

**THE IMPACT OF ANNUAL EARNINGS
ANNOUNCEMENT ON SHARE RETURNS**

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ABSTRACT

The objective of this study is to examine the impact of the informational content of annual earnings's announcement on share returns. In addition, this study also explores whether the Annual Earnings Announcement have informational content which effect the share returns.

The sample of this study consists of 12 Industrial firms listed on the Kuala Lumpur Stock Exchange (KLSE). Considering the Capital Asset Pricing Model (CAPM), a regression is performed between the weekly market returns with the market returns to obtain the alpha and beta coefficient for each firm. The weekly returns to the market risk using the CAPM variables (α and β) derived earlier.

The results of the t -test performed on the Average Residuals (AR) reveal significant during announcement week. This show that informational content affect the behaviour of share returns.

Therefore, investors do react to the informational content of annual earnings report as reflected in high price activity on announcement week and not thereafter. Generally, it can be said that the behavior of the Malaysian stock market shows that conformity with the semi strong form of the Efficient Market Hypothesis.

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