

**THE IMPACT OF FOREIGN OWNERSHIP ON THE MEDIA'S ROLE IN CURBING
INSIDER TRADING AROUND PRIVATE MEETINGS**

Mingzhi Liu

I.H. Asper School of Business
University of Manitoba
181 Freedman Crescent
Winnipeg, MB R3T 5V4, Canada
Phone: +1 204 474 6847
mingzhi.liu@umanitoba.ca

Songlian Tang (corresponding author)

Glorious Sun School of Business and Management
Donghua University
1882 West Yan'an Rd, Shanghai, P.R. China, 200051
Phone: +86 134 8244 9633
tangsonglian@dhu.edu.cn

Zhenyu Wu

Canada Research Chair in Entrepreneurship and Innovation
IG Wealth Management Chair in Leadership Research
Professor of Entrepreneurship and Finance
I.H. Asper School of Business
University of Manitoba
318 Drake Centre
Winnipeg, MB R3T 5V4, Canada
Phone: +1 204 474 8425
zhenyu_wu@umanitoba.ca

Rong (Rachel) Zeng

I.H. Asper School of Business
University of Manitoba
181 Freedman Crescent
Winnipeg, MB R3T 5V4, Canada
Phone: +1 204 474 6566
rachel.zeng@umanitoba.ca

Authorship: All of the authors contribute equally to the paper and their names are listed in an alphabetical order.

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ABSTRACT

This paper investigates whether the media, as an external governance mechanism, constrains insider trading. In addition, we study two competing views of foreign ownership as an internal corporate governance mechanism – better monitoring and short-termism – by investigating the interaction effects of foreign ownership and the media on insider trading profitability. Using a unique database of private in-house meetings from 2012 to 2017, we find that media coverage is positively related to insider trading profitability, demonstrating the media's failure as an external governance mechanism in curbing corporate insider trading. This positive relationship is stronger when foreign ownership is present, either in the form of foreign portfolio investments or foreign direct investment. Our finding that certain types of foreign investment worsen the media's role in disciplining insider trading prompts the public to think more critically about the monitoring role of the media and foreign investment in private meetings.

Keywords: Insider trading; Media; Foreign investment; Private meetings

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1. Introduction

In recent decades, the media, as an important information intermediary in the capital market, has attracted more attention to its role in corporate governance (e.g., Dai, Shen, & Zhang, 2021; Dyck & Zingales, 2002; Tang & Tang, 2016). There has also been a notable rise in the number of companies seeking foreign direct or portfolio investment in international markets, prompting considerable discussion and research on the impact of foreign ownership. However, little is known about whether foreign ownership impacts the corporate information environment and governance (Tsang, Xie, & Xin, 2019), and there has been limited research on the media's dark side, especially its interaction with other governance mechanisms like foreign ownership. Against the backdrop of the growing attention to the media's role and the significant growth of foreign ownership, it is important to understand their governance roles because a more transparent information environment enabled by better governance leads to a more efficient resource allocation in the capital market and the real economy (Tsang et al., 2019).

In this paper, we explore whether the media and foreign ownership affect information disclosure and transparency by examining the role of their interaction in curbing insider trading profitability in the context of private in-house meetings. There are at least four key factors that justify this focus. First, information disclosure and transparency play an influential role in monitoring managerial behavior. Fair information disclosure regulations that aim to create a level playing field among investors are a core issue in international financial markets (Healy & Palepu, 2001; Leuz & Wysocki, 2016). Studies document that reduced information asymmetry and improved corporate governance curb insider trading profitability (Chowdhury, Mollah, & Al

Farooque, 2018; Dai, Fu, Kang, & Lee, 2016). To address concerns regarding certain investors gaining access to privileged information about firms and profiting from insider trading, various countries have passed fair disclosure regulations. Fair information disclosure is believed to mitigate information asymmetries and agency problems (Cheung, Jiang, & Tan, 2010). However, despite these regulations, firms have made considerable efforts to hold private meetings where private information between management and investors might be exchanged (Ng & Troianovski, 2015). In these meetings, information is not transparent, as they are usually not disclosed and certain investors are granted selective access to certain privileged information (Bushee, Jung, & Miller, 2017; Solomon & Soltes, 2015). Despite reforms to promote fair information disclosure, a positive relationship between private in-house meetings and insider trading was detected even after fair disclosure regulations were introduced (Bowen, Dutta, Tang, & Zhu, 2018). Focusing on this specific context of private meetings will advance our knowledge of information disclosure and transparency.

Second, given the media's increasingly important role, more research needs to focus on the media's influence, as an external governance mechanism, on opportunistic behaviors (Aguilera, Desender, Bednar, & Lee, 2015) such as insider trading. On one hand, research has demonstrated the media's watchdog role in reversing corporate governance violations (e.g., Dyck, Volchkova, & Zingales, 2008) or disciplining insider trading (e.g., Dai, Parwada, & Zhang, 2015) by disseminating relevant information. On the other hand, the media's dark side has been observed in political communication settings where the government influences both media content and the public's reactions (Besley & Prat, 2006). Since the media rely on firms to provide information to help them generate news stories (Carroll & McCombs, 2003), it is possible that the media might fail to report valuable information. But increased media coverage could draw public attention to a

firm and cause fluctuations in stock prices (Jansson, 2013; Wang & Ye, 2015). Firm managers may profit from the stock market's reactions. Sometimes, the disclosed information may be too complicated for the media to interpret, compromising the media's ability to play a watchdog role (Bednar, 2012). This is very possible in the context of private in-house meetings, as the meetings may involve "secret" information that managers want to communicate with participants (Bowen, Dutta, Tang, & Zhu, 2023b; Cheng, Du, Wang, & Wang, 2016). The evidence from less developed capital markets, which have less investor protection and the possibility of larger private benefits (Dyck & Zingales, 2004), has been quite limited. We do not know whether the media could curb insider trading in emerging markets. However, given their weight and their role in the global economy, emerging markets like China have the potential to become developed markets and should be the focus of more research (Jacoby, Liu, Wang, Wu, & Zhang, 2019). We need to have the knowledge of the media's role in the emerging markets, and this study helps to fill this gap.

Third, the governance role played by foreign investors has also been an important focus of research on financial markets (Chen, Weng, & Chien, 2018; Tsang et al., 2019). Foreign ownership has been shown to shape governance practices and firm outcomes (Desender, Aguilera, Lópezpuertas-Lamy, & Crespi, 2016). Better corporate governance tends to reduce the opportunity to make profitable insider trades. However, the effect of foreign ownership is still not well known (Tsang et al., 2019), with two competing views of foreign ownership as an internal corporate governance mechanism. One view is that foreign ownership provides better monitoring, and the other is that it makes a firm more likely to succumb to short-termism (Chen et al., 2018; Ng, Wu, Yu, & Zhang, 2016).

Fourth, the research on disciplining insider trading from private in-house meetings has largely focused on internal governance mechanisms (e.g., board governance, institutional

investment) in mitigating insider trading (Bowen, Dutta, Tang, & Zhu, 2023a; Bowen et al., 2023b). However, investors could gain information from public information vehicles as well as from private information channels. The media is one type of public information channel through which information is aggregated and communicated to the public (Dyck & Zingales, 2002). In addition, we do not know whether foreign ownership strengthens or weakens the media's role in curbing insider trading. As a result, our investigation of the governance roles of media and foreign investment in private meetings contributes to our understanding of the governance of international financial markets.

To address the above research questions introduced above, China is an ideal empirical setting for several reasons. First, private in-house meetings in China are directly regulated and disclosed, which is not the case in the US and other western countries. To bring itself in line with governance practices in developed countries and improve information transparency, China began reforms of fair disclosure. In 2012, the Shenzhen Stock Exchange (SZSE) became the first security exchange that required all listed firms to disclose every private meeting in detail within two trading days after a company visit (Bowen et al., 2018). Using a large database of all SZSE listed firms provides greater explanatory power than using the case method (e.g., Solomon & Soltes, 2015). The findings will have implications for other countries that are considering the mandatory disclosure of private meetings.

Second, in developed economies such as the US, research has exposed the media's dark side, especially in the field of political communication, because of the media's partisan bias (Larcinese, Puglisi, & Snyder, 2011). In China, which is less transparent and has a greater level of media corruption (Li, 2013), it may be more likely that the media will have a dark side, as more opportunistic behavior is observed in less transparent economies. A simple analysis shows that

media coverage has increased significantly within a given time window of firms holding private meetings. To investigate the media's possible dark side, China is a richer empirical context than more developed financial markets.

