

**THE ANNOUNCEMENT EFFECT AND
LONG RUN PERFORMANCE
OF EQUITY PRIVATE PLACEMENT IN MALAYSIA**

NORHAFIZA NORDIN

**DOCTOR OF PHILOSOPHY
UNIVERSITI UTARA MALAYSIA
April 2012**

**THE ANNOUNCEMENT EFFECT AND
LONG RUN PERFORMANCE
OF EQUITY PRIVATE PLACEMENT IN MALAYSIA**

By

NORHAFIZA NORDIN

**Thesis Submitted to
Othman Yeop Abdullah Graduate School of Business,
Universiti Utara Malaysia,
in Fulfillment of the Requirement for the Degree of Doctor of Philosophy**



Kolej Perniagaan
(College of Business)
Universiti Utara Malaysia

PERAKUAN KERJA TESIS / DISERTASI
(*Certification of thesis / dissertation*)

Kami, yang bertandatangan, memperakukan bahawa
(*We, the undersigned, certify that*)

NORHAFIZA NORDIN

calon untuk ijazah DOCTOR OF PHILOSOPHY (FINANCE & BANKING)
(*candidate for the degree of*)

telah mengemukakan tesis / disertasi yang bertajuk:
(*has presented his/her thesis / dissertation of the following title*):

**THE ANNOUNCEMENT EFFECT AND LONG RUN PERFORMANCE OF EQUITY
PRIVATE PLACEMENT IN MALAYSIA**

seperti yang tercatat di muka surat tajuk dan kulit tesis / disertasi.
(*as it appears on the title page and front cover of the thesis / dissertation*).

Bahawa tesis/disertasi tersebut boleh diterima dari segi bentuk serta kandungan dan meliputi bidang ilmu dengan memuaskan, sebagaimana yang ditunjukkan oleh calon dalam ujian lisan yang diadakan pada :
29 Januari 2012.

That the said thesis/dissertation is acceptable in form and content and displays a satisfactory knowledge of the field of study as demonstrated by the candidate through an oral examination held on:

29 January 2012.

Pengerusi Viva
(Chairman for Viva)

: Prof. Dr. Rosli Mahmood

Tandatangan
(Signature)

Pemeriksa Luar
(External Examiner)

: Prof. Dr. Fauzias Mat Nor

Tandatangan
(Signature)

Pemeriksa Luar
(External Examiner)

: Assoc. Prof. Dr. Ruzita Abdul Rahim

Tandatangan
(Signature)

Tarikh: **29 January 2012**
(Date)

Nama Pelajar
(Name of Student)

: Norhafiza Nordin

ajuk Tesis
(Title of the Thesis)

: **The Announcement Effect and Long Run Performance of Equity
Private Placement in Malaysia**

rogram Pengajian
(Programme of Study)

: Doctor of Philosophy (Finance & Banking)

ama Penyelia/Penyelia-penyalia
(Name of Supervisor/Supervisors)

: Dr. Kamarun Nisham Taufil Mohd


Tandatangan

PERMISSIONTO USE

In presenting this thesis in fulfillment of the requirements for a postgraduate degree from Universiti Utara Malaysia, I agree that the University Library may make it freely available for inspection. I further agree that permission for copying of this thesis in any manner, in whole or in part, for scholarly purpose may be granted by my supervisor or in his absence, by the Dean of Othman Yeop Abdullah Graduate School of Business. It is understood that any copying or publication or use of this thesis or parts thereof for financial gain shall not be allowed without my written permission. It is also understood that due recognition shall be given to me and to Universiti Utara Malaysia for any scholarly use which may be made of any material from my thesis.

Request for permission to copy or to make use of the materials in this thesis, in whole or in part, should be addressed to:

Dean of Othman Yeop Abdullah Graduate School of Business,
Universiti Utara Malaysia,
06010 UUMSintok,
Kedah DarulAman

