



香港中文大學  
The Chinese University of Hong Kong



**CUHK**  
BUSINESS SCHOOL

# Firm News and Market Views: The Informational Roles of Official and Non-Official Newspapers in China

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# Two types of newspapers in China

- *Official newspapers*

- *Newspaper* under the direct control of the central and local Communist Party Committees (party newspapers) or government institutions (political organ papers) and serve as their mouthpiece.

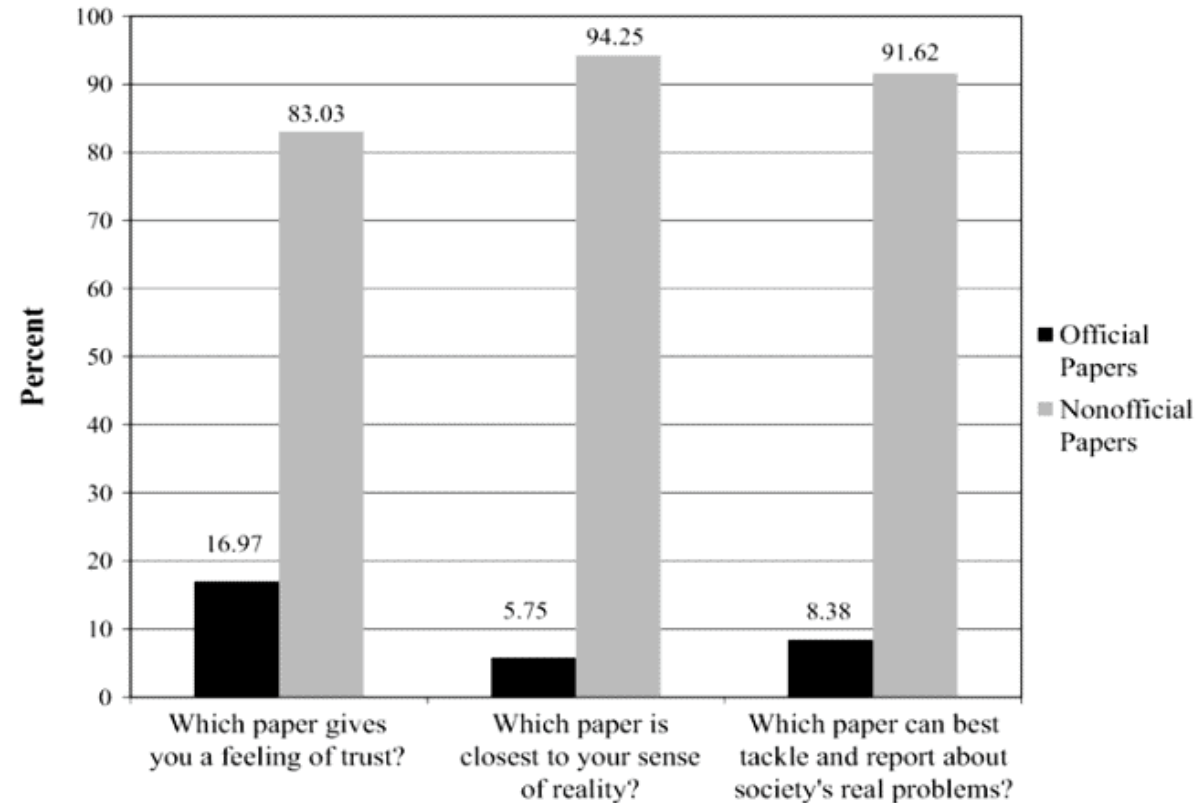
- *Non-official Newspaper*

- Newspapers not controlled by any of the preceding organizations

- **With an orientation towards reporting business, economic and financial news**

# Motivation

*Official and non-official papers* (Stockman, 2012)



# You, Zhang and Zhang (2018)

- *Comparing a large sample of news articles written by **state-controlled and market-oriented** Chinese media, we find that articles by the market-oriented media are **more critical, more accurate, more comprehensive,** and **timelier** than those by the state-controlled media. Moreover, only articles by the market-oriented media have a significant **corporate governance** impact*

