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# KLSE Stocks Reaction to Bonus and Rights Issues

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## Abstract

This is a study on the announcement effect of bonus and rights issues in the KLSE market from 1991 to March 2001. This study also tests the distribution ratio impact, board of listing impact and observes if there is any change in the pattern of abnormal return for the issues before and after the currency crisis in 1997. I have found that there is a positive price reaction to both the bonus and rights issues announcement. All the bonus and rights issues distributions ratios generate a positive cumulative abnormal. However, a higher distribution ratio generates a higher cumulative abnormal return for bonus issues but a smaller cumulative abnormal return for rights issues. In terms of the relationship between board of listing and the abnormal return, Second Board is found to have a higher cumulative abnormal return for both the bonus and rights issues. As for the comparison before and after the currency crisis, although the period after the crisis seems to have a higher cumulative abnormal return, further investigation discovers that this is due to fact that samples in the after crisis period are dominated by shares that have a distribution ratio that are more likely to generate a higher abnormal return as well as shares from the Second Board which tends to have a higher cumulative abnormal return.

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