cash flow should be read in conjunction with the audited financial statements for the period ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

NOTES TO THE MANAGEMENT ACCOUNTS

PART A-EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS ("FRS") 134 - INTERIM FINANCIAL REPORTING

A1 Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134, Interim Financial Reporting issued by Malaysian Accounting Standards Board ("MASB") and Paragraph 9.22 of the Main Market Listing Requirement ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"). The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015.

On 25 March 2015, the Board of Directors of Reach Energy Berhad ("Company") has resolved to change the financial year end of the Company from 31 July to 31 December. Due to the change of financial year end, there are no comparative figures given for preceding year corresponding half yearly and year-to-date in the current report.

The explanatory notes attached to unaudited condensed financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Company since the financial year ended 31 December 2015.

A2 Changes in accounting policies

(a) Standards, amendments to published standards and interpretations that are applicable to the Company that are effective:

The Company has adopted the following amendments for the first time for the financial year beginning 1 January 2016:

- Annual Improvements to MFRSs 2012 - 2014 Cycle
- Amendments to MFRS 101 "Presentation of financial statements - Disclosure Initiative"
- Amendments to MFRS 116 and MFRS 138, Clarification of Acceptable Methods of Depreciation and Amortisation
- Investment Entities: Applying the Consolidation Exception (Amendments to MFRS10, MFRS12 and MFRS 128)

The impact of the new accounting standards, amendments and improvements to published standards on the interim financial statements of the Company is not material.

(b) Standards, amendments to published standards and interpretations that are applicable to the Company but not yet effective

No	Malaysian Financial Reporting Standards	Effective date
1	Amendments to MFRS 107 "Disclosure Initiative"	1 January 2017
2	Amendments to MFRS 112, Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
3	MFRS 9 "Financial Instruments"	1 January 2018
4	MFRS 15 "Revenue from contract with customers"	1 January 2018
5	MFRS 16 "Leases"	1 January 2019

The effects of the above standards, amendments to published standards, and interpretations to existing standards are currently being assessed by the Company.

The Company plans to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2017 for those accounting standards that are effective for annual periods beginning on or after 1 January 2017.
- from the annual period beginning on 1 January 2018 for those accounting standards that are effective for annual periods beginning on or after 1 January 2018.
- from the annual period beginning on 1 January 2019 for those accounting standards that are effective for annual periods beginning on or after 1 January 2019.

A3 Auditors' Opinion on Preceding Annual Financial Statements

The Company's financial statements for the financial year ended 31 December 2015 were not subject to audit qualification.

A4 Seasonality or cyclicity of operations

The company's operations are not affected by any seasonal or cyclical factors as the Company currently has no operations or income generating business.

A5 Individually significant items

Save as disclosed below, there were no significant items that affect the assets, liabilities, equity, net income or cash flow of the Company during the current financial period under review.

- i The Company has listed its shares and warrants as a Special Purpose Acquisition Company ("SPAC") on the Main Market of Bursa Malaysia Securities Berhad on 15 August 2014.
- ii Upon listing, the Company received RM750,000,000 of subscription proceeds from the IPO of which, 94.75% of the proceeds was placed in a Cash Trust Account for the purpose of completing a Qualifying Acquisition ("QA") that has an aggregate fair market value equal to at least 80% of the aggregate amount in the Cash Trust Account and the remaining 5.25% is to be utilised for working capital purposes.

A6 Material changes in estimates

There were no significant changes in estimates that have material effect on the current financial period under review.

A7 Borrowing, debt and equity security

There were no issuances, cancellation, repurchases, resale and repayments of borrowings, debt and equity securities during the financial period ended 30 June 2016.

A8 Dividend paid

There was no dividend declared or paid during the current financial period ended 30 June 2016.

A9 Segmental reporting

The segmental financial information by operating segments is not presented as the Company has no operations or income generating business.

A10 Valuation of properties, plants and equipment

There was no valuation of the property, plant and equipment performed for the current financial period under review.

A11 Material events subsequent to the end of the interim period

There were no material events after the interim period that has not been reflected in the financial statements for the interim period.