## 从央视《新闻联播》玩味出的股经

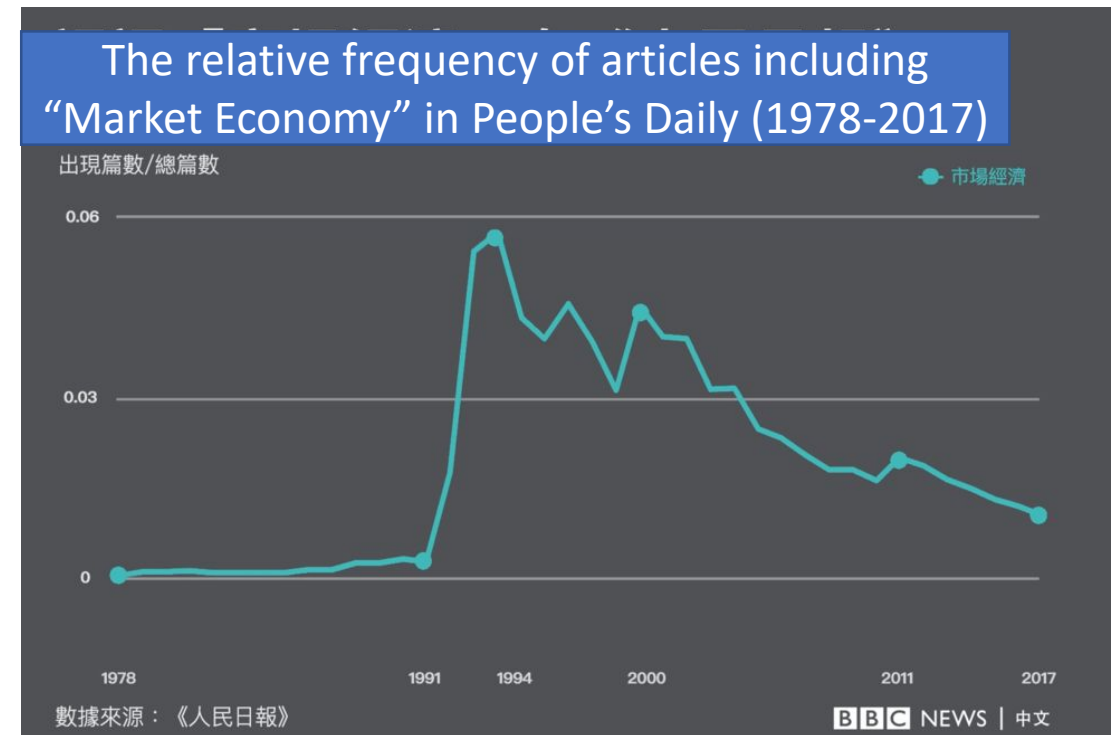
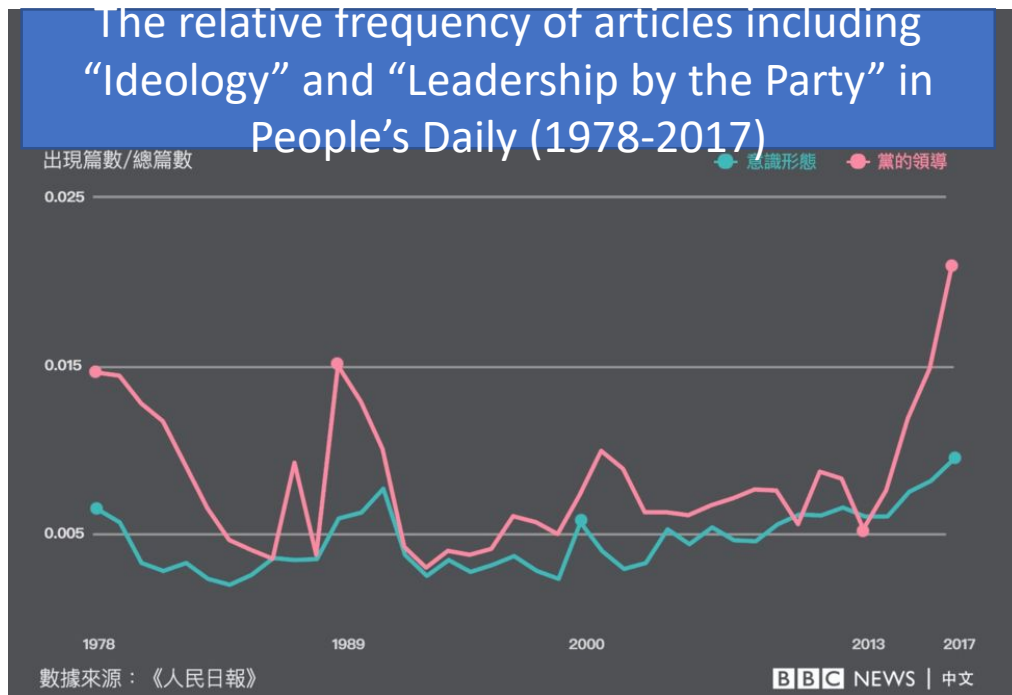
2007年11月30日08:58

