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Alternative Corporate Governance: Domestic Media Coverage of Mergers and Acquisitions in China

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Abstract

A text analysis of domestic Chinese newspaper articles covering 797 proposed domestic mergers shows that the media in developing countries is susceptible to pressure: coverage is more favorable for deals consistent with government objectives and involving powerful local firms. However, we also find that coverage can affect the outcome of proposed M&A deals in non-stateowned firms. We identify this effect using an exogenous shock to market-driven governance from the Split-Share Structure Reform of 2007. Negotiation coverage predicts long-term performance, consistent with information dissemination. Despite biased coverage, domestic media in developing countries can function as an alternative channel for corporate governance.

JEL classification: G34; G14; O16
Keywords: Mergers and acquisitions; media bias; text categorization; corporate governance; China

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1. Introduction

Can domestic media sources inform investors and supplement corporate governance in developing countries despite censorship and bias? We examine the role that domestic newspapers play in the governance of mergers and acquisitions in China. The existence of a market for bias in the news (Gentzkow and Shapiro, 2006; Gentzkow and Shapiro, 2008) has been widely documented even in the absence of political pressure (see, e.g., Groseclose and Milyo, 2005; Mullainathan and Shleifer, 2005). The content of media coverage is a valuable commodity which has a widely documented ability to shape perceptions and outcomes of a wide range of significant areas such as political elections (Stromberg, 2004; Gentzkow, 2006; Della Vigna and Kaplan, 2007; Gentzkow et al., 2012), education (Gentzkow and Shapiro, 2004), and entertainment (Jensen, 1979; Jensen and Oster, 2009). This value, coupled with the strong government and business influence on the Chinese media requires coverage of the M&A market to meet two distinct demands: those of the government and the business elite for favorable coverage, and those of the market for accurate coverage.

In the sphere of corporate governance, media coverage can influence managers and board members (Dyck and Zingales, 2004), expose corporate malfeasance (Miller, 2006; Bushee et al., 2010; Dyck, Morse and Zingales, 2010), and force management to take corrective actions (Dyck, Volchkova and Zingales, 2008; Joe et al., 2009; Liu and McConnell, 2013). It is unclear how well a biased media fulfills the monitoring role in corporate governance, especially in developing countries, due to these two potentially contradictory demands on its coverage. China combines an active capital market's demand for information with a well-documented political and corporate bias in the media (see, e.g., Winfield and Peng, 2005; Zhao, 2005; Lee et al., 2007) providing an informative setting to test the interaction of the two.

We identify political and corporate factors that influence the tone of the domestic press coverage of M&A events in China, and test whether compromised coverage can still convey useful information and improve corporate governance. These findings can be abstracted to the broader picture of corporate governance through the media in the developing world. Corporate governance literature documents the lack of a

well-established managerial labor market and an effective legal system for protection of minority shareholders in developing countries in general (Shleifer and Vishny, 1997; La Porta et al., 1998; 2000; Demirguc-Kunt and Maksimovic, 1998; Levine, 1999; Pistor et al., 2000) and in China in particular (Sun and Tong, 2003; Allen et al., 2005; Cull and Xu, 2005). Additionally, press coverage in developing countries is more likely to be subject to government censorship (Djankov et al., 2003; Besley and Prat, 2006). The ability of the domestic media to serve as an external governance mechanism, supplementing an ineffective domestic legal system in spite of censorship, is an important issue in corporate governance that merits further examination.

This issue is at the core of our paper, related to prior work by Dyck, Volchkova and Zingales (2008) who study the role of the media in reversing corporate governance violations in Russia. The authors find that public exposure of these violations works only if it is done through international media like the *Wall Street Journal* and *Financial Times* rather than the domestic media. The international media coverage in Dyck et al. (2008) appears to serve a governance function in part by impacting companies' reputation in capital markets abroad and in part by forcing regulators into action, rather than through pressure from the domestic financial market. The implication of Dyck et al. (2008) for developing economies such as China is that the domestic media should be unable to perform a governance role even without the complications introduced by censorship.

We seek to explore this issue further, and find evidence consistent with the ability of domestic media to perform a governance role. The developing economic and political system of China presents a well-suited laboratory setting for our analysis. It is the largest developing country and the second largest economy in the world, but inconsistent with these achievements China ranks 173th in the world by freedom of the press[1] and 98th by degree of minority shareholder protection.[2]

As indicated by China's low ranking by shareholder protection, its financial

[1]According to the 2013 press freedom index released by Reporters Without Borders, an NGO for the promotion of freedom of information with consultative status at the UN and UNESCO.
[2]According to the 2013 minority shareholder protection index released by The World Bank's Doing Business Project.

growth has not been accompanied by appropriate development in governance and shareholder rights. Although China enacted a modern company law in 1993 and a securities law in 1998 respectively, legal protection of minority shareholders and internal corporate governance in firms remain weak (Sun and Tong, 2003; Allen et al., 2005; Fan et al., 2007; Jiang et al., 2010). See Feinerman (2007) for a comprehensive survey of the recent state of the legal and regulatory framework of Chinese corporations.

Consistent with the low ranking in freedom of information, ultimate control of the media often remains with the Chinese central or local government and the content of the news is always under scrutiny from the Party Committee Propaganda Department. Economic reforms to the Chinese media business model and the liberalizing Split Share Structure Reform has enhanced the competitiveness and motivated the development of the media industry. There is now more incentive for media coverage to meet the demand for accurate information from retail investors, though this is a risky activity that can be strongly discouraged.

Exposing corporate misdeeds in China can produce very different results for the media firm: *Caijing*, a well-known financial magazine, first made a name for itself by publishing a series of expository articles about securities law violations in the fund industry in November 2000, and exposing the Yinguangxia accounting fraud in August 2001, one of the most famous fraud cases in the Chinese stock market. Apart from capturing the attention of investors and regulators, these revelations caused the first severe punishment of eight funds by the China Securities Regulatory Commission (CSRC) and the first securities fraud lawsuit in Chinese history leading to the first ruling on securities fraud law by the Supreme Court.

Another financial newspaper, *China Business Post*, was less lucky. After it reported illegal transfers of bad debt at the Agriculture Bank of China in July 2008, the newspaper was punished by suspension of publication for three months with the stated reason that the media should not cover news from other provinces. Shortly after the temporary suspension of publication, the *China Business Post* was permanently closed.

We study the role of media in corporate governance of M&A in China, since mergers and acquisitions represent some of the most significant firm-level capital budgeting decisions. We combine the China Core Newspapers research database of domestic news articles with the Thomson Financial SDC Platinum Merger and Acquisition Database to investigate the role of the Chinese media in M&A during the 2000-2012 period. Virtually all M&A deals during this period have a publicly listed acquirer and a private or subsidiary target, consistent with earlier findings reported by Bhabra and Huang (2013). The documented weaknesses in corporate governance of listed firms (Fan et al., 2007; Feinerman, 2007; Jiang et al., 2010) imply that investors can't rely on internal disclosures of useful information about the proposed acquisition. The private targets are similarly or even more opaque than the acquirers. Therefore, individual investors must depend on alternative channels like the media to obtain useful information in a cost-effective way (Dyck et al., 2008; Dyck et al., 2010). If information about impending value-destroying acquisitions is available, minority shareholders may not have a way to protect themselves other than by liquidating their positions, which may or may not affect the deal outcome.[3]

Thus, we first consider the determinants of the tone of coverage, and whether media coverage can affect the outcomes of proposed M&A deals. We also make use of an exogenous shift in the effectiveness of media coverage: the Split-Share Structure Reform that began in 2005 dramatically increased the number of tradable shares in the market and therefore the effectiveness of the media in informing market governance.[4] By marking to market 64% of previously untradeable firm equity, this reform aligned incentives for all shareholders (Li et al., 2011; Liao et al., 2014). Finally, we test whether the opinions expressed in coverage of M&A deals accurately predict the

[3]For example, the TCL-Thomson television joint venture and its acquisition of Alcatel's mobile phone business in 2003, Shanghai Automotive's of the Sangyong motor company in 2004, and Ping An Insurance's acquisition of Fortis in 2008 caused historic losses and had widespread media coverage. However, the only thing minority shareholders could do to mitigate these value-destroying deals was to liquidate their positions.

[4]In 2004, 64% of the total outstanding shares of public firms were not listed and could be transacted only through private negotiations in which the price was not marked to market. The absence of market-based prices severely hampered market discipline of poor corporate governance. Thus, managers and board members who are bureaucrats appointed by the government in state-owned firms (Fan et al., 2007) or family members in private firms (e.g., La Porta et al., 1999; Claessens et al., 2000; Faccio and Lang, 2002), are largely immune from reputational and wealth effects of market discipline. This traded/untraded split-share structure was begun to be reformed in 2005 by gradually converting all unlisted shares into tradable shares, enabling market discipline in the future.

long-term outcome of the acquiring firm

Using text analysis to measure negative tone of domestic Chinese newspaper articles collected from the announcement to deal completion or withdrawal, we find that media coverage is less negative for withdrawn M&A deals. Regression results indicate that local deals in which the bidder and the target are in a same province, and overseas deals in which the target is a foreign firm, both significantly decrease the negative tone of the media coverage in M&A consistent with political pressure on the media. Furthermore, powerful local firms, as measured by the ratio of firm sales to province GDP, also have significantly more favorable overall coverage consistent with corporate pressure on the media.

A logit test of whether media tone affects the likelihood of M&A deal completion shows that the overall amount of negativity, measured as the number of press articles multiplied by the average tone of coverage, is a negative predictor of deal completion for firms not owned by the Chinese government. This implies that the media can force the managers of some firms to abandon a proposed acquisition that receives media criticism. Subsample analysis shows that this effect occurs after the market power enhancing Split-Share Structure Reform implementation in 2007, and not prior to it. These findings are robust to potential endogeneity of the negativity of media coverage in M&A deal completion.

Finally, we also find that the degree of negative tone coupled with intensity of media coverage can predict long-term acquirer performance after the M&A attempt. The greater the negativity of coverage, the worse the long-term peer-adjusted and industry-adjusted ROA of the combined firm.

This paper contributes to two strands of literature on international and external corporate governance. Legal transplants and reforms are not sufficient for the evolution of effective corporate governance in developing and transition economies (Pistor, et al., 2000; Berkowitz et al., 2003), causing alternative mechanisms to be developed in countries with poor investor protection (La Porta et al., 1997). Prior literature indicates that external mechanisms such as social norms (Coffee, 2001; Hong and Kacperczyk, 2009; Boytsun et al., 2011; Koonce et al., 2015), culture (Stulz

and Williamson, 2003; Liu, 2016), reputation (Allen et al., 2005; Karpoff et al., 2008a, 2008b), and media coverage (Miller, 2006; Dyck et al., 2008, 2010; Joe et al., 2009; Liu and McConnell, 2013) can provide alternatives to legal enforcement. This study focuses on the role of one such alternative, the domestic media, in the corporate governance of the largest developing economy, China. Previous work in on the role of the media in corporate governance focuses primarily on developed markets with an effective legal system and strong governance mechanisms. These studies generally find that press coverage can force managers to take corrective actions, enhance shareholder wealth, and influence stock prices (e. g., Dyck and Zingales, 2004; Miller, 2006; Tetlock, 2007; Dyck et al., 2010; Joe et al., 2009; Fang and Peress, 2009; Bhattacharya et al., 2009; Liu and McConnell, 2013; Engelberg and Parson, 2011; Ahern and Sosyura, 2014; Ahern and Sosyura, 2015). We study the corporate governance role of media in a developing country with strong political and corporate biases in the media and without effective legal protection for minority shareholders or a well-established managerial labor market. In contrast to related work on Russia by Dyck, Volchkova, and Zingales (2008), we find that domestic media can promote corporate governance in the case of China.

2. Institutional Background and Hypotheses

2.1 The state of the Chinese media

From 1949 to 1978 the Chinese government fully controlled the administration, funding, and circulation of domestic media. There were two newspapers, *The People's Daily* and *The Liberation Army Daily*, and one journal, *The Red Flag Magazine*. In this arrangement, known as the Soviet Communist model of the media (Siebert, Peterson and Schramm, 1956), the publications played the role of "the party's and the government's mouthpiece".

Lack of financial support during the Great Leap Forward (1958-1960) and the Cultural Revolution (1966-1976) caused the Chinese media to request the government to relax operational control. Starting in 1978 the media industry experienced three

phases of reform.[5] In the first phase, the media requested partial rights of self-administration and corporatization which were gradually allowed. In 1979 advertisements first began to be published, becoming an important symbol of media corporatization and exposing newspapers to corporate client pressure.

In the second phase came a gradual separation of editorial and managerial control. In 1987, the Guangzhou local *Yangcheng Evening News* first separated editorial and managerial control to better serve market demand. This pattern was quickly adopted by other newspapers. Subsequent shareholding and industrialization reforms gradually produced diversified press coverage and increased the demand for efficiency and quality of information transmission. While a few outlets like *The People's Daily* still receive subsidies, most other print media operate to maximize profits and independently manage circulation within the boundaries prescribed by the government. Chinese media sources now rely on advertising revenue for support, similar to a free market model, but are still restricted in terms of topics and coverage (Winfield and Peng, 2005; Zhao, 2005).

The third phase came after China joined the WTO in 2001 and the domestic media market was opened to foreign participation and investment. As a consequence of the transition to a market-based business model the demand for accurate reporting increased further. However, government control of the media has adapted rather than disappeared. The system of direct government control has been replaced with one of self-censorship, access blocking, increasingly bureaucratized regulation, and the formation of oligopolies to minimize fringe viewpoints (Winfield and Peng, 2005). Newspapers must be licensed and registered under an authorized publisher, and cannot be independent businesses (Zhao, 2005). Violation of express or implied rules, as in the case of the China Business Post, can lead to censure and even termination of the offending newspaper. The domestic Chinese media therefore finds itself in dilemma of being forced simultaneously to cater to the demands of the market and those of the political and economic elite in terms of reporting content.

2.2 Split Share Structure Reform

[5]For details, see Zhao (2005), Winfield and Peng (2005), Lee et al. (2007), and Huang (2007).

To test whether media coverage affects deal outcomes through the financial market we make use of an exogenous shock to market power, the Split Share Structure Reform (SSSR) which was begun in 2005 and completed in 2007. Prior to this reform, 64% of the total outstanding shares of all public firms were not listed or traded. During the reform, these shares gradually became publicly tradable aligning incentives among minority and controlling shareholders and enabling market discipline (Li et al., 2011; Liao et al., 2014).

Since a majority of controlling shareholder wealth in China was not marked to market through trading prior to SSSR, the incentive to create firm value was reduced due to a reduced potential to profit from the resulting capital gains. Instead, controlling shareholders extracted private benefits from the firm in the form of related-party transactions and corporate lending (Liao et al., 2014). While these private benefits may have been extracted at a cost to share value, the lack of a pricing mechanism for 64% of shares meant that most of these costs were not internalized, substantially lowering the downside of firm value destruction for the controlling shareholders. By marking all shares to market, this perverse incentive was eliminated. Additionally, the introduction of market pricing to the entire portfolio of shares significantly increased the demand for, and supply of, public material information provided through the media, including that related to M&A.

Figure 1 presents the evolution of media coverage of M&A in financial articles matching the keywords “merger”, “acquisition”, and “merger and acquisition” during our sample period. We report both *Total articles*, the total count of matching articles by year, and *Mean articles*, the count of matching articles normalized by the number of M&A deals in each year. Both measures increase significantly in 2006 after the implementation of SSSR.[6] This is consistent with an increase in the supply of M&A coverage in newspapers in response to an increased demand tradable information driven by the share reform.

2.3 Related Literature and Hypothesis Development

[6]The normalized count, *Mean aticles*, later decreases due to the increase in the number of M&A transactions relative to pre-SSSR levels.

