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Capital Market Reaction to Additional Information of Chinese Share-Split Reform: Market Feedback versus Signaling Effect

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ABSTRACT

The relationship between information disclosure and capital market has long been thought as a potential research field of accounting and finance. Whether due to effective transfer of the future performance or market feedback by message itself is considered as one of the Puzzles. In this article, market reaction to additional (explicit, implicit) information has been verified by empirical models. Signaling effect is tested and interpreted by virtue of excess turnover rate. Additional information is found to burst market reaction after two competing hypotheses are tested. The first hypothesis is signaling hypothesis that assumes the insiders of information advantage to prevent market failure, and reduce information asymmetry. The second competing hypothesis assumes that the market transmits to users the valuation of the company. The main finding is to draw two conclusions. First, cumulative abnormal return is significantly related with explicit additional information rather than implicit information. Second, as for China market's unique system, it is hard to wholly compare two alternative hypotheses. Prior to the announcement, market feedback

effect probably exists, but the signaling hypothesis is superior to market feedback hypothesis in explaining the phenomenon.

Keywords: market feedback, signaling effect, additional information, market reaction

INTRODUCTION

The traditional theory thinks signaling effect as an important part of information economics. Under information theory, the insiders whose have information superiority more directly know internal situation, investment opportunities and profits of private information than external investors? As a result, it triggers the "adverse selection" problem then leads to market failures (Akerlof, 1970), external financing, capital costs, and other negative impacts. In fact, companies often use "signaling" to reduce the degree of information asymmetry.

At the same time, behavioral financial experts found financial market occurs significant positive trading feedback, these transactions will be to promote stock price away from its base value, thereby as a counter-examples of effective market (Jegadeesh, Weinstein and Welch (1993), Van Bommel (2002)). According to market feedback theory, feedback traders are non-rational investors, not on the basis of information and the intrinsic value of the securities, but the prices of short-term securities transactions, has extraordinary trading volume. This information would be revealed to them by the evolution of the stock price. If this information was of a positive nature, the managers would be encouraged to invest the firm and issue more stocks subsequently. Since the release of information, feedback transactions will have a certain market reaction.

As many have noted, voluntary disclosure is no strict rule so that firms have incentives to voluntarily provide information if the benefits exceed the costs. Furthermore, due to mandated or regulated disclosure restricted with management choice, the hypothesis to the market reaction is relatively mature. Information such as financial forecast is vaguer, broader and more flexible than mandatory disclosure. Based on the uncertainty of the information, users are rarely able to absorb and use the information to invest fully. Such information to better filter other mandatory disclosure feather is conducive to what additional information touched the market reaction, whether due to transfer the future performance effectively or market feedback by message itself ? Return on investment (ROI) or anticipated change is to prevent market failures and transmit some special signal, or the information content of their users is intercepted and then effective influences decision-making by actions. As a result, a “signaling cause market reaction or market re-action cause feedback effect" is in mystery. Misunderstanding the causality would make government, management and outsider users lack of theoretical support, so the ultimate impact on the scientific nature of the decision-making is obvious.

The rest of the paper is organized as follows. In next section, it follows by reviewing the global literatures on the issue, and then develops the hypotheses. Section 3 is research design. In Section 4, I discuss and interpret the empirical results. The final section summarizes and concludes.

REVIEWS AND HYPOTHESIS

Gibbins et al. (1992),Hoskin et al. (1986) and Thompson et al. (1987), and other scholars define financial disclosure as the dimensions of information content, organization form, information redundancy, information confidence, disclosure interpretation, disclosure media, the

timing of disclosure. Hirst et al. (2008), who extends their dimensions, by analyzing management financial information model, including management incentive, forecast news, and capital market reaction and so on. On the comparison of these variables, the model must contain a number of variables that involves investment value, takes a more scientific research method. I plan to build the system and analyze a theoretical model by China's securities market data, and unique institute.