Third, China's gradual opening to different types of foreign ownership allows us to explore the governance role of different types of foreign investment. The special regulations associated with foreign ownership in China give us a more nuanced understanding of conditions for foreign ownership to improve governance and curb insider trading. Overall, our study of the role played by the media and foreign ownership on insider trading in China enriches the contextualization of this role in governance. This study will also facilitate a global comparison on this topic, as good governance practices from OECD countries may not work in emerging market countries (Chen, Li, & Shapiro, 2011).

We use a sample of 19,053 firm-year observations from listed firms from the SZSE from 2012 to 2017 to examine the effects of media coverage on insider trading in private in-house meetings, the most opaque channel for distributing information to the public. The empirical results indicate that media coverage tends to be more positively related to insider trading profitability, suggesting that the media is not playing a disciplining role. In addition, we investigate the moderating role of foreign investment on the association between media coverage and insider trading. Our results suggest that both foreign portfolio investment and foreign direct investment exacerbate the positive effect of media coverage on insider trading.

Our study makes three main contributions to the literatures. First, it contributes to the corporate governance literature by investigating the media's real effects as an external governance mechanism in regulating insider trading. Specifically, it shows the dark side played by the media

in disciplining insider trading. We find that media coverage worsens the problem of insider trading rather than curbing it in corporate governance.

Second, this study builds on the literature on foreign investment by exploring the role of foreign investment in corporate insider trading. It provides insights into the governance role played by foreign ownership with regards to curbing insider trading. To our knowledge, there are no studies on the impact of different types of foreign investment on insider trading in China. As such, we see our study as exploratory and one that contributes to knowledge of governance of international financial markets.

Third, the study adds to the governance literature on international financial markets by investigating the effect of the interaction of external and internal governance mechanisms in the context of private meetings. Our work expands upon the rather limited studies of an important practical phenomenon, namely, private meetings.

This paper is organized as follows: Section 2 introduces the institutional background, and Section 3 discusses the relevant literature and develops our hypotheses. In Sections 4 and 5, the research methodology and empirical results are discussed. Section 6 concludes the study.

2. Institutional Background

Financial markets in emerging economies like China have the potential to meet all the standards of developed markets, but do not currently do so (Jacoby et al., 2019). For instance, China has attempted to improve the efficiency of its financial market and to strengthen its corporate governance standards through regime reforms in the areas of information disclosure and foreign capital entry. This has made China a good candidate for exploring the effects of various information channels and foreign capital on the efficiency of financial markets.

2.1 Fair disclosure regulations and private meetings

The Chinese government has strongly promoted information disclosure regimes to improve governance quality by learning from the United States. In 2000, the US Securities and Exchange Commission (SEC) introduced Regulation Fair Disclosure (Reg FD), prohibiting firms from disclosing material information to individuals or outside investors in private meetings (Bushee et al., 2017). The objective of Reg FD was to create a level playing field for all investors and improve the information environment in the US financial market. However, findings show that even if firms and managers abide by the rules specified in Reg FD, they are still able to elicit valuable ‘mosaic information’ from various private meetings, in contravention of the original spirit of Reg FD (Bushee et al., 2017; Solomon & Soltes, 2015). Reg FD is a broad regulation to discipline selective disclosure and is not specific to private meetings. The information shared in private in-house meetings might never be disclosed to the public unless required by law. As a result, private in-house meetings are more opaque than other types of management-investor interactions. Nevertheless, private in-house meetings are quite common worldwide. In the US, every year more than \$1.4 billion in investment is made in private meetings between management and investors (Ng & Troianovski, 2015). The importance of private meetings is also documented in Europe. However, US and European laws do not require the content of these meetings to be disclosed (Cheng et al., 2016). These meetings thus remain a black box to public investors despite the large amount of investment that takes places as a result of these interactions (Bowen et al., 2018).

In the area of information disclosure, the Chinese stock market has learned from the US and has conducted several experiments. The SZSE issued guidelines to regulate selective information disclosure similar to Reg FD in August 2006, prohibiting listed firms from disclosing material nonpublic information to selective investors (Bowen et al., 2023a). In 2009, the SZSE became the

first security exchange that required listed firms to include the dates and summaries of hosted private meetings in their annual reports (Cheng et al., 2016). In 2012, the SZSE carried the reform one step forward and required listed firms to disclose the timing, participants, and contents of private meetings to a web portal called Hu Dong Yi within two trading days after the meeting (Bowen et al., 2023a). An example of a disclosed report can be found in Appendix A. Compared to the initial Reg FD in 2009 related to private meeting disclosure, the 2012 Reg FD aims to create a more level playing field, as the contents of the meetings must be disclosed not long after the meeting is held, rather than just disclosing the meeting dates and providing summaries in their annual reports at the end of a fiscal year. All these steps illustrate the Chinese government's desire to improve information accessibility, curb opportunistic behavior, and protect minority shareholders.

Because of the differences between the Reg FD in 2009 and 2012, more information could be obtained by using post-2012 samples (e.g., Bowen et al., 2018, 2023a). Research has shown that despite the initial intention of various Reg FD to improve information transparency and protect minority shareholders, corporate insiders at SZSE-listed firms made over 50% of their stock sales as a result of these private in-house meetings (Bowen et al., 2018). According to Bowen et al. (2018), several factors contribute to the positive relationship between private in-house meetings and insider trading. First, insiders have prior experience of the firm's operations and could use the event of a private in-house meeting to maximize their personal wealth. In addition, insiders could get additional information from private interactions with institutional investors and selectively disclose information or adjust their disclosure tactics in the meeting. Thus far, no research has explored whether the media, as an external governance mechanism, mitigates or worsens insider trading in private interactions between managers and meeting participants. The SZSE is a unique

setting in which to explore the role of an information intermediary – in this case, the media – in governing insider trading behavior. The findings will also contribute to a better understanding of insider trading around private meetings in other financial markets.

2.2 Foreign investors

The stock exchanges in Shanghai and Shenzhen, which re-opened in 1990 and 1991, respectively, have become the largest stock exchanges in East Asia. The tremendous growth of the Chinese stock market has attracted many speculative, short term-oriented and sentiment-driven investors (Huang & Zhu, 2015; Kling & Gao, 2008).

Foreign investors and capital flow were initially isolated from the Chinese stock market, but were gradually allowed in after a series of reforms. The Chinese stock market was originally segmented into A and B shares according to ownership restrictions, with A shares for domestic citizens and B shares for foreign investors (mainly institutional investors). In 1993, large firms were allowed to issue H-shares on the Hong Kong Stock Exchange (Chen, Du, Li, & Ouyang, 2013). The Chinese financial market was gradually integrated into the global economy, once foreign capital in the stock market in the forms of foreign-invested enterprises (FIEs) and Qualified Foreign Institutional Investors (QFIIs), was allowed (Huang & Zhu, 2015). Since 2001, China has permitted the public listings of FIEs formed through foreign direct investment (FDI). FIEs became significant after 2005 (Huang & Zhu, 2015). In 2002, the Chinese Securities Regulatory Commission (CSRC) abolished ownership restrictions for investor groups and permitted QFIIs to enter the A shares market (Schuppli & Bohl, 2010). Advanced investment and management skills, better corporate governance practices, and foreign expertise and experience were introduced to Chinese local investors and firms through QFIIs and FIEs (Chen et al., 2013; Huang, Goodell, & Goyal, 2021). With these distinctive types of foreign investors, namely, FIEs and QFIIs, the

Chinese financial market offers an ideal setting for examining the impact of foreign investors on governance.

3. Literature Review and Hypotheses Development

3.1 Media and insider trading

According to the agency perspective, the media lessen the information asymmetry across different investors through information dissemination (Bushee, Core, Guay, & Hamm, 2010; Dai et al., 2015; Dyck, Morse, & Zingales, 2010). Specifically, the media aggregate, select, and certify information from various sources, and communicate the information to the general public. Thus, the media reduce agency costs by narrowing the knowledge gap between a firm's insiders and public investors (Dyck et al., 2008; Dyck & Zingales, 2002). Dai et al. (2015) found that the media reduce US firms' insider trading profits by disseminating news on prior insider trading activities whose dates are available from SEC insider trading filings.

In addition to reducing the information asymmetry purely by disseminating the news, the media create stories by exposing irresponsible or even fraudulent behavior by firms. For instance, the financial media outlet *Caijing* published a series of stories exposing accounting fraud in Yinguangxia. The coverage not only increased public attention to Yinguangxia but also aroused a strong negative reaction from the public. The CSRC punished the relevant funds severely and issued new rulings on securities fraud law (Borochin & Cu, 2018). Such examples suggest that the media may play an indirect watchdog role in disciplining opportunistic corporate behavior.