ABSTRACT

This study offers evidence concerning the announcement effect and long run performance of equity private placements in Malaysia for the period 1999 to 2007. Unlike public placements, previous studies document positive announcement effect but negative long run performance for private placements. Monitoring hypothesis and information hypothesis are two prevailing hypotheses that have been used to explain the positive announcement effect; while “windows of opportunity”, managerial entrenchment, and investors’ overoptimisms are used to explain the poor long run performance. Malaysian firms are governed by different regulations; therefore, the impact of issuing private placements might not be the same for Malaysian market. For example, issuance of private placement in Malaysia is limited to 10 percent of the firm’s issued and paid up capital with not more than two percent can be placed to one placee. With only two percent of shares, the investor will not be able to influence management behavior through his or her voting power and becomes a passive investor. As a result of this, equity private placements in Malaysia might not increase monitoring as claimed by previous studies but instead solidify the managers’ and substantial shareholders’ control over the firm. This study fills the gap in current literature by investigating the impact of equity private placements in Malaysia using event study methodology to examine the announcement effect; while CAR and BHAR methods are used to examine the long run performance. Inconsistent with previous studies, zero announcement effect is found for Malaysian market. Nevertheless, similar to previous studies, the result reveals an evidence of long run underperformance of equity private placements in Malaysia using market index as a benchmark. In general, the results of this study contribute to the existing literature by providing evidence that equity private placement in Malaysia does not support monitoring hypothesis and information (certification) hypothesis.

Keywords: Private Placements, Announcement Effect, Long Run Performance

ABSTRAK

Kajian ini adalah mengenai kesan pengumuman dan prestasi jangka panjang tawaranpersendirianekuitidi Malaysia bagi tempoh 1999 hingga 2007. Tawaran persendirian mempunyai kesan pengumuman yang positif tetapi kesan jangka panjang yang negatif. Hipotesis pemantauan dan hipotesis maklumat seringkali digunakan untuk menerangkan kesan pengumuman positif, manakala “*windows of opportunity*”, pengukuhan pengurusan (*managerial entrenchment*), dankeyakinan melampau pelabur (*investors' overoptimisms*) pula seringkali dikaitkan dengan prestasi jangka panjang yang tidak memberansangkan. Persekitaran yang berbeza, memungkinkan kesan menerbitkan tawaran persendirian di Malaysia tidak sama dengan kesan di pasaran lain. Contohnya, penawaran adalah terhad kepada 10 peratus modal berbayar, dengan dua peratus saham dihadkan kepada seorang pelabur. Dengan hanya dua peratus saham, pelabur tersebut hanya akan menjadi pelabur yang pasif. Disebabkan itu, tawaranpersendirian di Malaysia mungkin tidak meningkatkan pemantauan tetapi sebaliknya mengukuhkan kedudukan pengurus dan pemegang saham terbesar. Kajian ini mengisi jurang dalam kajian semasa dengan mengkaji kesan tawaranpersendirianekuitidi Malaysia menggunakan metodologi kajian peristiwa untuk mengkaji kesan pengumuman; manakala kaedah CAR dan BHAR digunakan untuk mengkaji prestasi jangka panjang. Tidak selaras dengan kajian terdahulu, pengumuman kesan sifar dijumpai untuk pasaran Malaysia. Walau bagaimanapun, seperti kajian terdahulu, keputusankajianmenunjukkanprestasijangkapanjang firma-firma Malaysia yang menerbitkantawaranpersendirianekuiti adalah lebihrendahberbandingdenganindekspasaran. Umumnya, kajian ini menunjukkan bahawa tawaran persendirian ekuiti di Malaysia tidak menyokong hipotesis pemantauan dan hipotesis pemantauan.

Kata kunci: Tawaran Persendirian, Kesan Pengumuman, Prestasi Jangka Panjang

ACKNOWLEDGEMENTS

I am most indebted to my supervisor - Dr. KamarunNishamTaufilMohd for all theexpert guidance, encouragement, and commitment in helping me to complete my thesis. Above all, I am pleased to thank my husband- Ahmad Afzal Abdullah Mubarak, my daughter - ArissaNurdina Ahmad Afzal, my parents, other family members, and friends whom have been very encouraging and supportive during these enduring years. Their supports and inspirations have given me strength and confidence to keep moving ahead.I would also like to thank Mrs. Nor Hanna Mustapha of Affin Investment Bank Berhadand Mr.MohdIrtizaAzmel of Alliance Investment Bank Berhadfor providing invaluable and useful information regarding private placement practices in Malaysia. Not to forget the helpful comments and suggestions from anonymous referees and participants at Malaysia-Indonesia International Conference on Economics, Management, and Accounting 2010 and 13th Malaysian Finance Association Conference 2011. Lastly but not least, the financial support from Malaysian Government and Universiti Utara Malaysia is greatly acknowledged.