2.3.1 The determinants of media tone in M&A coverage

Miller (2006) describes the market for the media's watchdog role in corporate governance. When deciding what corporate news to cover, the media weighs the cost of investigation against the revenues from the resulting report, maximizing profit like other industries (Jensen, 1979; Stromberg, 2002; Mullainathan and Shleifer, 2005). In developing economies, often in spite of constitutional protection of a freedom of the press, government censorship imposes additional costs to the investigation of certain topics (Djankov et al., 2003; Besley and Prat, 2006). These additional costs can be expected to distort equilibrium coverage away from optimal levels.

We expect political and corporate pressure on media tone to follow from government ownership and government and business objectives. Gurun and Butler (2012) show that at the local level media has incentives to favorably cover local firms due to local advertising pressure, which is the Chinese context adds local political pressure. At the international level, we expect acquisitions of foreign targets, encouraged by the Chinese government as part of both economic and foreign policy (Bradsher and de la Merced, 2012), to be supported by the media. This leads us to formulate our first testable hypothesis:

Hypothesis 1: *If newspaper coverage of Chinese M&A is politically biased, it should respond to politically and economically supported deals. Specifically, media coverage of local and overseas deals, as well as those by important local businesses, should be more favorable, all else equal.*

2.3.2 The role of media coverage in M&A decisions

Dyck and Zingales (2004) suggest that the media affects corporate behavior through encouraging the introduction or enforcement of corporate laws and affecting manager reputation in the labor market (Fama, 1980; Fama and Jensen, 1983) and in society. Subsequent literature shows that negative media coverage can force the targeted agents to take corrective action (e.g. Dyck et al., 2008, 2010; Joe et al., 2009; Liu and McConnell, 2013).

Many Chinese managers and directors are either government-appointed bureaucrats in state-owned firms (Fan et al., 2007) or founders and family members in private firms (Claessens et al., 2000). Without a well-established managerial labor market (Sun and Tong, 2003) reputational concerns do not strongly influence managerial decisionmaking. This is mitigated by the extent to which a listed company needs to access the capital market, as its reputation will affect the terms and the cost of future financing (Diamond, 1989; Dyck et al., 2008; Karpoff et al., 2008a, 2008b). State-owned firms can obtain capital from the four major state-owned commercial banks (Allen et al., 2005), further reducing reputational concerns. On the other hand, media-driven reputation should be a stronger concern for private firms and especially ones partly owned by foreign investors through the Qualified Foreign Institutional Investor (QFII) program. Therefore, we expect media tone to matter in M&A deals by private, but not by state-owned firms. Furthermore, we expect this effect to become stronger as more shares become tradable after the Split-Share Structure Reform is largely completed by 2007. This leads us to our second testable hypothesis:

Hypothesis 2: *If the tone of M&A coverage affects managers and deal outcomes by informing the financial markets, it should matter most strongly for non-stateowned (public) firms. Furthermore, this effect should be stronger after the Split Share Structure Reform as firm shares become significantly more tradable.*

2.3.3 The predictive power of media coverage of M&A

The premise of a watchdog role of the media requires that the information the media provides about the firm proves to be useful. Therefore, if media tone affects managerial decisions through the financial market, we should expect that media tone is an informative signal for prices. We test this by examining changes in peer-adjusted ROA and industry-adjusted ROA from the pre-merger year to three years afterward as long-run measures of performance following the approach of Wang and Xie (2009). If the Chinese financial market finds media tone worth listening to, we should expect media tone to predict long-run firm performance. This is our third testable hypothesis:

Hypothesis 3: *If M&A coverage affects deal outcomes by informing the financial markets about expected acquirer value, it should have predictive power about long-term acquirer performance.*

3. Data Description

3.1 Sample description

We extract the M&A sample from the Thomson Financial SDC Platinum Merger and Acquisition Database and manually check the date of announcement from the Shanghai and Shenzhen Stock Exchanges. We screen the data consistent with other M&A research and obtain 662 completed acquisitions and 135 withdrawn acquisitions between January1, 2000 and December 31, 2012.The screening criteria are listed in the Appendix.

We also manually collect media data from the China Core Newspaper Full-text database which collects articles from more than 500 Chinese mainland newspapers with over 10 million searchable articles by the end of 2012. As a robustness check, we supplement print newspaper coverage with web articles including from Sina and Sohu microblogs. We obtain price, accounting, and corporate governance data from the China Stock Market and Accounting Research (CSMAR) database, Sinofin Economic and Financial database and Wind Financial and Securities database respectively.

In Table 1, we present the distribution of announcement year of our sample of 797 announced acquisitions. Starting in 2000, the number of acquisitions per year rises gradually with a peak in 2011. Panel A reports the annual mean and median deal values, bidder market capitalizations, and the ratio of deal value to bidder size. Deal values reported by Thomson are given in dollar amounts. For financial variables like market value and sales expense, we convert end of fiscal year yuan to dollar values.[7] The average (median) of the deal value is 150.85 million dollar (26.66 million dollar) and the average (median) of the bidder market capitalizations is 414.38 million dollar

[7]We obtain the exchange rate at the end of the fiscal year using the mean of market quotes reported on that date from China's State Administration of Foreign Exchange (SAFE).

(190.44 million dollar), and the mean (median) of the ratio of the deal value to the bidder market capitalizations is 81.83% (13.21%). Panel B shows their distribution across industries. Notable clusters of M&A activity include the materials industry with 217 (27.23%) acquirers and 218 (27.35%) targets, and the manufacturing industry with 161 (20.20%) acquirers and 141 (17.69%) targets.

3.2 Variable construction

We use a text analysis tool[8] with a negative and positive Chinese dictionary to assess the tone of media coverage. Following the approach of Tetlock (2007), Loughran and McDonald (2011), and Gurun and Butler (2012), we count the fractions of negative, neutral and positive words in a news text. We identify newspaper articles to analyze by searching for the target's name in the China Core Newspaper Full-text database and manually verifying that each news story concerns both the bidder and target, and is at least 50 Chinese words in length. Since Baumeister et al. (2001), Rozin and Royzman (2001) and Tetlock (2007) suggest that negative information may have more impact than positive information, we measure the media tone of each article as the fraction of negative words in it. We then average the tone of all articles by deal to create the *Negative tone* variable is bounded between 0 and 1, with higher values indicating more negative average tone of financial newspaper coverage of a deal.

While the tone of coverage contains critical information, the amount of media attention determines whether this information reaches investors and regulators in a quantity sufficient to affect managerial decisionmaking (Liu and McConnell, 2013). We measure media attention using *Amount of press coverage*, the count of articles that are over 50 words in length and mention both the target and acquirer firms. To compensate for the lower rate of media coverage in our data, we extend the sample window beyond that used by Liu and McConnell (2013) and collect the number of articles from the date of announcement to 60 days or the end of negotiations,

[8]The Chinese text mining software ROSTCM6, developed by professor Yang Shen and his team in Wuhan University is widely used in text analysis, webpage crawling, the analysis of news, online public opinion, and micro blogs etc. The manual and software can be downloaded at http://blog.sciencenet.cn/u/runasun.

whichever comes first.

To account for both the tone and amount of coverage, we create the variable *Negativity stock* as the product of average negative tone of articles related to an M&A announcement and the number of articles. This is our main independent variable in testing the ability of media to influence M&A deal outcomes.

We measure the market's opinion of the deal using five-day cumulative abnormal returns (CAR) around the announcement period (-2, +2) where date 0 is the announcement day. We calculate the acquirer's CAR using the modified market model (Brown and Warner, 1985). It is possible that media coverage simply follows the market's views on deal quality, making negative coverage a by-product of bad deals, rather than a leading indicator of them. To account for this we control for five-day CARs in our baseline results, as well as longer-term (-1, +5) and (-1, +30) CARs in alternative specifications which does not affect our results.

We test the informativeness of media coverage in predicting long-run firm performance using two measures of change in ROA: adjusted by peer firms and by industry. The ROA of each firm is calculated as the ratio of operating income to the book value of total assets. For the fiscal year prior to each announcement, we identify a control firm by matching its ROA to that of the acquirer with the same three-digit SIC code. The acquirer's peer-adjusted ROA is calculated as the difference of the acquirer's and the matched control firm's ROA, and the change in peer-adjusted ROA is the difference between the pre-announcement and average post-announcement peer-adjusted ROA for the subsequent three years. We create an analogous measure of change in industry-adjusted ROA by substituting the average industry ROA for that of the control firm.[9]

We include a battery of control variables following prior literature. The data sources and variable definitions for these are given in Appendix B.

3.3 Summary statistics

[9]Wang and Xie (2009) point out that peer-adjusted ROA may be more accurate than industry-adjusted ROA due to abnormal pre-merger performance in US acquirers. The Chinese acquirers in our sample exhibit smaller, but also abnormal performance pre-merger with mean and median industry-adjusted ROAs of 0.0096 and 0.0078 respectively, both significant at 1%. The requirement of obtaining 3 years of post-announcement ROA data reduces our sample from 797 deals to 515 deals.

Table 2 shows the summary statistics of our variables. To mitigate outliers in ROA, Tobin's Q, sales growth and leverage, we winsorize these variables at the top and bottom 1%. The average *Negative tone* is 9.72% with a standard deviation of 9.26% implying that while overall media coverage does not use many negative words, there is substantial variation in tone across articles. More indicative of heterogeneity of negative coverage, *Negativity stock* itself has a standard deviation that is double its average level. The change in peer-adjusted ROA is not significantly different from zero. Deal characteristics indicate that 83.10% of our sample successfully completed transactions and 16.90% of our sample abandon their attempts. The method of payment is cash 68.80% of the time in sample, and the bidder and target are not in the same or a related industry in 63.60% of our sample. Consistent with earlier findings by Bhabra and Huang (2013), 26.60% and 64.70% of the targets are private firm and subsidiary firm respectively, and only 8.70% of the targets are public firms. 49.80% of merger and acquisition take place in the same province and 4.52% of merger and acquisition take place between domestic bidder and oversea targets. Interestingly, 55.60% of the transactions are between related parties, i.e. they have a common ultimate controller.

Bidder characteristics indicate that 47.40% of our sample firms are state-owned. The board of directors is on average composed of only 35.20% independent members in the fiscal year prior to announcement, and the mean ownership of the firm by managers and board members is 8.16%. Additionally, 10.40% of our sample had shares owned by a foreign institutional investor in the fiscal year end prior to an acquisition announcement. The mean of the market value of assets over book value of assets (Tobin's Q) and the fraction of transaction value to acquirer market value (relative transaction value) are 1.83 and 81.80% respectively.[10] Prior to acquisition announcements, the average number of employees in the acquiring firm is 4,042. The average of the sales growth and leverage prior to an acquisition announcement are

[10] The market values of acquirers are artificially depressed because only a fraction of equity is traded prior to the completion of the Split-Share Structure Reform, which results in an upward bias to the transaction to acquirer market value ratio.

25.20% and 49.60% respectively.

4. Results and Discussion

We first characterize acquirers in the Chinese M&A market relative to the general population of Chinese firms, and relate this characterization to previous findings in US data reported by Rhodes-Kropf, Robinson and Viswanathan (2005). We capture firm characteristics of unique acquirers in the year their first deal is announced and compare this subsample of 687 acquirer firm observations to the rest of the firms reporting accounting data to the Wind Financial and Securities database from 2000 to 2012. Rhodes-Kropf, Robinson and Viswanathan (2005) find that US acquirers are larger than the nonmerger population across a variety of size dimensions, have superior performance measures, and have higher leverage and lower liquidity. We examine the Chinese merger subsample relative to nonmerger firms in Table 3.

The book and market values of equity, as well as book value of assets and net income are on average higher for Chinese firms that do not participate in M&A though the Mann-Whitney nonparametric test finds that merger firms are significantly bigger overall, indicating a strong outlier effect. Merger firms have a significantly lower fraction of fixed assets. Merger firms have higher ROA and ROE performance measures consistent with US data, but lower book to market ratios than the nonmerger firms. Liquidity measures appear to be reversed, with merger firms having higher quick and current ratios. The relative characteristics of the Chinese M&A participants to the overall market appear to be different from their US equivalents.

4.1 What factors determine the tone of M&A coverage?

We next consider the determinants of *Negative tone* in domestic newspaper reporting on Chinese M&A in Table 4 in terms of deal and acquirer characteristics.[11]

[11]Since virtually all Chinese M&A targets are private firms, target characteristics are not available.

We expect media tone to be sensitive to acquirer and deal characteristics in terms of expected performance, risk, and political and economic biases. We proxy political bias with dummies for local deals in which the target and acquirer are from the same province, benefiting local government, and overseas deals in which the target is a foreign firm, consistent with national government objectives (Bradsher and de la Merced, 2012). We measure potential economic bias in coverage by interacting the sales of the acquirer firm as a fraction of the local province's GDP as a proxy of local importance with two measures of the amount of local coverage. The first measure, *Local media*, is a fraction of same-province coverage to total coverage and the second, *Log(1+Local media articles)*, is the logarithm of the number of same-province articles published about the deal. Table 4 presents panel OLS regressions of negative tone on political and business bias variables and common merger controls with year dummies and industry fixed effects. Columns (1) and (2) of Table 4 present the results for the first measure of local coverage, with and without controls, and columns (3) and (4) do the same for the second.

We find evidence in support of Hypothesis 1 in statistically significant effects of deal characteristic consistent with both political and economic pressure on reporting tone in domestic Chinese newspaper coverage. *Local deal*, indicating M&A deals in which the target and acquirer are in the same province, reduces negative media tone by 1.89 to 1.67 in columns (1) through (4), and *Overseas deal*, indicating a foreign acquisition, reduces it by 4.15 to 3.09. This is consistent with findings from Gurun and Butler (2012) on the effect of local firms on local media due to advertising pressure, and the strong political support of Chinese overseas acquisitions at the national level and same-province acquisitions at the provincial level. We include a battery of acquirer and deal characteristics following the approach of Wang and Xie (2009), as well as additional indicator variables for characteristics specific to the Chinese M&A market: QFII and state ownership. The inclusion of common controls in columns (2) and (4) does not reduce the significance of these biases, and actually increases the magnitude of the coefficient on overseas deals.

The interactions of amount of local coverage with the acquirer's local power

strengthen this connection. In columns (1) and (2), *Local media* interacted with *Sale/GDP*, the ratio of acquirer sales to province GDP, reduces negative tone even further, significant at the 5% level after the inclusion of controls in column (2). In other words, a powerful local firm with more local coverage receives more favorable coverage, all else equal. The result is statistically significant at the 1% level when we instead interact *Log(1+Local media articles)* with *Sale/GDP* in column (3), and the inclusion of controls in column (4) does not reduce this significance. These results support Hypothesis 1.

Notably, there is not a strong relationship between announcement CAR, reflecting market sentiment about the deal announcement, and the negativity of coverage. Positive CAR reduces negative tone, but the effect is insignificant except in column (2) at the 10% significance level. Insofar as CAR reflects existing market expectations, this reduces concerns about deal quality as an omitted variable in the relationship between tone and M&A outcomes. To further control for this potential omitted variable bias, we repeat the analysis with alternative specifications using longer period CARs using (-1,+5) and (-1,+30) day windows, with the latter presented in Table A.1 in Appendix C. The political and corporate biases we observe in the financial print media are not affected in either case, so the former alternative is not tabulated for brevity.