A12 Changes in the composition of the company

There were no changes in the composition of the Company during the current financial period under review.

A13 Contingent liabilities or contingent assets

There were no contingent liabilities or contingent assets as at the date of this Interim Financial Statement.

A14 Operating lease commitments

During the period, the company entered into an operating lease for the rental of office premises.

Non-cancellable operating lease rentals are payable as follow:-

	Unaudited 30 Jun 2016 RM	Audited 31 Dec 2015 RM
Less than one year	139,020	127,435
Between one and five years	115,850	-
	<u>254,870</u>	<u>127,435</u>

PART B: ADDITIONAL NOTES TO REQUIREMENTS UNDER CHAPTER 9 OF THE BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS

B1 Review of Results

For the period 1 January 2016 to 30 June 2016

Reach Energy Berhad as a Special Purpose Acquisition Company ("SPAC") will only generate operating income once it has completed the Qualifying Acquisition ("QA"). For the 6 months financial period ended 30 June 2016, the Company's income was mainly derived from profit earned from fixed deposits amounting to RM17,253,607. The major expenses were remuneration of management team, finance costs, qualifying acquisition expenses, professional fees and travelling denoted as follows:-

	CUMULATIVE 6 MONTHS	CUMULATIVE 17 MONTHS
	Unaudited for the period 1 Jan 2016 to 30 June 2016 RM	Audited for the period 1 Aug 2014 to 31 Dec 2015 RM
Salaries & wages		
Management team	1,548,240	4,033,000
Others	1,182,668	3,101,022
Qualifying acquisition expenses	4,758,986	3,452,789
Office rental & maintenance	191,151	518,535
Travelling	221,513	319,842
Share-based payment reserves	108,583	307,652
Professional fees	266,133	327,440
Depreciation	150,251	451,798
Corporate communication	54,823	160,737
Audit, accountancy, secretarial & tax	85,646	149,498
General office expenses	73,469	139,190
Others	150,707	386,191
Operating expenses	8,792,170	13,347,694
Finance costs	20,481,953	49,659,568

The finance costs represent the profit earned from amount held in the custodian account placed in Shariah-compliant deposits with licensed banks.

The expenses incurred with regards to QA primarily comprises fees for technical and commercial assessment of assets during the financial period.

B2 Material change in loss before taxation

In the period ended 30 June 2016, the Company recorded individual 6 months loss before tax of RM11,926,303. The main cost attributable to the loss before tax is operation costs.

B3 Prospects

The Company has entered into a tri-partite conditional Sale and Purchase Agreement ("SPA") on 5 March 2016 with Palaeontol Cooperatief U.A. ("Palaeontol COOP") and MIE Holdings Corporation ("MIEH"), a corporation listed on the Main Board of the Stock Exchange of Hong Kong Limited for the proposed acquisition of 60% equity interest in Palaeontol B.V. (a wholly-owned subsidiary of Palaeontol COOP which in turn is an indirect wholly-owned subsidiary of MIEH) for a total purchase consideration of USD154.889 million, subject to adjustments.

At the completion of the SPA ("Completion"), the Purchase Consideration shall be adjusted as follows:

- i either (a) increase by an amount equal to the net contribution amounts made by MIEH or its affiliates (excluding Palaeontol B.V. and Emir-Oil (collectively referred to as "Palaeontol B.V. Group")) to the Palaeontol B.V. Group or received by MIEH or its affiliates (excluding the Palaeontol B.V. Group) from the Palaeontol B.V. Group respectively from the Effective Date to the Completion Date ("Net Contribution Amount") which shall not exceed an aggregate amount of USD21 million, if such amount is positive; or (b) decrease by an amount equal to the Net Contribution Amount if such amount is negative; and
- ii increase by the Relevant Percentage of any amount recovered from a loan to Aral Petroleum Capital LLP prior to the Completion Date

(collectively referred to as the "Adjusted Purchase Consideration"), provided always that the Adjusted Purchase Consideration shall not be greater than USD175.889 million (unless otherwise agreed by MIEH and Reach Energy in the case of exceptional or extra items of expenditure for the Palaeontol B.V. Group).

