

MASTER'S THESIS

Performance evaluation on the acquisition cases in Hong Kong

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Performance Evaluation on the Acquisition Cases in Hong Kong

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Abstract

The study aims to examine whether the merger and acquisition investments put forward by the Hong Kong acquiring firms would be able to fulfill their proposed objective to enhance the value and profitability of the post-acquisition acquired, acquiring and combined firms. Two methodology approaches are used to evaluate both the short-term and long-term performance of the 36 pairs of acquired and acquiring firms over the sample period between 1986 and 1994. The event study results indicate that there were immediate share price gains to the combining firms around the acquisition announcement period. However, the financial ratio analysis on the various performance indicators and the ranking value evaluation on the several performance indices cannot show that the acquired and acquiring firms have experienced significant long-term performance improvement over the two years after the acquisition year. No correlation was found between the short-term returns and the long-term performance indicators. Not all the merger and acquisition theories developed are applicable for explaining the Hong Kong takeover market and the study attempts to sort out other possible motives for the Hong Kong acquiring firms to engage in the acquisitions.

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