实际上，每天晚七点中央电视台的《新闻联播》是最好的炒股消息源。

The News Report at 7:00pm everyday from CCTV is the best information source for buying stocks in China

无论是中国最早出名的股民“杨百万”还是目前控制市场走向的众多基金经理，都有一个共同的癖好——收看《新闻联播》，在这些股市老鸟看来，《新闻联播》的价值甚至比上市公司的公告更值得研究，是字字都值得玩味的晴雨表。

# What information can we extract from People's Daily? (Flagship newspaper of CCP)



# Motivation

- Tight state control ( over official newspaper)
  - Increase incentive to serve as the government's mouthpiece
    - News outlets for conveying information about economic and industry policies

# Motivation

- The reduction in political dependency may reduce the value of non-official newspaper
  - Weaker connection to the government
  - Limited ability to obtain information about the government's economic agendas and policies



# Research Question

- Whether the degree of state (/Party) control over the media affect the type of information supplied to the market.
  - Control over newspaper:
    - Official Newspaper **v.s.** Non-official Newspaper
  - Types of Information
    - Market- or industry-wide info **v.s.** Firm-specific Info

# Hypothesis Development

- Prior to 1978:
  - The newspapers have a well-defined and installed readership base, and serve the primary goal of political propaganda.
- After 1978: Commercialization of media
  - Non-official newspapers have greater freedom and financial incentives to respond to market demands for news.
  - Corporate news articles published in non-official business newspapers are less biased and less politically tainted than corporate news articles published in by official newspapers (Piotroski, Wong, and Zhang, 2017; You, Zhang, and Zhang, 2018),

# Hypothesis Development

- The government continues to have direct and indirect control of all media outlets.
  - Serving the propaganda may reduce the expected information content and credibility of official newspaper articles.
  - News articles published by non-official newspapers may subject to the similar political control.

# Hypothesis development

- Individual market participants have different relative informational advantages with respect to firm-, industry-, or market-level information.
  - Insiders
    - Firm-specific information (Seyhun 1992, 1998; Meulbroek 1992; Damodoran and Liu 1993).
  - Financial analysts
    - Industry and market level information and trends (Piotroski and Roulstone, 2004; Crawford, Roulstone, and So, 2012)

# Hypothesis development

- Official and non-official newspapers convey different information to the financial markets in respect of firm-level versus industry- and market-wide information.
  - Non-official newspapers may be more likely to engage in firm-specific reporting than official newspapers
    - increase readership through investigative reports
    - cater to the covered firms
    - non-official newspapers may be more inclined to report on factors behind the recent stock price or earnings performance of individual firms
  - Official newspapers enjoy a close relationship with their sponsoring governmental agencies and party units.
    - Conduits for conveying political opinions and policy-related information to the market.
    - Official newspapers are also likely to have greater access to economic data, more likely to cover political events, and more likely to frame corporate news in the broader political context

# Hypothesis

- **H1:** The relative amount of industry and market-wide information contained in official newspaper articles is significantly more than the relative amount of industry and market-level information contained in non-official newspapers' articles.
- **H2:** Official newspaper's coverage of the listed firm is more positively associated with stock return synchronicity over the year than that of non-official newspapers.