If the media cover valuable information and the coverage rapidly reaches the public, such coverage creates a more level playing field for all investors and should improve governance quality, similar to the interactions between analysts and insiders in gathering and disseminating valuable information, as identified by Ellul and Panayides (2018). Beyond reducing information

asymmetries and acting as an external governance-control mechanism, media coverage also gives the firm a more central position in a social network. According to the agenda-setting theory, a high level of media coverage enhances the focal firm's saliency among the public (Carroll & McCombs, 2003) and influences the focal firm's stock market performance (Jansson, 2013; Wang & Ye, 2015). An increase in public attention to media coverage about the focal firm and the resulting stock market reactions may prompt insiders to be more conservative, as a result mitigating insider trading.

Hypothesis 1a: Media coverage is negatively associated with insider trading profitability related to private in-house meetings.

However, other studies also suggest that the media have only symbolic power over the firm as they report and repackage the news (Kölbel, Busch, & Jancso, 2017; Mitchell, Agle, & Wood, 1997). As a result, the media's effect in improving a firm's governance can be compromised (Tang & Tang, 2016). The media tend to rely on signals that are easily identifiable rather than those that are barely detectable, especially when under time pressure and facing challenges in accessing resources, thereby compromising their investigative role (Bednar, 2012). The media may fail to interpret complicated information and only provide superficial coverage. Song and Thakor (2006) and Bednar (2012) showed that the media fail to provide precise signals about board governance. However, more media coverage makes the firm more salient in the public agenda, influencing the focal firm's stock market performance (Jansson, 2013; Wang & Ye, 2015).

In addition, both firms and the media have their own objectives and agendas (McCluskey & Swinnen, 2007). To satisfy their own corporate agenda, the focal firm's managers may attempt to influence media coverage by selectively disclosing information through websites, news releases, story suggestions, and public relations events. From the media's perspective, the information

provided by firms, also known as information subsidies, improve their cost efficiency in collecting information and generating news (Carroll & McCombs, 2003). Firms could selectively disclose information to the media to suit their own agenda, although the media have the freedom to decide what to disclose and how to repackage the information (Dyck et al., 2008; Larcinese et al., 2011). The information subsidies could influence the public indirectly through media coverage, because media reports may be seen as having more credibility than the firm's own direct communications with the public. The phenomenon of selective information disclosure is more prominent in private meetings and is more difficult to identify because of the rather 'secret' nature of these private meetings (Bowen et al., 2023b; Cheng et al., 2016). As a result, the probability of managers exploiting the selective information disclosure and the resulting market reaction to the media out of self-interest in private meetings is high.

In this case, media coverage may worsen rather than mitigate insider trading around private meetings. For instance, on May 12, 2020, the home textile maker Mendale held a private in-house meeting and disclosed that Mendale had signed Viya (a former singer and "Live-streaming Queen"). The WIND data showed there were 85 news coverage items about Mendale around the time window of the private in-house meeting, accounting for 32.64% of Mendale's total news coverage in 2020. Mendale's stock price soared several days after it was reported on in the media. At the same time, Wu Jing, the ex-wife of the chairman, reduced her shareholding in Mendale by RMB100 million. Did the news coverage discipline the insider trading? We may question whether this is the case based on Wu Jing's behavior and the increase in media coverage.

In the political world, the media's agenda-setting behavior has been noted, especially the media's collaboration with political parties (Besley & Prat, 2006; McCombs, 2002). For instance, in many countries the government maintains a 'cozy' relationship with the media and influences

the news content reported by the media, influencing political outcomes (Besley & Prat, 2006). We argue that this line of thinking can be extended to the corporate world as well.

Based on the above arguments, we propose a competing hypothesis to investigate the dark side of media coverage:

Hypothesis 1b: Media coverage is positively associated with insider trading profitability related to private in-house meetings.

A higher quality of corporate governance reduces the probability or profitability of insider trading, as directors and managers in firms with better governance are concerned about their reputation and guard against risk (Dai et al., 2016; Rozanov, 2008). Even in opaque private meetings, limited empirical evidence shows that a higher quality of corporate governance can mitigate insider trading around private meetings (Bowen et al., 2023b). In China, another debatable market governance mechanism is foreign ownership (Huang et al., 2021; Huang & Zhu, 2015). As a result, we also explore the effect of foreign ownership on the relationship between the media and insider trading.

3.2 Foreign portfolio investment

The growth in international capital flows in the forms of foreign portfolio investment (FPI) and foreign direct investment (FDI) has been dramatic (Ng et al., 2016). The literature presents mixed results on the debate over whether foreign ownership benefits the development and governance of the domestic capital market. Both FPI and FDI provide financing to domestic firms, but may differ in terms of their governance roles.

Foreign portfolio investors own but do not control local firms. They enlarge firms' shareholder bases, but they do not have access to private information about firms like foreign direct investors. They still "face competition from other sophisticated investors and thus have strong

incentives to exploit and trade on the superior information they gather on a stock” (Ng et al., 2016). If this is the case, the foreign portfolio investors will destabilize the local stock market. However, the QFII system, which is subject to stringent criteria in terms of size and experience, was introduced to enhance the efficiency of the Chinese capital market. The government intended to improve corporate governance standards by involving experienced and prudent foreign institutional investors and to stabilize the volatile and speculation-dominated capital market in China. Consequently, the QFIIs that are invested in China are large international funds and investment banks (Huang & Zhu, 2015). The long-term-oriented and non-speculating QFIIs could bring in advanced managerial skills, expertise, and business connections and spread the risk and improve risk control. In addition, QFIIs tend to select well-managed firms in which to invest, which further accelerates improvement in corporate governance for those firms needing capital (Chen et al., 2013). Schuppli and Bohl (2010) also found that foreign institutional investors reduced the probability of speculative bubbles and contributed to market efficiency in China.

However, many observers believe that the benefits brought about by foreign institutional investors mainly exist in countries with strong corporate governance. In countries with weak corporate governance, foreign ownership plays a different role (Chen et al., 2013). For instance, Stiglitz (1999) believes foreign ownership exposes a domestic market without mature financial institutions to international market risk, increasing the volatility of the domestic capital market. In addition, many foreign investors have short-term and speculative behavior, accelerating the risk and destabilizing domestic markets with weak corporate governance. In China, foreign institutional investors do not have an informational advantage because of the liability of foreignness. The empirical evidence has also shown that foreign institutional investors herd more than individual investors in China (Chen, Wang, & Lin, 2008).

3.3 Foreign direct investment

The foreign investors with at least 25% ownership in foreign-invested enterprises (FIEs) have significant decision-making power (Huang et al., 2021). These foreign direct investors thus have access to domestic firms' private information because of their ownership and control positions, enabling them to monitor management. They typically improve the management and governance of domestic firms through their expertise and experience. All these factors give rise to an asymmetry of information between the foreign direct investors and outside investors (Ng et al., 2016). These arguments suggest a better governance role for FDI and imply that FIEs will either enhance the media's role in curbing insider trading or mitigate the media's dark side in promoting insider trading.

However, FIEs are at a disadvantage in doing business compared to local firms due to their liability of foreignness from cultural, administrative, geographic, and economic distances. Prior research suggests that FIEs find it more difficult to survive than local firms, *ceteris paribus* (Gu, Filatotchev, Greg Bell, & Rasheed, 2019). The cultural and geographic distances put foreign investors at an information disadvantage. Accordingly, direct monitoring is usually more costly for them (Kang & Kim, 2010). It is reasonable to believe that the liability of foreignness will make it more difficult for FIEs to decode the complicated information between media coverage and insider trading. In addition, foreign ownership in FIEs in China is typically much lower due to regulations. Large foreign investors tend to stay away from long-term investment strategies (Chen et al., 2013; Huang et al., 2021). In China, because of special institutions, there is limited evidence of their effectiveness in improving governance quality.

Based on the competing arguments about the monitoring role of foreign portfolio investment and foreign direct investment, and the unique context of private meetings, we believe that their

moderating role on the association between media coverage and insider trading needs to be explored. As a result, we explore whether the effect of media coverage on insider trading is conditional on foreign investment, and we look for new evidence of whether foreign ownership plays a stronger monitoring role or whether it amplifies short-termism in preferring a quick payoff.