Indeed, a portion of the political and corporate pressure on the financial newspapers may manifest in the decision to cover an announced M&A deal at all. Influential political or corporate stakeholders may suppress coverage of favored but vulnerable deals, producing a bias that is not observed in print consistent with Miller (2006). We test this channel for political and corporate pressure on the domestic media by combining our 797 covered deals with an additional 591 M&A announcements that received no coverage beyond the CSRC required disclosure through one of four financial newspapers with the highest readership: *China Securities Journal*, *Shanghai Securities News*, *Securities Times,* and *Securities Daily.* We thus define the indicator variable *Press coverage* to equal one if an M&A deal was reported in financial newspaper articles once or more, and zero otherwise. We then

estimate a logit model of *Press coverage* on two indicators of potential bias: *Politically sensitive deal* and *Overseas deal*, indicators respectively of whether the deal is local with a positive acquirer province-level sales / GDP ratio, and whether the deal involves a foreign target. Prior evidence from Gurun and Butler (2012) and Bradsher and de la Merced (2012) suggests coverage of both types of deals are likely to receive corporate and political pressure.

These results are presented in Table 5. Column (1) tests the effect of operating performance measured using ROA, market expectations measured using announcement CAR, and political and corporate pressure stemming from local acquirers. Consistent with Hypothesis 1, the *Politically sensitive deal* indicator reduces the log odds of a politically favorable deal receiving coverage by -0.21 significant at the 10% level. Column (2) presents analogous results with the standard set of acquirer and deal characteristics, which increases the significance of *Politically sensitive deal* to the 5% significance level, and the magnitude of the coefficient to -0.26. The results in Tables 4 and 5 suggest that political and corporate pressure affects not only the tone of domestic media coverage of M&A deals in China, but also whether the deals are covered at all.

4.2 Can media coverage affect M&A outcomes?

Having found evidence for susceptibility of the domestic Chinese newspapers to political and corporate business pressure consistent with Hypothesis 1, we next consider whether they can nevertheless affect M&A outcomes in ways consistent with a corporate governance role. Of the 797 M&A announcements that receive newspaper coverage in our sample, 662 are completed and 135 are withdrawn. We use a logit model to study the effect of newspaper coverage on the ultimate outcome of the announced takeover, controlling for acquirer and deal characteristics. To capture the overall effect of newspaper coverage, we use the *Negativity stock* product of average negative tone and number of published articles for each M&A deal. Hypothesis 2

posits that non-stateowned firms' management is more sensitive to market discipline[12] and therefore more open to media criticism. We therefore present our analysis in the full sample of state-owned firms and non-stateowned firms separately.

To better understand the effects of bias on media coverage, we create two subsamples by type of media coverage. The first is a subsample of the four major domestic financial newspapers. The CSRC has granted a special status to four financial newspapers with the highest readership: *China Securities Journal*, *Shanghai Securities News*, *Securities Times*, and *Securities Daily.* Their wide circulation and government-mandated role in financial reporting makes articles by these four newspapers attract investor attention, but also makes them potentially highly prone to indirect political pressure that affects all Chinese domestic media as well as corporate pressure from their advertisers (Winfield and Peng, 2005).

The second is a sample of alternative coverage from web media including from Sina and Sohu microblogs. These informal news outlets constitute an alternative to financial print media, and present the opposite side of the spectrum from the four major financial papers: each individual blogger has considerably less influence, but also more freedom in determining coverage due to less government and corporate pressure. Indeed, web media tone is not affected by politically sensitive deals or overseas deals as shown in Table A.2 in Appendix C. This lack of response by web media to potentially biasing deal characteristics contrasts with our results for the print media in Table 4, as well as with a direct comparison using the same specification in Table A.3 in Appendix C.[13] Comparing the M&A deal effects of all financial newspapers, the four major ones, and the alternative web media allows us to identify whether the SSSR regulatory shock has made these media sources more effective tools of market discipline by enabling market participants to trade on information.

If press coverage affects M&A deal outcomes through the financial market

[12]State-owned firms are less sensitive to market discipline due to state capital subsidies and the protection that managers of state-owned firms receive from discipline through the managerial labor market (Fan, Wong and Zhang, 2007).

[13]Since the location of web media cannot be determined, we use deal characteristic indicators *Politically sensitive deal* and *Overseas deal* instead of *Local media* and *Local media articles* as defined in Appendix B. We observe a similar bias in the subsample of the tone of the four major financial newspapers, which is not tabulated for brevity.

channel, we should expect the effect of the media on M&A to be strongest after 2007, after SSSR is complete. We therefore report results for the full time series of 2000-2012, and the post-SSSR 2008-2012 results in Table 6.

Column (1) of Table 6 Panel A presents the effect of newspaper coverage on M&A deal outcomes for state-owned firms during 2000-2012 using the logit model of deal completion with acquirer and deal characteristics. To isolate the effect of the exogenous market power shock from the introduction of SSSR, column (2) provides subsample evidence for post-Split Share Structure Reform periods, 2008-2012. Columns (3) and (4) of Table 6 Panel A present the results using tone data from only the four top Chinese financial newspapers. Consistent with prior literature and Hypothesis 2, we find that coverage provided by Chinese financial newspapers as measured by *Negativity stock* has no effect on M&A outcomes in the sample of state-owned firms.

We next focus on the subsample of only non-stateowned firms, where we expect to observe a media effect if Hypothesis 2 holds. Column (1) of Table 6 Panel B presents the logit results for the full 2000-2012 time period. The coefficient of -1.92 significant at the 1% level on *Negativity stock* demonstrates the importance of the tone of media coverage for M&A deal outcomes in non-stateowned firms. This is consistent with an information effect through the financial market, which would primarily affect firms and managers not insulated by state support (Sun and Tong, 2003; Allen et al., 2005). Furthermore, this result has economic significance: the effect of a single standard deviation change in *Negativity stock* reduces the log odds of deal completion by -1.69.

Further consistent with Hypothesis 2, the post-SSSR subsample in column (2) of Table 5 Panel B shows an even stronger effect with a coefficient of -3.30 significant at the 1% level. Thus, a one standard deviation change in *Negativity stock* reduces the log odds of deal completion by -2.90. These results become even stronger for coverage by the major Chinese financial newspapers, with the full time series coefficient of -3.67 in column (3) and post-SSSR coefficient of -6.03 in column (4),

both significant at the 1% level.[14]

Finally, we test the ability of the more independent but potentially less influential web media to affect deal outcomes in Table 6 Panel C. Column (1) shows the full 2000-2012 results for state-owned firms, finding no effect of web media on the likelihood of deal completion. This relationship does not change in the post-SSSR period, 2008-2012, reported in column (2). Contrary to expectations and unlike the print media, the more independent web media does not have a statistically significant effect even for non-stateowned firms, both in the full 2000-2012 time series in column (3) and the post-SSSR subsample in column (4) of Table 6 Panel C. Taken together with the absence of bias observed in Table A.2, these findings suggest that while the Chinese web media is less susceptible to political and corporate pressure than the print media, it does not have the same influence that print media, and in particular the four major financial newspapers, possess.

These results are robust to an alternative OLS specification presented in Table A.4 in Appendix C, and to the inclusion of long-term CARs to better control for omitted variable bias due to existing market expectations about deal quality with (-1,+5) and (-1,+30) day windows. The results with 30-day CARs are presented in Table A.5, while the (-1,+5) results are suppressed for brevity due to their similarity. The results in Table 6 confirm that the introduction of SSSR in the Chinese financial market enabled media tone to affect proposed M&A deal completion through the channel of market pressure. The greater post-SSSR effect observed in non-stateowned firms suggests that the financial newspapers are better able perform their task of corporate governance through informing investors, though this role remains limited to firms not owned by the state.

4.4 Does media coverage predict long-term performance after M&A?

Finding results consistent with domestic media coverage affecting firms' M&A decisions through the financial markets, we further examine this relationship by

[14]The pre-SSSR subsample shows no effect of *Negativity stock* on M&A deal outcomes for all firm and media coverage types. This result is also consistent with Hypothesis 2, but is not tabulated for brevity.

studying whether the Chinese newspapers convey useful information to the financial market. If newspaper coverage encourages the increasingly liberalized Chinese financial market to discipline managers of public (non-stateowned) acquirer firms, the newspaper coverage should be accurate in predicting their long-term firm performance.

We focus on change in ROA as a measure of long-term performance post-acquisition, and create a performance-adjusted three-year average ROA by matching acquirer firms with similarly performing peers a year ahead of the acquisition following Wang and Xie (2009). Since target firm data is unavailable due to most targets being unlisted firms, this reduces our sample to 515 successful acquisition attempts that occurred three or more years prior to 2012 for a total of 3,985 firm-year observations. To mitigate noise introduced by single-firm matching, we also report results using an ROA adjustment by the acquirer's industry median instead. Wang and Xie (2009) find that US acquirers outperform the industry prior to making acquisitions, recommending the peer-adjusted ROA approach. We therefore begin by examining this issue with Chinese acquirer performance relative to peer firms and the industry. Table 7 presents tests of the long-term performance of Chinese acquirers with both adjustment approaches.

This table shows that Chinese acquirers outperform both the peer firm and industry benchmarks three years ahead of the acquisition announcement, but there is very little abnormal performance in the subsequent three years in both cases. Three years before an M&A announcement, the acquirer firms have an average ROA of 5.67% compared with 3.12% for their peers and 3.85% for their industries. This gap shrinks the following year, and is eliminated in the year prior to announcement for peer firms by construction, retaining significance at the 10% level for the industry. In the three post-announcement years the acquirer firms' ROAs and their peer and industry benchmarks all average around 4% with only one 10% significant difference for the peer firm benchmark in the second post-announcement year. This pattern of relative performance suggests that both peer- and industry-adjusted ROAs should be

valid benchmarks. These results are also consistent with Wang and Xie (2009): Chinese acquirers also outperform both peer firms and their industry averages in pre-announcement years.

We now turn to the predictive power of newspaper coverage for the change in benchmark-adjusted acquirer ROA from the pre-announcement year to the three post-announcement years. We regress our outcome variables, the change in peer- and industry-adjusted ROA between the pre-announcement year and the post-announcement three-year average, on *Negativity stock* and deal and acquirer characteristic controls.[15] Table 8 presents the predictors of long-term performance of Chinese acquirers.

We find evidence consistent with Hypothesis 3: *Negativity stock* is a significant predictor of changes in both peer-adjusted and industry-adjusted ROA at 10% and 5% respectively, reducing change in both benchmarked ROAs by -0.033 and -0.031 per unit. This result supports Hypothesis 3 that the domestic Chinese media coverage is a leading signal of abnormal firm performance.

Controlling for *Negative tone*, the amount of coverage is larger for better-performing deals with each additional published article increasing change in peer-adjusted ROA by 0.33% and industry-adjusted ROA by 0.31%, significant at 10% and 5% respectively. Acquirer size lowers peer-adjusted ROA by 1% and industry-adjusted ROA by 1.7% for each 1% increase in size, consistent with findings in the US data (e.g. Moeller, Schlingemann, and Stulz, 2004).

4.5 Robustness tests

In the previous sections we find support for all three hypotheses about the effect of the political environment in China on newspaper coverage of Chinese M&A, the effects of this coverage on the developing financial market and managerial behavior

[15]For the long-term predictability study we do not distinguish between stateowned and non-stateowned firms as we did with M&A deal outcomes in Table 6. This is because while public managers may be more susceptible to pressure from media coverage through financial markets, there is no obvious difference between the predictability of performance of a state-owned versus non-stateowned firm.

around M&A announcements, and its informativeness about future firm performance. We now test the robustness of our findings to endogeneity of media coverage in M&A deal outcomes as well as multiple announcements by the same acquirer.

4.5.1 Endogeneity

Since we find that Chinese newspaper coverage of M&A announcements appears susceptible to political and corporate pressure, it is possible that our findings about the effect of newspaper coverage on deal success in Table 6 are not indicative of causality. If political and corporate pressure are important omitted variables, it is possible that the media is only allowed to criticize certain deals which are withdrawn due to that same pressure, rather than to media exposure. To control for this issue, we create an instrument for financial newspaper coverage of M&A announcements that is not itself related to M&A deal outcomes.

Our instrument for *Negativity stock*, the overall weight of negative newspaper coverage of an M&A deal, is the negativity stock of the web media which has been shown in Table 4 to be robust to political and corporate pressure, while simultaneously showing in Table 6 Panel C to be unrelated to M&A deal outcomes. We hypothesize that both the print and web media coverage does share some common signal about the announced M&A deals. If web media coverage is a valid predictor of our explanatory variable *Negativity stock* it is a valid instrument since we have established that it does not itself predict deal outcomes in prior results and is not susceptible to political and corporate pressure.

We assume that *Negativity stock* is endogenous in deal outcomes, and use *Negativity stock web*, the equivalent measure calculated from web media coverage, as the instrumental variable. As in Table 6, we include the set of acquirer and deal characteristics. The instrumental variable regression results are presented in Table 9 Panels A-C for all, state-owned, and non-stateowned acquirers respectively.

The first stage result in column (1) of Table 9 Panel A shows that in the sample of all M&A deals the *Negativity stock web* instrumental variable is positively related to *Negativity stock* with significance at the 1% level. That is, more negative web

coverage is correlated with more negative print coverage. Column (2) of Panel A shows the second stage logit regression of deal completion with an instrumented version of *Negativity stock*. Instrumented *Negativity stock* does not affect deal outcomes for a pooled sample of state-owned and non-stateowned firms.

Indeed, in the state-owned subsample in Panel B of Table 9, column (1) shows that *Negativity stock web* is not a significant predictor of *Negativity stock.* The more independent web media coverage of state-owned acquirers is not related to print coverage, consistent with political bias in the print media. Consistent with prior results for *Negativity stock* in Panel A of Table 6, instrumented *Negativity stock* has no predictive power for state-owned acquirer deal outcomes in column (2) of Panel B.

However, when we consider the subsample of non-stateowned firms in Panel C of Table 9, column (1) demonstrates that *Negativity stock web* is a valid instrument for *Negativity stock*, and column (2) shows that instrumented *Negativity stock* reduces the log odds of deal completion by -5.00 per unit significant at the 10% level, consistent with Panel B of Table 6. This result supports a causal interpretation of Table 6. The relationship between negative newspaper tone and acquisition completion for non-stateowned acquirers does not appear to be caused by an omitted variable bias from political or corporate pressure that would simultaneously scuttle certain deals and cause less favorable coverage of them.

4.5.2 Multiple acquisitions

Our sample contains 72 firms (191 observations) that announce acquisitions more than once per year. The inclusion of the same acquirer firm characteristics multiple times per year could bias our results both in the logit models of M&A outcomes and the long-term performance regressions if the same acquirer had either multiple successes or multiple failures (Liu and McConnell, 2013). To address this concern, we repeat the regressions in Tables 6 and 8 with only the first announced acquisition per firm per year. These results are summarized in Table 10.

Columns (1) and (2) of Table 10 Panel A repeat the logit models of deal completion for state-owned acquirers in columns (1) and (2) of Table 6 Panel A with

only one deal per acquirer per year for the full 2000-2012 time period and the post-SSSR 2008-2012 subsample respectively. We suppress control variable coefficients for brevity. As before, *Negativity stock* is insignificant in affecting deal outcomes for state-owned acquirers. Columns (3) and (4) of Table 10 Panel A present analogous results for non-stateowned acquirers, repeating the analysis in columns (1) and (2) of Table 6 Panel B with the exclusion of multiple acquisitions. For non-stateowned acquirers *Negativity stock* maintains its negative significance at the 1% level, and the coefficient magnitudes remain similar relative to those in Table 6.

Panel B of Table 10 presents long-term performance regressions excluding multiple acquirers. *Negativity stock* remains significant at the 10% level for peer-adjusted post-acquisition ROA changes and at the 5% level for industry-adjusted ROA changes. The coefficients are similar to the reported full-sample findings in Table 8.

