

## 1. Introduction

This study investigates the impact of bonus and rights issues announcement on the stocks traded in KLSE market for the period 1991 until March 2001. In an efficient market, market players would react to bonus and rights issues announcement and any price movements would be reflected on the announcement date itself. Thus, this study indirectly examines the level of efficiency of the KLSE market.

Secondly, this research analyzes the distribution ratio impact on the abnormal return. This is to determine if there is a specific ratio that would maximize the abnormal return generated or minimize any abnormal loss. Should there is such a distribution ratio; firm could consider this factor among other considerations while they want to have a bonus or rights issues.

Next, this study intends to examine if Main Board and Second Board stocks experience a different pattern in abnormal gain. That is to hypothesize that the board on which the stock is listed influence the degree of the abnormal gain.

After Asian economics crisis in 1997, the market capitalization had dropped significantly and market sentiment had also differed from the pre-crisis period. Thus, this study intends to analyze if the abnormal return expected with a bonus issues and the negative return when right issues are announced is still maintained. This study is interesting because it covers the period before as well as after the Asian economics crisis. We would be able to observe if there is any change in the pattern of abnormal return.