(1) Literature Review: Empirical evidence from Additional Information

Forecast characteristics are involved in the disclosure of management financial forecast. Such as forecast news, forecast form, forecast classification, forecast attributes, the elements of additional information in the report are often ignored by reporting users, but with the incremental information content.

Although managers do not entirely control the news that their forecasts convey, they effectively create such control via their decision of whether or not to release an earning forecast. The news conveyed by a forecast falls into one of four categories. Good-news forecasts are those that exceed earnings expectations, bad-news forecasts fall below expectations, and confirming forecasts are those corroborate the market's expectations. Early studies reported that earnings forecasts pre-explicitly conveyed good news relative to market expectations (Penman, 1980; Waymire, 1984). For large earnings surprises—where the magnitude of the earnings surprise exceeds one percent of the stock price—Kasznik and Lev (1995) find that bad-news firms are more likely to issue earnings warnings relative to good-news firms.

Managers can release management forecast information in the form of point estimates, range estimates, minimums, maximums, or

qualitative forecasts. As range estimates, managers need to disclose "basis point (mean/median)". Although Baginski et al. (1993) report that point forecasts are more value-relevant, Pownall et al. (1993) and Atiase et al. (2005a) find no difference in stock price reaction conditional on the form of the forecast. Experimental evidence in Hirst et al. (1999) suggests a possible explanation for these conflicting results. They show that investors' reaction to point versus range forecasts (i.e., forecast characteristics) is contingent on prior forecast accuracy (i.e., a forecast antecedent). Therefore, I think that the management had decided, in the certain significance, the information form that company released, which tends to conservative qualitative or optimistic point value, the extremer estimate or the neutral range estimate?

Financial forecast varies in levels of disaggregation. That is, managers can release a forecast of the bottom-line earnings number. Alternatively, they can release earnings forecasts along with forecasts of other key line items in the income statement. The majority of forecasts only are in the income statement items (income, earnings), rarely has unifies three statements or surpasses the combination of income statement and balance sheet, extends from the earnings forecast to the own equity, from the income /expense to the assets/liabilities forecast.

Managers also often release forecasts that are accompanied by attributions, or explanations of the forecasted numbers. These explanations typically fall into one of two categories—internal and external attributions. Internal attributions refer to explanations of management's own behavior (e.g., "our increased earnings are due to our enhanced product development"), whereas external attributions refer to explanations outside of management's control (e.g., "our decreased earnings are due to the generally worsening economy").

Further, such additional and verifiable information only enhances the credibility of good-news forecasts, but not that of bad-news forecasts which appear to be inherently credible (Hutton et al., 2003).

Managers often issue forecasts to influence their firm's stock price (e.g., Nagar, et al. 2003), financing threshold and so on. Positive accounting when weight capital market reaction, mainly is viewed as cumulative abnormal return (CAR), thought the announcement has the information content, around re-leased the capital market already started to respond, the computation weighed the capital market to this kind of announcement reaction, but pro forma finance information itself has information content that will be helpful to the capital market anticipated adjusts the market to equilibrium. Another indicator of the market is ETR(Excess Turnover Rate), the trading volume is the most affected by investors' sentiment changes, Beaver's (1968) classic paper is the first to empirical testing of the trading volume reaction, but due to noise traders, the performance shares weaker than CAR(Kim & Verrecchia, 1997).

Hypothesis 1: Ceteris paribus, the additional information has investment value, and there was a significant relation with market reaction.

As users bias the capability to identify the information, market reaction differs significantly from the levels generated by information. From the identification of explicit additional information - forecast news and forecast form are relatively easy to capture and convey information content of the announcement. Implicit additional information - forecast classification and forecast attribute are more important information, due to the cost –benefit and internal and external effect, the users can hardly agree on the consensus, not "resultant force", so the market reaction has no significant relations.

Hypothesis 1a: Ceteris paribus, the explicit information has investment value, and there is a significant confident with market reaction.