# Data and Sample

- Wisenews, a commercial database of domestic Chinese language newspaper and magazine articles
- Search through trading name of each listed company
- Rely on machine learning processes to clean the crawled news articles which are not related to the company due to ambiguity in the firm's name
- Keep articles published in official newspapers and non-official business newspapers
- All the technical service was provided by DataGo Ltd.
- Final sample:
  - 2,777,103 unique corporate news articles
  - 3,103 unique domestic listed companies
  - 100 unique newspapers

# Data and Sample

Year	Newspapers			Newspaper Articles			Firm Day Observations		
	All	Official	Non-Official	All	Official	Non-Official	All	With Media Coverage	No Media Coverage
2000	60	39	21	35,404	18,171	17,233	342,345	28,514	306,914
2001	65	40	25	55,900	27,209	28,781	392,216	41,205	336,226
2002	58	36	22	66,633	36,365	30,268	425,955	46,919	359,322
2003	83	45	38	95,428	40,602	54,826	466,264	57,294	370,836
2004	87	47	40	103,384	40,183	63,201	490,379	59,169	386,995
2005	86	46	40	168,633	40,909	127,724	563,755	79,730	395,122
2006	68	34	34	151,815	35,212	116,603	542,734	83,218	390,919
2007	68	35	33	197,699	49,803	147,896	598,320	93,655	400,621
2008	83	48	35	267,506	71,179	196,327	695,545	114,984	428,039
2009	60	37	23	208,410	63,100	145,310	669,694	94,245	461,284
2010	40	23	17	184,776	62,873	121,903	678,907	89,720	494,131
2011	47	26	21	199,052	68,746	130,306	772,253	98,705	573,201
2012	47	25	22	233,405	70,154	163,251	961,099	113,747	727,694
2013	50	26	24	236,039	63,493	172,546	1,023,431	113,959	787,392
2014	49	25	24	184,336	55,656	128,080	993,367	93,157	809,031
2015	43	20	23	149,211	42,523	106,688	1,009,052	82,639	859,841
2016	39	18	21	133,699	41,915	91,784	1,079,573	78,436	945,874
2017	37	17	20	105,683	35,012	70,671	1,080,153	28,514	974,470
<b>Total</b>				<b>2,777,103</b>	<b>863,105</b>	<b>1,913,998</b>	<b>12,785,042</b>	<b>1,369,296</b>	<b>10,007,939</b>





# Test for H1: Information at industry, market or firm level

- Decomposition

- Following Liu (2011), we decompose the move in stock price to three components driven by industry, market and firm information.

$$R_{it} = \alpha_i + \beta_i^M \times R_t^M + \beta_i^I \times (R_t^I - \beta_i^{IM} \times R_t^M) + \varepsilon_{it}$$

$\beta_i^M$   
 $\downarrow$   
 $CR_{it}^M$

$\beta_i^I$   
 $\downarrow$   
 $CR_{it}^I$



$$\frac{|CR_{it}^I|}{|CR_{it}^F| + |CR_{it}^I| + |CR_{it}^M|}$$

$$\frac{|CR_{it}^I| + |CR_{it}^M|}{|CR_{it}^F| + |CR_{it}^I| + |CR_{it}^M|}$$



# Test for H1: information at industry, market or firm level

- Comovement with industry
  - Propensity of moving in the same direction as that of industry return

$$+ \beta \quad \times \quad + \beta \quad + \beta \quad = \alpha + \text{Year} \quad + \beta \quad + \beta \quad \beta$$
$$+ \beta \quad + \beta \quad + \beta \quad + \beta \quad + \varepsilon \quad + \beta \quad + \beta$$