5. Conclusions

This study adds to our understanding of the importance of alternative channels of corporate governance through the media in the developing world. Prior findings by Dyck, Volchkova and Zingales (2008) show that in the case of Russia, which may potentially be extrapolated to other countries with underdeveloped shareholder protections, domestic media has no role to play in alternative channels of corporate governance. In our analysis of Chinese domestic media coverage of 797 proposed M&A deals we do find that domestic newspaper coverage may serve a governance role despite being susceptible to political and business pressure. Politically supported acquisitions receive favorable coverage, consistent with the significant degree of government control still exercised on domestic Chinese media. Acquisitions by prominent local acquirers, as measured by the ratio of sales to province GDP, receive more positive coverage by local newspapers consistent with the findings of Gurun and Butler (2012) and the importance that business advertising plays in the developing Chinese media (Winfield and Peng, 2005; Zhao, 2005). Same-province deals are also more likely to receive no coverage at all, consistent with a self-censorship in the

domestic press.

Despite this bias, we also find that media coverage can influence the outcomes of certain proposed M&A deals. Specifically, more negative coverage in the domestic financial newspapers can cause non-stateowned firms to abandon acquisition attempts. This effect does not hold for stateowned firms, which are insulated from financial market discipline in terms of reduced capital market access, lower controlling shareholder values, and impaired managerial job market opportunities induced by exposure of misbehavior in the media (Fan, Wong and Zhang, 2007).

This ability of the domestic media to influence M&A outcomes is observed only after the Split Share Structure Reform is completed in 2007, empowering market discipline by making a majority of previously untradeable shares marked to market for the first time and thereby forcing controlling shareholders to fully internalize the costs of poor corporate governance (Li et al., 2011; Liao et al., 2014). This effect is consistent with a watchdog role of the media in informing the financial market about potential value destruction in M&A. It persists despite controlling for long-term market reaction to the deal announcement, a measure of existing investor expectations about the deal that might otherwise cause both deal withdrawal and negative coverage. Surprisingly, the ability to influence M&A outcomes is strongest in the four major financial newspapers which are exposed to government influence, and weakest in alternative coverage provided by web media which is not sensitive to political deal characteristics in our sample. This suggests that there exists a tradeoff between reputation and bias: an unbiased but unknown source does not appear to have the impact that a well-known but potentially biased source does.

This set of results is further corroborated by our finding that media coverage of M&A announcements has significant predictive power for the acquirer's long-term abnormal performance measured by adjusted ROA. More negative coverage predicts lower abnormal ROA relative to peer firm and industry performance, suggesting that the domestic financial media coverage of M&A deals conveys useful information.

Our findings paint a more encouraging picture of the relationship between media and corporate governance in the developing world than Dyck et. al. (2008) find. The

post-SSSR results we observe in the Chinese financial newspapers suggest that increased liberalization of both the media and financial markets will improve the governance role that even media can play, even in the presence of significant political and corporate bias.

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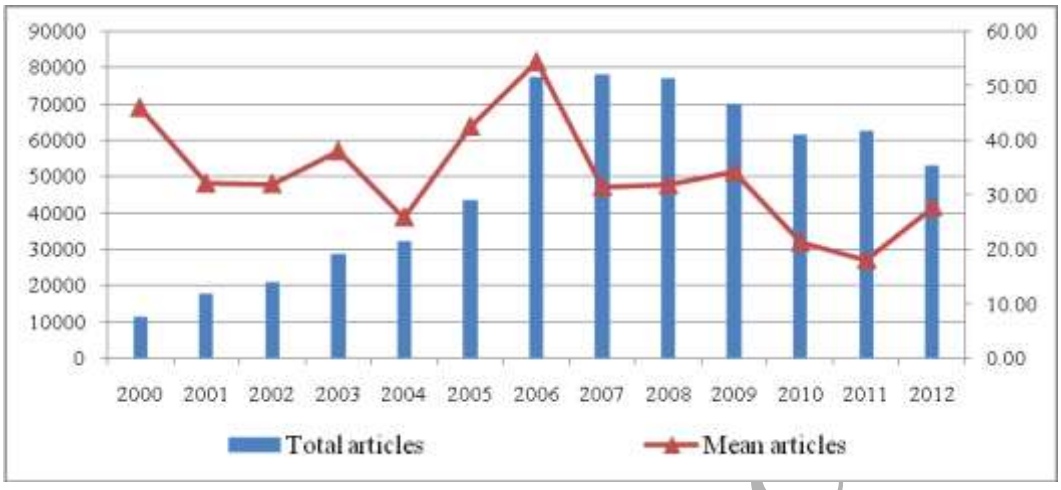

Figure 1: The evolution of M&A coverage during 2000-2012

We use the keywords 'merger', 'acquisition', and 'merger and acquisition' to measure the amount of the M&A media coverage in the China Core Newspaper research database from 2000-2012. The histogram, *Total articles*, shows the number of financial newspaper articles matching our keywords by year. The line graph, *Mean articles*, shows the number of matching articles normalized by the number of M&A deals announced in each year.

Year	Number of M&A Deals	Total articles	Mean articles
2000	243	11180	46.01
2001	555	17804	32.08
2002	649	20762	31.99
2003	756	28761	38.04
2004	1243	32174	25.88
2005	1022	43486	42.55
2006	1418	77206	54.45
2007	2478	78025	31.49
2008	2423	77045	31.80
2009	2044	69882	34.19
2010	2883	61397	21.30
2011	3471	62529	18.01
2012	1903	52818	27.76

Table 1: Sample distribution by announcement year

Panel A reports the distribution of 797 M&A announcements receiving newspaper coverage during the period from 2000 to 2012. Targets are comprised of public, private, and subsidiary firms. We tabulate the yearly number of acquisitions announced and their fraction of the total during our sample period, deal value (in USD millions), market value of the acquirer (in USD millions) at the fiscal year end prior to an acquisition announcement, and the ratios of deal value to acquirer market value. Panel B reports the distribution of acquisitions by industry. We present the number and fraction of total acquirers and targets by industry. All acquirers are publicly traded firms listed on the Shanghai or Shenzhen Stock Exchange.

Panel A: Distribution of acquisition across years

Year	Number of acquisitions	Percentage of total	Mean (median) Deal value($ mil)	Mean(median) acquirer market cap ($ mil)	Mean (median) deal value to acquirer market cap ratio (%)
2000	2	0.25%	13.06 (13.06)	99.16 (99.16)	13.20 (13.20)
2002	7	0.88%	76.06 (29.34)	179.78 (111.01)	74.39 (31.92)
2003	29	3.64%	19.15 (9.07)	107.00 (86.65)	26.59 (12.01)
2004	25	3.14%	17.33 (11.84)	125.35 (94.49)	16.51 (12.35)
2005	26	3.26%	13.56 (8.00)	99.84 (51.72)	16.14 (8.71)
2006	32	4.02%	54.31 (21.35)	104.93 (41.28)	69.11 (33.40)
2007	75	9.41%	82.72 (16.71)	174.47 (76.10)	145.14 (16.39)
2008	120	15.06%	261.56 (37.81)	689.50 (291.96)	79.62 (11.22)
2009	94	11.79%	171.35 (50.10)	275.04 (134.29)	204.34 (25.11)
2010	105	13.17%	262.36 (42.03)	578.39 (330.27)	94.50 (14.39)
2011	151	18.95%	125.21 (22.72)	602.94 (317.50)	29.72 (7.37)
2012	131	16.44%	125.47 (36.32)	329.46 (190.47)	51.87 (14.72)
Total	797	100.00%	150.85	414.38	81.83

	(26.66)	(190.44)	(13.21)	

Panel B: Distribution of acquisition across industries

Industry description	Acquirers		Target	
	N	%	N	%
Consumer Products and Services	92	11.54	62	7.78
Energy and Power	56	7.03	68	8.53
Healthcare	80	10.04	71	8.91
High Technology	75	9.41	69	8.66
Manufacturing Industrials	161	20.20	141	17.69
Materials	217	27.23	218	27.35
Media and Entertainment	15	1.88	24	3.01
Real Estate	64	8.03	113	14.18
Retail	26	3.26	19	2.38
Telecommunications	11	1.38	12	1.51

Table 2: Summary statistics

This table reports summary statistics for 797 M&A announcements drawn from the Thomson SDC database that receive domestic financial newspaper coverage, as well as a subsample of 471 announcements that receive web media coverage, from 2000 to 2012. Variable definitions are given in Appendix B.

Variable	Obs	Mean	Std.Dev.	Min	Max
CAR	797	0.0559	0.2930	-0.3780	5.8620
Change in peer-adjusted ROA	515	-0.0042	0.1098	-0.6840	0.7030
Change in industry-adjusted ROA	515	0.0060	0.1051	-0.3646	0.9284
Amount of press coverage	797	3.7430	7.0330	1	160
Negative tone	797	0.0972	0.0926	0	0.5556
Politically sensitive deal	797	0.4981	0.5003	0	1
Negativity stock	797	0.4014	0.8812	0	15.6480
Negative tone of the web media	471	0.1173	0.2339	0	1
Amount of web coverage	471	5.3163	11.2026	1	100
Log of (1+Amount of web coverage)	471	1.3131	0.8287	0.6931	4.6151
Negativity stock web	471	0.7279	3.3433	0	55.3344
Local media	797	0.0616	0.1836	0	1
Log of (1+Local media articles)	797	0.1454	0.3714	0	2.9957
Completed	797	0.8310	0.3750	0	1
ROA	797	0.0476	0.0733	-0.2940	0.2600
Cash	797	0.6880	0.4640	0	1
Sale/GDP	797	0.3588	1.0739	0	18.2557
Friendly	797	0.8570	0.3500	0	1
Diversifying	797	0.6360	0.4810	0	1
Private	797	0.2660	0.4420	0	1
Subsidiary	797	0.6470	0.4780	0	1
Local deal	797	0.4980	0.5000	0	1
Oversea deal	797	0.0452	0.2080	0	1
Related party deal	797	0.5560	0.4970	0	1
High technology	797	0.0941	0.2920	0	1
State-owned	797	0.4740	0.5000	0	1
Independent members	797	0.3520	0.0681	0	0.6670
Management ownership	797	0.0816	0.1840	0	0.7538
Length of the negotiation	797	55.05019	11.7489	9	60
QFII	797	0.1040	0.3060	0	1
Tobin’s Q	797	1.8330	1.1710	0.7700	7.9940
Employee	797	4042	7963	9	79927
Sales growth	797	0.2520	0.5640	-0.7670	3.3430
Relative transaction value	797	0.8180	2.3700	0.0011	27.4600
Ln(Sales expense)	797	13.6000	1.7570	5.2730	19.9900
Leverage	797	0.4960	0.2700	0.0399	1.8460
Ln(Mkt cap)	797	19.8900	1.1970	16.5300	23.7400

Table 3: Univariate test of differences between merger and non-merger firms

This table presents tests of differences between characteristics of 687 unique firms at the time of their acquisition announcement and the remainder of the universe of Chinese firms reporting accounting data to the Wind Financial and Securities database during 2000-2012. Test statistics for both the *t*-test and the nonparametric Mann-Whitney test are calculated for the null hypothesis of equality between the two samples of nonmerger and merger firms. Median value of variables are reported in parentheses; ***, ** and * denote significance at the 1%, 5% and 10% levels respectively.

Variables	Nonmerger (N=16,219)	Merger (N=687)	Difference (T test)	Difference (Mann-Whitney test)
Book asset (USD millions)	3352.9750 (211.8291)	768.2003 (244.9876)	1.2931	-2.32**
Market equity (USD millions)	599.7953 (142.1293)	540.2818 (196.5969)	0.3364	-6.40***
Book equity (USD millions)	524.7255 (110.9062)	312.2728 (126.4616)	1.2985	-2.29**
PP&E/asset	0.2796 (0.2483)	0.2511 (0.2140)	3.9536***	4.29***
Long term debt/asset	0.1504 (0.0806)	0.1464 (0.0762)	0.5715	0.40
Capital expenditure (million U.S dollar)	38.8297 (23.0935)	25.5462 (28.1993)	0.4737	-1.78*
Net income (million U.S dollar)	66.1662 (6.9281)	32.2853 (9.4323)	1.2229	-3.85***
ROA	0.0305 (0.0370)	0.0469 (0.0450)	-0.7684	-4.03***
ROE	0.0302 (0.0739)	0.0893 (0.0915)	-1.1994	-4.10***
Book/Market ratio	0.5693 (0.5383)	0.5240 (0.4832)	4.2758***	4.31***
Leverage	0.6349 (0.4859)	0.5504 (0.4946)	0.3047	-0.42
Quick ratio	2.1059 (1.3202)	2.5402 (1.3658)	-2.8147***	-1.43
Current ratio	1.6362 (0.8899)	2.0727 (0.9286)	-3.0711***	-1.69*

Table 4: What factors determine media tone in Chinese M&A?

Regression models of the determinants of the negative tone of domestic financial newspaper coverage of 797 Chinese M&A announcements during 2000-2012. *Negative tone* is the dependent variable calculated following Tetlock (2007). Acquirer and deal characteristic control variables are defined in Appendix B. Robust standard errors are reported in parentheses; ***, ** and * denote significance at 1%, 5% and 10% levels respectively.

	(1)	(2)	(3)	(4)
Constant	0.0590	0.0500	0.0626	0.0949
	(0.0497)	(0.0755)	(0.0511)	(0.0782)
CAR	-0.0019	-0.0081*	-0.0011	-0.0074
	(0.0039)	(0.0049)	(0.0040)	(0.0049)
ROA	0.0120	0.0543	0.0146	0.0596
	(0.0352)	(0.0400)	(0.0354)	(0.0403)
Local media	0.0474**	0.0423**		
	(0.0205)	(0.0207)		
Log of (1+Local media articles)			0.0319***	0.0310***
			(0.0086)	(0.0089)
Sale/GDP	0.0063**	0.0052	0.0059*	0.0065*
	(0.0030)	(0.0034)	(0.0033)	(0.0037)
Local media×Sale/GDP	-0.0414**	-0.0397**		
	(0.0189)	(0.0198)		
Log of (1+Local media articles)×Sale/GDP			-0.0068***	-0.0070***
			(0.0025)	(0.0026)
Local deal	-0.0188***	-0.0169***	-0.0189***	-0.0167***
	(0.0057)	(0.0059)	(0.0057)	(0.0059)
Oversea deal	-0.0309***	-0.0391***	-0.0346***	-0.0415***
	(0.0088)	(0.0101)	(0.0088)	(0.0102)
Related party deal		-0.0020		-0.0022
		(0.0070)		(0.0070)
Cash		0.0115*		0.0125*
		(0.0068)		(0.0068)
Friendly		0.0217**		0.0217**
		(0.0091)		(0.0091)
Private		-0.0138		-0.0117
		(0.0124)		(0.0122)
Relative transaction value		0.0019*		0.0016
		(0.0011)		(0.0011)
Diversifying		0.0101		0.0099
		(0.0063)		(0.0063)
Subsidiary		-0.0118		-0.0094
		(0.0118)		(0.0118)
High technology		-0.0054		-0.0064
		(0.0096)		(0.0096)

State-owned		-0.0040		-0.0051
		(0.0070)		(0.0069)
Length of the negotiation		0.0003		0.0002
		(0.0003)		(0.0003)
QFII		-0.0113		-0.0112
		(0.0082)		(0.0082)
Tobin's Q		-0.0006		-0.0005
		(0.0029)		(0.0029)
Leverage		0.0179*		0.0172*
		(0.0100)		(0.0100)
Sales growth		-0.0102***		-0.0102***
		(0.0037)		(0.0037)
Ln(Sales expense)		0.0071***		0.0067**
		(0.0027)		(0.0026)
Ln(Employees)		-0.0046		-0.0048
		(0.0029)		(0.0030)
Ln(Mkt cap)		-0.0037		-0.0056
		(0.0038)		(0.0038)
Year and Industry fixed effect	Yes	Yes	Yes	Yes
Observations	797	797	797	797
R^2	0.3143	0.3406	0.3214	0.3470

Table 5: Can political deal characteristics affect newspaper coverage of Chinese M&A?

