

RGC Ref. No.: UGC/FDS14/B03/16 <hr/> (please insert ref. above)
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**RESEARCH GRANTS COUNCIL  
COMPETITIVE RESEARCH FUNDING SCHEMES FOR  
THE LOCAL SELF-FINANCING DEGREE SECTOR**

**FACULTY DEVELOPMENT SCHEME (FDS)**

**Completion Report**  
*(for completed projects only)*

<p><b><u>Submission Deadlines:</u></b></p> <ol style="list-style-type: none"> <li>1. Auditor's report with unspent balance, if any: within <b>six</b> months of the approved project completion date.</li> <li>2. Completion report: within <b>12</b> months of the approved project completion date.</li> </ol>
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**Part A: The Project and Investigator(s)**

**1. Project Title**

Acquirers' Transparency and Market Reactions to M&As in Emerging Markets – Evidence  
from China

**2. Investigator(s) and Academic Department(s) / Unit(s) Involved**

Research Team	Name / Post	Unit / Department / Institution
Principal Investigator	Rita, Wing Yue YIP / Associate Professor	Accountancy/HSUHK
Co-Investigator(s)	Danqing Young /Professor	Accountancy/CUHK
Others		

**3. Project Duration**

	Original	Revised	Date of RGC / Institution Approval <i>(must be quoted)</i>
Project Start Date	2017.01.01	2017.01.01	
Project Completion Date	2019.12.31	2020.06.30	2019.09.17
Duration <i>(in month)</i>	36	42	2019.09.17
Deadline for Submission of Completion Report	2019.12.31	2021.06.30	2019.09.17

## **Part B: The Final Report**

### **5. Project Objectives**

#### 5.1 Objectives as per original application

1. Investigate the association between acquirers' information environments and M&A activities.
2. Use data from China to examine whether acquirers' corporate transparency, broadly defined as the widespread availability of credible firm-specific information to outsiders (Bushman, Piotroski, and Smith 2004), affects market-perceived M&A efficiency, as measured by the acquirers' M&A synergy in emerging markets.
3. Investigate whether different institutions in different Chinese provinces affect the association between acquirers' corporate transparency and market-perceived M&A benefits.
4. Investigate whether the vastly different institutions in the U.S. and China affect the association between acquirers' corporate transparency and market-perceived M&A benefits.
5. Use a list of six proxies for corporate transparency to test how different transparency proxies affect perceived M&A efficiency.
6. Build a database with China and U.S. data for future research projects.
7. Integrate the research outcomes with teaching methods to illustrate real-world implementation of financial reporting standards and their capital market consequences.

#### 5.2 Revised objectives

Date of approval from the RGC: N/A

Reasons for the change: N/A

### 5.3 Realisation of the objectives

*(Maximum 1 page; please state how and to what extent the project objectives have been achieved; give reasons for under-achievements and outline attempts to overcome problems, if any)*

The project objectives have been substantially achieved. Specifically, while objectives #4 and #5 have been incorporated in the previous version of the paper for journal submission, reviewers of several top journals advised us to examine the research questions by focusing on China and using four proxies for corporate transparency. The collected data and analysis on U.S. would be reserved for future research.

### 5.4 Summary of objectives addressed to date

<b>Objectives</b> <i>(as per 5.1/5.2 above)</i>	<b>Addressed</b> <i>(please tick)</i>	<b>Percentage Achieved</b> <i>(please estimate)</i>
1. Investigate the association between acquirers' information environments and M&A activities.	√	100%
2. Use data from China to examine whether acquirers' corporate transparency, broadly defined as the widespread availability of credible firm-specific information to outsiders (Bushman, Piotroski, and Smith 2004), affects market-perceived M&A efficiency, as measured by the acquirers' M&A synergy in emerging markets.	√	100%
3. Investigate whether different institutions in different Chinese provinces affect the association between acquirers' corporate transparency and market-perceived M&A benefits.	√	100%
4. Investigate whether the vastly different institutions in the U.S. and China affect the association between acquirers' corporate transparency and market-perceived M&A benefits.	√	100%
5. Use a list of six proxies for corporate transparency to test how different transparency proxies affect perceived M&A efficiency.	√	100%
6. Build a database with China and U.S. data for future research projects.	√	100%
7. Integrate the research outcomes with teaching methods to illustrate real-world implementation of financial reporting standards and their capital market consequences.	√	100%

## Research Outcome

### 6.1 Major findings and research outcome

*(Maximum 1 page; please make reference to Part C where necessary)*

We find that acquiring firms' information transparency is positively and significantly associated with their M&A synergy in China, and that this effect is more pronounced in China than in the U.S.

Our cross-sectional analyses show that the impact of information transparency on acquirers' returns is more significant for acquiring firms from underdeveloped market institution regions and those with lower foreign institutional investor shareholdings, suggesting that acquiring firms' information transparency is a critical determinant of perceived M&A synergy in environments with severe agency problems.