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# Test of H2: Impact on synchronicity

$$RET_{i,t} = \alpha + \beta_1 * MARET_t + \beta_2 * INDRET_{i,t} + \varepsilon_{i,t}$$

$$\text{Synchronicity} = \log(R^2 / 1 - R^2)$$

$$\begin{aligned}
 &= \alpha + \text{Year FE} + \text{Firm FE} + \beta \\
 &+ \beta \qquad \qquad \qquad + \beta \qquad \qquad \qquad \beta \qquad \qquad \qquad + \beta \\
 &\qquad \qquad \qquad + \beta \qquad \qquad \qquad + \beta \qquad \qquad \qquad + \beta \qquad \qquad \qquad + \beta \\
 &\qquad \qquad \qquad \qquad \qquad \qquad \qquad \qquad \qquad \qquad \qquad \qquad \qquad \qquad \qquad \qquad \qquad \qquad + \varepsilon
 \end{aligned}$$

Estimation:	(1)	(2)	(3)
Number of Articles <sub>it</sub>	-0.193*** (-20.620)		
Number of Official Articles <sub>it</sub>		0.035*** (4.506)	
Number of Non-Official Articles <sub>it</sub>		-0.232*** (-24.466)	
Relative Official Coverage <sub>it</sub>			0.200*** (7.724)
Year Fixed Effects	Yes	Yes	Yes
Firm Fixed Effects	Yes	Yes	Yes
Adjusted R-squared	0.332	0.336	0.316

# Role of Hierarchy of Official Newspapers

# Content of China's



$$+ \beta \quad + \beta \quad + \beta \quad \times \quad + \beta \quad + \beta \quad + \beta \quad = \alpha + \text{Year} \quad \times \quad + \beta \quad + \varepsilon \quad \beta$$

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Test of Difference ( $\beta - \beta$ )





# During National Congress of CCP

Dependent Variable:	<i>Industry Information<sub>it</sub></i>		<i>Industry &amp; Market Information<sub>it</sub></i>		<i>Comovement<sub>it</sub></i>	
	(1) No Congress	(2) Congress Period	(3) No Congress	(4) Congress Period	(5) No Congress	(6) Congress Period
<i>News Coverage<sub>it</sub></i>	-0.025*** (-25.79)	-0.023*** (-16.95)	-0.054*** (-53.47)	-0.047*** (-36.52)	-0.032*** (-29.69)	-0.026*** (-14.91)
Test of Difference (C-NC) (Chi-Squared Statistic)	0.002*** (14.88)		0.007*** (213.09)		0.006*** (35.46)	
<i>News Coverage<sub>it</sub> × Official<sub>it</sub></i>	0.005*** (4.79)	0.009*** (5.28)	0.013*** (12.49)	0.014*** (8.91)	0.003*** (3.03)	0.004** (2.48)
Test of Difference (C-NC) (Chi-Squared Statistic)	0.004*** (22.25)		0.001 (2.39)		0.001 (1.87)	
Control Variables	Yes	Yes	Yes	Yes	Yes	Yes
Year-Month Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Firm Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Adj. R <sup>2</sup>	0.060	0.042	0.041	0.040	0.018	0.016
N	9,886,967	2,893,809	9,886,967	2,893,809	9,889,388	2,895,654

Xi took a visit to CCTV (China Central TV) on Feb 19, 2016.



CCTV carries the last name of the Party, being absolutely loyal (to the Party). Please take an inspection.

Dependent Variable:	<i>Industry Information<sub>it</sub></i>		<i>Industry &amp; Market Information<sub>it</sub></i>		<i>Comovement<sub>it</sub></i>	
	(1) Before Visit	(2) After Visit	(3) Before Visit	(4) After Visit	(5) Before Visit	(6) After Visit
<i>News Coverage<sub>it</sub></i>	-0.025*** (-26.53)	-0.026*** (-21.56)	-0.052*** (-54.30)	-0.063*** (-41.46)	-0.030*** (-29.25)	-0.040*** (-19.19)
Test of Difference (A-B) (Chi-Squared Statistic)	-0.001*** (8.66)		-0.011*** (134.02)		-0.010*** (60.8)	
<i>News Coverage<sub>it</sub> × Official<sub>it</sub></i>	0.006*** (4.90)	0.012*** (8.53)	0.012*** (11.77)	0.022*** (12.96)	0.003*** (2.85)	0.011*** (4.29)
Test of Difference (A-B) (Chi-Squared Statistic)	0.006*** (45.62)		0.010*** (201.66)		0.008*** (20.49)	
Control Variables	Yes	Yes	Yes	Yes	Yes	Yes
Year-Month Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Firm Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Adj. R <sup>2</sup>	0.059	0.008	0.038	0.024	0.018	0.012
N	10,765,844	2,014,932	10,765,844	2,014,932	10,769,023	2,016,019