TABLE OF CONTENTS

	Page
PERMISSION TO USE	i
ABSTRACT	ii
ABSTRAK	iii
ACKNOWLEDGEMENTS	iv
TABLE CONTENTS	v
LIST OF TABLES	viii
LIST OF FIGURES	xi
LIST OF ABBREVIATIONS/NOTATIONS/GLOSSARY OF TERMS	xii
CHAPTER 1: INTRODUCTION	1
1.0 Introduction	1
1.1 Background of the Study	1
1.2 Development and Regulatory Requirements of Private Placements in Malaysia	8
1.3 Problem Statement	17
1.4 Research Questions	23
1.5 Research Objectives	23
1.6 Significance of the Study	24
1.7 Scope of the Study	26
1.8 Organization of the Study	27
CHAPTER 2: LITERATURE REVIEW	28
2.0 Introduction	28
2.1 Theoretical Framework	28
2.1.1 Information Asymmetry	29
2.1.2 Investment Opportunity Effects	34
2.1.3 Optimal Capital Structure	36
2.1.4 Agency Cost, Monitoring, and Managerial Entrenchment	38
2.1.5 Liquidity	44
2.1.6 Underwriter Reputation	47
2.2 Introduction: Economic Gains of Private Placements	54
2.2.1 Announcement Effects	55
2.2.2 Long Run Performance	61
2.3 Chapter Summary	67
CHAPTER 3: METHODOLOGY	72
3.0 Introduction	72
3.1 Data Sources and Sample Description	72
3.2 Methodologies for Announcement Effect and Long Run Performance	73

3.2.1	Announcement Effect	74
3.2.2	Independent Variables and Hypotheses	
	Development for Cross-Sectional Analysis of	
	Announcement Effects	81
i.	Information Asymmetry	83
ii.	Investment Opportunity Effects	84
iii.	Leverage	86
iv.	Discontinuation of Private Placement	88
v.	Ownership Structure Effect	88
vi.	Underwriter Reputation	90
vii.	Past Performance	91
viii.	Liquidity	92
3.2.3	Long Run Performance	96
3.2.4	CAR versus BHAR	102
3.3	Chapter Summary	104
 CHAPTER 4: EMPIRICAL FINDINGS AND DISCUSSIONS OF ANNOUNCEMENT EFFECTS AND MULTIVARIATE REGRESSION ANALYSIS		
4.0	Introduction	105
4.1	Sample of the Study	107
4.2	Findings: Announcement Effects of Private Placements	109
4.3	Market Model versus Market Adjusted Returns Model	126
4.4	Independent Variables Descriptive Statistics	127
4.5	Findings: Multivariate Regression Analysis	135
4.6	ChapterSummary	155
 CHAPTER 5: EMPIRICAL FINDINGS AND DISCUSSIONS OF LONG RUN PERFORMANCE		
5.0	Introduction	159
5.1	Findings: Long Run Performance Private Placements	159
5.1.1	Findings: All Sample Firms	162
i.	Cumulative Abnormal Returns (CARs)	162
ii.	Buy-and-hold Abnormal Returns (BHARs)	167
5.1.2	Findings: Large Firms versus Small Firms	172
5.2	Discussion	185
5.3	Chapter Summary	189
 CHAPTER 6: CONCLUSION AND RECOMMENDATIONS		
6.0	Introduction	194
6.1	Overview of the Study	194
6.2	Summary of Findings	196
6.3	Implications of Findings	201

6.4	Limitations and Suggestions for Future Research	203
REFERENCES		207
APPENDICES		
Appendix A:Example of Private Placement Announcement Posted on Bursa Malaysia’s Website		212
Appendix B:Example of Proposed Private Placement Abortion Posted on Bursa Malaysia’s Website		216
Appendix C:Example of Private Placement Price Fixing Announcement Posted on Bursa Malaysia’s Website		217
Appendix D:Example of Securities Commission’s Approval Posted on Bursa Malaysia’s Website		218
Appendix E:Example of Private Placement Listing Announcement Posted on Bursa Malaysia’s Website		219

