Capital Market Reaction to Corporate Restructuring Announcements

An Empirical Test in the Shanghai Stock Exchange (SSE)

by

Lingfeng Wang

A research project submitted in partial fulfillment of the

requirements for the degree of Master of Finance

Saint Mary's University

Copyright Lingfeng Wang 2014

Under the direction of Dr. Colin Dodds

Approved: Dr. Colin Dodds
Faculty Advisor

Approved: Dr. Francis Boabang
MFIN Director

Date: September 15, 2014

Table of Contents

Acknowledgements ii

Abstract iii

Chapter 1: Introduction 1

1.1 Purpose of study 1

1.2 Background 1

1.3 Need for study 2

1.4 Organization of the paper 3

Chapter 2: Literature Review 5

2.1 Motivation hypothesis 5

2.2 Chinese stock market 9

2.3 Summary of hypothesis and theory 11

Chapter 3: Methodology 12

3.1 Introduction to research design 12

3.2 Data and Sample 13

3.3 Measurement Procedure 14

Chapter 4: Results and Analysis 18

4.1 11-day Event Window 18

4.2 21-day Event Window 20

Chapter 5: Conclusions 23

Chapter 6: Recommendations 24

References 25

Appendix A 27

Acknowledgements

I would like to thank Dr. Colin Dodds and Dr. Francis Boabang for their support. Without their assistance, it would not be possible to complete this study. I would also like to express my appreciation to my parents, especially for their encouragement.

Abstract

Capital Market Reaction to Corporate Restructuring Announcements

An Empirical Test in the Shanghai Stock Exchange (SSE)

BY

Lingfeng Wang

The paper utilizes an event study to test whether there is an abnormal return from corporate restructuring announcements in the Shanghai Stock Exchange. We obtain data of abnormal returns and cumulative abnormal return using the Market Model. In the study two term event windows are applied, and after the t-test and bootstrap test, the relationship between the abnormal return and corporate restructuring announcements is confirmed.

Chapter 1: Introduction

1.1 Purpose of study

Corporate restructuring is always a hot topic that investors focus on. With the capital market's positive reaction to those announcements this may be a good reason to explain why restructuring announcements occupy investors' minds for extended periods. This paper designs an event study, using firms listed in SSE (Shanghai Stock Exchange) to measure actual returns based on restructuring announcements. The results are then compared with exchanges in other countries. It is hoped that the outcome of the research will provide a useful reference for investors to consider when they make decisions on whether to invest in the stock of restructured firms.

1.2 Background

Companies which are involved in restructuring activity are faced with some severe problems so they have a motive to make significant modifications to the debt, operations or structure of the company. Additionally, companies in good financial shape may choose to restructure to improve their business in certain situation as well.

The SSE is the biggest stock exchange in China with about 159,712 billion CNY total market value. In recent years, as the supervisory authorities have modified some rules, the market is more active and open today. More companies are seeking IPO opportunities in this market, and due to the fierce

market competition, many listed companies are now facing problems which make restructuring an ongoing occurrence.

Based on the regulation of the China Securities Regulatory Commission (CSRC), a company willing to launch a restructuring needs to announce this before preparing the actual actions for the benefits of both the listing company and the stockholders. The company also needs to submit application documents relative to the restructuring to the CSRC, including:

(1) The basic conditions of the two parties.

(2) background and purpose of the restructuring.

(3) specific plans and other monetary documents.

Because the announcement will provide information which may lead to dramatic stock price movements, the firm should choose a proper time point to make the announcement and request trading halts in order to find a balance between any information leaks and the trading halt.

1.3 Need for study

The main function of a stock market is to arrange resources in which both IPO and corporate restructuring play significant roles. Restructuring announce-ments in the SSE have a wider coverage than those in the US or Canada. Generally they are classified into six categories:

(1) Asset acquisition

(2) equity interest transfer

(3) asset stripping

(4) asset replacement

(5) debt reorganization

(6) M&A

All these announcements are labeled as capital restructuring by the SSE when listed companies take these actions. However, the majority of investors see no difference with all these activities in the Chinese stock market. There are several possible motives behind the restructuring that commonly can be divided into two types -- problem solving and performance improving.

As we noted above, M&A is one main category in the SSE announcement mechanism and there exists several hypotheses on this topic, including economies of scale, economies of scope, cross-selling, synergy, taxation, geographical or other diversification and so on. Besides the above, some policy based restructuring theory has been developed by local economists as well.