We also find that the effect of acquiring firms' transparency on their M&A returns is more pronounced for SOE acquirers than for non-SOE acquirers, which is consistent with the argument that investors view information transparency as a remedy for agency problems in M&A transactions.

### 6.2 Potential for further development of the research and the proposed course of action

*(Maximum half a page)*

Since the reviewers from the top journals that we have submitted earlier advised us to examine our research questions on China, we have revised our paper following their suggestion under the current journal submission process. The data and analysis related to the U.S., and comparing China vs U.S, will be reserved to develop future research papers.

## 6. Layman's Summary

*(Describe in layman's language the nature, significance and value of the research project, in no more than 200 words)*

Studies examining the effects of information transparency on merger and acquisition (M&A) synergy primarily focus on developed markets. We argue that the effects of information transparency on acquiring firms' M&A synergy are likely to vary among countries with different institutional settings, and thus that previous findings may not apply to countries with institutional environments that are significantly different from those of developed markets. This project empirically examines the effects of acquiring firms' information transparency on the M&A synergy in China, and then compares these effects with those in the U.S. We find that in China, acquiring firms' information transparency is positively and significantly associated with their M&A synergy, and that this effect is more pronounced in China than in the U.S. We also perform cross-sectional tests to examine how the different institutional settings of China's provinces influence the effects of acquiring firms' information transparency on their M&A synergy. We find the positive effect of information transparency on M&A synergy is primarily driven by acquiring firms from provinces with relatively weak institutional environments. Our results are expected to be relevant to other emerging markets with institutional characteristics similar to those of China, such as significant agency problems and weak investor protection.

**Part C: Research Output****7. Peer-Reviewed Journal Publication(s) Arising Directly From This Research Project**

*(Please attach a copy of the publication and/or the letter of acceptance if not yet submitted in the previous progress report(s). All listed publications must acknowledge RGC's funding support by quoting the specific grant reference.)*

The Latest Status of Publications				Author(s) (denote the corresponding author with an asterisk*)	Title and Journal / Book (with the volume, pages and other necessary publishing details specified)	Submitted to RGC (indicate the year ending of the relevant progress report)	Attached to this Report (Yes or No)	Acknowledged the Support of RGC (Yes or No)	Accessible from the Institutional Repository (Yes or No)
Year of Publication	Year of Acceptance (For paper accepted but not yet published)	Under Review	Under Preparation (optional)						
-		Submitted for second round review		Rita W. Y. Yip, Danqing Young*, Beibei Liu, and Zhichen Wang	Acquiring Firms' Transparency and Their Returns around M&A Announcements: Evidence from China. <i>Journal of International Accounting, Auditing and Taxation</i>		Yes (Annex I)	Yes	No

**8. Recognized International Conference(s) In Which Paper(s) Related To This Research Project Was / Were Delivered**

*(Please attach a copy of each conference abstract)*

Month / Year / Place	Title	Conference Name	Submitted to RGC (indicate the year ending of the relevant progress report)	Attached to this Report (Yes or No)	Acknowledged the Support of RGC (Yes or No)	Accessible from the Institutional Repository (Yes or No)
April/ 2019/ Chania, Crete, Greece.	Acquirers' Transparency and M&A Synergies in Emerging Markets	The 7th Spring Conference of the Multinational Finance Society	N/A	Yes (Annex II)	Yes	Yes
May/ 2019/ Paphos, Cyprus.	Acquirers' Transparency and M&A Synergies in Emerging Markets	The 42nd Annual Congress of the European Accounting Association	N/A	Yes (Annex II)	Yes	Yes

**9. Whether Research Experience And New Knowledge Has Been Transferred / Has Contributed To Teaching And Learning**

*(Please elaborate)*

I showed the result tables of my study concerning the association between corporate transparency and perceived M&A synergy to my financial reporting classes, to illustrate China's implementation of financial reporting standards and their capital market consequence.

**10. Student(s) Trained**

*(Please attach a copy of the title page of the thesis)*

Name	Degree Registered for	Date of Registration	Date of Thesis Submission / Graduation
N/A.			

**11. Other Impact**

*(e.g. award of patents or prizes, collaboration with other research institutions, technology transfer, teaching enhancement, etc.)*

N/A.

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**12. Statistics on Research Outputs**

No. of outputs arising directly from this research project	Peer-reviewed Journal Publications	Conference Papers	Scholarly Books, Monographs and Chapters	Patents Awarded	Other Research Outputs (please specify)	
	Type	No.				
	1 (under review)	1				

**Public Access Of Completion Report**

*(Please specify the information, if any, that cannot be provided for public access and give the reasons.)*

<b>Information that Cannot Be Provided for Public Access</b>	<b>Reasons</b>
No	N/A.