LIST OF TABLES

	Page	
1.1	Mean discounts of private placements	6
1.2	Price fixing guidelines milestones	14
1.3	Major rules and regulations of issuing private placements in Malaysia, Singapore, New Zealand, and United States	17
2.1	Announcement effects of private placements	56
2.2	Long run abnormal returns of private placements	62
2.3	Previous studies on private placements	68
3.1	Definitions of dependent and independent variables	82
3.2	Summary of explanatory variables and their expected signs	95
4.1	Private placement announcement sample	107
4.2	Private placement announcements by year	108
4.3	Average abnormal returns (AARs) using market model over seven-day period	110
4.4	Average abnormal returns (AARs) using market adjusted returns model over seven-day period	110
4.5	AARs for “clean” groups using market model over seven-day period	111
4.6	AARs for “clean” groups using market adjusted returns model over seven-day period	112
4.7	Cumulative average abnormal returns (CAARs) using MM and MAR	115
4.8	Cumulative average abnormal returns (CAARs) of “clean” groups using MM and MAR	118
4.9	CAARs of “clean - aborted” and “clean – success” groups using MM and MAR	120
4.10	Independent variables descriptive statistics	128

4.11	Correlation matrix of independent variables in the regression equation and multicollinearity test (Variance Inflation Factor@VIF)	134
4.12	Multivariate regression	136
4.13	Multivariate regression (excluding LNMV)	150
4.14	Multivariate regression (excluding MAIN)	151
4.15	Multivariate regression (excluding outlier of the firm size: the largest firm in this sample is GentingBerhad)	152
4.16	Multivariate regression	153
4.17	Multivariate regression	155
5.1	Goodness of fit of the matching firms	161
5.2	Levene's Test for equality variances	161
5.3	Summary of equal- and value-weighted cumulative raw returns, for 36-month period after the issuing date	163
5.4	Summary of equal- and value-weighted CAARs adjusted for market, for 36-month period after the issuing date	165
5.5	Summary of equal- and value-weighted CAARs adjusted for control matched firms, for 36-month period after the issuing date	166
5.6	Summary of equal- and value-weighted buy-and-hold raw returns, for 36-month period after the issuing date	168
5.7	Summary of equal- and value-weighted ABHARs adjusted for market, for 36-month period after the issuing date	169
5.8	Summary of equal- and value-weighted ABHARs adjusted for control matched firms, for 36-month period after the issuing date	171
5.9	Summary of value-weighted CAARs and ABHARs of large and small firms adjusted for market, for 36-month period after the issuing date	174
5.10	Summary of value-weighted CAARs and ABHARs of large firms adjusted for control matched firm, for 36-month period after the issuing date	175

5.11	Summary of value-weighted CAARs and ABHARs of small firms adjusted for control matched firm, for 36-month period after the issuing date	176
5.12	Summary of value-weighted CAARs and ABHARs adjusted for market when the largest firm is excluded, for 36-month period after the issuing date	179
5.13	Summary of value-weighted CAARs and ABHARs adjusted for control matched firm when the largest firm is excluded, for 36-month period after the issuing date	180

LIST OF FIGURES

	Page	
1.1	Funds raised in Malaysian capital market via private placement	9
3.1	Theoretical framework: determinants of abnormal returns	94
4.1	Private placement announcements by board listed	108
4.2	AARs for “clean” groups using both market model and market adjusted returns model over 21-day period	113
4.3	Cumulative average abnormal returns measured by market model	124
4.4	Cumulative average abnormal returns measured by market adjusted returns model	125
4.5	The intended use of proceeds	129
4.6	Percentage of successful placements against aborted placements	130
4.7	Levels of ownership concentration before and after private placement	131
5.1	Equal- and value-weighted cumulative raw returns for the three-year period	163
5.2	Equal- and value-weighted buy-and-hold raw returns for the three-year period	168
5.3	Equal-weighted CAARs for the three-year period	181
5.4	Value-weighted CAARs for the three-year period	182
5.5	Equal-weighted ABHARs for the three-year period	183
5.6	Value-weighted ABHARs for the three-year period	184