Also, since the Chinese market is not yet as developed as the US market, it is generally considered as weak form efficient according to the EMH. Thus we need to make some adjustment to the length of the time window when performing event studies.

1.4 Organization of the paper

The purpose of this paper is to run a test to figure out whether abnormal returns can be derived based on the capital restructuring announcements in the SSE. The data range from 2012 to 2013, during which over 50 companies

had made material asset reorganization announcements.

The paper is separated into five chapters and these are designed as follows: The current chapter provides an introduction, Chapter 2 is a literature review. In Chapter 3 Methodologies are explained, and Chapter 4 displays and analyses the test results. Chapters 5 and 6 provide conclusions and suggestions for further study.

Chapter 2: Literature Review

As discussed before, a firm may take a capital restructuring for either problem solving or performance improving reasons. Both of them are positive strategies to improve the competence of the company. As a result, it is important to learn the motive behind restructuring when analyzing the market's reaction. There are various hypotheses that can provide some explanations to the firms' activities and investors have to make assessments of these in evaluating their decisions.

2.1 Motivation hypothesis

The capital restructuring activity involves numerous steps and parties, at the same time the company's stock also need to stop trading for a certain period when preparing the relative documents and balance each party’s interest. So there needs to be great motivation behind such actions which push the management to launch the restructuring.

In the Chinese stock market, the capital restructuring announcement contains more content than it does in the US stock market, but M&A is still an important component of it. Past scholars have developed mainly four hypotheses to explain the motives behind M&A.

(a) Economies of Scale Theory

This is a very basic theory, which suggests that in a certain period, the amount of products increases with a lower unit cost, thus increasing the profit level (Mankiw, 1998). A company can obtain internal economies of scale by asset

supplements and adjustment. External economies enhance the power of the enterprise as a whole, which will enable the company to provide wider professional services to better service the market's demand.

(b) Market Power Theory

The Market Power Theory contributes the motive to increase market share. Since M&A will reduce the number of competitors in the market, the firm will get better control of the market (Williamson, 1985). However, this is not always true. Simply higher market share does not necessarily ensure the company will access the economies of scale.

(c) Taxation Effect Theory

The Taxation Effect Theory suggests that the company may purchase a company suffering losses to reduce the tax payable. This is an employment of the rule to permit tax deferral (Hebous, et al, 2010). But since the tax law differs in countries, this theory is not applicable everywhere.

(d) Synergy hypothesis

The synergy hypothesis argues that an M&A improves efficiency, which is not simply 2+2=4. Rather that positive synergy can result so that 2+2=5 or more. Of course there can be negative synergies. The theory suggests that there exists three types of synergies (Parenteau & Weston, 2003). First is the operating synergy effect, which comes from the economies of scale and economies of scope. There's a premise that there should be economies of

scale in an industry and before an M&A, the firm have not attained this, either in level of operating or the scale of operating. The economies of scope mean that the company is able to produce additional products with relatively low cost by using existing experience in manufacturing and sales.

The second is financial synergy, focusing on the lower cost of internal and external financing. This is due to the target company having a greater capacity to raise debt, and with the tax shield, a lower cost of capital. There's also an embedded premise that the tax reduction is more than the cost of the M&A, which is only possible under certain situations.

(e) Principal-Agent Theory

The agency problem is also an aspect to explain the motive behind M&A. The theory describe the cost between the management and the owner -- the contract between two parties cannot be settled with no cost, which create agency costs. This theory explains the motive in the following three points:

(1) The competition of agents in M&A will reduce the agency cost (Manne, 1965)

(2) Jensen (1986) have suggested the Free Cash Flow Hypothesis, which infers that the conflict in cash outflow between management and stockholder is a main reason of M&A

(3) Managerialism: Mueller (1969) considers that the agent's revenue depends on the scale of the firm, so there's a tendency for an agent to push the firm to greater scale ignoring the actual investment return rate. However, in an

empirical test (Lewellen & Huntsman, 1970), the agent's revenue is connecting with the profit rate rather than sales level, which was against Mueller's assumption. They also argued that an M&A is actually a form of agency problem itself, since the management may carry on the merger for its own sake thus harming the stockholder's profit.

(f) Hubris Hypothesis

This hypothesis was introduced by Roll in 1986, which argued that the management of the company has an intention to overvalue its management ability in achieving a successful M&A and thus being too positive in reforming the objectives company. Under this situation, the M&A may always end in failure. Actually this phenomenon has been confirmed to some extent, since there's a number of falls in stock price that have been observed after the information leak of an M&A. This also increase an investor's knowledge about the motive of the M&A. Sometimes the manager's intention is to increase the company's assets to the expense of shareholder's profit via too high a merger price.