Hypothesis 1b: Ceteris paribus, the implicit information has not investment value, and there isn't a significant confident with market reaction.

(2) Theory Deduction: Additional Information to market reaction

When the additional information generates incremental market reaction, there are two alternative hypotheses to explain. The first hypothesis is signaling hypothesis that assumes the insiders of information advantage to prevent market failure, sending a signal to reduce information asymmetry to achieve the return of intrinsic value, the information will be released by the window on the formation of price reaction; while the outsiders notice for a period of time issued before the expected market performance and future expectations in conflict with managers to enhance market expectations, with information superiority in the internal human to prevent market failure, by signaling to reduce the information asymmetry and the price level; the second competing hypothesis assumes that the market transmits to investors their valuation of the company. The market feedback action has the prospective in-depth study of price changes, and fluctuations in the price of arbitrage trading, the trading volume generates on the abnormal reaction.

Market feedback traders only focus on the changes of price, the release of information is not directly related with feedback transaction. Due to insiders' information leaks partially prior to date of announcement, it will cause fluctuations in market prices in advance. Market feedback traders don't clear under-stand the information content, and then take

feedback trading with the price fluctuations, turnover rate surges at the same time. After information issues, if the degree of market feedback (turnover rate) be less than CAR, market reaction will cause by signaling effect. If the excess turnover rate doesn't increase, CAR is significant influence with additional information, the phenomenon shows that the information is signaling effect; if the excess turnover rate surge, there be significant influence, which is market feedback effect.

Hypothesis 2(signaling effect): Other things being equal, after announcement, the additional information is a significant relation with cumulative abnormal return.

Hypothesis 3(market feedback effect): Other things being equal, as excess turnover rate surges, the additional information is a significant relation with cumulative abnormal return.

METHODS

Data and Sample Selection

As China stock market and financial database construction is late - the research period not to be overseas longer. In addition, the time period chooses from 2003 to 2007 year.

Table 1. Summary of the sample selection criteria

China listed firms samples years 2003-2007	2,239
Less: ST firms samples	503
Special firms samples(Finance & Insurance)	30
Qualified Firms samples for testing hypotheses	1,706

This test is based on pooled data. The sample selection procedure and its effects on sample are summarized in Table 3, reducing to 927 firms, and 1706 samples for the period 2003-2007. All data are from China Wind Financial Database. This paper tries to use missing value filling technology (common EMiterative algorithm) because of insufficient data.

RESEARCH DESIGN

This paper studies: (1) the difference of the market reaction to additional information, (2) explanative effect of market reaction. Therefore, I build this theoretical model to examine the hypotheses (see Figure 1).

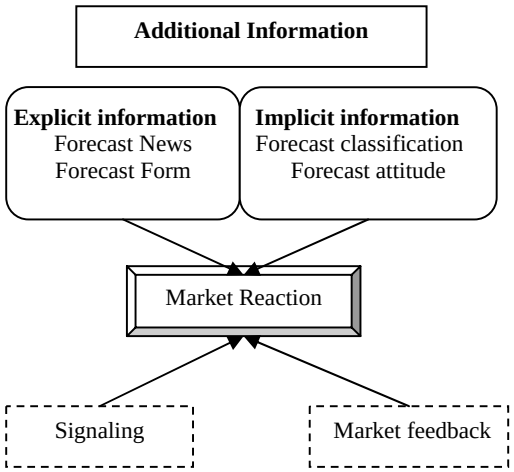


Figure 1 Additional information-effect model

With the requirements of hypotheses, I set up equations (1), (2) to verify:

$$CAR_{it} = \alpha + \beta_1 \text{Expl var} + \beta_2 Fvol + \beta_3 FErr + \beta_4 MInc + \beta_5 Size + \beta_6 Lev_{it} + \beta_7 Beta_{it} + \varepsilon_{it} \quad (1)$$

$$CAR_{it} = \alpha + \sum_{j=1}^{4} \beta_j \text{Expl var} + \beta_5 Fvol + \beta_6 FErr + \beta_7 MInc + \beta_8 Size + + \beta_9 Lev_{it} + \beta_{10} Beta_{it} + \varepsilon_{it} \quad (2)$$