# Policy Shock

- All economic policies (52,000 between 2000-2017) issued by Chinese governmental units from the China Industrial Policy website
  - Introduced by central government agencies
  - Matched into specific industry or treated as macro policy.

<b>Dependent Variable:</b>	<i>Industry Information<sub>it</sub></i>		<i>Industry &amp; Market Information<sub>it</sub></i>		<i>Comovement<sub>it</sub></i>	
<b>Estimation:</b>	(1) <b>Policy Introduction</b>	(2) <b>No Policy Introduction</b>	(3) <b>Policy Introduction</b>	(4) <b>No Policy Introduction</b>	(5) <b>Policy Introduction</b>	(6) <b>No Policy Introduction</b>
<i>News Coverage<sub>it</sub></i>	-0.027*** (-26.42)	-0.024*** (-23.35)	-0.052*** (-51.61)	-0.052*** (-46.98)	-0.027*** (-20.08)	-0.031*** (-26.11)
Test of Difference (P-NP) (Chi-Squared Statistic)	-0.003** (5.93)		-0.000 (0.00)		0.004*** (27.58)	
<i>News Coverage<sub>it</sub> × Official<sub>it</sub></i>	0.008*** (4.98)	0.006*** (5.18)	0.015*** (10.07)	0.013*** (11.60)	0.004** (2.39)	0.003*** (3.07)
Test of Difference (P-NP) (Chi-Squared Statistic)	0.002* (3.62)		0.002*** (6.99)		0.001 (0.35)	
Control Variables	Yes	Yes	Yes	Yes	Yes	Yes
Year-Month Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Firm Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Adj. R <sup>2</sup>	0.101	0.049	0.049	0.040	0.027	0.017
N	2,766,308	10,014,468	2,766,308	10,014,468	2,767,024	10,018,018

# Content of News Articles

## ---Industry and Market Content

- Latent Dirichlet Allocation (LDA) $\Rightarrow$  400 Topics
  - Industry topics (64): the topic contained in more than 20% all articles covering firms in a two-digit industry
  - Market topics (68): top 20% topics regarding the number of firms covered by the topic

Industry and market content:

The weight on the industry and market topics in the news article

# 經濟日報

## ECONOMIC DAILY

Official Newspaper of TCL



### 经济日报

http://paper.cu.edu.hk/hk/2018-01/21/content\_382381.htm

2018年，彩电的日子并不好过。国内彩电市场零售额规模同比下降8.6%，除了此起彼伏的价格战搅乱彩电行业外，电视使用需求下降也是彩电行业长期困扰。未来，彩电行业何去何从？

继2017年彩电销量大幅下滑之后，2018年国内彩电市场继续低迷。数据显示，2018年，国内彩电市场零售额规模为479.7万台，同比增长0.5%；零售规模为1460亿元，同比下降8.6%，零售均价为3221元，同比下降1.9%。

中国彩电行业努力突围有哪些？产业发展会不会回到2017年？且看行业企业人士怎么说。

#### 品牌崛起正在升温

2018年是我国电视工业诞生60周年。1月17日在京召开的“中国智能显示与创新应用产业大会暨CIC 2018年度彩电行业研究发布会”以“致敬电视工业”为主题，回顾彩电发展的历程和成就。今年中国电视行业正经历深刻变革。