(g) Undervaluation theory

When the target company's stock price is undervalued for some specific reasons, or does not reflect the potential value it may achieve in other manager's control, an M&A may take place. If the cost of replacement is higher than the price of its stock price, it will be cheaper to merge the company rather than to purchase or build the asset (Tobin and Brainard 1977).

(h) Information and signaling Theory

Dodd and Ruback (1977) and Bradley (1980) have performed empirical tests to argue that even when a merger is not completed, the target company's stock price will still increase. This theory suggests that the action of a merger in itself signals that either the target company has been undervalued or the target company's managers would try actions to increase efficiencies -- both of them will increase the company's value.

2.2 Chinese stock market

While what we have discussed above cover the theoretical explanations of M&A's, but when we consider the Chinese stock market, there are still several key motives that we need to discuss as China moves to transform its regulation regime and economy.

(a) Elimination of loss

Although the Chinese economy grew rapidly in the 21st century, the company loss problem has become a wider and continuous problem. In order to solve this issue, the government has encouraged M&A's to realize the asset flow to higher efficiency companies thus placing higher pressure to those companies suffering losses to improve their performance (Wei, 2001).

(b) Bankruptcy substitute solution

Capital restructuring is considered as a substitute for bankruptcy in the frame

of this theory (Luan & Zhang, 2011). State enterprises cannot afford the consequences of bankruptcy so in China the main measure to save those unprofitable firms is to provide ‘salvation’. The benefit to using capital restructuring is that the stakeholders – banks, employees and debt holders can be saved from losses thus avoiding bankruptcy in an economy which does not provide a full social safety net.

(c) Protection of national industry

As developing countries occupy a more important role in the global economy, increasingly capital from developed countries, have for example, invested in Asia. As a result, the protection of national industries has become a hot topic in China and M&A become one solution for those local companies to achieve more power to survive in this tide (Li & Sun, 2004).

(d) Resource allocation improvement

Due to the structure of the Chinese economy, including historical precedents, the resources deposited in state enterprises is considerable in China. The question of how to make those resources used more efficiently is a major problem. Restructuring provides a way to better allocate those assets (Zhou, 2009).

(e) Quality of listing company

In recent years, lots of companies have experienced downward movements in performance. This phenomenon is obvious in ST companies (Li & Cheng,

2006). These companies are struggling to avoid delisting, thus they try to survive in the stock market through restructuring.

(f) IPO rule effect

The IPO reform issue is always a hot topic in the Chinese stock market. In the long-term the government employed a quota control system rather than standard control. Under such an environment, several state companies were pushed into the market, but still suffered failure. At the same time some companies with better conditions couldn't get through the IPO auditing for some reason. Restructuring using a reverse merger has been used to solve this problem (Cao & Dong, 2006).

(g) Economic system transformation

Evolution in the economic system and macro economy has imposed significant influences on listing companies. In order to adapt to the new economic environment, they need to adjust their strategy through capital restructuring. Several restructurings aiming at adjusting industrial structure have been made in such an environment (Chen, 2010).

2.3 Summary of the hypotheses and theory

There are several differences between the capital restructuring in China and mature stock markets in western countries. As the transformation in China become further and deeper, the market system may become more of a factor in the economy, thus there will have a tendency to merge together.

Chapter 3: Methodology

3.1 Introduction to research design

An empirical test can determine whether the corporate restructuring announcement is a stock price prompter or lead to a decline. From this we will be able to recognize the common effect of this kind of announcement.

In order to make the test and result more clearly, we need to make some assumptions to wipe out the unnecessary effects. The first concerns the multiple event time windows, as there may be more than one event that happens just before or after the corporate restructuring announcement. In this situation, it is not easy to decide which factor is the driving force of the abnormal return. However, when a firm decides to start the restructuring, other information has little chance to have a great influence on the stock price than the announcement. As a result, we can assume that in the event time period, the restructuring announcement is the only event happening.

Secondly, there is the question of the length of the event window – it should be set longer than that found in the literature. This is the result of the market characteristics.

The first one is the daily price limit system, which does not allow the stock price to rise or decrease more than 10 percent in one trading day. Under such a limit, more time may be needed to fully reflect the influence of the announcement if the market's reaction is strong enough. Another reason comes from the information reaction speed. Generally the China's stock market is regarded as

a weak-form EMH market, which suggests that the average reaction speed to information is lower than developed financial markets such as in the US. Both reasons require us to use a longer event window in the empirical tests.