DEPENDENT VARIABLES

CAR defines as a proxy of market reaction, according to market-adjust model. I choose that cumulative daily return less the size-deciles-matched CSRC value-weighted Index for twenty-trading-days windows starting ten trading days after the forecast release date; and Excess turnover rate(ETR)=∑(market turnover rate-company turnover rate).The definition of explanation variable is listed in Table 2.

Table 2. The definition of explanation variables

Variables	Definition
Forecast News(FNew)	Dummy variable: good news equals to 1, bad equals to 0
Forecast Form(FFor)	Dummy variable: accuracy(point or max/min) equals to 1,fuzzy(range or other) equals to 0
Forecast classification(FCom)	Dummy variable: stand-alone equals to 1,buddle equals to 0
Forecast Attribution (FAtt)	Dummy variable: external influence equals to 1,internal equals to 0

CONTROL VARIABLES

Forecast Volatility refers to the change times of forecast in certain period. Typically, volatility is also important regarding judging management ability. Suitable volatility is better, however too frequency is as bad as not enough, needs to grasp "reasonable degree", avoids irresponsibly unceasingly issuing and repeatedly revising which creates the capital market confusion. Forecast error influences market reaction, recent evidence suggests an intentional, pessimistic bias in management's forecasts (Richardson et al. 2004; Hutton 2005; Ke and Yu 2006).

Table 3. The definition of control variables

Variables	Definition
Forecast Volatility (FVol)	The times of adjust or other change in forecast period
Forecast Error(FErr)	(Actual EPS-forecast EPS)/Pre-release stock price
Management Incentive(MInc)	Fit from all Director &Executives and Top 3 compensation
Corporate Size(Size)	Logarithm total assets last year
Financial leverage(Lev)	Debt ratio Pre-release period
Systematic Risk(Beta)	Systematic Beta value

This pessimistic bias is attributed to managers' desire to guide analysts' earnings forecasts. Managers tend to issue optimistically-biased forecasts around equity offerings, hoping to take advantage of any market mispricing (Rogers and Stocken 2005).An overwhelming proportion of managers claim that they issue voluntary disclosures to

develop a reputation for accurate and transparent reporting (Graham et al., 2005). A recent study by Mercer (2005) may explain this counterintuitive result. Specifically, she shows that while transparency yields short-term credibility benefits, these benefits may not be sustainable over longer periods. Nagar et al. (2003) argue that managers with greater levels of equity-based compensation will issue more frequent forecasts to avoid equity mispricing that could adversely impact their wealth. The paper adds two variables: financial leverage and systematic risk, to control certain influence

EMPIRICAL RESULTS

Descriptive statistics

One-Way means test

Table 4 provides descriptive statistics for the sample used in our analysis in this Section. In this section, there are 12 core variables. Table 5 lists the market performance difference test by groups of single-factor (cumulative abnormal return and excess turnover rate), and Figure 2 to 5 were listed in the map additional information's different market performance. I find while release the information, excess turnover rate over continues to rise, to reach the summit till the release date, then slowly decline, while cumulative abnormal return was just the opposite, that is, cumulative abnormal return continued to drop, to reach the bottom on the date, trading in the market weakened. From the table below indicates that forecast news, forecast form that belongs to explicit information produce significantly relation with market reaction, but forecast classification, forecast attribute is not significantly related correlation .One-Way means test verify hypothesis 1. On before and after the announcement, the market reaction after is more significant.