4. Methodology

4.1 Sample

Our sample consists of SZSE-listed firms, which have been required to disclose private in-house meeting summaries since 2012. Consistent with other studies, we downloaded all private in-house meeting memos from the SZSE web portal and manually collected meeting-related information (Bowen et al., 2018; Cheng, Du, Wang, & Wang, 2019; Cheng et al., 2016; Han, Kong, & Liu, 2018). The media report data were extracted from the Chinese Research Database Services Platform (CNRDS), which has data relevant to research on Chinese businesses. This database is widely used by researchers from different disciplines (Ding & Zhao, 2020; Kim, Li, Yu, & Zhang, 2019). In addition, we collected insider trading information from the WIND Data Service database (e.g., He & Rui, 2014; Jiang, Lee, & Yue, 2010). We obtained firms' financial accounting data, governance information, and foreign investment data from the China Stock Market and Accounting Research (CSMAR) database. Initially, we collected 37,418 private in-house meeting memos for the years 2012 to 2017. After merging this data with the media report data, the sample size was reduced to 30,782. Then, we eliminated observations without insider trading information, which further reduced our sample size to 24,050. Finally, we eliminated observations with missing values in the control variables. The final sample includes 19,053 firm-year observations from 2012 to 2017. All continuous variables are winsorized at the top and bottom 1% to control for outliers.

4.2. Variables

Dependent variable: We follow Ravina and Sapienza (2010), Bowen et al. (2018), and Bowen et al. (2023b), and use a 90-trading day window (T) to measure market-adjusted returns after each insider trade. We include both insider sales and purchasing activities within the $[-20, +20]$ time window around private in-house meeting dates. Then, we subtract the overall SZSE composite index from the calculated market-adjusted returns to obtain buy-and-hold abnormal returns around each insider trading:

$$BHAR_{i,j,T} = \prod_{t=1}^T (1 + R_{i,j,t}) - \prod_{t=1}^T (1 + M_{i,t}), \quad (1)$$

where $BHAR_{i,j,T}$ is the buy-and-hold-abnormal return after the insider trade i for firm j during the 90-trading day window T ; $R_{i,j,t}$ is the daily stock return after insider trade i for firm j on trading day t ; and $M_{i,t}$ is the daily return on the Shenzhen Stock Composite Index after insider trade i on trading day t . Other studies on insider trading adopt a similar standard event-study methodology of estimating the cumulative abnormal returns around a specified event such as a corporate repurchase announcement (Babenko, Tserlukevich, & Vedrashko, 2012), bank bailout during a financial crisis (Gangopadhyay, Yook, & Haley, 2019), or private in-house meeting (Bowen et al., 2018; Bowen et al., 2023b).

Independent and moderating variables: We use the number of media reports about firm j from original newspapers within the $[-20, +20]$ time window around private in-house meeting dates m as a proxy for media coverage ($Media_{j,m}$) (Tang & Tang, 2016). In addition, we use two foreign investment measures as moderators. First, $QFII_{j,t}$ measures the percentage of firm j 's shares held by the qualified foreign institutional investor in year t . Second, FIE is a dummy variable that takes a value of 1 if the actual controlling owner of firm j is a foreign enterprise, and 0 otherwise (Huang,

Goodell, & Goyal, 2021). Foreign enterprises include firms operating in Hong Kong, Macao, Taiwan, and abroad (Huang and Zhu, 2015).

Control variables: Following the extant literature, we include both meeting-level and firm-level control variables. We include five meeting-level variables to control for the effect of meeting characteristics, following other empirical studies involving private in-house meetings (Bowen et al., 2018; Bowen, Dutta, Tang, & Zhu, 2020; Cheng et al., 2019). We include 15 firm-level control variables to capture the impact of other internal governance mechanisms and the firm's financial situation. The detailed definitions and data sources of these control variables are listed in Appendix B.

4.3 Analysis models

The empirical analysis adopts regression models used in prior research in the literature on private in-house meetings (Bowen et al., 2018; Bowen et al., 2020; Cheng et al., 2019; Han et al., 2018). Our analysis primarily addresses the relationship between insider trading profitability and media coverage around the in-house meeting and whether this relationship is moderated by media-related variables. The standard errors of the regression coefficients are corrected for clustering and heteroscedasticity (Petersen, 2009). The short version of our regression models is presented below:

$$\begin{aligned}
 \mathbf{BHAR} = & \alpha + \beta_1 \mathbf{Media} + \beta_2 \mathbf{Presence} + \beta_3 \mathbf{Participant} + \beta_4 \mathbf{Meeting} + \beta_5 \mathbf{Length} + \beta_6 \mathbf{Answer} \\
 & + \beta_7 \mathbf{Dual} + \beta_8 \mathbf{BoardSize} + \beta_9 \mathbf{Independence} + \beta_{10} \mathbf{Female} + \beta_{11} \mathbf{Top10} + \beta_{12} \mathbf{Institution} + \\
 & \beta_{13} \mathbf{Analyst} + \beta_{14} \mathbf{Big4} + \beta_{15} \mathbf{Size} + \beta_{16} \mathbf{Leverage} + \beta_{17} \mathbf{ROA} + \beta_{18} \mathbf{MB} + \beta_{19} \mathbf{Growth} + \beta_{20} \mathbf{Loss} \\
 & + \beta_{21} \mathbf{PE} + \text{Industry \& Year Dummies}
 \end{aligned} \tag{2}$$

$$\begin{aligned}
 \mathbf{BHAR} = & \alpha + \beta_1 \mathbf{Media} + \beta_2 \mathbf{Moderator} + \beta_3 \mathbf{Media} * \mathbf{Moderator} + \beta_4 \mathbf{Presence} + \\
 & \beta_5 \mathbf{Participant} + \beta_6 \mathbf{Meeting} + \beta_7 \mathbf{Length} + \beta_8 \mathbf{Answer} + \beta_9 \mathbf{Dual} + \beta_{10} \mathbf{BoardSize} + \\
 & \beta_{11} \mathbf{Independence} + \beta_{12} \mathbf{Female} + \beta_{13} \mathbf{Top10} + \beta_{14} \mathbf{Institution} + \beta_{15} \mathbf{Analyst} + \beta_{16} \mathbf{Big4} + \\
 & \beta_{17} \mathbf{Size} + \beta_{18} \mathbf{Leverage} + \beta_{19} \mathbf{ROA} + \beta_{20} \mathbf{MB} + \beta_{21} \mathbf{Growth} + \beta_{22} \mathbf{Loss} + \beta_{23} \mathbf{PE} + \text{Industry \& Year Dummies}
 \end{aligned} \tag{3}$$

5. Empirical Results

5.1 Descriptive statistics

Table 1 reports descriptive statistics for the full sample and those of the subsamples by the median value of *BHAR*. The mean of the buy-and-hold abnormal return is -0.01, but its high standard deviation indicates a large variation. On average, there are 2.42 newspaper reports covering the event of a private in-house meeting around the 41-day window. The descriptive statistics of meeting-related variables suggest that about 15.2% of CEOs or Chairs of the Board attend such meetings. On average, nearly eight outside participants attend these meetings, and the focal firms host about 13 private in-house meetings per year. The data on governance-related variables indicate that the role of the CEO and Board Chairman are combined in one person in 38.66% of the observations. On average, nine members serve on each board. The percentage of independent and female board members is 42.32% and 16.52%, respectively. On average, the 10 largest shareholders hold 58.57% of the shares in total, and institutional investors hold 10.96% of the shares. The average leverage of our observation is 36.07% and the return on assets is 7.33%. Approximately 3% of the firms operate at a loss and 6% of the sample firm's financial statements are audited by one of the Big Four auditors. Statistics listed under the compare-mean t-test column indicate that firms with an above-median value of insider trading profitability attract more media coverage than firms with a below-median value of insider trading profitability. The compare-mean t-test results also indicate that there are significant differences in several control variables between the two subsamples.

[Insert Table 1 about here]

As reported in Table 2, the correlation matrix shows that media coverage is positively correlated with insider trading profitability. This univariate result aligns with our prediction of a

possible colluding effect of media coverage on insider trading profitability. To address the issue that many of the control variables are significantly correlated, we calculate the variance inflation factors for each independent variable and find that all of them are less than 10, which indicates that multicollinearity is not a significant issue.

