Cross-Listing and Firm-Specific Information: Evidence from Chinese A-Shares and H-Shares

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A thesis submitted to The School of Accounting and Finance, The University of Adelaide, in fulfilment of the requirements for the degree of Doctor of Philosophy

November 2013
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SYNOPSIS

I examine the impact of cross-listing on firm-specific information utilizing the unique features of the Chinese capital markets. By separating the trading activity of domestic Chinese investors from that of foreign non-Chinese investors, this thesis is able to isolate each investor group’s relative ability to impound firm-specific information into stock prices. I show that the cross-listed H-shares traded by foreign investors incorporate significantly more firm-specific information than their A-share counterparts traded by domestic Chinese investors. I find a similar pattern between H-shares and A-shares even after a 2007 regulatory change that allowed domestic Chinese investors to trade in the H-share market. This finding suggests that while institutional factors (e.g., stricter listing rules, stronger investor protection) can explain some of the benefits of cross-listing, foreign investors’ ability to utilize firm-specific information plays a separate and distinct role in generating cross-listing benefits. The level of information improvement due to foreign investors depends on the quality of the cross-listed firm’s corporate governance.
DECLARATION

This work contains no material which has been accepted for the award of any other degree or diploma in any university or other tertiary institutions and, to the best of my knowledge and belief, contains no material previously published or written by another person, except where due reference has been made in the text.

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ACKNOWLEDGEMENTS

I would like to extend my sincere gratitude to my principal supervisor, Professor Ralf Zurbruegg (The University of Adelaide), for his constant encouragement and supervision. He has led me into the world of finance and guided me through every step to finish my PhD. I still remember when I first came to Australia, my finance background was very weak and I was not confident at all. It is Professor Ralf, who always has confidence in me and gives me all the motivations to move on. Without his patient and expert instructions, I would never be able to complete this thesis. Deep gratitude goes to my co-supervisor, Professor Paul Brockman (Leigh University), who has provided me with illuminating guidance and taught me on how to write journal papers. His devotion to research has also inspired me a lot on pursuing an academic career.

I gratefully acknowledge an anonymous referee from the Journal of Corporate Finance, who has given me a revise and resubmit opportunity and encouraging comments. My thesis has been substantially improved after incorporating the referee’s suggestions.

I also owe a debt of gratitude to all the staff of the Adelaide Business School for their kindness and would particularly like to thank Aku, Gary, Professor Dogan, Professor Ercan, Jim, Tariq, Graeme and Professor Gao for teaching me finance and quantitative knowledge at the early stage of my PhD, which has helped me lay a solid foundation for research. I personally thank all my PhD friends, who have accompanied me during hard times, especially to Amy and her husband Brian, Sasha, Emon, Juan, Kimberly, Sylvia, Yu, Yessy, Sally, Mila, Su, Sabine, Van, Ivan, Xiaoyu and Svetlana.

Finally, my thanks would go to my beloved parents, parents-in-law and younger brother for enormous support without any complaints. Special thanks to my husband, Xuan, who has been taking care of me over the last four years so that I can concentrate on my study. Without his help, the completion of this thesis would not have been possible.