Table 4. Descriptive statistics of samples used in the analysis

	N	Mean	Std.	Skewness	Kurtosis
CAR(-10,10)	1706	-4.764	16.825	4.240	77.319
CAR(-10,1)	1706	-3.131	10.620	0.516	6.763
CAR(-1,10)	1706	-2.513	13.357	7.798	187.612
ETR(-10,10)	1706	6.406	33.072	2.051	9.079
ETR(-10,1)	1706	4.136	20.923	2.717	18.424
ETR(-1,10)	1706	3.044	17.405	1.958	10.475
FNew	1706	0.70	0.455	-0.871	-1.225
FFor	1706	0.39	0.488	0.450	-1.800
FCom	1706	0.96	0.200	-4.594	19.131
FAtt	1706	0.70	0.456	-0.898	-1.196
FErr	1706	0.07	0.258	3.089	20.937
FVol	1706	1.31	0.698	8.306	135.541

In addition, excess turnover rate shows that make a trend - surging before and declining after announcement. So there may exist market feedback before issuing, I need to verify whether CAR yields a significant correlation with additional information. Similarly, CAR is opposite to ETR- a different trend - declining before and surging after announcement. This is because management caused opportunistic motives to publish voluntary disclosure, of users lead to extreme pessimism prior to announcement. Market investors have different estimates in advance of expectations, two sides take game enthusiastically. After the publication of information, investors began to adjust their expectations, market occurs to a "reverse-adjust" situation.

Table 5 market performance differences test by single-factor groups

Market Reaction (%)		CAR (-10,1)	CAR (-1,10)	CAR (-10,10)	ETR (-10,1)	ETR (-1,10)	ETR (-10,10)
Panel A Group by Forecast News							
Means	Good	-2.990	-2.145	-3.768	4.241	3.664	6.822
	Bad	-3.573	-3.195	-6.921	4.115	1.720	5.932
T-test		-1.025	-1.472	-3.527***	0.113	-2.095**	-0.503
Panel B Group by Forecast Form							
Means	Fuzzy	-2.873	-2.040	-5.872	4.193	3.102	5.515
	Precision	-3.535	-3.253	-3.034	4.046	5.641	7.796
T-test		1.256	1.831*	3.410***	0.142	1.287*	1.390*
Panel C Group by Forecast Classification							
Means	Alone	-3.141	-2.523	-4.631	4.060	3.052	6.502
	Buddle	-2.901	-2.278	-7.830	5.878	2.841	4.192
T-test		0.186	0.151	1.569	0.717	0.100	0.576
Panel D Group by Forecast Attribute							
Means	Inner	-3.068	-2.172	-5.160	4.439	3.328	6.125
	Outer	-3.281	-3.327	-3.821	3.412	2.365	7.077
T-test		0.378	1.630	1.500*	0.925	1.043	0.543