3.2 Data and Sample

The data used in the test are provided by the CSMAR database. A professional recording database held by GTARSC, especially in the announcement specifics. The historical price of those stocks and the SSE Composite Index are derived from Yahoo Finance.

In the Chinese stock market, the supervisory authorities have not specified the accurate concept of corporate restructuring in documents. However, some kind of activities are regarded as corporate restructuring by the CSRC and are required to make an announcement under the category of capital restructuring. The category is composed of the following subcategories: 1) asset acquisition, 2) asset stripping, 3) asset replacement, 4) stock interest transfer, 5) M&A, 6) debt restructuring.

Rather than specifying the concept of corporate restructuring, the CSRC has described the range of material capital reorganization, which is the hottest topic in the Chinese stock market. The requirement to make an announcement in these categories provides some critical lines in applying the previously mentioned subcategories, such as the portion of purchased asset compared to the initial asset value, or the absolute value should be greater than 50,000,000 CNY.

In the tests that follow, we choose past corporate restructuring announcements which were satisfied with the standard of material asset reorganization. Based on these metrics, during 2012 and 2013, there were 61 firms in the SSE which announced material asset organizations and had finally completed these. We use these observations as our sample, and the companion data are derived from CSMAR and Yahoo Finance.

3.3 Measurement Procedure

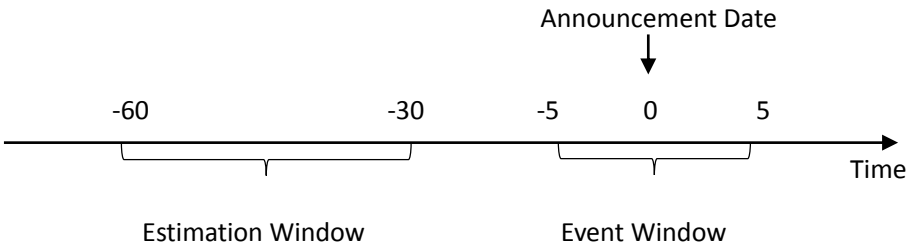
The study proceeds through the following 5 steps.

Step 1: Cleaning the data and calculating the event windows and estimation windows.

Before testing we need to identify the event. As mentioned before, we also need to calculate the event and estimation windows. The announcement date of material asset reorganization is set as t=0, and 5 days before and after are included in the event window -- days before announcement date with minus and after with positive. Thus the event window is from t=-5 to t=+5, so totally 11 days are recognized as the event window.

Another period is the estimation window which is used to evaluate the normal return of the stock. Here we need to assume that no relative events happen in the event window which may influence the performance of the stock price. In this study we choose 30 days as the estimation window length, and also 30 days before the event date, so the estimation window is from t=-60 to t=-30. The illustration of this is given below in Figure 3.1

Figure 3.1 Window Setting



Step 2: Estimating Normal Performance.

Since the stocks are distributed over a long-term period and cross several industries, in the test we use the Market Model to estimate the normal performance of the stock price. In Equations 3.1 and 3.2 we illustrate the model we employed to calculate the returns.

$$R_{i,t} = \frac{P_{i,t} - P_{i,t-1}}{P_{i,t-1}} \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots \quad 3.1$$

$$R_{m,t} = \frac{P_{m,t} - P_{m,t-1}}{P_{m,t-1}} \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots \quad 3.2$$

where:

$P_{i,t}$ is the adjusted closing price of stock i at date t.

$P_{m,t}$ is the adjusted closing price of market index at date t.

In this study we use the SSE Composite Index to represent the market, and in a Market Model we consider that there existing a linear relationship between the market return and the stock return, which can be described as (Equation 3.3):

$$R_{i,t} = \alpha_i + \beta_i R_{m,t} + \varepsilon_{i,t} \quad \ldots\ldots\ldots\ldots \quad 3.3$$

where:

α_i is the constant term of the model.

β_i is the slope of the model.

$\varepsilon_{i,t}$ is the random error of daily return of stock i at date t.

Step 3: Estimating the Abnormal and Cumulative Abnormal Returns.

The abnormal return is the gap between the normal return and actual return, and the calculation is shown as follows:

$$AR_{i,t} = R_{i,t} - \overline{R_{i,t}} \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots \; 3.4$$

where:

$\overline{R_{i,t}}$ is the expected normal return, which is estimated by the Market Model.