LIST OF ABBREVIATIONS/NOTATIONS/GLOSSARY OF TERMS

AAR	Average Abnormal Return
AGM	Annual General Meeting
AHPAR	Average Holding Period Return
AMEX	American Stock Exchange
BHAR	Buy-and-Hold Abnormal Return
CAR	Cumulative Abnormal Return
CAAR	Cumulative Average Abnormal Return
CDS	Central Depository System
CIC	Capital Issues Committee
IPO	Initial Public Offering
KLCI	Kuala Lumpur Composite Index
KLSE	Kuala Lumpur Stock Exchange
MAR	Market Adjusted Returns Model
MESDAQ	Malaysian Exchange of Securities Dealing and Automated Quotation
MM	Market Model
NASDAQ	National Association of Securities Dealers Automated Quotation
NDP	National Development Policy
NPV	Net Present Value
NYSE	New York Stock Exchange
NZSE	New Zealand Stock Exchange
OLS	Ordinary Least Squares
OTC	Over-The-Counter
SC	Securities Commission
SEO	Seasoned Equity Offering
UK	United Kingdom
US	United States
VIF	Variance Inflation Factor

CHAPTER 1

INTRODUCTION

1.0 Introduction

This chapter starts with Section 1.1 which provides the background of the study. Section 1.2 presents an overview of the development and regulatory requirements of private placements in Malaysia. Problem statement is then covered in Section 1.3, followed by research questions and research objectives in Sections 1.4 and 1.5 respectively. Section 1.6 explains the significance of the study while Section 1.7 covers the scope of the study. Finally, Section 1.8 illustrates the organization of the study and Section 1.9 summarizes the chapter.

1.1 Background of the Study

The effect of equity private placement has been extensively researched in the developed market especially in the US market but little has been done in Malaysian market. This study investigates the announcement effect and the long run stock price performance of firms which conduct equity private placements (seasoned equity offerings) in Malaysia from the year 1999 to 2007. In addition, this study also examines the determinants of the performance pattern. In particular, this study measures the average abnormal returns surrounding the event dates of equity private placement announcements, investigates the factors that could possibly explain the price behavior of

The contents of
the thesis is for
internal user
only

REFERENCES

Abdul Samad, F. (2002). *Ownership Structure in the Malaysian Corporation Sector: Its Impact on Corporate Governance Performance, Financing and Investment Patterns*. Working Paper Series 23. Centre on Regulation and Competition: Institute for Development Policy and Management, University of Manchester, UK.

Ahmad-Zaluki, N. A., Campbell, K., & Goodacre, A. (2007). The Long Run Share Price Performance of Malaysian Initial Public Offerings (IPOs). *Journal of Business Finance & Accounting*, 34, 78-110.

Amihud, Y., & Mendelson, H. (1986). Asset Pricing and the Bid-Ask Spread. *Journal of Financial Economics*, 17, 223-249.

Anderson, H. D. (2006). Discounted Private Placements in New Zealand: Exploitation or Fair Compensation? *Review of Pacific Basin Financial Markets and Policies*, 9, 533-548.

Ariff, M., & Lau, K. C. H. (1996). Relative Capital Structure and Firm Value. *International Journal of Finance*, 8, 391-410.

Asquith, P., & Mullins, D. W. (1986). Equity Issues and Offering Dilution. *Journal of Financial Economics*, 15, 61-89.

Barbee, W. C., Mukherji, S., & Raines, G. A. (1996). Do Sales-Price and Debt-Equity Explain Stock Returns Better than Book-Market and Firm Size? *Financial Analysts Journal*, March/April, 56-60.

Barber, B. M., & Lyon, J. D. (1997). Detecting Long-Run Abnormal Stock Returns: The Empirical Power and Specification of Test Statistics. *Journal of Financial Economics*, 43, 341-372.

Barclay, M. J., Holderness, C. G., & Sheehan, D. P. (2007). Private Placements and Managerial Entrenchment. *Journal of Corporate Finance*, 13, 461-484.

Beatty, R. P., & Ritter, J. R. (1986). Investment Banking, Reputation, and the Underpricing of Initial Public Offerings. *Journal of Financial Economics*, 15, 213-232.

Bhandari, L. C. (1988). Debt/Equity Ratio and Expected Common Stock Returns: Empirical Evidence. *Journal of Finance*, 43, 507-528.

Booth, J. R., & Smith, R. L. (1986). Capital Raising, Underwriting and the Certification Hypothesis. *Journal of Financial Economics*, 15, 261-281.