[Insert Table 2 about here]

5.2 Main results

The same set of control variables is included in all regression models in Table 3. Model 1 adds media coverage as an explanatory variable and reports the main effect of media coverage on insider trading profitability. As shown in Model 1 of Table 3, the coefficient on *Media* is positive and statistically significant ($\beta = 0.007$, $p < 0.001$). It indicates that media coverage is positively associated with insider trading profitability, which is consistent with arguments about the ineffectiveness of the media's role. This finding is also economically significant, as one standard deviation change in media coverage is associated with a 4.7% ($0.007 * 6.66$) change of insider trading profitability. Thus, Hypothesis 1b is supported. For the sake of brevity, our discussion about the control variables focuses on the coefficients in Model 1 of Table 3 only. The positive coefficient on *Participant* indicates that firms with more participants attending private in-house meeting are associated with greater insider trading profitability. While the negative coefficients on *Presence*, *Leverage*, and *ROA* suggest that firms whose CEO or Chairman attend the private in-house meeting and who have a higher level of debt or profitability are associated with less insider trading profitability. Overall, our empirical results for the control variables are consistent with those documented in prior research (e.g., Bowen et al., 2018; Bowen et al., 2023b; Cheng et al., 2019).

[Insert Table 3 about here]

Models 2 and 3 of Table 3 test the moderating effects of foreign portfolio investment and foreign direct investment on the association between media coverage and insider trading profitability. In Model 2, the coefficient on $Media*QFII$ is positive and statistically significant, which suggests that foreign portfolio investment strengthens the association between media coverage and insider trading profitability. As shown in Figure 1, media coverage is positively associated with insider trading profitability when more foreign portfolio investment is involved (i.e., positive slope); however, such an association is negative when less foreign portfolio investment is involved (i.e., negative slope). The coefficient on $Media*FIE$ is positive and statistically significant, as shown in Model 3 of Table 3. It indicates that foreign direct investment also enhances the association between media coverage and insider trading profitability. The plot of this moderating effect is displayed in Figure 2, showing that the positive moderating effect is largely driven by firms with foreign direct investment.

[Insert Figures 1-2 about here]

5.3 Additional tests

We perform several additional tests to check the robustness of our results. Specifically, we address possible sample selection bias, address concerns about state-owned enterprises, use alternative measures to capture media coverage, and use a different time window to calculate insider trading profitability. Our hypotheses focus on firms that are covered in newspapers within the 41-day window around private in-house meetings. However, it is likely that the differences between media-covered and non-covered focal firms' private in-house meetings could simply reflect different corporate governance practices and financial performance characteristics. To address the selection bias problem regarding media coverage around a private in-house meeting, we apply the Heckman two-stage linear squares regressions (Heckman, 1979). In the first stage,

we run a probit model, where the dependent variable is a dummy variable that equals 1 if the focal firms are covered by original newspapers around the private in-house meeting, and 0 otherwise. Independent variables are the province-average and industry-average number of media reports from the same window around the private in-house meeting dates, and a set of factors that determine the media coverage decisions. In the second stage, we include the inverse Mills ratio, which is calculated from the first stage to test our hypotheses and research questions. The results, which are reported in Table 4, remain unchanged.

[Insert Table 4 about here]

Our full sample includes both state-owned enterprises (SOEs), which are approximately 10% of the total sample, and non-state-owned enterprises (non-SOEs), which are approximately 90% of the total sample. SOEs in China are generally believed to have special characteristics that may influence our interpretation of the results. He and Rui (2014) review the practices of Chinese SOEs and suggest that SOEs are generally inefficient in operations relative to non-SOEs. In addition, executive turnover is high, and executive evaluation mechanisms differ from non-SOEs largely due to government intervention at various levels (Liu & Zhang, 2018). As a result, we re-ran all the tests by dropping SOEs from our full sample and only included non-SOEs (similar to Jia and Zhang (2015)). As reported in Table 5, the primary findings are unchanged.

[Insert Table 5 about here]

Government-oriented media, also referred to as official media, differ in their readership and profit sources. As a result, they may also have different incentives to deliver news to different audiences (Besley & Burgess, 2001; Besley & Prat, 2006), thus leading to different agendas and different informational and corporate governance roles (You, Zhang, & Zhang, 2018). As a robustness check, we use the number of news reports from official newspapers as a proxy for

media coverage and re-ran the regression models. The findings, reported in Table 6, remain unchanged.

In the primary analysis, we use a [-20, +20] window to measure the number of media reports about a focal firm. However, there is no golden rule for using time windows when conducting an event study. As a robustness check, we also calculate the number of media reports using the [-5, +5] and [-10, +10] windows. The results are reported in Table 7. Overall, the findings remain unchanged.

We also ran additional analyses by using alternative time windows for buy-and-hold abnormal returns. First, following prior studies (e.g., Bowen et al., 2018; Bowen et al., 2023b), we use a 180-trading day window (instead of a 90-trading day window) to calculate market-adjusted returns as a benchmark for buy-and-hold abnormal returns, and then use this as an alternative measure of insider trading profitability. To reduce the potential contamination effect of other events associated with long time windows, we also use a 30-trading day window for buy-and-hold abnormal returns. The results are quantitatively similar to our primary findings, as can be seen in Table 8.

[Insert Tables 6-8 about here]

The relationship between the media coverage and insider trading may be asymmetric between small and big firms, and between old and new firms.¹ As a result, we conducted a post-hoc analysis by splitting the samples according to firm size and firm age. The post-hoc analysis results show that the relationship is largely driven by larger and older firms, which may be due to these firms having higher media visibility.

¹ We thank the reviewer for this valuable suggestion.

5.4 Discussion

Since publication of a seminal paper by Dyck and Zingales (2002), quite a few studies have emphasized the watchdog role played by the media (El Ghouli, Guedhami, Nash, & Patel, 2019; Liu & McConnell, 2013; Miller, 2006). But the media's role in corporate governance could be either positive or negative (Dai et al., 2021), and there is some evidence that the media may be more of a lapdog than a watchdog (Bednar, 2012; Core, Guay, & Larcker, 2008) or even have a perverse effect on corporate governance (Dai et al., 2021; Gurun & Butler, 2012; You et al., 2018). Our results illuminate the dark side of the media and their role in covering firms by linking media coverage with insider trading profitability in the context of private meetings. To our knowledge, our paper is among the first to empirically document the dark side of the media in curbing corporate insiders' opportunistic trading behavior.

By using a special contextualized setting, this study deepens our understanding of the impact of foreign direct investment on the media's real effect on governance. To our surprise, both FIEs and firms with QFIIs enhance the association between media coverage and insider trading profitability. These effects are in contrast to the Chinese government's original intention to attract FDI and introduce QFII to improve corporate governance. By showing this evidence of the dark side of media coverage and foreign investments, our findings suggest that policies to change external regulations for greater information transparency and governance may have unintended side effects. This finding points to practical implications for policy makers in emerging-market countries. Since China has tried to learn from developed countries by promoting fair information disclosure, we believe that our results, due to the large explanatory power of using a large database and focusing on universal human behavior, may raise questions about the potential unintended

consequences of the media and foreign investment related to private meetings in other countries that plan to mandate the disclosure of private meetings.

6. Conclusion and Future Research Directions

Our study examined the monitoring effects of media coverage of insider trading in the setting of private in-house meetings, which is the most opaque channel for distributing information to the public. We found that media coverage tends to be positively associated with insider trading profitability, suggesting the media's lack of a watchdog role, or possibly even a collusion effect between the firms and the media's agendas. We also explored whether foreign ownership is an important boundary condition under which the media's impact on insider trading differs. Our results suggest that foreign ownership, whether foreign portfolio investment or foreign direct investment, enhances the main effect of media coverage on insider trading profitability. To our knowledge, no research has explicitly examined the dark side of the media as an external governance mechanism in private in-house meetings, or the differential impact of foreign investment on the media's role.

The effects highlighted in our study may not occur in other countries, as the institutional logic embedded in one country's media may differ from that of other countries' media (Jansson, 2013). However, the implications may provide valuable insights into management-investor interactions in other countries. Our findings have implications for other emerging-market countries as long as conflicts between insiders and public minority shareholders are key in those contexts (He & Rui, 2014; Wang & Ye, 2015). Our findings also have practical implications for developed countries. Selective information disclosure exists everywhere, and private in-housing meetings in the US and Europe are common (Bowen et al., 2018; Cheng et al., 2016). Since the insider trading provisions in China's Securities Law were amended based on US regulations (He & Rui, 2014), the findings

from this study offer important lessons for the global capital market. Policies for global capital markets need empirical evidence from large datasets based on natural quasi-experiments, as is provided in this study. The findings have policy implications for countries that rely on international financing and that need to effectively regulate their financial media and foreign investment.