CAR (Cumulative Abnormal Return) calculates the accumulated difference between the expected daily return and actual daily return.

The calculation is shown as follows:

$$CAR_i = \sum_{n=t}^{1} AR_{i,t} \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots \; 3.5$$

where:

n is the number of days in the event window -- here as 11 days.

We also use AAR (Average Abnormal Return) to calculate the mean of daily abnormal returns in the event window, which is

$$AAR_i = \frac{1}{n} CAR_i \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots \; 3.6$$

Here n is days in the event window as well.

Step 4: Testing for Significance of an individual event.

In the significance test part we choose the T-test to measure whether the

abnormal return is statistically significant.

The hypotheses are described as below:

1) $H_0: AAR_i = 0$, which suggests that average abnormal returns are equal to zero

2) $H_1: AAR_i \neq 0$, which means the average is not zero

Step 5: Testing for significance across all events.

In order to detect the significance of all events, a z-test, bootstrap test is employed.

Chapter 4: Results and Analysis

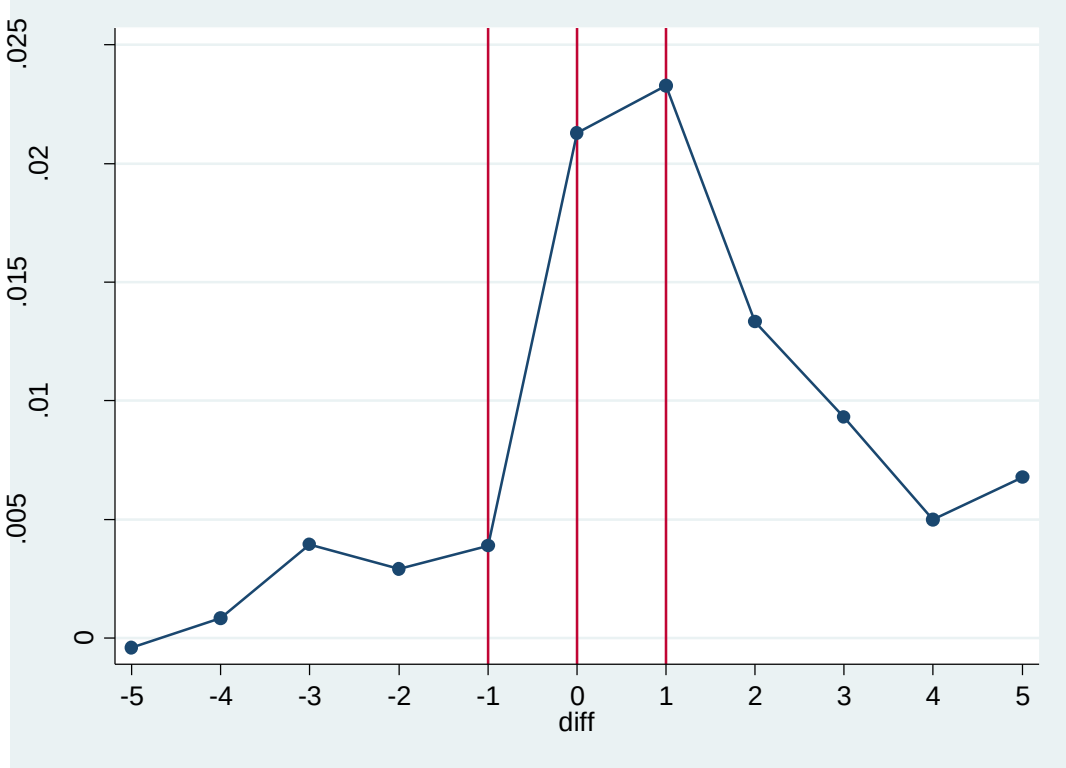
The regression results in this chapter are generated by STATA software. It shows the capital market's reaction to capital restructuring.

In the empirical test, 61 firms which had announced material capital reorgani-zation during 2012 and 2013 were chooses as the sample. Due to the price limits mechanism, the study sets longer event window after the announcement date in order to fully reflect the influence of the event. Also in comparison, the study provide a 21-day event window cumulative abnormal return. In the Chinese market, the insider may use information to acquire abnormal returns before making the announcement so a longer event window may capture this effect.

4.1 11-day Event Window

With an 11-day event window, 5 days before and after announcement date were included (-5 to +5), Figure 4.1 shows the average abnormal return in the event window.