This table presents logit models of whether a deal receives financial newspaper coverage. In our sample, 797 deals received newspaper coverage from the announcement date to min(60, date effective/date withdrawn) while 591 deals did not during 2000-2012. If a deal was covered in financial newspapers once or more, the dependent variable *Press coverage* equals one and is set to zero otherwise. Acquirer and deal characteristic control variables are defined in Appendix B. Robust standard errors reported in parentheses; ***, ** and * denote significance at 1%, 5% and 10% levels respectively.

	(1)	(2)
Constant	0.1778	-8.7042***
	(1.4588)	(2.4323)
CAR	3.2187***	2.2959***
	(0.6042)	(0.6281)
ROA	-0.9449	-0.8518
	(0.8632)	(1.0800)
Politically sensitive deal	-0.2129*	-0.2618**
	(0.1153)	(0.1270)
Overseas deal		0.3597
		(0.3012)
Related party deal		0.2641*
		(0.1376)
Cash		-0.8870***
		(0.1712)
Friendly		0.3062*
		(0.1781)
Private		0.2715
		(0.2315)
Relative transaction value		0.0998**
		(0.0447)
Diversifying		0.3383***
		(0.1289)
Subsidiary		0.2158
		(0.2099)
High technology		-0.0511
		(0.2536)
State-owned		-0.0782
		(0.1405)
Length of the negotiation		-0.0075
		(0.0047)
QFII		0.0226
		(0.2173)
Tobin's Q		0.1125*

		(0.0639)
Leverage		0.4000
		(0.2708)
Sales growth		-0.0518
		(0.0527)
Ln(Sales expense)		0.0470*
		(0.0276)
Ln(Employees)		-0.0661
		(0.0649)
Ln(Mkt cap)		0.4701***
		(0.0859)
Year and Industry fixed effects	Yes	Yes
Observations	1,385	1,385
Pseudo R^2	0.0625	0.1302

Table 6: Can media coverage affect outcomes in proposed M&A?

This table displays logit models of the relationship between media coverage and deal completion in 797 M&A announcements. Panel A reports the effects of financial newspaper coverage in the sample of state-owned firms. Column (1) reports full sample finding for 2000-2012 and column (2) reports post-Split Share Structure Reform subperiod estimations for 2008-2012. The independent variable is *Negativity stock*, the product of average negative tone and amount of press coverage. Column (3) reports full sample findings using coverage from the four major Chinese financial newspapers and Column (4) reports post-SSSR subperiod estimations for the same. Panel B tabulates analogous results for non-stateowned firms. Column (1) and column (2) report full-sample and post-SSSR results respectively, while column (3) and column (4) use coverage from the four major newspapers only. Panel C displays results for alternative coverage from the web media for state-owned and non-stateowned firms. Column (1) and column (2) report full sample and post-SSSR results for state-owned firms; column (3) and column (4) report analogous results for non-stateowned firms. Acquirer and deal characteristic control variables are defined in Appendix B. Robust standard errors reported in parentheses; ***, ** and * denote significance at 1%, 5% and 10% levels respectively.

Panel A: Newspaper coverage of M&A announcements by state-owned firms

	(1)	(2)	(3)	(4)
CAR	6.3866***	11.0613***	6.2976***	10.7944***
	(2.4195)	(3.3583)	(2.3916)	(3.3282)
Negativity stock	-0.0444	0.6596	-0.4281	0.4889
	(0.2338)	(0.8437)	(0.4805)	(1.1201)
Local deal	0.5635	-0.4014	0.5685	-0.3302
	(0.5664)	(0.8876)	(0.5700)	(0.8623)
Overseas deal	-1.7865**	-3.9735***	-1.7990**	-3.9207***
	(0.8176)	(1.3568)	(0.8165)	(1.3521)
Related party deal	-0.9410	-1.9847**	-0.9309	-1.9766**
	(0.6257)	(0.8448)	(0.6241)	(0.8532)
Cash	-0.0031	-1.2644	-0.0503	-1.3945
	(0.8240)	(1.0711)	(0.8190)	(1.0330)
Friendly	0.0001	-0.9343	0.0092	-0.9084
	(0.7627)	(1.1701)	(0.7626)	(1.1763)
Private	1.2253	0.5559	1.2316	0.4851
	(0.8093)	(0.8189)	(0.8135)	(0.8232)
Relative transaction value	-0.2144	-0.5886**	-0.2158	-0.5709**
	(0.2168)	(0.2570)	(0.2184)	(0.2693)
Diversifying	-1.0302*	-1.5302*	-1.0394*	-1.4985*
	(0.5751)	(0.8907)	(0.5724)	(0.8738)
Subsidiary	2.4905***	3.4551**	2.4764***	3.3349**
	(0.8128)	(1.6061)	(0.8051)	(1.6312)
High technology	1.8847	3.7374**	1.9218	3.6330**
	(1.3499)	(1.7903)	(1.3040)	(1.7048)

Independent members	8.3909	-2.4567	8.2439	-2.7200
	(7.9501)	(7.2341)	(7.9372)	(7.2497)
Management ownership	-6.9944	-18.4637	-7.3933	-17.4146
	(9.4864)	(12.0097)	(9.3031)	(11.5700)
Length of the negotiation	0.0079	-0.0944	0.0067	-0.0972
	(0.0236)	(0.0756)	(0.0235)	(0.0762)
QFII	-0.3383	-0.8667	-0.3758	-0.9136
	(0.7529)	(1.0475)	(0.7385)	(1.0274)
Tobin's Q	0.1201	0.1200	0.1083	0.0686
	(0.3862)	(0.5354)	(0.3807)	(0.4936)
Leverage	0.5347	-0.7735	0.5589	-0.6962
	(1.0254)	(1.2439)	(1.0370)	(1.2297)
Sales growth	-0.4314	0.2808	-0.4375	0.2316
	(0.6273)	(0.9310)	(0.6275)	(0.9196)
Ln(Mkt cap)	2.2136***	2.2038***	2.2451***	2.2580***
	(0.3595)	(0.5929)	(0.3618)	(0.6009)
Constant	Yes	Yes	Yes	Yes
Year and Industry fixed effects	Yes	Yes	Yes	Yes
Observations	292	210	292	210
Pseudo R^2	0.4614	0.5436	0.4623	0.5421
Panel B: Newspaper coverage of M&A announcements by non-stateowned firms				
	(1)	(2)	(3)	(4)
CAR	7.5685***	11.7617***	7.6303***	11.2347***
	(2.1166)	(2.9326)	(2.1811)	(2.6774)
Negativity stock	-1.9218***	-3.3021***	-3.6659***	-6.0313***
	(0.4111)	(0.9126)	(0.8367)	(1.3150)
Local deal	0.0160	-0.3404	0.0217	-0.4137
	(0.4746)	(0.5832)	(0.4522)	(0.5494)
Overseas deal	-0.8406	-0.6261	-0.9474	-0.7711
	(0.9365)	(0.9768)	(0.9224)	(0.9825)
Related party deal	-0.6988	-1.0428	-0.8527	-1.2232
	(0.6212)	(0.8443)	(0.5844)	(0.8363)
Cash	0.2210	0.3352	0.4439	0.7220
	(0.5489)	(0.7403)	(0.5667)	(0.6996)
Friendly	2.4757***	1.2002	2.6957***	1.5177*
	(0.7376)	(0.8820)	(0.7693)	(0.9090)
Private	2.9468***	3.0996***	2.3209**	2.2095**
	(1.0437)	(0.9331)	(0.9638)	(0.9149)
Relative transaction value	0.2933**	0.3155***	0.2866**	0.3110***
	(0.1142)	(0.1042)	(0.1178)	(0.1173)
Diversifying	-0.3626	-0.2211	-0.2154	0.0108
	(0.5379)	(0.7673)	(0.5563)	(0.7612)
Subsidiary	2.9225***	3.0200***	2.0835**	1.7789**
	(1.1039)	(0.8853)	(1.0575)	(0.8272)

High technology	-0.6116	0.3660	-0.5340	0.4291
	(0.8463)	(0.9669)	(0.8561)	(1.0105)
Independent members	-2.7479	3.1241	-3.3252	0.9502
	(3.0666)	(3.9343)	(3.2230)	(4.2244)
Management ownership	2.5283	4.0060*	2.5076	4.0675*
	(1.5575)	(2.1017)	(1.6342)	(2.2618)
Length of the negotiation	-0.0574***	-0.0672***	-0.0640***	-0.0744***
	(0.0164)	(0.0222)	(0.0172)	(0.0244)
QFII	-0.6879	-1.0995	-0.7658	-1.3697
	(1.2259)	(1.2091)	(1.0911)	(0.9548)
Tobin's Q	-0.2637	-0.0728	-0.3061*	-0.1349
	(0.1995)	(0.2293)	(0.1799)	(0.1997)
Leverage	0.3596	0.5313	0.8641	1.4560
	(0.6956)	(1.1832)	(0.7109)	(1.1052)
Sales growth	-0.2692	-0.8409*	-0.2886	-0.8661*
	(0.3394)	(0.4506)	(0.3328)	(0.4644)
Ln(Mkt cap)	3.8029***	4.8037***	3.6834***	4.6130***
	(0.6381)	(0.8693)	(0.6519)	(0.8280)
Constant	Yes	Yes	Yes	Yes
Year and Industry fixed effects	Yes	Yes	Yes	Yes
Observations	380	312	380	312
Pseudo R^2	0.5783	0.6428	0.5754	0.6367

Panel C: Web media coverage of M&A announcements by state-owned and non-stateowned firms

	(1)	(2)	(3)	(4)
CAR	9.1126***	11.1071***	11.9771***	5.9355***
	(2.2981)	(3.7051)	(4.1274)	(1.7700)
Negativity stock	0.0501	0.0673	-0.2717	-0.0456
	(0.0624)	(0.0635)	(0.1762)	(0.0838)
Local deal	-0.4548	-0.0783	0.5080	-0.1399
	(0.5464)	(0.6041)	(0.6931)	(0.4406)
Overseas deal	-2.8888**	-3.3619**	-2.0885*	-1.3830*
	(1.3677)	(1.3095)	(1.2464)	(0.7217)
Related party deal	-0.7786	-1.4803*	-1.6299*	-0.2012
	(0.5913)	(0.7894)	(0.9413)	(0.5175)
Cash	0.1700	0.5026	1.5516	1.3036**
	(0.6737)	(0.8172)	(0.9787)	(0.6284)
Friendly	-0.0765	-0.0638	4.8320*	1.2442*
	(0.7065)	(0.8557)	(2.7541)	(0.7453)
Private	0.6742	0.4075	1.3354	0.8736
	(0.9281)	(1.2050)	(1.1829)	(0.8328)
Relative transaction value	-0.5002***	-0.3466	0.2014*	0.1944**
	(0.1868)	(0.2383)	(0.1047)	(0.0861)
Diversifying	0.1793	0.2705	-0.0580	0.0319
	(0.4988)	(0.6052)	(0.8207)	(0.4600)

Subsidiary	1.8874**	1.4876	0.5610	0.9033
	(0.8408)	(1.0805)	(1.1013)	(0.7846)
High technology	1.3660	1.6907*	-0.7196	-0.9943
	(0.8489)	(1.0252)	(1.5670)	(0.6658)
Independent members	9.0335	25.0072*	-2.0288	-4.9071
	(5.8867)	(13.4953)	(5.3550)	(4.3920)
Management ownership	1.7234	5.7889	5.0018**	2.5706**
	(11.8731)	(12.5573)	(2.4737)	(1.1770)
Length of the negotiation	-0.0176	-0.0695*	-0.0774**	-0.0248
	(0.0280)	(0.0380)	(0.0362)	(0.0186)
QFII	0.0259	-0.1910	0.9884	0.2710
	(0.8091)	(0.9456)	(1.3108)	(0.6702)
Tobin's Q	0.3629	0.3192	-0.3776*	-0.2568**
	(0.3774)	(0.3740)	(0.2006)	(0.1117)
Leverage	1.4190	1.5831	2.2869	0.7838
	(1.2067)	(1.1168)	(1.4248)	(0.6783)
Sales growth	-1.0044*	-0.3691	-0.7767	-0.1011
	(0.5707)	(0.7293)	(0.4939)	(0.3798)
Ln(Mkt cap)	1.6182***	1.6906***	3.7177***	1.7165***
	(0.4032)	(0.4881)	(1.1737)	(0.2916)
Constant	Yes	Yes	Yes	Yes
Year and Industry fixed effects	No	No	Yes	No
Observations	225	201	226	225
Pseudo R^2	0.4330	0.4626	0.5955	0.3551

Table 7: Univariate test of differences between acquirers and benchmark firms

We create two benchmarks for abnormal long-term performance of 515 completed acquisitions and 3,985 firm-years of performance data: same-industry peer firms and median industry performance. We match peers as nonmerger firms in the same three-digit SIC code by ROA in the year prior to the acquisition announcement. We use the median of the three-digit SIC industry's ROA as the industry benchmark. We report *t*-test and Mann-Whitney test statistics for the null hypothesis of zero difference between acquirer and benchmark ROA. Median values are reported in parentheses; ***, ** and * denote significance at 1%, 5% and 10% levels respectively.

Year	Acquirer firms (1) (N=3,985)	Matched firms (2) (N=3,985)	Industry (3) (N=26,434)	Diff(T test) [Mann-Whitney test] (1)-(2)	Diff(T test) [Mann-Whitney test] (1)-(3)
-3	0.0567	0.0312	0.0385	3.8332***	3.4439***
	(0.0506)	(0.0231)	(0.0320)	[8.42***]	[8.04***]
-2	0.0506	0.0409	0.0423	1.5951	1.6588*
	(0.0468)	(0.0318)	(0.0403)	[5.98***]	[5.09***]
-1	0.0481	0.0474	0.0457	1.3643	0.7481
	(0.0458)	(0.0455)	(0.0432)	[1.03]	[1.85*]
0	0.0533	0.0464	0.0452	0.8680	1.1165
	(0.0404)	(0.0409)	(0.0425)	[-0.19]	[0.31]
+1	0.0459	0.0475	0.0427	-0.3594	0.9230
	(0.0406)	(0.0384)	(0.0405)	[-0.26]	[1.40]
+2	0.0475	0.0410	0.0420	1.4700	1.6230
	(0.0354)	(0.0365)	(0.0405)	[1.72*]	[0.75]
+3	0.0438	0.0468	0.0419	-0.6002	0.6625
	(0.0358)	(0.0363)	(0.0403)	[-0.11]	[-0.73]

Table 8: Can media coverage predict long-term performance after M&A?

This table tests the predictive power of *Negativity stock* for benchmark-adjusted ROA in 515 completed deals. For each year, we calculate abnormal ROA relative to a matched peer and the industry median. We then compute the 3-year average of the resulting abnormal ROAs. Our dependent variables are the changes between the two types of pre- and post-merger abnormal ROAs. Robust standard errors are reported in parentheses; ***, ** and * denote significance at 1%, 5% and 10% levels respectively.