Even though our results are robust with several additional tests, such as the Heckman test for the selection bias issue, keeping only private enterprises, and using alternative measures for key variables, this study nonetheless has limitations, suggesting possible avenues for future research. First, our study is only a first step in demonstrating the dark side of print media. The specific mechanisms behind this dark side have yet to be explored. We do not know whether the media collude with the firm or are simply unable to serve as a watchdog because of the complicated information involved. Future studies could advance our understanding of this process and the relevant mechanisms. Second, our study suggests there is a short-termism in various foreign investments in the relationship between the media and insider trading. However, we do not know how the specific characteristics of the influence of foreign direct investment and foreign portfolio investment on the process and results. Future studies could investigate whether the language, country of origin, and other characteristics are important mechanisms behind this process. Future studies could also extend the time horizon beyond the year 2017 and explore whether the observed relationships could be observed continually or exhibit a dynamic pattern.

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Table 1 Descriptive Statistics

Variable	Full Sample				Above Median Value of BHAR				Below Median Value of BHAR				Compare-mean t-test
	Obs.	Mean	Std. Dev.	Median	Obs.	Mean	Std. Dev.	Median	Obs.	Mean	Std. Dev.	Median	
BHAR	19,053	-0.01	0.48	0.01	9,610	0.19	0.41	0.14	9,443	-0.21	0.47	-0.12	-63.49***
Media	19,053	2.42	6.66	1.00	9,610	2.68	7.35	1.00	9,443	2.17	5.89	0.00	-5.78***
QFII	19,053	0.01	0.03	0.00	9,610	0.01	0.04	0.00	9,443	0.01	0.05	0.00	6.62***
FIE	19,053	0.03	0.18	0.00	9,610	0.03	0.18	0.00	9,443	0.03	0.18	0.00	-0.17
Presence	19,053	0.15	0.36	0.00	9,610	0.15	0.35	0.00	9,443	0.16	0.37	0.00	2.65**
Participant	19,053	7.84	10.62	4.00	9,610	8.06	10.66	4.00	9,443	7.61	10.57	4.00	-2.89**
Meeting	19,053	13.03	10.80	10.00	9,610	12.89	11.12	9.00	9,443	13.17	10.46	11.00	1.81*
Length	19,053	6.97	0.62	6.95	9,610	6.98	0.61	6.98	9,443	6.95	0.63	6.93	-2.56**
Answer	19,053	6.71	0.67	6.72	9,610	6.72	0.66	6.74	9,443	6.70	0.67	6.70	-1.93*
Dual	19,053	0.39	0.49	0.00	9,610	0.38	0.49	0.00	9,443	0.39	0.49	0.00	2.20*
BoardSize	19,053	9.29	2.35	9.00	9,610	9.27	2.32	9.00	9,443	9.31	2.38	9.00	1.14
Independence	19,053	0.42	0.09	0.40	9,610	0.43	0.09	0.40	9,443	0.42	0.09	0.40	-4.46***
Female	19,053	0.17	0.13	0.14	9,610	0.16	0.13	0.14	9,443	0.17	0.14	0.14	7.18***
Top10	19,053	0.59	0.13	0.60	9,610	0.58	0.13	0.59	9,443	0.59	0.13	0.60	3.42***
Institution	19,053	0.11	0.11	0.08	9,610	0.11	0.11	0.07	9,443	0.11	0.11	0.08	3.37***
Analyst	19,053	13.52	10.58	11.00	9,610	13.53	10.33	11.00	9,443	13.51	10.84	10.00	-0.05
Big4	19,053	0.06	0.23	0.00	9,610	0.06	0.24	0.00	9,443	0.05	0.22	0.00	-2.40**
Size	19,053	22.08	1.22	21.88	9,610	22.08	1.26	21.81	9,443	22.08	1.19	21.95	0.05
Leverage	19,053	0.36	0.19	0.34	9,610	0.36	0.19	0.33	9,443	0.36	0.18	0.36	1.60
ROA	19,053	0.07	0.05	0.07	9,610	0.07	0.05	0.06	9,443	0.08	0.05	0.07	6.62 ***
MB	19,053	2.56	1.32	2.22	9,610	2.52	1.23	2.23	9,443	2.60	1.40	2.21	4.25***
Growth	19,053	0.38	0.64	0.21	9,610	0.39	0.65	0.21	9,443	0.37	0.63	0.20	-2.60**
Loss	19,053	0.03	0.18	0.00	9,610	0.04	0.19	0.00	9,443	0.03	0.18	0.00	-1.89*
PE	19,053	4.72	2.84	3.90	9,610	4.63	2.71	3.89	9,443	4.82	2.96	3.91	4.74***

Note: *, **, and *** represent significance at the 5%, 1%, and 0.1% levels, respectively. Refer to Appendix B for detailed variable descriptions.

Table 2 Correlation Matrix

Variable	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23
1. BHAR																							
2. Media	0.06																						
3. QFII	-0.01	-0.03																					
4. FIE	-0.01	-0.04	0.43																				
5. Presence	-0.03	-0.07	-0.01	-0.01																			
6. Participant	0.01	-0.02	0.02	0	0.28																		
7. Meeting	0.02	0.52	0.11	0.02	-0.14	-0.14																	
8. Length	0.01	-0.11	0.03	-0.03	0.18	0.31	-0.12																
9. Answer	0.01	-0.1	0.02	-0.04	0.16	0.27	-0.1	0.94															
10. Dual	-0.02	0.09	-0.02	-0.04	0.01	0.01	0.03	-0.04	-0.05														
11. BoardSize	0.01	0.04	-0.06	-0.07	-0.04	-0.01	-0.01	-0.03	-0.03	-0.15													
12. Independence	0.01	0.22	0.05	0.04	0.02	-0.07	0.14	-0.06	-0.04	0.15	-0.15												
13. Female	-0.04	-0.04	0.03	0.02	-0.03	-0.01	0.03	0	-0.01	0.1	-0.09	0.06											
14. Top10	-0.03	0.14	0.23	0.11	0.02	0	0.13	-0.03	-0.03	0.07	-0.16	0.1	0.1										
15. Institution	-0.09	0.05	0.06	-0.04	0.02	0.09	0.14	0.01	0.01	0.03	-0.09	0.09	0.06	0.14									
16. Analyst	-0.03	0.24	0	-0.05	-0.09	0.17	0.32	-0.06	-0.06	-0.03	0.06	-0.04	0.04	0.06	0.39								
17. Big4	0.04	0.63	0.03	0.01	-0.08	-0.03	0.51	-0.11	-0.1	-0.01	0.14	0.13	-0.08	0.11	-0.06	0.16							
18. Size	0.04	0.52	0.06	-0.02	-0.11	0.05	0.42	-0.11	-0.09	-0.02	0.18	0.05	-0.04	-0.02	-0.03	0.43	0.53						
19. Leverage	0.01	0.32	0.04	-0.06	-0.05	-0.01	0.26	-0.13	-0.1	-0.01	0.11	0.02	-0.11	-0.06	-0.03	0.17	0.31	0.64					
20. ROA	-0.08	-0.04	0.03	0	-0.06	0.11	0.09	-0.02	-0.03	-0.02	-0.01	0.02	0.11	0.15	0.3	0.49	-0.04	0.07	0.2				
21. MB	-0.06	-0.15	-0.05	0.03	0.01	0.14	-0.1	0.11	0.09	0.01	-0.1	0.04	0.02	-0.07	0.21	0.08	-0.17	-0.33	-0.32	0.26			
22. Growth	-0.02	-0.04	-0.02	0	0	0.02	-0.04	0.12	0.12	-0.09	0.02	0	-0.05	-0.04	0.03	-0.06	-0.06	-0.01	0.03	-0.1	0.02		
23. Loss	0.04	-0.03	0.03	-0.01	0.01	-0.02	-0.08	-0.02	-0.03	0.01	0	-0.07	-0.01	-0.07	-0.04	-0.08	-0.01	-0.02	0.11	-0.39	0.01	-0.01	
24. PE	-0.08	-0.09	0.02	-0.01	0.04	0.15	-0.04	0.11	0.1	0.07	-0.12	0.08	0.06	0.06	0.35	0.1	-0.14	-0.26	-0.07	0.23	0.84	0.05	0.05

Note: Significant correlations at the 0.01 level are highlighted in bold. Refer to Appendix B for detailed variable descriptions.