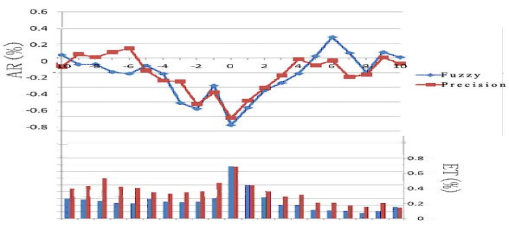


Figure 2. Market performance group by Forecast News

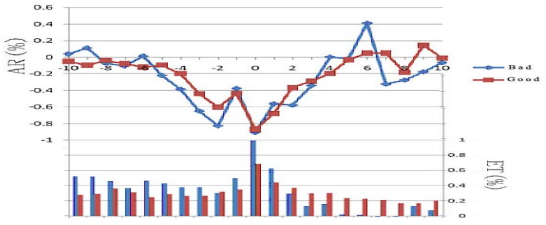


Figure 3. Market performance group by Forecast Form

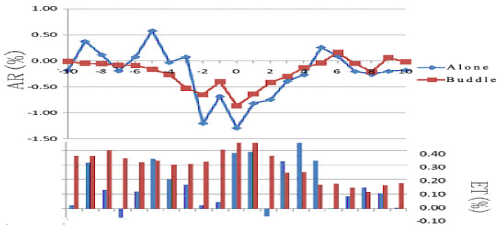
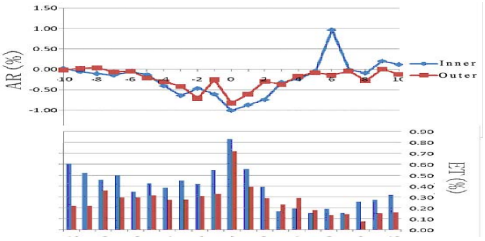


Figure 4. Market performance group by Forecast Classification



Firure 5. Market performance group by Forecast Attribute

Multiple regression test

To prevent the impact of extreme values, the regression process eliminates three times variance in the sample. In controlling the variables (such as the forecast error, forecast volatility) and the company features(such as company size, leverage ratio, etc.), respectively regression by an additional information and all additional information, significant additional information yields a linear regression (see table 6).

By White (1980) Heteroscedasticity after the adjustment of variables t-test, explicit information variables mostly pass, but implicit information variables hardly pass. The result indicates investors, including additional information users only center on the explicit information for decision-making; the value of implicit ones to decision-making has been questioned.

The test to market reaction can be found: After release the market is relatively significant, I find when excess turnover rate surges –prior to release date, feedback effect hypothesis is not the obvious explanation affecting the market reaction; the signaling hypothesis is better.

Table 6 empirical result of multiple linear regression

Var	CAR(-10,10)					CAR(-10,1)		CAR(-1,10)	
	(1)	(2)	(3)	(4)	(5)	(1)	(2)	(3)	(4)
(Contan	-13.028**	-10.102***	6.383	9.706	-16.381***	-7.311*	-7.175*	3.938	3.213
	(-1.912)	(-2.522)	(0.557)	(0.889)	(-2.801)	(-1.873)	(-1.747)	(1.033)	(0.814)
FNew	4.074***				3.898***	0.346	0.351	1.133*	1.166*
	(4.303)				(4.118)	(0.583)	(0.591)	(1.612)	(1.650)
FFor		2.388***			2.142***	-0.720	-0.717	-1.402**	-1.394**
		(2.893)			(2.567)	(-1.400)	(-1.389)	(-2.259)	(-2.245)
FCom			2.598		3.603*		-0.287		-0.157
			(0.798)		(1.785)		(-0.257)		(-0.131)
FAtt				-0.899	-1.236		0.202		1.143*
				(-0.511)	(-1.401)		(0.372)		(1.816)
FVol	2.997***	2.532***	0.638	0.609	2.866***	-0.527*	-0.530*	0.401	0.403
	(5.133)	(3.461)	(0.765)	(0.731)	(4.887)	(-1.868)	(-1.883)	(1.201)	(1.223)
FErr	-1.827	0.395	-4.781*	-4.706*	-1.868	0.473	0.474	0.074	0.044
	(-1.098)	(0.302)	(-1.599)	(-1.573)	(0.261)	(0.362)	(0.363)	(0.063)	(0.038)
MInc	0.284	0.266	0.066	0.058	0.304	-0.141	-0.145	0.603**	0.590**
	(0.691)	(0.727)	(0.079)	(0.069)	(0.459)	(-0.570)	(-0.587)	(2.228)	(2.181)
Size	0.062	0.040	-0.177	-0.183	0.066	0.273*	0.272*	-0.306*	-0.306*
	(0.260)	(0.249)	(-0.371)	(-0.383)	(0.781)	(1.586)	(1.585)	(-1.804)	(-1.808)
Lev	1.702	1.699	2.122	2.053	1.669	-0.023	-0.009	-0.354	-0.275
	(0.893)	(0.923)	(0.538)	(0.521)	(0.410)	(-0.018)	(-0.007)	(-0.227)	(-0.175)
Beta	-0.641	-0.759	-0.257	-0.262	-0.463	-1.081**	-1.079**	-0.542	-0.533
	(-0.821)	(-1.034)	(-0.194)	(-0.198)	(0.553)	(-2.264)	(-2.256)	(-0.998)	(-0.980)
Ind	control	control	control	control	control	control	control	control	control
year	control	control	control	control	control	control	control	control	control
Adj_R^2	0.021	0.015	0.001	0.001	0.026	0.003	0.002	0.003	0.003
DW	2.074	2.082	1.904	1.906	2.102	1.901	1.900	1.984	1.983
F value	6.138	4.632	0.542	0.520	5.551	1.600	1.300	1.975	1.971