	Change in peer-adjusted ROA	Change in industry-adjusted ROA
CAR	-0.0178	-0.0346**
	(0.0296)	(0.0172)
Negative tone	-0.0005	0.0580
	(0.0721)	(0.0497)
Amount of press coverage	0.0033*	0.0031**
	(0.0019)	(0.0013)
Negativity stock	-0.0327*	-0.0310**
	(0.0182)	(0.0133)
Local deal	0.0142	-0.0121*
	(0.0099)	(0.0068)
Overseas deal	0.0255	-0.0010
	(0.0290)	(0.0248)
Related party deal	0.0170	0.0182**
	(0.0122)	(0.0079)
Cash	0.0046	-0.0060
	(0.0125)	(0.0096)
Friendly	0.0037	0.0111
	(0.0130)	(0.0083)
Private	-0.0007	0.0173
	(0.0194)	(0.0138)
Relative transaction value	0.0067*	0.0061*
	(0.0035)	(0.0032)
Diversifying	0.0026	-0.0007
	(0.0098)	(0.0075)
Subsidiary	0.0118	0.0126
	(0.0162)	(0.0111)
High technology	0.0169	0.0099
	(0.0347)	(0.0218)
Independent members	-0.0095	0.0148
	(0.0135)	(0.0104)
Management ownership	-0.1184	-0.0885
	(0.1023)	(0.0817)
Length of the negotiation	-0.0006	0.0201
	(0.0457)	(0.0351)

QFII	-0.0193	-0.0192*
	(0.0139)	(0.0102)
Tobin's Q	0.0086	0.0192***
	(0.0072)	(0.0061)
Leverage	0.0713*	0.1926***
	(0.0365)	(0.0340)
Sales growth	0.0121	0.0005
	(0.0083)	(0.0071)
Ln(Mkt cap)	-0.0095*	-0.0168***
	(0.0055)	(0.0041)
Constant	Yes	Yes
Year and Industry fixed effect	Yes	Yes
Observations	515	515
R^2	0.1793	0.4806

Table 9: Instrumental variable models

This table presents instrumental variable estimations of the effect of *Negativity stock* on M&A deal outcomes. We assume *Negativity stock* is endogenous in deal outcomes and use *Negativity stock web*, the negativity of web coverage available for 471 deals, as the instrumental variable since it does not affect deal outcomes. Panel A tabulates results for all firms, Panel B the results for state-owned ones, and Panel C for non-stateowned firms. Columns (1) and (2) report results of the first stage regression and the second stage regression in each case. Standard errors are reported in parentheses; ***, ** and * denote significance at 1%, 5% and 10% levels respectively.

Panel A: All firms

	First-stage	Second-stage
	(1)	(2)
Negativity stock		-0.7593
		(1.1167)
Negativity stock web	0.0276***	
	(0.0093)	
CAR	-0.1608	3.1864***
	(0.2529)	(0.8319)
Local deal	-0.1514**	-0.1034
	(0.0647)	(0.2674)
Overseas deal	-0.1534	-1.0880**
	(0.1345)	(0.4638)
Related party deal	0.1723**	-0.2250
	(0.0761)	(0.3006)
Cash	-0.2089**	0.3342
	(0.0820)	(0.3382)
Friendly	0.0739	0.5273*
	(0.0984)	(0.2920)
Private	-0.3047**	0.8030
	(0.1291)	(0.5066)
Relative transaction value	0.0435**	0.0808
	(0.0195)	(0.0724)
Diversifying	-0.0092	-0.0617
	(0.0693)	(0.2224)
Subsidiary	-0.2965**	0.9208**
	(0.1193)	(0.4693)
High technology	0.1593	-0.1105
	(0.1416)	(0.4582)
State-owned	0.0585	0.1045
	(0.0729)	(0.2381)
Independent members	-1.1828**	3.1324
	(0.5624)	(2.3401)

Management ownership	0.0119	0.6997
	(0.2141)	(0.7813)
Length of the negotiation	0.0062**	-0.0075
	(0.0027)	(0.0129)
QFII	-0.1158	0.1246
	(0.0932)	(0.3762)
Tobin's Q	0.0148	0.0413
	(0.0275)	(0.0987)
Leverage	-0.0017	0.1189
	(0.1391)	(0.4044)
Sales growth	-0.1271**	-0.2397
	(0.0612)	(0.2534)
Ln(Mkt cap)	0.2223***	1.3229***
	(0.0343)	(0.2992)
Year and Industry fixed effect	Yes	Yes
Constant	Yes	Yes
Adj-R^2	0.2887	
Wald chi2		98.34
Prob> chi2		0.0000
Observations	471	471
Panel B: State-owned firms		
Negativity stock		6.6464
		(7.0436)
Negativity stock web	0.0175	
	(0.0177)	
CAR	-0.6110	14.8851**
	(0.3884)	(6.5025)
Local deal	0.0227	-1.0730
	(0.1077)	(0.8481)
Overseas deal	-0.0549	-3.5801
	(0.1885)	(2.3278)
Related party deal	0.0601	-2.2749**
	(0.1118)	(1.0159)
Cash	-0.3603***	2.1757
	(0.1268)	(2.6989)
Friendly	0.3046**	-0.1364
	(0.1487)	(2.0927)
Private	-0.1843	2.9749*
	(0.1715)	(1.8080)
Relative transaction value	0.0668	-0.8892
	(0.0463)	(0.6360)
Diversifying	0.0275	-0.4755
	(0.1070)	(0.9215)
Subsidiary	-0.3884**	5.6132*

	(0.1530)	(3.0465)
High technology	0.5649*	-4.0399
	(0.3148)	(8.8150)
Independent members	-0.1516	30.6987***
	(0.7670)	(11.2620)
Management ownership	1.9818	-15.2671
	(2.3071)	(28.8737)
Length of the negotiation	0.0038	0.0259
	(0.0046)	(0.0447)
QFII	0.0198	0.8275
	(0.1220)	(0.9921)
Tobin's Q	-0.0457	1.2721
	(0.0537)	(0.8554)
Leverage	0.4444*	-1.8444
	(0.2483)	(3.4108)
Sales growth	-0.1772*	-0.3248
	(0.1025)	(1.4529)
Ln(Mkt cap)	0.1980***	1.5507
	(0.0481)	(1.5021)
Year and Industry fixed effect	Yes	Yes
Constant	Yes	Yes
Adj-R^2	0.2948	
Wald chi2		18.05
Prob> chi2		0.9921
Observations	185	185
Panel C: Non-stateowned firms		
Negativity stock		-5.0005*
		(2.9191)
Negativity stock web	0.0304**	
	(0.0153)	
CAR	-0.0298	9.2125***
	(0.2373)	(2.4729)
Local deal	-0.0459	-0.0622
	(0.0606)	(0.4501)
Overseas deal	-0.002	-1.4284
	(0.1247)	(0.9206)
Related party deal	0.0245	-0.7706
	(0.0776)	(0.5676)
Cash	-0.2581***	0.0306
	(0.0845)	(0.9073)
Friendly	-0.2063**	1.6354
	(0.0971)	(1.1233)
Private	0.0510	1.0155
	(0.1461)	(1.0547)

Relative transaction value	0.0189	0.2518**
	(0.0153)	(0.1162)
Diversifying	-0.0102	0.2920
	(0.0650)	(0.4668)
Subsidiary	0.0907	0.4157
	(0.1372)	(1.0356)
High technology	0.0655	0.3262
	(0.1167)	(0.8107)
Independent members	0.4037	-1.7249
	(0.6155)	(4.3746)
Management ownership	-0.0356	3.7788**
	(0.1627)	(1.6461)
Length of the negotiation	0.0055**	-0.0300
	(0.0025)	(0.0305)
QFII	0.0616	1.1829
	(0.1012)	(1.3325)
Tobin's Q	0.0629***	0.0780
	(0.0235)	(0.2474)
Leverage	-0.2455**	0.8042
	(0.1237)	(1.0942)
Sales growth	-0.0083	-0.6904
	(0.0558)	(0.4670)
Ln(Mkt cap)	0.1385***	3.0606***
	(0.0369)	(0.7299)
Year and Industry fixed effect	Yes	Yes
Constant	Yes	Yes
Adj-R^2	0.2979	
Wald chi2		35.47
Prob> chi2		0.7142
Observations	246	246

Table10：Multiple acquirers

We exclude 72 multiple acquisition attempts per acquirer per year and re-estimate the deal completion and long-term performance models from Tables 6 and 8 respectively. Panel A presents results for deal completion. Columns (1) and (2) of Panel A report full time series and post-SSSR subperiod results respectively for state-owned firms, while columns (3) and (4) present full time series and post-SSSR results for non-stateowned firms. Panel B presents results for long-term performance. Columns (1) and (2) tabulate the ability of newspaper coverage to predict change in peer-adjusted and industry-adjusted ROA respectively. Our set of acquirer and deal characteristic control variables is consistent with Table 6 and Table 8. Robust standard errors are reported in parentheses;***, ** and * denote significance at the 1%, 5% and 10% levels respectively.

Panel A: Media coverage (newspaper) of M&A announcement in the state-owned and private listed firms				
	State owned=1		State owned=0	
	(1)	(2)	(3)	(4)
CAR	8.1900***	14.0388***	8.7256***	10.6092***
	(2.7283)	(3.7646)	(2.4231)	(2.9526)
Negativity stock	0.0188	0.8029	-2.3283***	-3.3566***
	(0.1705)	(0.8521)	(0.5381)	(0.9472)
Control Variables	Yes	Yes	Yes	Yes
Constant	Yes	Yes	Yes	Yes
Year and Industry fixed effects	Yes	Yes	Yes	Yes
Observations	248	172	321	261
Pseudo R^2	0.4812	0.5648	0.5912	0.6095
Panel B：Long-term performance				
	Change in peer-adjusted ROA		Change in industry-adjusted ROA	
CAR	-0.0180		-0.0372**	
	(0.0306)		(0.0177)	
Negative tone	-0.0192		0.0410	
	(0.0762)		(0.0535)	
Amount of press coverage	0.0034*		0.0030**	
	(0.0019)		(0.0014)	
Negativity stock	-0.0327*		-0.0292**	
	(0.0181)		(0.0138)	
Control Variables	Yes		Yes	
Constant	Yes		Yes	
Year and Industry fixed effects	Yes		Yes	
Observations	447		447	
R^2	0.1868		0.4976	

Appendix A. M&A Deal Screening Criteria

(1) The acquirer is a public firm with A shares listed on the Shanghai or Shenzhen Stock Exchanges

(2) The acquisition is either completed or withdrawn (we exclude intent withdrawn, rumor withdrawn, and seeking buyer withdrawn classifications).

(3) The bidder owns more than 50% of the target after the transaction or, in the case of withdrawn acquisitions, made a failed bid to control more than 50% of the target.

(4) The deal value reported in SDC is more than US $1 million.

(5) The acquirer and target firm are not in the financial services or utilities industries.

(6) The acquirer disclosed either the Date Effective or Date Withdrawn as appropriate.

Appendix B. Variable Definitions

Variable	Definition
Panel A: Performance and media coverage variables	
CAR	The five-day cumulative abnormal return around the announcement calculated using the modified market model (Brown and Warner, 1985). We obtain the return data from the China Stock Market and Accounting Research database.
Change in peer-adjusted ROA	For the fiscal year prior to each merger, we identify same-SIC3 peers by matching on ROA. We then compute a 3-year average of the resulting abnormal ROA and define operating performance change as the difference between pre- and post-acquisition abnormal ROA. We obtain accounting data from the Wind Financial and Securities database.
Change in industry-adjusted ROA	For each merger we identify the median ROA of its SIC3 industry. We then create a 3-year average of abnormal firm ROA net of median industry ROA. We obtain accounting data from the Wind Financial and Securities database.
Negative tone	We use the ROSTCM6 text analysis software with a negative and positive Chinese dictionary to assess the tone of media coverage in each article as the fraction of negative words to total word count. We then calculate the average negative tone of media coverage for each deal. We obtain the media data from the China Core Newspaper database.

Amount of press coverage	The count of deal-specific news reported by the domestic Chinese financial newspapers from the announcement date to min(+60 days, date effective/date withdrawn). We obtain the media data from the China Core Newspaper database.
Negativity stock	The product of Negative tone×Amount of press coverage reflecting the overall negativity of print media coverage.
Press coverage	Dummy variable: If the deal is covered once or more in the financial newspapers then Press coverage equals one, zero otherwise. We obtain the media data from the China Core Newspaper database.
Politically sensitive deal	Dummy variable: If Local deal×Sale/GDP> 0 then Politically sensitive deal equals one, zero otherwise.
Negative tone web	We apply the ROSTCM6 text mining software to produce the average negative tone of web media coverage for each deal. We use Google and Baidu to search the Sina and Sohu microblogs as well as other web articles for target and acquirer names as keywords, excluding articles that repeat financial newspaper coverage.
Amount of web coverage	The count of deal-specific news reported by the web media from the announcement date to min(+60 days, date effective/date withdrawn).
Log of (1+Amount of web coverage)	The log transform of the number of articles in web media.
Negativity stock web	The product of Negative tone web×Amount of web coverage reflecting the overall negativity of web media coverage.
Local media	The ratio of local media articles covering a deal to the total coverage of it, excluding coverage by the four major financial newspapers as mandated by CSRC: *China Securities Journal*, *Shanghai Securities News*, *Securities Times* and *Securities Daily*. We obtain media data from the China Core Newspaper database.
Log of (1+Local media articles)	The log transform of the number of articles in local media not including the four major financial newspapers. We obtain media data from the China Core Newspaper database.
Panel B: Deal characteristics	
Completed	Dummy variable: one for a successfully completed transaction, zero for withdrawn transactions. We obtain merger data from the Thomson Financial SDC Platinum Merger and Acquisition Database.

ROA	Net income divided by total book assets at the fiscal year end prior to acquisition announcement. We obtain accounting data from the Wind Financial and Securities database.
Sale/GDP	Sales revenue of the acquirer at the fiscal year end prior to an acquisition announcement divided by the GDP of the province in which the acquirer's headquarters is located. We obtain accounting data from the Wind Financial and Securities database.
Cash	Dummy variable: one for all-cash deals, zero otherwise. We obtain merger data from the Thomson Financial SDC Platinum Merger and Acquisition Database.
Diversifying	Dummy variable: one if bidder and target are in the same industry, zero otherwise. We obtain the data from the Thomson Financial SDC Platinum Merger and Acquisition Database.
Friendly	Dummy variable: one if a bid is friendly, zero otherwise. We obtain the data the Thomson Financial SDC Platinum Merger and Acquisition Database.
Private	Dummy variable: one if the target is a private firm, zero otherwise. We obtain the data from the Thomson Financial SDC Platinum Merger and Acquisition Database.
Subsidiary	Dummy variable: one if target is a subsidiary firm, zero otherwise. We obtain the data from the Thomson Financial SDC Platinum Merger and Acquisition Database.
Local deal	Dummy variable: one if acquirer and target are in the same province, zero otherwise. We obtain geographic data for the acquirer's headquarters from the Wind Financial and Securities database and manually collect target geographic data.
Overseas deal	Dummy variable: one if target is a foreign firm, zero otherwise. We obtain the data from Thomson Financial Platinum Merger and Acquisition Database and manually verify.
Related-party transaction	Dummy variable: one if the acquisition is a related-party transaction, zero otherwise. We obtain the data from Thomson Financial Platinum Merger and Acquisition Database and manually verify.
Panel C: Bidder characteristics	
High technology	Dummy variable: one if bidder is from the high-tech sector, zero otherwise. We obtain the data from the

	Thomson Financial SDC Platinum Merger and Acquisition Database.
State-owned	Dummy variable: one for state-owned acquirer status at the fiscal year end prior to an acquisition announcement, zero otherwise. We obtain ownership data from the Sinofin Economic and Financial database.
Independent members	The proportion of independent directors on the board at the fiscal year end prior to an acquisition announcement. We obtain board data from the China Stock Market and Accounting Research database.
Management ownership	The proportion of the acquiring firm owned by managers and board members at the fiscal year end prior to an acquisition announcement. We obtain the data from the China Stock Market and Accounting Research database.
Length of the negotiation	The length of the negotiation period. We obtain the data from the Thomson Financial SDC Platinum Merger and Acquisition Database.
QFII	Dummy variable: one if Qualified Foreign Institutional Investors had a stake in the acquirer at the fiscal year end prior to an acquisition announcement, zero otherwise. We obtain the data from the Wind Financial and Securities database.
Tobin's Q	Market value over book value of assets at the fiscal year end prior to an acquisition announcement. We obtain the data from the China Stock Market and Accounting Research database.
Ln(Sales expense)	The log of sales expense (USD millions) of the acquirer at the fiscal year end prior to an acquisition announcement. We obtain the data from the Wind Financial and Securities database.
Relative transaction value	The ratio of deal value to acquirer market value at the fiscal year end prior to an acquisition announcement. We obtain the data from the Thomson Financial SDC Platinum Merger and Acquisition Database and the Wind Financial and Securities database.
Employees	The number of employees of the acquirer at the fiscal year end prior to an acquisition announcement. We obtain the data from the Wind Financial and Securities database.
Sales growth	The sales growth of the acquirer at the fiscal year end prior to an acquisition announcement. We obtain the data from the Wind Financial and Securities database.
Leverage	Book value of debt over book value of total assets at the

	fiscal year end prior to an acquisition announcement. We obtain the data from the Wind Financial and Securities database.
Ln(Mkt cap)	The log of market value (USD millions) of the acquirer at the fiscal year end prior to an acquisition announcement. We obtain the data from the Wind Financial and Securities database and the State Administration of Foreign Exchange.