Figure 4.1 11-day Event Window AAR



The graph shows that AAR reaches its highest level near 0.025, and from -5 day the actual return begin to exceed the expected return estimated by the CAPM. The abnormal return ranges from 0 to 0.025, which suggests that there is abnormal returns surrounding the event date.

Table 4.1 provides the regression result of CAR, generated by STATA:

Table 4.1

```
Linear regression                                      Number of obs =      61
                                                       F(  0,    60) =    0.00
                                                       Prob > F      =       .
                                                       R-squared     =  0.0000
                                                       Root MSE      =  .16537
```

cumulative~n	Coef.	Robust Std. Err.	t	P>|t|	[95% Conf.	Interval]
_cons	.0901051	.0211736	4.26	0.000	.0477516	.1324586

We can notice that the p-value is less than 0.001 which indicates that the null

hypothesis $H_0: AAR_i = 0$ should be rejected at the 5% significant level, or at 95% confidence level the AAR is significant.

Table 4.2 provides the bootstrap test results:

Table 4.2

```
Bootstrap results                               Number of obs      =         61
                                                Replications       =       1000

      command:  bootcumret
     boottest:  r(cumret)
```

	Observed Coef.	Bootstrap Std. Err.	z	P>|z|	Normal-based [95% Conf.	Interval]
bootstrap	.0901051	.0208023	4.33	0.000	.0493333	.1308768

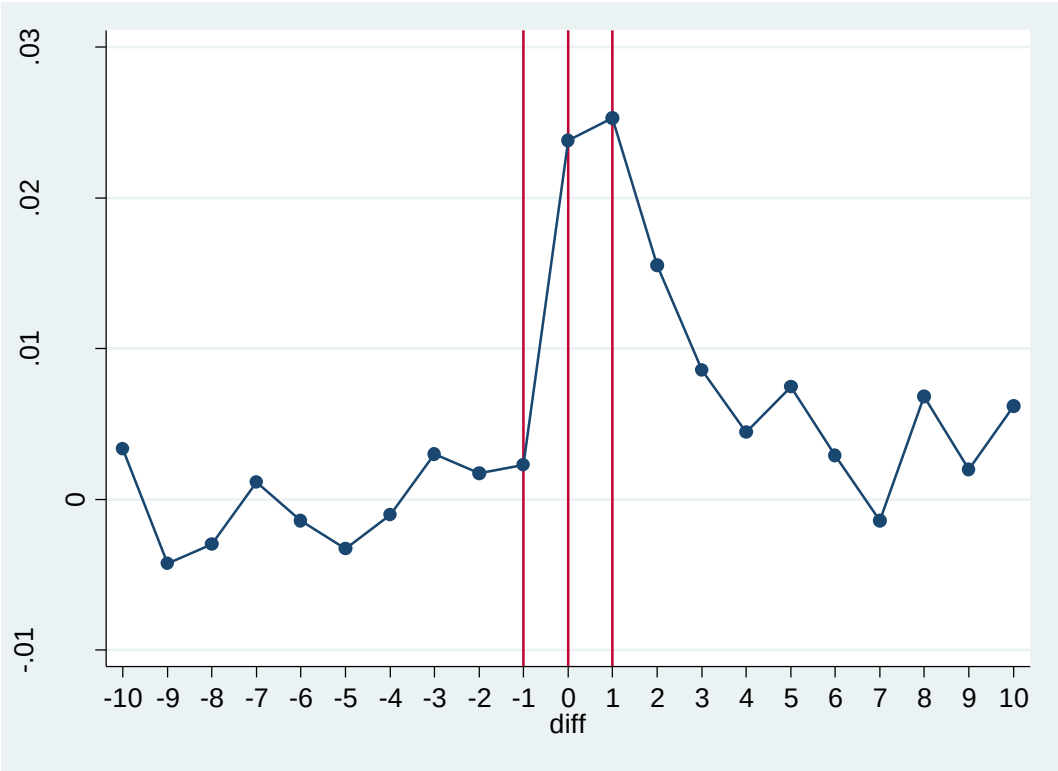
From the bootstrap test, which is a z-test, we can see whether the AAR is significant through all events. Here the p-value is less than 0.001 as well which means the null hypothesis should be rejected. In other words, the AAR is statistically significant. Thus the statement that there exists positive abnormal returns surrounding corporate reorganization is supported.

4.2 21-day Event Window

Choosing this event window has two concerns. The first one is the applicability of the EMH to the Chinese market. It is considered as a weak-from market so the capital market may take a longer time to fully react to events. The second is due to the price limits as mentioned previously which may potentially prevent the price movement to thoroughly reflect the influence of the event in certain period. A longer event period provides a chance to see whether the influence reflection is reflected by the price limits.

