ANNOUNCEMENT EFFECT
OF THE
TRADING SUSPENSION
IN THE KLSE

CHEE WOH CHEN

Bachelor of Science
(with 1st class honours)
Universiti Kebangsaan Malaysia
Bangi, Selangor
1992

Submitted to the Faculty of Business and Accountancy,
University of Malaya, in partial fulfillment
of the requirements for the Degree of
Master of Business Administration

July 1998
ACKNOWLEDGEMENTS

I would like to express my gratitude to Dr. Leong Kai Hin, my supervisor, for his assistance, guidance, suggestions and invaluable time given to me in carrying out this research project.

Special thanks also to my wife, Ms Ban Y.F. for her undivided attention and support during the course of this MBA program. None of this would have been possible without her encouragement.
ABSTRACT

This research examines the announcement effect of trading suspensions in the KLSE. An empirical investigation is conducted by using daily stock prices from 1/1/93 to 31/12/97 for a total of 471 valid samples of suspended stocks. Market model is used to find the abnormal return associated with these suspensions. Our results indicates that the magnitudes of price adjustments associated with suspensions are consistent with substantial and permanent shifts in securities prices to retain equilibrium and the price adjustments observed are consistent with an externally efficient securities market. The results also indicates that all our subsamples i.e. both voluntary and non-voluntary suspensions, both standard and non-standard suspensions, both main and second board suspensions and both favourable and non-favourable suspensions exhibit behaviour consistent with adjustment to significant new information.
Contents

Abstract

Chapter 1 Introduction 1

Chapter 2 Literature Review 5

Chapter 3 Data and Research Methodology 11

3.1 Sources of data 11

3.2 Method of analysis 11

3.3 Classification of suspension 14

3.3.1 Voluntary versus non-voluntary suspension 14

3.3.2 Standard versus non-standard suspension 15

3.3.3 Main versus second board suspension 15

3.3.4 Favourable versus non-favourable suspension 16

3.4 Hypothesis 19

3.5 The sample 19

Chapter 4 Results 21

4.1 Total abnormal return for the entire sample and its classification by favourableness 21

4.1.1 The entire sample 21

4.1.1.1 The entire sample by favourableness suspension 23

4.2 Abnormal return for subsamples and their further classification by favourableness 26

4.2.1 Voluntary versus non-voluntary suspension 26

4.2.1.1 Voluntary versus non-voluntary suspension in respect of favourableness announcement 26
## Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.2.2 Standard versus non-standard suspension</td>
<td>30</td>
</tr>
<tr>
<td>4.2.2.1 Standard versus non-standard suspension in respect of favourableness announcements</td>
<td>30</td>
</tr>
<tr>
<td>4.2.3 Main versus second board suspension</td>
<td>34</td>
</tr>
<tr>
<td>4.2.3.1 Main versus second board suspension in respect of favourableness announcements</td>
<td>34</td>
</tr>
</tbody>
</table>

### Chapter 5 Conclusion and Recommendation

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.1 Summary and conclusion</td>
<td>39</td>
</tr>
<tr>
<td>5.2 Limitations of the research</td>
<td>41</td>
</tr>
<tr>
<td>5.3 Implications</td>
<td>41</td>
</tr>
<tr>
<td>5.4 Suggestions for additional research</td>
<td>44</td>
</tr>
</tbody>
</table>

## References

## Charts