Table 3 Regression of Insider Trading Profitability¹ on Media Coverage² and Moderators

Variables	Model 1		Model 1		Model 3	
	Coefficient	Std. Err.	Coefficient	Std. Err.	Coefficient	Std. Err.
Media	0.007***	0.002	0.007***	0.002	0.007***	0.002
QFII			-0.367*	0.197		
Media*QFII			0.240***	0.048		
FIE					-0.067	0.065
Media*FIE					0.049**	0.021
Presence	-0.056*	0.028	-0.055*	0.028	-0.056*	0.028
Participant	0.002**	0.001	0.002**	0.001	0.002**	0.001
Meeting	0	0.001	0.001	0.001	0	0.001
Length	0.001	0.048	0.003	0.048	0.001	0.047
Answer	0.002	0.044	0.001	0.045	0.001	0.044
Dual	-0.026	0.021	-0.027	0.021	-0.027	0.021
BoardSize	-0.004	0.004	-0.004	0.004	-0.004	0.004
Independence	0.183	0.136	0.173	0.136	0.177	0.137
Female	-0.117	0.078	-0.117	0.077	-0.119	0.078
Top10	-0.098	0.076	-0.09	0.078	-0.093	0.076
Institution	-0.15	0.122	-0.142	0.122	-0.15	0.122
Analyst	0.002	0.001	0.002	0.001	0.001	0.001
Big4	-0.025	0.065	-0.033	0.062	-0.02	0.065
Size	-0.021	0.015	-0.023	0.015	-0.021	0.015
Leverage	-0.155*	0.081	-0.142*	0.082	-0.150*	0.082
ROA	-0.455*	0.274	-0.464*	0.281	-0.435	0.284
MB	-0.019	0.02	-0.019	0.02	-0.017	0.02
Growth	-0.005	0.016	-0.007	0.016	-0.005	0.016
Loss	0.054	0.053	0.053	0.053	0.055	0.053
PE	-0.009	0.009	-0.01	0.009	-0.01	0.009
Constant	0.522	0.354	0.565	0.359	0.542	0.356
Industry FE	Yes		Yes		Yes	
Year FE	Yes		Yes		Yes	
Observations	19,053		19,053		19,053	
Prob > F	0.000		0.000		0.000	
Adjusted R ²	0.040		0.042		0.041	

¹ DV is BHAR [0, 90]: buy-and-hold-abnormal return using a 90-trading day window to measure market-adjusted returns after each insider trade.

² IV is the number of news reports from original newspapers about the focal firm within the [-20,+20] time window around the private meeting date.

Note: *, **, and *** represent significance at the 5%, 1%, and 0.1% levels, respectively. Refer to Appendix B for detailed variable descriptions.

Table 4 Additional Analysis: Heckman Test

Variables	1st Stage		2nd Stage: Model 1		2nd Stage: Model 2		2nd Stage: Model 3	
	Coefficient	Std. Err.	Coefficient	Std. Err.	Coefficient	Std. Err.	Coefficient	Std. Err.
Media			0.007***	0.002	0.007***	0.002	0.007***	0.002
QFII					-0.365*	0.198		
Media*QFII					0.242***	0.048		
FIE							-0.066	0.065
Media*FIE							0.049**	0.021
ProvMedia	0.007***	0.002						
IndMedia	0.019	0.011						
Presence	0.043	0.067	-0.058*	0.028	-0.057*	-0.028	-0.058*	0.028
Participant	0.007***	0.002	0.002*	0.001	0.002*	-0.001	0.002*	0.001
Meeting	0.001	0.005	0.001	0.001	0.001	-0.001	0.001	0.001
Length	-0.188	0.157	0.003	0.049	0.006	-0.049	0.002	0.049
Answer	0.207	0.136	-0.001	0.047	-0.002	-0.047	-0.001	0.047
Dual	-0.087	0.078	-0.025	0.023	-0.026	-0.023	-0.026	0.023
BoardSize	-0.004	0.016	-0.004	0.004	-0.004	-0.004	-0.004	0.004
Independence	-0.027	0.414	0.173	0.137	0.164	-0.137	0.167	0.138
Female	-0.165	0.285	-0.109	0.079	-0.109	-0.078	-0.112	0.079
Top10	-0.506*	0.27	-0.102	0.087	-0.093	-0.09	-0.099	0.088
Institution	0.284	0.4	-0.151	0.122	-0.143	-0.123	-0.15	0.122
Analyst	0.011*	0.006	0.001	0.002	0.001	-0.002	0.001	0.002
Big4	0.562**	0.224	-0.026	0.074	-0.035	-0.072	-0.019	0.074
Size	0.459***	0.058	-0.024	0.041	-0.028	-0.041	-0.023	0.041
Leverage	-0.965***	0.291	-0.147	0.122	-0.132	-0.123	-0.147	0.122
ROA	-0.973	0.936	-0.431	0.31	-0.448	-0.308	-0.425	0.31
MB	-0.052	0.053	-0.02	0.021	-0.021	-0.021	-0.019	0.021
Growth	0.081	0.053	-0.005	0.018	-0.007	-0.019	-0.004	0.018
Loss	0.033	0.2	0.054	0.053	0.053	-0.053	0.055	0.053
PE	0.119***	0.026	-0.01	0.014	-0.01	-0.014	-0.01	0.014
Constant	-8.548	1.375	0.610	0.914	0.671	0.921	0.576	0.914
Inverse Mills			Included		Included		Included	
Industry FE	Yes		Yes		Yes		Yes	
Year FE	Yes		Yes		Yes		Yes	
Observations	18,965		18,965		18,965		18,965	

Note: DV is BHAR [0, 90]: buy-and-hold-abnormal return using a 90-trading day window to measure market-adjusted returns after each insider trade. IV is the number of news reports from original newspapers about the focal firm within the [-20,+20] time window around the private meeting date. *, **, and *** represent significance at the 5%, 1%, and 0.1% levels, respectively. Refer to Appendix B for detailed variable descriptions.

Table 5 Additional Analysis: Excluding State-Owned Enterprises (SOEs)

Variables	Model 1		Model 2		Model 3	
	Coefficient	Std. Err.	Coefficient	Std. Err.	Coefficient	Std. Err.
Media	0.011***	0.003	0.010***	0.003	0.011***	0.003
QFII			-0.339	0.209		
Media*QFII			0.219***	0.061		
FIE					-0.051	0.069
Media*FIE					0.046**	0.019
Presence	-0.060*	0.029	-0.059*	0.029	-0.060*	0.029
Participant	0.002**	0.001	0.002**	0.001	0.002**	0.001
Meeting	-0.001	0.001	-0.001	0.001	-0.001	0.001
Length	-0.001	0.05	0.001	0.05	-0.001	0.05
Answer	0.005	0.047	0.004	0.047	0.005	0.047
Dual	-0.027	0.023	-0.029	0.023	-0.028	0.023
BoardSize	-0.002	0.005	-0.002	0.005	-0.002	0.005
Independence	0.195	0.149	0.185	0.149	0.187	0.149
Female	-0.112	0.083	-0.117	0.083	-0.114	0.083
Top10	-0.096	0.087	-0.083	0.09	-0.093	0.088
Institution	-0.148	0.124	-0.145	0.125	-0.149	0.124
Analyst	0.002	0.001	0.002	0.001	0.002	0.001
Big4	-0.102	0.088	-0.101	0.089	-0.096	0.09
Size	-0.03	0.018	-0.030*	0.018	-0.030*	0.018
Leverage	-0.154*	0.089	-0.143	0.09	-0.149*	0.09
ROA	-0.406	0.315	-0.403	0.315	-0.394	0.316
MB	-0.021	0.022	-0.021	0.022	-0.02	0.022
Growth	-0.008	0.018	-0.009	0.019	-0.007	0.018
Loss	0.086	0.057	0.087	0.057	0.087	0.057
PE	-0.011	0.01	-0.011	0.01	-0.012	0.01
Constant	0.654	0.428	0.656	0.431	0.670	0.433
Industry FE	Yes		Yes		Yes	
Year FE	Yes		Yes		Yes	
Observations	17,061		17,061		17,061	
Prob > F	0.000		0.000		0.000	
Adjusted R ²	0.047		0.048		0.047	

Note: DV is BHAR [0, 90]: buy-and-hold-abnormal return using a 90-trading day window to measure market-adjusted returns after each insider trade. IV is the number of news reports from original newspapers about the focal firm within the [-20,+20] time window around the private meeting date. *, **, and *** represent significance at the 5%, 1%, and 0.1% levels, respectively. Refer to Appendix B for detailed variable descriptions.