In the 21-day Event Window, 10 days before and after the target date are selected (-10 to 10). Also we extend the estimation window from 120 days before to 61 days before the announcement date to estimate the expected return. The AAR is shown below in Figure 4.2:

Figure 4.2 21-days Event Window ARR



We lose 6 observations due to the extension of the window period, but the residual is still enough to take the test. According to Figure 4.2, the days before the event date show positive abnormal returns which indicates that there may be some issue of an information leak. Insiders or investors may have acted on this prior to the event day. The peak remains at 0.025, but the AAR now ranges from -0.005 to 0.025, and negative abnormal returns take place in the front period of the event window. Besides, after 5 days after the event date (5 to 10), the abnormal returns are still greater than 0, which means the price limits or

weak-form EMH has some influence on the reaction.

Table 4.3 below shows the regression results and the t-test for 21-days Event Window. The p-value is much less than 0.05, which means the null hypothesis should be rejected as in the 11-days Event Window. The outcome supports that abnormal returns exist more than 11 days surrounding the event date.

Table 4.3

```
Linear regression                                      Number of obs =      56
                                                       F(  0,    55) =    0.00
                                                       Prob > F      =       .
                                                       R-squared     =  0.0000
                                                       Root MSE      =  .19826

------------------------------------------------------------------------------
             |               Robust
cumulative~n |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
       _cons |   .1000917   .0264934     3.78   0.000     .0469977    .1531858
------------------------------------------------------------------------------
```

Table 4.4 presents results for the bootstrap test.

Table 4.4

```
Bootstrap results                               Number of obs      =        56
                                                Replications       =      1000

      command:  bootcumret
     boottest:  r(cumret)

------------------------------------------------------------------------------
             |   Observed   Bootstrap                         Normal-based
             |      Coef.   Std. Err.      z    P>|z|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
    boottest |   .1000917   .0274941     3.64   0.000     .0462042    .1539793
------------------------------------------------------------------------------
```

The p-value is still much less than 0.05. Based on this we can reject the null hypothesis. In other words, for all events in the sample, the abnormal return is significant at the 5% significance level.

In conclusion, the result of the 21-days Event Window test is consistent with the results of the 11-days Event Window.

Chapter 5: Conclusions

The purpose of the paper is to design an event study to test whether there are abnormal returns surrounding the announcement of corporate restructuring in the SSE. In the study 61 stocks listed on the SSE which made restructuring announcements during 2012 and 2013 are included. Also the SSE composite is chosen as the benchmark to calculate the expected return of each stock. Besides, in order to reflect some features of the Chinese stock market, two term event windows were used, which appear to suit with the weak-form EMH and price limits.

In the testing process, the AAR and CAR are calculated using the Market Model. The results show that the abnormal returns surrounding the event date are positive. After that t-tests and bootstrap tests are applied, the results indicate that the positive abnormal returns are statistically significant.

Finally the 21-days Event Window test provides consistent results with the 11-days Event Window test, suggesting the existence of weak-form EMH and price limits influences.

The paper makes a contribution to the study of market's reaction on corporate restructuring announcements, especially in a developing market – Chinese stock market. Compared to the US or Canada markets, the Chinese stock market has several different features which has relevance to the other emerging stock markets. The results acquired in this paper support the positive relationship between restructuring announcement and abnormal return.

Chapter 6: Recommendations

With the development of the Chinese stock market, the function of resource allocation of the market has become increasingly visible. The amount of IPO and corporate restructuring keeps rising in recent years, which is also evidence of the rapid development of the market. More firms have got involved in the secondary market leading to more options for investors to take, which itself leads to a decentralizing of the investors' money. Meanwhile, the import of delisting metrics executes greater pressure on firms which cannot properly operate their businesses. Under such situations, a number of firms are preparing to run a restructuring to solve problems or improve their performance.

Due to the lack of an official definition of restructuring in the SSE, there exists a certain level of vagueness when a firm make an announcement of restructuring. Only the material reorganization can be recognized without doubt, but other types of restructuring announcements require more analysis on the part of investors to figure out the real influence of the event. From where we stand, further studies on those specific type of restructuring influence will contribute to this research area in the Chinese stock market.

References

Bradley, M. (1980). Interfirm tender offers and the market for corporate control. Journal of Business, pp.345-376.

Cao, F., & Dong, X. (2006) Rationality empirical analysis of IPO pricing. Journal of Finance and Economics, 2006(6).