Brav, A., & Gompers, P. A. (1997). Myth or Reality? The Long-Run Underperformance of Initial Public Offerings: Evidence from Venture and Nonventure Capital-Backed Companies. *Journal of Finance*, 52, 1791-1821.

Brooks, L. D., & Graham, J. E. (2005). Equity Private Placements, Liquid Assets, and Firm Value. *Journal of Economics and Finance*, 29, 321-336.

Brown, S. J., & Warner, J. B. (1985). Using Daily Stock Returns: the Case of Event Studies. *Journal of Financial Economics*, 14, 3-31.

Cai, J. (1998). The Long Run Performance Following Japanese Rights Issues. *Applied Financial Economics*, 8, 419-434.

Carter, R. B. (1992). Underwriter Reputation and Repetitive Public Offerings. *Journal of Financial Research*, 15, 341-354.

Carter, R., & Manaster, S. (1990). Initial Public Offerings and Underwriter Reputation. *Journal of Finance*, 45, 1045-1067.

Carter, R. B., Dark, F. H., & Singh, A. K. (1998). Underwriter Reputation, Initial Returns, and the Long-Run Performance of IPO Stocks. *Journal of Finance*, 53, 285-311.

Chan, L. K. C., Hamao, Y., & Lakonishok, J. (1991). Fundamentals and Stock Returns in Japan. *Journal of Finance*, 46, 1739-1764.

Chen, A.-S., Cheng, L.-Y., Cheng, K.-F., & Chih, S.-W. (2010). Earnings Management, Market Discounts and the Performance of Equity Private Placements. *Journal of Banking and Finance*, 34, 1922-1932.

Chen, S.-S., Ho, K. W., Lee, C.-F., & Yeo, G. H. H. (2002). Long-run Stock Performance of Equity-Issuing Firms: The Case of Private Placements in Singapore. *Review of Pacific Basin Financial Markets and Policies*, 5, 417-438.

Chordia, T., Subrahmanyam, A., & Anshuman, V. R. (2001). Trading Activity and Expected Stock Returns. *Journal of Financial Economics*, 59, 3-32.

Claessens, S., & Fan, J. P. H. (2002). Corporate Governance in Asia: A Survey. *International Review of Finance*, 3, 71-103.

Claessens, S., Djankov, S., Fan, J. P. H., & Lang, L. H. P. (2002). Disentangling the Incentive and Entrenchment Effects of Large Shareholdings. *Journal of Finance*, 57, 2741-2771.

Cooney, J. W., Kato, H. K., & Schallheim, J. S. (2003). Underwriter Certification and Japanese Seasoned Equity Issues. *Review of Financial Studies*, 16, 949-982.

Cornett, M. M., & Travlos, N. G. (1989). Information Effects Associated with Debt-For-Equity and Equity-For-Debt Exchange Offers. *Journal of Finance*, 44, 451-468.

Cronqvist, H., & Nilsson, M. (2005). The Choice between Rights Offerings and Equity Private Placements. *Journal of Financial Economics*, 78, 375-407.

Denis, D. J. (1994). Investment Opportunities and the Market Reaction to Equity Offerings. *Journal of Financial and Quantitative Analysis*, 29, 159-177.

Dierkens, N. (1991). Information Asymmetry and Equity Issues. *Journal of Financial and Quantitative Analysis*, 26, 181-199.

Fama, E. (1970). Efficient Capital Markets: a Review of Theory and Empirical Work. *Journal of Finance*, 25, 383-417.

Fama, E. F. (1998). Market Efficiency, Long-term Returns, and Behavioral Finance. *Journal of Financial Economics*, 49, 283-306.

Fama, E. F., & French, K. R. (1992). The Cross-Section of Expected Stock Returns. *Journal of Finance*, 47, 427-465.

Fama, E. F., & French, K. R. (1993). Common Risk Factors in the Returns on Stocks and Bonds. *Journal of Financial Economics*, 33, 3-56.

Fama, E. F., & Jensen, M. (1983). Separation of Ownership and Control. *Journal of Law and Economics*, 26, 301-326.

Ferreira, E. J., & Brooks, L. D. (1999). Evidence on Equity Private Placements and Going-Out-of-Business Information Release. *Journal of Economics and Business*, 51, 377-394.

Goh, J., Gombola, M. J., Lee, H. W., & Liu, F.-Y. (1999). Private Placement of Common Equity and Earnings Expectations. *Financial Review*, 34, 19-32.