数据显示，2018年，我国电视产量达1.4亿台，占全球出货比重70%，出口（含转口贸易出口）整机及整机零部件1.28亿台，占全球出货比重55%。

“中国电视工业已成为全球规模最大、发展最快、最具竞争力的产业，并且一直处于我国电子信息产业支撑性、先导性和战略性的地位。”中国电视行业协会副会长兼秘书长侯震斌说。

据悉，中国大彩电为全球最大的电视生产基地，高世代液晶面板（8.5代以上）扩建到13条，智能液晶面板产量占全球总量的45%。除了液晶面板，智能电视的核心技术，比如芯片、操作系统、编解码、人工智能语音等关键技术都实现国产化，并开放大规模应用到高端产品中。

近年来，我国从全球彩电制中心逐步发展成为智能技术和市场的创新中心。中国在显示领域的专利数量居全球之首，并且是全球人工智能和知识产权数量最多的国家。同时，我国也成为全球智能电视出货量最大的国家。智能电视出货占比高达90%，95英寸以上大尺寸产品出货占比达49%，4K电视渗透率已达60%，95英寸以上产品已全线实现反超。

从全球市场看，中国彩电品牌崛起之速，产业和品牌影响力提升之快，也是具有共性的。在全球前30大彩电品牌中，中国大彩电品牌占前4席。截至2018年三季报，海信电视全球4K电视彩电出货量位居第三。

#### 需求下降倒逼升级

中国彩电业的发展成绩令人瞩目，同时也面临着不容忽视的问题和挑战。首先其间的竞争是低水平竞争，由此引发的价格战一度搅乱彩电行业发展。比如，2012年至2016年五类品牌彩电零售额“断崖式”下跌，彩电市场的总体利润空间压缩。2017年至2018年，价格战加剧，2018年全年电视点尺寸均价同比下降约10%以上。

一味降价、拼杀，并非长久之计。彩电行业发展的出路，在于提升产品的品质，对价格敏感的用户来说，2018年的降价促销一定程度上缓解了彩电行业发展的困境。比如，2018年均价每英寸1元，线上市场价格的增长为40%以上，消费者对价格的敏感度正在减弱。

“低水平竞争倒逼了低质，从2018年下半年开始，电视的利润空间开始回升，彩电行业竞争环境正在发生微妙转变。”奥维云网(AVC)彩电事业部总经理侯震斌直言，国内彩电行业竞争环境正在优化。

侯震斌指出，彩电行业存在深层次矛盾，国内彩电市场品牌集中度低，话语权弱。2018年，前五品牌市场占有率仅占少数，但彩电市场零售额却多寡悬殊78%。在此情况下，严重的同质化竞争更令彩电行业陷入恶性循环。2018年，彩电行业并没有出现实质性产品创新和技术突破。更多只是传统技术在深度开发和迭代，创新对于企业和企业成本造成较大压力，新技术产品主要集中在海外市场，在整个彩电市场中的占比比较低，液晶电视仍是主流。

“彩电行业需求下降倒逼企业转型升级。”侯震斌指出，未来彩电企业要在“60寸”和“100寸”用户，用智能化产品满足需求的方式倒逼产品升级。彩电行业产品需求正在分化，数据显示，2018年，智能电视市场规模达283万台，同比增长102%，新兴市场表现良好，一定程度上影响着彩电行业的发展。

#### 创新驱动助力突围

新年伊始，彩电业就迎来了政策利好。国家发展改革委负责人表示，将制定出台家电产品消费补贴政策。

市场指出并不乏利好消息。农村彩电市场将迎来新机遇。据了解，目前，农村市场的电视产品销量仍维持在2009年至2012年家电下乡期间的水平。2009年，家电下乡的彩电销量为75万台，2010年，进入成熟期，销量达250万台，同期彩电零售规模为7400万台。

今年，中国电子消费产业协会联合各主要彩电厂商进一步启动“换机潮”活动，推动彩电产品消费升级。

侯震斌表示，2018年我国彩电市场将出现结构性分化。彩电零售规模预计将达4811万台，同比上升1.6%，零售额为1468亿元，同比下降1.5%。

对于今年彩电行业前景，侯震斌表示，从全球来看，彩电行业的外部环境因素作用会减弱。未来发展主要靠自主创新，加大研发投入力度，加大品牌宣传力度，提升用户体验。未来，彩电行业将迎来新一轮洗牌，洗牌后将迎来新一轮洗牌。