B4 Profit forecast / Guarantee

The Company has not announced or disclosed any profit forecast or profit guarantee in any public documents.

B5 Purchase or disposal of quoted securities

There was no purchase or disposal of quoted securities during the financial period ended 30 June 2016.

B6 Income Tax Expense

	CUMULATIVE 6 MONTHS	CUMULATIVE 17 MONTHS
	Unaudited for the period 1 Jan 2016 to 30 June 2016 RM	Audited for the period 1 Aug 2014 to 31 Dec 2015 RM
Current tax expense	(4,140,632)	(10,251,441)

In the current year, the income tax is calculated at the statutory tax rate of 24% (31 December 2015: 25%) of the estimated assessable profit for the year as the Company no longer qualifies for the preferential tax rates under Paragraph 2A, Schedule 1 of the Income Tax Act 1967 as the Company has increased paid-up capital to more than RM2.5 million.

B7 Basic loss per ordinary share

The calculation of basic loss per ordinary share as at 30 June 2016 was based on the loss attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, as follows:-

	CUMULATIVE 6 MONTHS	CUMULATIVE 17 MONTHS
	Unaudited for the period 1 Jan 2016 to 30 Jun 2016 RM	Audited for the period 1 Aug 2014 to 31 Dec 2015 RM
Loss attributable to ordinary shareholders	(16,066,935)	(32,152,587)
Weighted average number of ordinary shares	277,822,425	277,822,425
Basic loss per ordinary share (RM)	(0.06)	(0.12)

Diluted loss per ordinary share

The fully diluted loss per share for the Company in the current financial period is not presented as the assumed conversion from the exercise of warrants and financial liability arising from public portion of the ordinary shares would be anti-dilutive.

B8 Property, plant & equipment

	Office renovation RM	Office furniture & equipment RM	IT network equipment RM	Total RM
<i>At cost</i>				
At 1 Aug 2014	104,100	135,373	26,000	265,473
Additions	403,457	228,071	36,810	668,338
Disposal	(104,100)	(107,519)	-	(211,619)
At 31 Dec 2015	403,457	255,925	62,810	722,192
<i>Accumulated Depreciation</i>				
At 1 Aug 2014	69,377	46,694	17,336	133,407
Charge for the period	301,312	117,280	33,206	451,798
Disposal	(104,100)	(63,566)	-	(167,666)
At 31 Dec 2015	266,589	100,408	50,542	417,539
NBV as at 31 Dec 2015	136,868	155,517	12,268	304,653

B8 Property, plant & equipment (continued)

	Office renovation RM	Office furniture & equipment RM	IT network equipment RM	Total RM
<i>At cost</i>				
At 1 Jan 2016	403,457	255,925	62,810	722,192
Additions	-	16,923	-	16,923
At 30 June 2016	403,457	272,848	62,810	739,115
<i>Accumulated Depreciation</i>				
At 1 Jan 2016	266,589	100,408	50,542	417,539
Charge for the period	100,950	40,098	9,203	150,251
At 30 June 2016	367,539	140,506	59,745	567,790
NBV as at 30 June 2016	35,918	132,342	3,065	171,325

B9 Cash and bank balances

	Unaudited 30 Jun 2016 RM	Audited 31 Dec 2015 RM
Cash in hand and at bank	1,312,664	22,022
Deposits with licensed Islamic banks in Malaysia	19,687,022	28,405,445
Deposits with licensed Islamic banks in Malaysia under trust account	765,240,599	735,308,778
Profit receivable from fixed deposits	181,571	145,240
Profit receivable from fixed deposits under financial liabilities	1,321,361	14,476,767
	787,743,217	778,358,252

The remaining days to maturity and effective profit for the fixed deposits with licensed banks as at 30 June 2016 for Company range from 7 to 187 days.

The Company placed 94.75% of the gross proceeds raised from its initial public offering in an Islamic Trust Account. The monies in the Islamic Trust Account may only be released by the Custodian upon acquisition of a Qualifying Asset or termination of the Islamic Trust Account.