Gompers, P. A., & Lerner, J. (2003). The Really Long-Run Performance of Initial Public Offerings: The Pre-Nasdaq Evidence. *Journal of Finance*, 58, 1355-1392.

Gujarati, D. N. (2003). *Basic Econometrics*. New York: McGraw-Hill/Irwin.

Harris, S. (2004). The Long Term Performance of UK Stocks after Making Rights Issues. *Journal of Asset Management*, 4, 308-317.

Helou, A., & Park, G. (2001). Is There A Signaling Effect of Underwriter Reputation? *Journal of Financial Research*, 24, 27-43.

Hertzel, M., & Smith, R. L. (1993). Market Discounts and Shareholder Gains for Placing Equity. *Journal of Finance*, 48, 459-484.

Hertzel, M., & Rees, L. (1998). Earnings and Risk Changes around Private Placements of Equity. *Journal of Accounting, Auditing and Finance*, 13, 21-35.

Hertzel, M., Lemmon, M., Linck, J. S., & Rees, L. (2002). Long-Run Performance following Private Placements of Equity. *Journal of Finance*, 57, 2595-2617.

Hiau Abdullah, N. A. (2000). Event Study Analysis and Market Efficiency: A Critical Review. *Utara Management Journal*, 1, 1-28.

Ho, C.-C., Lee, C.-C., Lin, C.-T., & Wang, C. E. (2005). Liquidity, Volatility and Stock Price Adjustment: Evidence from Seasoned Equity Offerings in an Emerging Market. *Review of Pacific Basin Financial Markets and Policies*, 8, 31-51.

Huberman, G., & Halka, D. (2001). Systematic Liquidity. *Journal of Financial Research*, 24, 161-178.

Jain, P. C. (1986). Analyses of the Distribution of Security Market Model Prediction Errors for Daily Returns Data. *Journal of Accounting Research*, 24, 76-96.

Jegadeesh, N. (2000). Long-Term Performance of Seasoned Equity Offerings: Benchmark Errors and Biases in Expectations. *Financial Management, Autumn*, 5-30.

Jelic, R., Saadouni, B., & Briston, R. (2001). Performance of Malaysian IPOs: Underwriters Reputation and Management Earnings Forecasts. *Pacific Basin Finance Journal*, 9, 457-486.

Jensen, M. C. (1986). Agency Costs of Free Cash Flow, Corporate Finance, and Takeovers. *American Economic Review*, 76, 323-329.

Jensen, M. C., & Meckling, W. H. (1976). Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure. *Journal of Financial Economics*, 3, 305-360.

Jung, K., Kim, Y.-C., & Stulz, R. M. (1996). Timing, Investment Opportunities, Managerial Discretion, and the Security Issue Decision. *Journal of Financial Economics*, 42, 159-185.

Kato, K., & Schallheim, J. S. (1993). Private Equity Financings in Japan and Corporate Grouping (Keiretsu). *Pacific Basin Finance Journal*, 1, 287-307.

Keene, M. A., & Peterson, D. R. (2007). The Importance of Liquidity as a Factor in Asset Pricing. *Journal of Financial Research*, 30, 91-109.

Krishnamurthy, S., Spindt, P., Subramaniam, V., & Woidtke, T. (2005). Does Investor Identity Matter in Equity Issues? Evidence from Private Placements. *Journal of Financial Intermediation*, 14, 210-238.

Lee, H. W., & Kocher, C. (2001). Firm Characteristics and Seasoned Equity Issuance Method: Private Placement versus Public Offering. *Journal of Applied Business Research*, 17, 23-36.

Lewellen, J. (1999). The Time-Series Relations among Expected Return, Risk, and Book-to-Market. *Journal of Financial Economics*, 54, 5-43.

Loughran, T., & Ritter, J. R. (1995). The New Issues Puzzle. *Journal of Finance*, 50, 23-51.

Loughran, T., & Ritter, J. R. (1997). The Operating Performance of Firms Conducting Seasoned Equity Offerings. *Journal of Finance*, 52, 1823-1850.

Lucas, D. J., & McDonald, R. L. (1990). Equity Issues and Stock Price Dynamics. *Journal of Finance*, 45, 1019-1043.

