

**The Analysis of Performance of Reverse
Takeover Companies Prior To The
Announcement Period of The KLSE 1st &
2nd Board Quoted Companies.**

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*"BY THE NAME OF ALLAH, LORD OF MERCIFUL AND THE
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ABSTRACT

This research analyses the performance of the Reverse Takeover companies prior to the announcement period. The sample is selected from 1st and 2nd board companies quoted in Kuala Lumpur Stock Exchange (KLSE). The study focused five years before the announcement period.(1988/89- 92/93).

The result of the study suggested that the majority of the selected target companies' performance prior to the announcement period are not similar to its industry average and the movement are not parallel to its industry average' movement.

From the test (t test and F test) it is concluded that overall ratios have significance differences between target company and its industry average. From here we can conclude that one or two years before the announcement period would give greater impact or significant differences to the company's performance against its industry average.

1.1 INTRODUCTION.

The choice of whether to go public or not is a crucial one. Once that choice has been made, steps have to be taken to achieve public listing requirements. One of the most popular methods for direct listing is via a term known as Reverse Take-over. It is a favourable way as the process is shorter than the formal listing procedures.

However, such activities are currently regulated by the new guidelines for company listing by the Securities Commission. Obtaining a listing through a full scale flotation (initial public offering) is a demanding process with numerous obstacles to be overcome¹.

As companies grow, they reach a critical point where they decide to gain the status of public listing company. Indeed, it is not so much a question of choice for if a company has the necessary attributes to be a public listed company.

For companies with a promising future, this is perhaps the appropriate time to consider to go public listing, so that they can seize the opportunity before the economic conditions mature. Such as that the stock market becomes busy with the increasing number of listings.

A RTO is a transaction where either ownership of a company already listed is transferred to new shareholders by way of an issue of the shares. Usually in the case of assets for assets or shares, under the normal method of seeking a new listing, the authorities require a proven track record of a minimum of five years with acceptable level of earnings and capitalisation.

¹ Martin Sabine, Corporate Finance, 'Floatation Equity Issue & Acquisitions, 2nd Edition, London 1993. p.127