Appendix C. Alternative Robustness Results

Table A.1: What factors determine media tone in Chinese M&A?

This table presents regression models of the determinants of the negative tone of domestic media coverage of 797 Chinese M&A deals. *Negative tone* is the dependent variable calculated following Tetlock (2007). We use CAR over a (-1, +30) day window as a control variable in the regression. Acquirer and deal characteristic control variables are defined in Appendix B. Robust standard errors reported in parentheses; ***, ** and * denote significance at 1%, 5% and 10% levels respectively.

	(1)	(2)	(3)	(4)
Constant	0.0594	0.0503	0.0631	0.0962
	(0.0496)	(0.0753)	(0.0509)	(0.0780)
CAR[-1,+30]	-0.0025	-0.0056	-0.0025	-0.0057
	(0.0038)	(0.0037)	(0.0037)	(0.0037)
ROA	0.0094	0.0477	0.0121	0.0535
	(0.0355)	(0.0392)	(0.0357)	(0.0395)
Local media	0.0471**	0.0416**		
	(0.0206)	(0.0207)		
Log of (1+Local media articles)			0.0319***	0.0310***
			(0.0086)	(0.0089)
Sale/GDP	0.0062**	0.0052	0.0059*	0.0065*
	(0.0030)	(0.0034)	(0.0034)	(0.0037)
Local media×Sale/GDP	-0.0414**	-0.0397**		
	(0.0189)	(0.0198)		
Log of (1+articles in local media)×Sale/GDP			-0.0067***	-0.0070***
			(0.0025)	(0.0026)
Local deal	-0.0189***	-0.0171***	-0.0190***	-0.0168***
	(0.0057)	(0.0060)	(0.0057)	(0.0059)
Overseas deal	-0.0310***	-0.0392***	-0.0347***	-0.0416***
	(0.0088)	(0.0101)	(0.0088)	(0.0102)
Related party deal		-0.0022		-0.0024
		(0.0070)		(0.0070)
Cash		0.0117*		0.0126*
		(0.0068)		(0.0068)
Friendly		0.0216**		0.0217**
		(0.0091)		(0.0090)
Private		-0.0134		-0.0113
		(0.0124)		(0.0122)
Relative transaction value		0.0020*		0.0017
		(0.0011)		(0.0011)
Diversifying		0.0106*		0.0103
		(0.0063)		(0.0063)
Subsidiary		-0.0115		-0.0091

		(0.0119)		(0.0118)
High technology		-0.0052		-0.0063
		(0.0097)		(0.0096)
State-owned		-0.0039		-0.0050
		(0.0070)		(0.0069)
Length of the negotiation		0.0003		0.0002
		(0.0003)		(0.0003)
QFII		-0.0111		-0.0109
		(0.0081)		(0.0082)
Tobin's Q		-0.0006		-0.0005
		(0.0029)		(0.0029)
Leverage		0.0178*		0.0173*
		(0.0098)		(0.0098)
Sales growth		-0.0102***		-0.0102***
		(0.0037)		(0.0037)
Ln(Sales expense)		0.0070***		0.0066**
		(0.0027)		(0.0026)
Ln(Employees)		-0.0046		-0.0048
		(0.0029)		(0.0030)
Ln(Mkt cap)		-0.0037		-0.0056
		(0.0038)		(0.0038)
Year and Industry and fixed effects	Yes	Yes	Yes	Yes
Observations	797	797	797	797
R^2	0.3145	0.3408	0.3216	0.3473

Table A.2: What factors determine the tone of web media in Chinese M&A?

This table presents regression models of the determinants of the negative tone of domestic web media coverage of 471 Chinese M&A deals. *Negative tone web* is the dependent variable calculated following Tetlock (2007) from Sina and Sohu microblogs, as well as other web coverage of 471 M&A deals. Acquirer and deal characteristic control variables are defined in Appendix B. Robust standard errors reported in parentheses; ***, ** and * denote significance at 1%, 5% and 10% levels respectively.

	(1)	(2)	(3)	(4)
Constant	0.0377	0.2407	0.0366	0.2337
	(0.1180)	(0.3154)	(0.1195)	(0.3151)
CAR	0.1746*	0.1617	0.1688*	0.1538
	(0.1013)	(0.1051)	(0.1019)	(0.1058)
ROA	0.0274	0.0480	0.0363	0.0571
	(0.1676)	(0.1694)	(0.1687)	(0.1697)
Amount of web coverage	0.0014	0.0016*		
	(0.0010)	(0.0009)		
Log of (1+Amount of web coverage)			0.0133	0.0190
			(0.0132)	(0.0129)
Politically sensitive deal	-0.0193	-0.0289	-0.0197	-0.0291
	(0.0213)	(0.0227)	(0.0213)	(0.0228)
Overseas deal	-0.0306	-0.0288	-0.0311	-0.0298
	(0.0261)	(0.0291)	(0.0254)	(0.0285)
Related party deal		0.0196		0.0192
		(0.0253)		(0.0253)
Cash		0.0162		0.0177
		(0.0301)		(0.0303)
Friendly		-0.0464		-0.0470
		(0.0349)		(0.0349)
Private		-0.0512		-0.0498
		(0.0496)		(0.0497)
Relative transaction value		0.0014		0.0018
		(0.0053)		(0.0053)
Diversifying		0.0344		0.0343
		(0.0211)		(0.0212)
Subsidiary		-0.0367		-0.0349
		(0.0467)		(0.0469)
High technology		0.0317		0.0329
		(0.0588)		(0.0591)
State-owned		0.0458**		0.0457**
		(0.0222)		(0.0222)
Length of the negotiation		0.0006		0.0006
		(0.0008)		(0.0008)
QFII		-0.0302		-0.0313

		(0.0283)		(0.0282)
Tobin's Q		-0.0072		-0.0072
		(0.0098)		(0.0098)
Leverage		-0.0348		-0.0361
		(0.0455)		(0.0450)
Sales growth		-0.0016		-0.0016
		(0.0214)		(0.0213)
Ln(Sales expense)		-0.0028		-0.0034
		(0.0088)		(0.0088)
Ln(Employees)		-0.0250**		-0.0245**
		(0.0121)		(0.0121)
Ln(Mkt cap)		0.0029		0.0031
		(0.0141)		(0.0141)
Year and Industry fixed effects	Yes	Yes	Yes	Yes
Observations	471	471	471	471
R^2	0.2162	0.2536	0.2142	0.2517

Table A.3: What factors determine the tone of print media in Chinese M&A?

This table presents regression models of the determinants of the negative tone of domestic media coverage for 797 Chinese M&A deals. *Negative tone* is the dependent variable calculated following Tetlock (2007).Acquirer and deal characteristic control variables are defined in Appendix B. Robust standard errors reported in parentheses; ***, ** and * denote significance at 1%, 5% and 10% levels respectively.

	(1)	(2)	(3)	(4)
Constant	0.0613	0.0396	0.0640	0.0713
	(0.0494)	(0.0712)	(0.0507)	(0.0732)
CAR	-0.0020	-0.0081*	-0.0015	-0.0075
	(0.0039)	(0.0049)	(0.0040)	(0.0049)
ROA	0.0160	0.0562	0.0176	0.0613
	(0.0352)	(0.0400)	(0.0355)	(0.0406)
Local media	0.0327*	0.0270		
	(0.0171)	(0.0173)		
Log of (1+Local media articles)			0.0270***	0.0248***
			(0.0078)	(0.0081)
Politically sensitive deal	-0.0187***	-0.0169***	-0.0189***	-0.0169***
	(0.0057)	(0.0060)	(0.0057)	(0.0059)
Overseas deal	-0.0310***	-0.0393***	-0.0341***	-0.0414***
	(0.0088)	(0.0101)	(0.0087)	(0.0100)
Related party deal		-0.0018		-0.0017
		(0.0070)		(0.0070)
Cash		0.0116*		0.0135**
		(0.0068)		(0.0068)
Friendly		0.0217**		0.0218**
		(0.0090)		(0.0090)
Private		-0.0118		-0.0097
		(0.0122)		(0.0122)
Relative transaction value		0.0020*		0.0018*
		(0.0010)		(0.0011)
Diversifying		0.0098		0.0098
		(0.0063)		(0.0063)
Subsidiary		-0.0106		-0.0080
		(0.0119)		(0.0118)
High technology		-0.0053		-0.0057
		(0.0096)		(0.0095)
State-owned		-0.0036		-0.0042
		(0.0069)		(0.0069)
Length of the negotiation		0.0003		0.0002
		(0.0003)		(0.0003)
QFII		-0.0113		-0.0119
		(0.0081)		(0.0081)
Tobin's Q		-0.0004		-0.0004

		(0.0028)		(0.0028)
Leverage		0.0179*		0.0182*
		(0.0099)		(0.0099)
Sales growth		-0.0099***		-0.0101***
		(0.0037)		(0.0037)
Ln(Sales expense)		0.0078***		0.0070***
		(0.0026)		(0.0026)
Ln(Employees)		-0.0046		-0.0043
		(0.0029)		(0.0029)
Ln(Mkt cap)		-0.0036		-0.0050
		(0.0037)		(0.0037)
Year and Industry fixed effects	Yes	Yes	Yes	Yes
Observations	797	797	797	797
R^2	0.3113	0.3384	0.3183	0.3439

Table A.4: Can media coverage affect outcomes in proposed M&A?

This table displays OLS models of media coverage of 797 M&A announcements on deal completion. Panel A reports the effects of financial newspaper coverage in the sample of state-owned firms. Column (1) reports full sample finding for 2000-2012 and column (2) reports post-Split Share Structure Reform subperiod estimations for 2008-2012. The independent variable is *Negativity stock*, the product of average negative tone and amount of press coverage. Column (3) reports full sample findings using coverage from the four major Chinese financial newspapers and Column (4) reports post-SSSR subperiod estimations for the same. Panel B tabulates analogous results for non-stateowned firms. Column (1) and column (2) report full-sample and post-SSSR results respectively, while column (3) and column (4) use coverage from the four major newspapers only. Panel C displays results for alternative coverage from the web media for state-owned and non-stateowned firms. Column (1) and column (2) report full sample and post-SSSR results for state-owned firms; column (3) and column (4) report analogous results for non-stateowned firms. Acquirer and deal characteristic control variables are defined in Appendix B. Robust standard errors reported in parentheses; ***, ** and * denote significance at 1%, 5%and 10% levels respectively.

Panel A: Newspaper coverage of M&A announcements by state-owned firms

	(1)	(2)	(3)	(4)
CAR	0.1511**	0.1801**	0.1520**	0.1805**
	(0.0630)	(0.0730)	(0.0633)	(0.0733)
Negativity stock	-0.0114	-0.0172	-0.0305	-0.0180
	(0.0108)	(0.0182)	(0.0294)	(0.0327)
Local deal	0.0400	0.0401	0.0395	0.0404
	(0.0361)	(0.0469)	(0.0363)	(0.0473)
Overseas deal	-0.1007	-0.1376	-0.0976	-0.1358
	(0.0810)	(0.0971)	(0.0804)	(0.0972)
Related party deal	-0.0291	-0.0609	-0.0261	-0.0623
	(0.0384)	(0.0439)	(0.0391)	(0.0442)
Cash	-0.0060	-0.0199	-0.0080	-0.0178
	(0.0447)	(0.0499)	(0.0450)	(0.0499)
Friendly	-0.0283	-0.0576	-0.0288	-0.0614
	(0.0558)	(0.0691)	(0.0558)	(0.0686)
Private	0.0672	0.0247	0.0694	0.0264
	(0.0664)	(0.0858)	(0.0660)	(0.0867)
Relative transaction value	-0.0214	-0.0193	-0.0216	-0.0198
	(0.0221)	(0.0236)	(0.0221)	(0.0236)
Diversifying	-0.0739*	-0.0575	-0.0741*	-0.0586
	(0.0381)	(0.0459)	(0.0381)	(0.0457)
Subsidiary	0.1429**	0.1349*	0.1442**	0.1376*
	(0.0596)	(0.0733)	(0.0588)	(0.0739)
High technology	0.0899	0.1441*	0.0908	0.1452*
	(0.0754)	(0.0762)	(0.0753)	(0.0764)

Independent members	0.4794	0.0569	0.4823	0.0820
	(0.3674)	(0.4200)	(0.3664)	(0.4159)
Management ownership	-0.1822	-0.9586	-0.1985	-0.9734
	(0.6745)	(0.7882)	(0.6817)	(0.7891)
Length of the negotiation	-0.0000	-0.0021*	-0.0001	-0.0022*
	(0.0017)	(0.0013)	(0.0017)	(0.0013)
QFII	-0.0658	-0.0686	-0.0652	-0.0672
	(0.0490)	(0.0583)	(0.0487)	(0.0582)
Tobin's Q	0.0303*	0.0327*	0.0302*	0.0333*
	(0.0175)	(0.0186)	(0.0176)	(0.0187)
Leverage	0.0526	0.0011	0.0500	-0.0000
	(0.0826)	(0.1072)	(0.0827)	(0.1070)
Sales growth	-0.0202	-0.0185	-0.0219	-0.0155
	(0.0223)	(0.0305)	(0.0224)	(0.0297)
Ln(Mkt cap)	0.1495***	0.1482***	0.1493***	0.1457***
	(0.0214)	(0.0241)	(0.0214)	(0.0237)
Constant	Yes	Yes	Yes	Yes
Year and Industry fixed effects	Yes	Yes	Yes	Yes
Observations	378	275	378	275
R^2	0.3262	0.3711	0.3263	0.3703
Panel B: Newspaper coverage of M&A announcements by non-stateowned firms				
	(1)	(2)	(3)	(4)
CAR	0.2278***	0.2588***	0.2245***	0.2534***
	(0.0742)	(0.0713)	(0.0740)	(0.0715)
Negativity stock	-0.1189***	-0.1500***	-0.1646**	-0.2140**
	(0.0449)	(0.0497)	(0.0746)	(0.0887)
Local deal	-0.0006	-0.0134	0.0027	-0.0111
	(0.0352)	(0.0414)	(0.0348)	(0.0409)
Overseas deal	-0.2912***	-0.3061***	-0.2925***	-0.3097***
	(0.0945)	(0.1088)	(0.0959)	(0.1104)
Related party deal	-0.0389	-0.0747	-0.0380	-0.0752
	(0.0443)	(0.0507)	(0.0445)	(0.0509)
Cash	0.0236	0.0188	0.0330	0.0336
	(0.0439)	(0.0495)	(0.0443)	(0.0497)
Friendly	0.1239**	0.1031	0.1272**	0.1134*
	(0.0526)	(0.0654)	(0.0541)	(0.0676)
Private	0.1397	0.1033	0.1241	0.0853
	(0.1016)	(0.0992)	(0.1037)	(0.1027)
Relative transaction value	0.0231***	0.0228***	0.0217***	0.0209***
	(0.0046)	(0.0058)	(0.0047)	(0.0060)
Diversifying	-0.0030	-0.0133	-0.0042	-0.0150
	(0.0334)	(0.0403)	(0.0335)	(0.0405)
Subsidiary	0.1776*	0.1481	0.1623	0.1283
	(0.0972)	(0.0944)	(0.0996)	(0.0988)

