



**IPO MARKET:
REACTION TO LOCK-UP PROVISION**

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JUNE 2016

ACKNOWLEDGEMENT

Alhamdulillah,

First and foremost, I would like to praise to Allah Almighty because I was able to finish and complete this research paper as a part of fulfillment to complete my Bachelor of Business Administration (Hons) in Finance. With his blessing, I was strongly motivated and glad for the inspiration in finishing this research paper.

Special gratitude goes to my advisor En Syamsyul bin Samsudin for his valuable advice and guidance. Without his encouragement and guidance, this research paper would not have finalized as he motivate and inspired me greatly.

Apart from our efforts, the success of any project depends largely on the encouragement and guidelines of others. I would like to take this opportunity to express my gratitude to the people who have been instrumental in the successful completion of this assignment. The guidance and support I received from all members who to this assignment, was vital for the success of it. Yet importantly, I also would like to express my heartfelt thanks to my beloved parents for their blessings and support. Hopefully, the effort to complete this assignment can help the future generation to use it as a part of their guidance during their learning process. Thank You.

ABSTRACT

This research paper was conducted to find out the reaction of lock-up provision towards IPO market where it is measure by observing the market reaction in terms of price and volume. The data needed is retrieved from Yahoo Finance and Bursa Malaysia which comprises of 30 listed companies from Main Market in Bursa Malaysia from year 2012 until 2015. The time frame of the research is 30 days before and 30 days after expiration of lock-up period. Methodology used in this research is t-test which is used to determine the significant of average abnormal return (AAR) and average abnormal volume (AAV) by using standard deviation of average abnormal return and average abnormal volume. The findings of this research showed that price and volume do not react to the expiration of lock-up period which means no significant results. Hopefully, the result of this research paper will help investors to make an investment decision by choosing the right time to buy and sell stock in order to maximize profit and minimize losses.

TABLE OF CONTENT

| | |
|---|-----|
| DECLARATION OF WORK..... | i |
| LETTER OF SUBMISSION..... | ii |
| ACKNOWLEDGEMENT..... | iii |
| ABSTRACT..... | iv |
| TABLE OF CONTENT..... | v |
| CHAPTER 1: INTRODUCTION..... | 1 |
| 1.1 Initial Public Offering..... | 1 |
| 1.2 Malaysian Stock Market and IPO..... | 2 |
| 1.3 Initial Public Offerings – General Requirement..... | 3 |
| 1.4 Features of Initial Public Offerings (IPO)..... | 5 |
| 1.5 The Approval Process of Initial Public Offerings in Malaysia..... | 6 |
| 1.6 Listing Process of Initial Public Offerings in Malaysia..... | 7 |
| 1.7 Lockup Provision..... | 9 |
| 1.8 Rules and Regulation of Lockup Provision..... | 9 |
| 1.9 Problem Statement..... | 10 |
| 1.10 Research Objective..... | 13 |

CHAPTER 1: INTRODUCTION

1.1 Initial Public Offering

Initial public offering can be defined as a sale of stock to the public for the first time. A company can raise money by issuing debt or equity. IPO was known as a company that never issued equity to the public. There are several reasons that have been proposed why the company want to go to the public. IPOs make the company shares to become more liquid that also can lead to the increase in terms of firm value. It is also known as overpricing which means that the pricing of initial public offering was above its market price. If we are going depth on why company want to goes public we would understand that the true reason behind going IPO was to overprice the share offering. This is because the primary purpose of a company to do an IPO is to raise money as much as possible.

The company goes public with the aim that they want the company being recognized by outsiders such as analysts, investors and banks. By doing IPO, it can enhance the value of the firm. Furthermore, the IPO can give the advantage to company by having their shares publicly traded on a stock exchange. By doing so the company are able to raise additional funds through the issuance of more stock. Company also can offer securities in the acquisition of other company.