侯震斌表示，更好的产品、更强的品牌影响力、更大尺寸仍然是彩电行业的发展趋势。“今年4K电视、8K电视上55寸技术的普及和彩电销量增长，真正是起步之年。”中国电子消费产业协会秘书长侯震斌说。

#### 侯震斌的预测

侯震斌表示，彩电行业将迎来新一轮洗牌，洗牌后将迎来新一轮洗牌。未来，彩电行业将迎来新一轮洗牌，洗牌后将迎来新一轮洗牌。

# 经济观察报

The Economic Observer

Non-Official: TCL

### Non-official Newspaper

经济观察报：  
<http://www.eo.com.cn/2019/01/21/382381.html>

8月12日，TCL集团(000102.SZ)发布2019年半年报报告。这是TCL集团连续第二个半年报。半年报显示，TCL集团2019年上半年实现营业收入174.57亿元，同比增长17%。归属于上市公司股东的净利润为1.88亿元，同比增长6.66%。

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# Content of News Articles

## --Industry Count



- Count the frequency that an article mentions industry names.
- Our dictionary of industry names are defined based on the Guidelines for Industry Classification of Listed Companies (2013 revision) as published by the China Securities Regulatory Commission (CSRC).



**Table 8**  
**Measure of news articles' topical content and industry content**

This table documents the relative amount of industry and market topics versus firm-specific content contained in business news articles published by Chinese newspapers over 2000–2017. Specifically, the table presents select coefficients from an estimation of the following empirical models:

$$\text{Industry Count}_{it} (\text{Industry \& Market Content}_{it}) = \alpha + \text{Year-Month FE} + \text{Firm FE} + \beta_1 \text{Official}_{it} + \beta_2 \text{Firm Size}_{it} + \beta_3 \text{Market-to-book}_{it} + \beta_4 \text{ROA}_{it} + \beta_5 \text{Leverage}_{it} + \beta_6 \text{SOE}_{it} + \beta_7 \text{Earnings Announcement}_{it} + \varepsilon_{it}$$

**Panel B: Multivariate estimation of news article's content**

Dependent variable:	Industry Count <sub>it</sub>	Industry & Market Content <sub>it</sub>
<i>Official<sub>it</sub></i>	0.006*** (2.73)	0.016*** (7.85)
<i>Firm Size<sub>it</sub></i>	0.000 (0.23)	0.010*** (5.27)
<i>Market-to-book<sub>it</sub></i>	-0.001*** (-5.09)	-0.000 (-0.48)
<i>ROA<sub>it</sub></i>	0.010 (0.64)	0.001 (0.08)
<i>Leverage<sub>it</sub></i>	-0.010 (-1.31)	0.002 (0.23)
<i>SOE<sub>it</sub></i>	0.001 (0.37)	0.009*** (2.84)
<i>Earnings Announcement<sub>it</sub></i>	-0.024*** (-16.01)	-0.068*** (-28.80)
Intercept	0.075** (2.29)	0.201*** (6.24)
Year-Month Fixed Effect	Yes	Yes
Firm Fixed Effect	Yes	Yes
Adjusted R <sup>2</sup>	0.007	0.015
N	2,777,103	2,777,103

# Additional test

- Articles published around corporate earnings announcements
- Restricted samples:
  - articles published in newspapers that appear throughout our entire sample period and
  - articles published only newspapers domiciled in China's three tier 1 cities (Beijing, Guangzhou, and Shanghai)
- Focus on novel articles

# Conclusion

- Prior research argues and finds that corporate news articles published by official newspapers in China are biased, provide less information to the capital markets, and fail to serve an important corporate governance role.
- Our paper provides the first evidence to suggest that China's official newspapers may serve a different and complimentary informational role than that played by non-official newspapers in China's market economy.



Thanks!