Notes: the impact in the year and the industry is unspecified in above table; data for White (1980) Heteroscedasticity adjusted value of the t-test, ***, **,* were expressed statistically significant at 1%, 5% and 10%, DW is Durbin - Watson statistics.

Robustness test

The overall goodness-of-fit is not ideal, the model explanation is limited, mainly because China's capital market data is not optimal, overall poor results, many regressions are not good –the goodness always be between 1% -20% (Cheng, 2006); secondly, the regression cannot expect a clear explanation of all variables. DW value is around 2.00 (dl <d <du), show that there is no first order autocorrelation, cannot lead to bad statistical consequence, need not to take special processes. Empirical analysis shows that indeed in the information window there are signaling effect and market feedback, but that before market performance doesn't incur from additional information, mainly from investors to predict the diversity and other operations; Furthermore, additional information does exist signaling effect, that will cause significant market reaction.

As many means, even the same way, there may be "coincidence" of the situation significantly. To ensure that the conclusions from this interference of other factors in differences, from the following aspects of the empirical models take sensitivity analysis: (Ⅰ) geographical expansion test; (Ⅱ) different standards in selected variables (such as industry adjusted) expansion test. As China is a unitary country, each province (municipalities and autonomous regions) is a unified application of political, legal and economic systems. Although different regions exist, the impact is weaker, geographical factor is not significantly different. The sensitivity test of different standards see table 7, the model is significant that doesn't varies with the former test.

SUMMARY AND CONCLUSIONS

Since China's capital market is facing the "emerging & transition" development environment, as the share-split structure reform is gradually improving, the confidence of investors of listed companies is