Lyon, J. D., Barber, B. M., & Tsai, C.-L. (1999). Improved Methods for Tests of Long-Run Abnormal Stock Returns. *Journal of Finance*, 54, 165-201.

Marsden, A. (2000). Shareholder Wealth Effects of Rights Issues: Evidence from the New Zealand Capital Market. *Pacific Basin Finance Journal*, 8, 419-442.

Masulis, R. W. (1983). The Impact of Capital Structure Change on Firm Value: Some Estimates. *Journal of Finance*, 38, 107-126.

Masulis, R. W. (1988). *The Debt/Equity Choice*. Cambridge, Massachusetts: Ballinger Publishing Company.

Masulis, R. W., & Korwar, A. N. (1986). Seasoned Equity Offerings: An Empirical Investigation. *Journal of Financial Economics*, 15, 91-118.

McConnell, J. J., & Muscarella, C. J. (1985). Corporate Capital Expenditure Decisions and the Market Value of the Firm. *Journal of Financial Economics*, 14, 399-422.

MacKinlay, A. C. (1997). Event Studies in Economics and Finance. *Journal of Economic Literature*, 35, 13-39.

Mikkelsen, W. H., & Partch, M. M. (1986). Valuation Effects of Security Offerings and the Issuance Process. *Journal of Financial Economics*, 15, 31-60.

Miller, M. H., & Rock, K. (1985). Dividend Policy under Asymmetric Information. *Journal of Finance*, 40, 1031-1051.

Mitchell, M. J., & Stafford, E. (2000). Managerial Decisions and Long-Term Stock Price Performance. *Journal of Business*, 73, 287-329.

Molin, J. (1996). *Shareholder Gains from Equity Private Placements: Evidence from the Stockholm Stock Exchange*. Working Paper Series 101. The Economic Research Institute: Stockholm School of Economics, Sweden.

Morck, R., Shleifer, A., & Vishny, R. W. (1988). Management Ownership and Market Valuation. *Journal of Financial Economics*, 20, 293-315.

Myers, S. C., & Majluf, N. S. (1984). Corporate Financing and Investment Decisions When Firms Have Information That Investors Do Not Have. *Journal of Financial Economics*, 13, 187-221.

Nassir, A. M., & Mohamad, S. (1993). What to Look for in a Right Issue. *Investors Digest*, June, 12-13.

Phoon, M. K. (1990). Rights Issue and Its Effect on Security Prices. *Malaysian Management Review*, 25, 41-48.

Pilotte, E. (1992). Growth Opportunities and the Stock Price Response to New Financing. *Journal of Business*, 65, 371-394.

Ritter, J. R. (1991). The Long-Run Performance of Initial Public Offerings. *Journal of Finance*, 46, 3-27.

Salamudin, N., Ariff, M., & Nassir, A. M. (1999). Economic Influence on Rights Issue Announcement Behavior in Malaysia. *Pacific-Basin Finance Journal*, 7, 405-427.

Shleifer, A., & Vishny, R. W. (1997). A Survey of Corporate Governance. *Journal of Finance*, 52, 737-783.

Tan, R. S. K., Chng, P. L., & Tong, Y. H. (2002). Private Placements and Rights Issues in Singapore. *Pacific Basin Finance Journal*, 10, 29-54.

Taufil Mohd, K. N. (2007). Regulations and Underpricing of IPOs. *Capital Markets Review*, 15, 1-27.

Taufil Mohd, K. N., & Abdul Latif, R. (2007). *The Long Run Performance of Initial Public Offerings in Malaysia*. Paper presented at the MFA's 9th Annual Conference, Shah Alam, Malaysia.

Viswanath, P. V. (1993). Strategic Considerations, the Pecking Order Hypothesis, and Market Reactions to Equity Financing. *Journal of Financial and Quantitative Analysis*, 28, 213-234.

Wruck, K. H. (1989). Equity Ownership Concentration and Firm Value: Evidence from Private Equity Financings. *Journal of Financial Economics*, 23, 3-28.

Wruck, K. H., & Wu, Y. (2009). Relationships, Corporate Governance, and Performance: Evidence from Private Placements of Common Stock. *Journal of Corporate Finance*, 15, 30-47.

Wu, Y. (2004). The Choice of Equity-Selling Mechanisms. *Journal of Financial Economics*, 74, 93-119.