The proceeds in the Islamic Trust Account have been invested in permitted investments which are Shariah-compliant and any profits generated from the permitted investments will accrue to the Islamic Trust Account. In the event the Company fails to complete a Qualifying Acquisition within the Permitted Timeframe, the amount then held in the Islamic Trust Account (net of any taxes payable and direct expenses related to the Liquidation Distribution) shall be distributed to the shareholders on a pro rata basis as soon as practicable in accordance with the provisions of the Act and other applicable laws and regulations.

The remaining of 5.25% of the total gross proceeds raised from the IPO is for working capital purposes.

**B10 Capital
Ordinary Share Capital**

	Number of ordinary shares		Amount	
	30 June 2016	31 Dec 2015	30 June 2016 RM	31 Dec 2015 RM
Authorised:-				
Opening balance	5,000,000,000	5,000,000,000	50,000,000	50,000,000
Issuance of ordinary shares	-	-	-	-
Closing balance	5,000,000,000	5,000,000,000	50,000,000	50,000,000
Issued and fully paid:-				
Opening balance	1,277,822,425	277,822,425	12,778,224	2,778,224
Issuance of ordinary shares	-	1,000,000,000	-	10,000,000
Closing balance	1,277,822,425	1,277,822,425	12,778,224	12,778,224

B10 Capital (continued)
Share Premium

	Unaudited 30 Jun 2016 RM	Audited 31 Dec 2015 RM
Opening balance	734,005,825	17,470,970
Issuance of ordinary shares during the period	-	740,000,000
Conversion of RCPS	-	-
Share issuance expenses	-	(23,465,145)
Closing balance	734,005,825	734,005,825
Total share capital and premium	746,784,049	746,784,049
Proceeds of shares allocated to warrant reserves	(36,357,116)	(36,357,116)
Proceeds of shares allocated to financial liability	(688,391,775)	(688,391,775)
	22,035,158	22,035,158

B11 Share-based payment reserve

The movements in the share-based payment reserves of the Company are as follows:-

	Unaudited 30 Jun 2016 RM	Audited 31 Dec 2015 RM
Opening balance	458,810	151,158
Share-based payment expensed to profit or loss	108,583	307,652
Closing balance	567,393	458,810

B12 Warrants reserve

The movements in the warrants reserves of the Company are as follows:-

	Unaudited 30 Jun 2016 RM	Audited 31 Dec 2015 RM
Opening balance	45,277,924	8,920,808
Created during the period	-	36,357,116
Closing balance	45,277,924	45,277,924

B13 Financial liability component ("FLC") of the Public Issue Shares

	Unaudited 30 Jun 2016 RM	Audited 31 Dec 2015 RM
Opening balance / 94.75% of IPO funds	738,051,343	710,625,000
Finance costs	20,481,953	49,659,568
Less: share listing expenses allowed to be offset	-	(22,233,225)
Closing Balance / Financial liability component	758,533,296	738,051,343

At the reporting date, the financial liability component is secured against the monies in the custodian trust account as disclosed in **Note B10** above. The maturity of the Financial Liability Component of the Public Issue Shares is three years from the IPO date.

B14 Other payables & accruals

	Unaudited 30 Jun 2016 RM	Audited 31 Dec 2015 RM
Other payables	1,886,262	202,908
Accruals	681,384	1,793,351
	2,567,646	1,996,259

B15 Accumulated losses

The breakdown of the accumulated loss of the Company as at 30 June 2016 and 31 December 2015, pursuant to the directive by Bursa Malaysia Securities Berhad is as follows:-

	Unaudited 30 Jun 2016 RM	Audited 31 Dec 2015 RM
Realised losses	(55,300,538)	(39,233,814)
Unrealised losses	(211)	-
	<u>(55,300,749)</u>	<u>(39,233,814)</u>

B16 Amount due from subsidiary

	Unaudited 30 Jun 2016 RM	Audited 31 Dec 2015 RM
Reach Energy Ventures Sdn Bhd		
Incorporation costs	2,019	-

BY ORDER OF THE BOARD
CHEN BEE LING (MAICSA 7046517)
TAN LAI HONG (MAICSA 7057707)

COMPANY SECRETARIES
29 August 2016