Chen, D. (2010). A measurement of China's economic restructuring costs: 1978 to 2007. The Journal of Quantitative & Technical Economics, 2010(2).

Dodd, P., & Ruback, R. (1977). Tender offers and stockholder returns: An empirical analysis. Journal of Financial Economics, 5(3), pp.351-373.

Hebous, S., Ruf, M., & Weichenrieder, A. J. (2010). The effects of taxation on the location decision of multinational firms: M&a vs. greenfield investme-nts (No. 3076). CESifo working paper Public Finance.

Jensen, M. C. (1986). Agency costs of free cash flow, corporate finance, and takeovers. The American economic review, pp.323-329.

Lewellen, W. G., & Huntsman, B. (1970). Managerial pay and corporate performance. The American Economic Review, pp.710-720.

Li, G., & Sun, Y. (2004). The legal protection of national industry in the economic globalization environment. Journal of Henan Normal University (Philosophy and Social Sciences Edition), 2004(2).

Li, Z., & Cheng, S. (2006). Improvement of the delisting system of listed companies. Journal of Financial Research, 2006(11).

Luan, F., & Zhang, J. (2011). The properties and confirmation of corporate

bankruptcy restructuring. Journal of Audit & Economics, 2011, (6).

Mankiw, N. G. (1998). Principles of economics. Orlando, FL: Dreyden Press, Harcourt Brace, p.69, p.74.

Manne, H. G. (1965). Mergers and the market for corporate control. The Journal of Political Economy, pp.110-120.

Mueller, E. (1969). Technological Advance in an Expanding Economy: Its Impact on a Cross-Section of the Labor Force.

Parenteau, R. S., & Weston, J. F. (2003). It's never too early to think integration. Mergers and Acquisitions-Philadelphia-, 38(11), pp.17-24.

Roll, R. (1986). The hubris hypothesis of corporate takeovers. Journal of business, pp.197-216.

Tobin, J., & Brainard, W. C. (1977). Asset markets and the cost of capital. Economic Progress, Private Values, and Public Economic Journal, p.96, pp.120-138.

Wei, W. (2001). An analysis on the motives of domestic public companies. Theory and Practice of Finance and Economics, S1.

Williamson, O. E. (1985). V The Economic Institutions of Capitalism. V Free Press, 1, pp.1-9.

Zhou, Z. (2009). Property rights, competition and resource allocation efficiency of securities markets. Journal of Shanxi Finance and Economics University, 2009(9).

Appendix A

Sample Companies and Announcement Date

	Company Code	Corporate Restructuring Announcement Date
1	600005	3/5/2013
2	600036	10/9/2012
3	600109	5/17/2013
4	600110	3/8/2013
5	600163	3/19/2013
6	600191	5/14/2013
7	600197	5/23/2013
8	600198	11/20/2013
9	600206	6/14/2013
10	600218	3/28/2013
11	600230	3/21/2013
12	600231	3/27/2013
13	600243	5/23/2013
14	600247	2/4/2013
15	600285	1/16/2013
16	600362	10/30/2012
17	600368	3/11/2013
18	600377	9/11/2012
19	600392	8/1/2012
20	600422	7/27/2012
21	600475	7/9/2012
22	600479	7/10/2012
23	600482	12/11/2012
24	600558	2/6/2013
25	600577	8/14/2012
26	600580	1/9/2013
27	600617	3/6/2013
28	600634	12/14/2012
29	600714	12/12/2012
30	600725	7/13/2012
31	600726	12/12/2012
32	600728	3/21/2013
33	600744	10/26/2012
34	600745	3/19/2013

Appendix A

	Company Code	Corporate Restructuring Announcement Date
35	600761	5/28/2013
36	600784	1/4/2013
37	600807	9/12/2012
38	600809	8/21/2012
39	600810	7/17/2012
40	600814	1/30/2013
41	600816	9/7/2012
42	600833	12/14/2012
43	600864	3/7/2013
44	600883	12/21/2012
45	600965	10/26/2012
46	600980	9/26/2012
47	600999	10/9/2012
48	601107	2/8/2013
49	601369	5/3/2013
50	601388	11/1/2012
51	601515	7/25/2012
52	601599	10/16/2012
53	601799	10/23/2012
54	601890	10/11/2012
55	601901	1/15/2013
56	601929	1/9/2013
57	601958	1/30/2013
58	603008	2/20/2013
59	603077	2/7/2013
60	603123	12/4/2012
61	603128	8/29/2012