High technology	-0.1253**	-0.1155*	-0.1245**	-0.1158*
	(0.0610)	(0.0665)	(0.0614)	(0.0668)
Independent members	-0.5813*	-0.5162	-0.5898*	-0.5643
	(0.3096)	(0.4009)	(0.3120)	(0.4013)
Management ownership	0.0820	0.1225	0.0839	0.1250
	(0.0798)	(0.0845)	(0.0792)	(0.0833)
Length of the negotiation	-0.0009	-0.0007	-0.0010	-0.0007
	(0.0012)	(0.0012)	(0.0012)	(0.0013)
QFII	0.0273	0.0407	0.0258	0.0374
	(0.0622)	(0.0669)	(0.0637)	(0.0689)
Tobin's Q	-0.0211	-0.0097	-0.0223	-0.0113
	(0.0171)	(0.0185)	(0.0169)	(0.0182)
Leverage	-0.0754	-0.1216	-0.0602	-0.0949
	(0.0799)	(0.0818)	(0.0790)	(0.0806)
Sales growth	-0.0386	-0.0659*	-0.0381	-0.0686*
	(0.0290)	(0.0351)	(0.0295)	(0.0356)
Ln(Mkt cap)	0.2324***	0.2567***	0.2239***	0.2455***
	(0.0212)	(0.0232)	(0.0210)	(0.0228)
Constant	Yes	Yes	Yes	Yes
Year and Industry fixed effects	Yes	Yes	Yes	Yes
Observations	419	326	419	326
R^2	0.4505	0.4959	0.4452	0.4887

Panel C: Web media coverage of M&A announcements by state-owned and non-stateowned firms

	(1)	(2)	(3)	(4)
CAR	0.8029***	0.8461***	0.8526***	0.8057***
	(0.2160)	(0.2321)	(0.1792)	(0.1904)
Negativity stock web	0.0027	0.0032	-0.0147	-0.0136
	(0.0024)	(0.0026)	(0.0166)	(0.0177)
Local deal	-0.0155	0.0033	0.0229	0.0114
	(0.0427)	(0.0441)	(0.0460)	(0.0471)
Overseas deal	-0.1613*	-0.1623	-0.3658***	-0.3216***
	(0.0919)	(0.0995)	(0.1103)	(0.1178)
Related party deal	-0.0509	-0.0570	-0.1074*	-0.0969
	(0.0506)	(0.0512)	(0.0597)	(0.0626)
Cash	0.0132	0.0328	0.1467**	0.1324**
	(0.0574)	(0.0580)	(0.0614)	(0.0661)
Friendly	-0.0579	-0.0253	0.1871**	0.1905**
	(0.0796)	(0.0867)	(0.0756)	(0.0829)
Private	0.0692	0.0109	0.1481	0.1021
	(0.0890)	(0.0922)	(0.1140)	(0.1182)
Relative transaction value	-0.0560**	-0.0480**	0.0180*	0.0142
	(0.0223)	(0.0243)	(0.0108)	(0.0117)
Diversifying	0.0214	0.0078	-0.0092	-0.0245
	(0.0508)	(0.0527)	(0.0471)	(0.0531)

Subsidiary	0.1542*	0.0927	0.1449	0.1167
	(0.0784)	(0.0802)	(0.1067)	(0.1133)
High technology	0.0577	0.0520	-0.1376	-0.1612
	(0.0882)	(0.0936)	(0.0971)	(0.1009)
Independent members	1.0340***	1.1144***	-0.5129	-0.3133
	(0.3589)	(0.3643)	(0.4867)	(0.4711)
Management ownership	0.2707	0.3373	0.1644	0.2285**
	(0.8299)	(0.8787)	(0.1061)	(0.1087)
Length of the negotiation	-0.0018	-0.0029*	-0.0003	-0.0004
	(0.0018)	(0.0016)	(0.0016)	(0.0017)
QFII	-0.0152	-0.0311	0.0402	0.0843
	(0.0563)	(0.0623)	(0.0615)	(0.0664)
Tobin's Q	0.0311*	0.0366*	-0.0204	-0.0182
	(0.0178)	(0.0190)	(0.0176)	(0.0177)
Leverage	0.0741	0.0707	0.0178	0.0018
	(0.1260)	(0.1246)	(0.1066)	(0.1066)
Sales growth	-0.0565	-0.0242	-0.0645*	-0.0910**
	(0.0400)	(0.0406)	(0.0384)	(0.0438)
Ln(Mkt cap)	0.1122***	0.1046***	0.2181***	0.2212***
	(0.0203)	(0.0225)	(0.0272)	(0.0300)
Constant	Yes	Yes	Yes	Yes
Year and Industry fixed effects	No	No	Yes	Yes
Observations	225	201	246	225
R^2	0.3126	0.3028	0.4870	0.4836

Table A.5: Can media coverage affect outcomes in proposed M&A?

This table displays logit models of the relationship of media coverage of 797 M&A announcements with deal completion controlling for long-term CAR. Panel A reports the effects of financial newspaper coverage in the sample of state-owned firms. Column (1) reports full sample finding for 2000-2012 and column (2) reports post-Split Share Structure Reform subperiod estimations for 2008-2012. The independent variable is *Negativity stock*, the product of average negative tone and amount of press coverage. Column (3) reports full sample findings using coverage from the four major Chinese financial newspapers and Column (4) reports post-SSSR subperiod estimations for the same. Panel B tabulates analogous results for non-stateowned firms. Column (1) and column (2) report full-sample and post-SSSR results respectively, while column (3) and column (4) use coverage from the four major newspapers only. Panel C displays results for alternative coverage from the web media for state-owned and non-stateowned firms. Column (1) and column (2) report full sample and post-SSSR results for state-owned firms; column (3) and column (4) report analogous results for non-stateowned firms. Acquirer and deal characteristic control variables are defined in Appendix B. Robust standard errors reported in parentheses; ***, ** and * denote significance at 1%, 5% and 10% levels respectively.

Panel A: Newspaper coverage of M&A announcements by state-owned firms

	(1)	(2)	(3)	(4)
CAR[-1,+30]	0.2606	1.0586*	0.2710	1.0511*
	(0.4725)	(0.5782)	(0.4741)	(0.5736)
Negativity stock	-0.1417	0.3272	-0.5886	0.1537
	(0.1610)	(0.6358)	(0.4719)	(0.8527)
Local deal	0.4656	-0.0560	0.4592	-0.0303
	(0.5213)	(0.8132)	(0.5192)	(0.8125)
Overseas deal	-1.8114**	-2.8534***	-1.8243**	-2.8138***
	(0.8171)	(0.9797)	(0.8189)	(0.9679)
Related party deal	-0.7732	-1.0152	-0.7584	-1.0146
	(0.5025)	(0.6769)	(0.5026)	(0.6856)
Cash	0.0528	-0.4086	0.0207	-0.4985
	(0.7823)	(1.0072)	(0.7747)	(0.9990)
Friendly	0.0935	-0.5541	0.0893	-0.5292
	(0.7090)	(1.0546)	(0.7111)	(1.0565)
Private	1.1840	1.2253	1.2063	1.1531
	(0.9035)	(0.8648)	(0.9102)	(0.8728)
Relative transaction value	-0.0128	-0.2528	-0.0158	-0.2414
	(0.2165)	(0.2290)	(0.2193)	(0.2332)
Diversifying	-0.8229	-0.9021	-0.8375*	-0.8831
	(0.5072)	(0.6195)	(0.5063)	(0.6150)
Subsidiary	2.3885***	3.3753**	2.3867***	3.2644**
	(0.8582)	(1.3889)	(0.8544)	(1.3682)
High technology	2.0467**	2.7854***	2.1060**	2.7304***

	(0.9936)	(1.0516)	(0.9934)	(1.0273)
Independent members	6.6203	-5.0657	6.6224	-4.9155
	(8.1187)	(8.4029)	(8.1949)	(8.4138)
Management ownership	-3.7654	-11.1912	-4.3321	-10.6790
	(8.7223)	(9.0120)	(8.7333)	(8.8356)
Length of the negotiation	0.0057	-0.0634	0.0044	-0.0664
	(0.0225)	(0.0542)	(0.0223)	(0.0545)
QFII	-0.4882	-1.2061	-0.5164	-1.2188
	(0.6748)	(0.8921)	(0.6555)	(0.8869)
Tobin's Q	0.1595	0.2664	0.1544	0.2405
	(0.3034)	(0.3247)	(0.2977)	(0.3094)
Leverage	1.3074	0.1332	1.3035	0.1349
	(1.1392)	(1.2302)	(1.1475)	(1.2229)
Sales growth	-0.5075	-0.1927	-0.5400	-0.2082
	(0.5774)	(0.7642)	(0.5856)	(0.7682)
Ln(Mkt cap)	2.1306***	1.9488***	2.1540***	1.9829***
	(0.3490)	(0.3886)	(0.3456)	(0.3949)
Constant	Yes	Yes	Yes	Yes
Year and Industry fixed effects	Yes	Yes	Yes	Yes
Observations	292	210	292	210
Pseudo R^2	0.4190	0.4629	0.4205	0.4621
Panel B: Newspaper coverage of M&A announcements by non-stateowned firms				
	(1)	(2)	(3)	(4)
CAR[-1,+30]	0.7403	1.1599	0.8154	1.1914
	(0.6478)	(0.7998)	(0.6516)	(0.8201)
Negativity stock	-1.4255***	-1.8394***	-2.5859***	-3.3565***
	(0.4570)	(0.6172)	(0.9032)	(1.0447)
Local deal	0.0463	-0.1336	0.0919	-0.1074
	(0.5175)	(0.6155)	(0.4828)	(0.5726)
Overseas deal	-0.9714	-0.7482	-1.0939	-0.9647
	(0.8286)	(0.7942)	(0.8433)	(0.8204)
Related party deal	-0.4452	-0.5573	-0.5839	-0.7435
	(0.5968)	(0.6366)	(0.5742)	(0.6374)
Cash	-0.0694	-0.1044	0.0209	0.0619
	(0.4876)	(0.5395)	(0.4929)	(0.5449)
Friendly	2.3779***	1.6311**	2.6214***	1.9517**
	(0.6485)	(0.8138)	(0.6963)	(0.8492)
Private	1.9998**	1.5564**	1.5754*	1.0469
	(0.8770)	(0.7582)	(0.8891)	(0.7861)
Relative transaction value	0.3431***	0.2955**	0.3038***	0.2649**
	(0.1294)	(0.1178)	(0.1075)	(0.1073)
Diversifying	-0.6902	-0.6076	-0.6157	-0.4888
	(0.4881)	(0.6210)	(0.4935)	(0.6385)
Subsidiary	2.0811**	1.6155**	1.5287	0.9617

	(0.8900)	(0.6417)	(0.9527)	(0.7513)
High technology	-0.9953	-0.5103	-0.9810	-0.5012
	(0.7608)	(0.7729)	(0.7465)	(0.7725)
Independent members	-2.7976	0.0473	-2.9770	-0.7223
	(3.0318)	(4.1646)	(3.0450)	(4.2849)
Management ownership	1.9689	2.5346*	1.8577	2.4966*
	(1.3327)	(1.4577)	(1.3405)	(1.4906)
Length of the negotiation	-0.0545***	-0.0501***	-0.0576***	-0.0543***
	(0.0170)	(0.0177)	(0.0170)	(0.0180)
QFII	-0.5891	-0.8113	-0.5657	-0.7275
	(0.9274)	(0.8874)	(0.9193)	(0.8864)
Tobin's Q	-0.2640	-0.1379	-0.3070	-0.2066
	(0.2049)	(0.2744)	(0.1900)	(0.2391)
Leverage	0.3267	0.3114	0.6274	0.8105
	(0.6473)	(0.9369)	(0.6508)	(0.9047)
Sales growth	-0.1241	-0.4501	-0.1622	-0.5325
	(0.2890)	(0.4340)	(0.2907)	(0.4740)
Ln(Mkt cap)	3.3797***	3.6315***	3.2539***	3.4373***
	(0.4741)	(0.4881)	(0.4693)	(0.4495)
Constant	Yes	Yes	Yes	Yes
Year and Industry fixed effects	Yes	Yes	Yes	Yes
Observations	380	312	380	312
Pseudo R^2	0.5357	0.5733	0.5308	0.5653

Panel C: Web media coverage of M&A announcements by state-owned and non-stateowned firms

	(1)	(2)	(3)	(4)
CAR[-1,+30]	-0.4524	-0.0426	0.5941	0.8718
	(1.1810)	(1.5199)	(0.9947)	(0.9008)
Negativity stock web	0.0276	0.0707	-0.1636	-0.0256
	(0.0576)	(0.0720)	(0.1005)	(0.0612)
Local deal	-0.5710	-0.1392	0.6791	-0.0576
	(0.5001)	(0.5375)	(0.6767)	(0.4258)
Overseas deal	-2.0459	-2.0687*	-1.8678	-1.3668**
	(1.2663)	(1.1688)	(1.2426)	(0.5973)
Related party deal	-0.3654	-0.3840	-1.0460	-0.0247
	(0.5699)	(0.6531)	(0.6960)	(0.5099)
Cash	0.3632	0.8580	0.4092	0.7596
	(0.6464)	(0.7387)	(0.7107)	(0.5692)
Friendly	-0.0271	0.2171	3.7515**	1.3702*
	(0.7027)	(0.7304)	(1.6436)	(0.8327)
Private	0.9764	1.0547	0.4718	0.2899
	(0.8824)	(0.9500)	(0.9534)	(0.8194)
Relative transaction value	-0.1179	0.0751	0.1410	0.1558**
	(0.1544)	(0.1779)	(0.1264)	(0.0676)
Diversifying	0.1916	0.1468	-0.9120	-0.1783

	(0.5780)	(0.6154)	(0.9106)	(0.4746)
Subsidiary	2.1921***	2.1088**	0.3227	0.3919
	(0.8187)	(0.9207)	(0.8779)	(0.7928)
High technology	1.5643*	2.1825**	-1.3868	-1.2266*
	(0.9488)	(1.0904)	(1.2779)	(0.6815)
Independent members	7.4641	21.8726	1.1729	-3.3730
	(6.1514)	(15.6378)	(5.5424)	(4.3812)
Management ownership	6.6651	5.3822	3.0093*	2.1609*
	(11.7245)	(10.9009)	(1.5777)	(1.2428)
Length of the negotiation	-0.0136	-0.0479	-0.0578*	-0.0173
	(0.0252)	(0.0292)	(0.0311)	(0.0182)
QFII	-0.2218	-0.2232	0.8620	-0.0913
	(0.7909)	(0.8328)	(1.0248)	(0.6654)
Tobin's Q	0.1951	0.2619	-0.1924	-0.2302*
	(0.2970)	(0.3073)	(0.2777)	(0.1387)
Leverage	1.1247	1.1765	1.0776	0.3451
	(1.0350)	(0.9845)	(1.2374)	(0.7081)
Sales growth	-1.0179**	-0.6812	-0.3997	0.0288
	(0.4379)	(0.5719)	(0.4802)	(0.3494)
Ln(Mkt cap)	1.4218***	1.6120***	2.7128***	1.5473***
	(0.3529)	(0.4534)	(0.6935)	(0.2961)
Constant	Yes	Yes	Yes	Yes
Year and Industry fixed effects	Yes	Yes	Yes	Yes
Observations	225	201	226	225
Pseudo R^2	0.3452	0.3658	0.5082	0.3088