Table 7. Change in CAR with industry-adjusted

Var	CARi(-10,10)					CARi(-10,1)		CARi(-1,10)	
	(1)	(2)	(3)	(4)	(5)	(1)	(2)	(1)	(2)
(Contant)	-21.078*** (-4.368)	-18.776*** (-3.794)	-21.274** (-4.130)	-17.474** (-3.520)	-24.329*** (-4.937)	-17.124** (-4.091)	-17.145*** (-3.886)	0.803 (0.262)	0.745 (0.235)
FNew	3.305*** (3.717)				3.158*** (3.485)	-0.308 (-0.529)	-0.298 (-0.511)	0.537* (1.830)	0.559* (1.859)
FFor		2.140*** (2.754)			1.942** (2.463)	-0.635 (-1.231)	-0.631 (-1.222)	-0.930* (-1.617)	-0.920* (-1.600)
FCom			3.183* (1.923)		3.124* (1.936)		-0.252 (-0.206)		-0.569 (-0.545)
FAtt				-0.735 (-0.978)	-0.658 (-0.875)		0.360 (0.668)		0.825 (1.426)
FVol	2.656*** (3.540)	2.264*** (3.182)	2.454*** (3.479)	2.419*** (3.321)	2.537*** (3.533)	-0.383 (-1.429)	-0.385 (-1.437)	0.305 (1.037)	0.300 (1.008)
FErr	-1.993* (-1.413)	-0.196 (-0.150)	-0.207 (-0.157)	-0.119 (-0.091)	-2.039* (-1.444)	0.637 (0.492)	0.632 (0.488)	-0.564 (-0.508)	-0.574 (-0.514)
MInc	0.159 (0.474)	0.143 (0.424)	0.182 (0.539)	0.168 (0.497)	0.171 (0.510)	-0.101 (-0.375)	-0.107 (-0.395)	0.723*** (2.837)	0.710*** (2.789)
Size	0.026 (0.124)	0.008 (0.039)	0.019 (0.087)	0.012 (0.053)	0.030 (0.144)	0.305* (1.641)	0.304* (1,643)	-0.280** (-2.03)	-0.280** (-2.045)
Lev	1.550 (1.008)	1.552 (1.005)	1.517 (0.982)	1.457 (0.944)	1.551 (1.016)	-0.551 (-0.425)	-0.527 (-0.406)	0.411 (0.283)	0.467 (0.319)
Beta	-0.271 (-0.394)	-0.348 (-0.482)	-0.545 (-0.772)	-0.549 (-0.782)	-0.106 (-0.151)	-0.940* (-1.994)	-0.937** (-1.983)	0.243 (0.514)	0.249 (0.528)
Ind	control	control	control	control	control	control	control	control	control
year	control	control	control	control	control	control	control	control	control
Adj_R^2	0.016	0.012	0.001	0.009	0.020	0.002	0.001	0.001	0.001
DW	2.044	2.045	2.025	2.031	2.058	1.872	1.871	2.024	2.023
F value	4.989	4.071	3.406	3.117	4.464	1.329	1.306	1.690	1.600

Notes: the impact in the year and the industry is unspecified in above table; data for White (1980) Heteroscedasticity adjusted value of the t-test, ***, **,* were expressed statistically significant at 1%, 5% and 10%, DW is Durbin - Watson statistics.

slowly restored. Therefore, improving and perfecting information disclosure of listed companies be one of the most important tasks to restore the credibility and revive the market. From this article about prospective financial information, market reaction to (explicit\implicit) additional information had been verified using regression model. By virtue of excess turnover rates, it aims to analyze, test and interpret signaling effect. Additional information is found to burst market reaction while two competing hypotheses to explain this reaction. The first hypothesis is signaling hypothesis that assumes the insiders of information advantage to prevent market failure, and to reduce information asymmetry. The second competing hypothesis assumes that the market transmits to investors their valuation of the company. The main contribution is to identify two conclusions: first, that cumulative abnormal return was significantly related with additional (explicit) information rather than implicit information. Second, as for China market's unique system, the two alternative hypotheses cannot be fully compatible, but no absolute exclusion. Before the announcement market feedback effect is probably existed, but the signal hypothesis is superior to market feedback hypothesis to support the phenomenon.

However, because of different development situations, it lack of a support in the field of finance, sociology, and other related disciplines of empirical studies, coupled with China's younger securities market, internal structure and the rapidly changing external environment. Of course, measurement not only is difficult to define, but also has its own methodology. In order to better measure the role of additional information, it comes mainly through voluntary disclosure. Mandatory disclosure such as annual reports and other information, its broad applicability will "greatly reduced" and the effect to explain the market reaction of mandatory information is still Hotpoint of future research.

As we know, discrimination whether the market is caused by signaling or market feedback effect isn't easy, often intertwined with two effects. If signaling is a major role, the supervisory authority is regulating managers' information disclosure, and improving capital market effectiveness. But if market feedback plays a major role, the first and foremost task is to correct investors' ideas of investment value, improving investors' trading codes. According to above analysis, "market feedback" is not absolutely comparative with "signaling". In the accounting report, it will not harm "signal transmission", while it can provide users with the needs of accounting information to enhance the effectiveness of the information disclosure. From voluntary disclosure effect can be seen, investors expect an adjustment price. The authority should focus on standardizing management information disclosure regulations to make the capital market healthy and sound.

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