Table 6 Additional Analysis: Alternative Media Coverage Measure¹

Variables	Model 1		Model 2		Model 3	
	Coefficient	Std. Err.	Coefficient	Std. Err.	Coefficient	Std. Err.
Media	0.022**	0.009	0.019*	0.009	0.021**	0.009
QFII			-0.284*	0.17		
Media*QFII			1.240***	0.296		
FIE					-0.047	0.052
Media*FIE					0.332***	0.102
Presence	-0.054*	0.028	-0.054*	0.028	-0.055*	0.028
Participant	0.002**	0.001	0.002**	0.001	0.002**	0.001
Meeting	0.001	0.001	0.001	0.001	0.001	0.001
Length	0.003	0.048	0.005	0.048	0.003	0.048
Answer	-0.001	0.045	-0.001	0.045	-0.001	0.044
Dual	-0.022	0.021	-0.022	0.021	-0.022	0.021
BoardSize	-0.004	0.004	-0.004	0.004	-0.004	0.004
Independence	0.201	0.138	0.201	0.137	0.199	0.138
Female	-0.118	0.078	-0.116	0.078	-0.119	0.078
Top10	-0.081	0.076	-0.069	0.078	-0.077	0.076
Institution	-0.162	0.123	-0.153	0.123	-0.164	0.123
Analyst	0.002	0.001	0.001	0.001	0.001	0.001
Big4	0.003	0.064	-0.003	0.063	0.006	0.064
Size	-0.012	0.014	-0.012	0.014	-0.012	0.014
Leverage	-0.171*	0.082	-0.162*	0.082	-0.169*	0.082
ROA	-0.521*	0.289	-0.537*	0.288	-0.519*	0.289
MB	-0.019	0.02	-0.02	0.02	-0.017	0.02
Growth	-0.005	0.016	-0.007	0.016	-0.005	0.016
Loss	0.049	0.053	0.05	0.053	0.049	0.053
PE	-0.007	0.009	-0.007	0.009	-0.008	0.009
Constant	0.340	0.343	0.330	0.337	0.338	0.340
Industry FE	Yes		Yes		Yes	
Year FE	Yes		Yes		Yes	
Observations	19,053		19,053		19,053	
Prob > F	0.000		0.000		0.000	
Adjusted R ²	0.038		0.040		0.039	

¹ IV is the number of news reports from official newspapers about the focal firm within the [-20,+20] time window around the private meeting date as a proxy for media coverage

Note: DV is BHAR [0, 90]: buy-and-hold-abnormal return using a 90-trading day window to measure market-adjusted returns after each insider trade. *, **, and *** represent significance at the 5%, 1%, and 0.1% levels, respectively. Refer to Appendix B for detailed variable descriptions.

Table 7 Additional Analysis: Alternative Media Coverage Windows ¹

Variables	within the [-5,+5] time window						within the [-10, +10] time window					
	Model 1		Model 2		Model 3		Model 1		Model 2		Model 3	
	Coefficient	Std. Err.	Coefficient	Std. Err.	Coefficient	Std. Err.	Coefficient	Std. Err.	Coefficient	Std. Err.	Coefficient	Std. Err.
Media	0.030***	0.008	0.029***	0.008	0.029***	0.008	0.032***	0.008	0.031***	0.008	0.031***	0.008
QFII			-0.424**	0.196					-0.437**	0.197		
Media*QFII			0.219***	0.048					0.221***	0.048		
FIE					-0.069	0.067					-0.069	0.067
Media*FIE					0.043**	0.021					0.043**	0.021
Presence	-0.053*	0.028	-0.052*	0.028	-0.053*	0.028	-0.053*	0.028	-0.052*	0.028	-0.053*	0.028
Participant	0.002**	0.001	0.002**	0.001	0.002**	0.001	0.002**	0.001	0.001**	0.001	0.002**	0.001
Meeting	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001
Length	0.005	0.048	0.007	0.048	0.005	0.048	0.006	0.048	0.009	0.048	0.007	0.048
Answer	-0.004	0.045	-0.005	0.045	-0.005	0.044	-0.005	0.045	-0.006	0.045	-0.006	0.044
Dual	-0.021	0.021	-0.023	0.021	-0.022	0.021	-0.021	0.021	-0.022	0.021	-0.022	0.021
BoardSize	-0.004	0.004	-0.004	0.004	-0.004	0.004	-0.004	0.004	-0.004	0.004	-0.004	0.004
Independence	0.200	0.138	0.194	0.137	0.196	0.138	0.198	0.138	0.193	0.137	0.194	0.138
Female	-0.113	0.078	-0.114	0.078	-0.114	0.078	-0.111	0.078	-0.112	0.078	-0.113	0.078
Top10	-0.067	0.076	-0.053	0.079	-0.061	0.077	-0.067	0.076	-0.053	0.078	-0.062	0.076
Institution	-0.177	0.124	-0.167	0.125	-0.177	0.124	-0.178	0.124	-0.168	0.125	-0.178	0.124
Analyst	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001
Big4	0.017	0.061	0.008	0.060	0.020	0.062	0.016	0.061	0.007	0.060	0.020	0.062
Size	-0.016	0.015	-0.018	0.015	-0.017	0.015	-0.017	0.015	-0.019	0.015	-0.018	0.015
Leverage	-0.165**	0.081	-0.152*	0.082	-0.160*	0.082	-0.163**	0.081	-0.150*	0.082	-0.158*	0.082
ROA	-0.560**	0.285	-0.572**	0.284	-0.550*	0.286	-0.553*	0.286	-0.565**	0.284	-0.543*	0.286
MB	-0.019	0.020	-0.020	0.020	-0.017	0.020	-0.019	0.020	-0.020	0.020	-0.018	0.020
Growth	-0.007	0.016	-0.008	0.016	-0.006	0.016	-0.006	0.016	-0.008	0.016	-0.006	0.016
Loss	0.044	0.053	0.044	0.052	0.045	0.053	0.044	0.052	0.045	0.052	0.045	0.053
PE	-0.009	0.009	-0.009	0.009	-0.010	0.009	-0.009	0.009	-0.009	0.009	-0.010	0.009
Constant	0.368	0.347	0.399	0.349	0.386	0.348	0.377	0.347	0.408	0.349	0.394	0.348
Industry FE	Yes		Yes		Yes		Yes		Yes		Yes	
Year FE	Yes		Yes		Yes		Yes		Yes		Yes	
Observations	19,053		19,053		19,053		19,053		19,053		19,053	

¹ IV is the number of news reports from original newspapers about the focal firm within the [-5,+5] and [-10, +10] time window around the private meeting date.

Note: DV is BHAR [0, 90]: buy-and-hold-abnormal return using a 90-trading day window to measure market-adjusted returns after each insider trade.

*, **, and *** represent significance at the 5%, 1%, and 0.1% levels, respectively. Refer to Appendix B for detailed variable descriptions.

Table 8 Additional Analysis: Alternative Insider Trading Measures¹

Variables	BHAR [0, 180]						BHAR [0, 30]					
	Model 1		Model 2		Model 3		Model 1		Model 2		Model 3	
	Coefficient	Std. Err.	Coefficient	Std. Err.	Coefficient	Std. Err.	Coefficient	Std. Err.	Coefficient	Std. Err.	Coefficient	Std. Err.
Media	0.005**	0.002	0.005**	0.002	0.005**	0.002	0.003**	0.001	0.003**	0.001	0.003**	0.001
QFII			-0.151	0.149					-0.106	0.120		
Media*QFII			0.192***	0.034					0.130***	0.028		
FIE					-0.034	0.052					-0.073	0.066
Media*FIE					0.045**	0.019					0.046**	0.021
Presence	-0.035	0.023	-0.033	0.023	-0.035	0.023	-0.023*	0.013	-0.022	0.014	-0.023*	0.013
Participant	0.002***	0.000	0.001***	0.000	0.002***	0.000	0.001	0.000	0.001	0.000	0.001	0.000
Meeting	0.001	0.001	0.001	0.001	0.001	0.001	-0.000	0.001	0.000	0.001	-0.000	0.001
Length	0.013	0.037	0.014	0.037	0.013	0.037	0.024	0.017	0.025	0.017	0.024	0.017
Answer	-0.006	0.033	-0.006	0.033	-0.006	0.033	-0.023	0.015	-0.024	0.015	-0.024	0.015
Dual	-0.022	0.017	-0.022	0.017	-0.022	0.017	-0.020*	0.011	-0.020*	0.011	-0.021*	0.011
BoardSize	-0.003	0.003	-0.003	0.003	-0.003	0.003	-0.001	0.002	-0.001	0.002	-0.001	0.002
Independence	0.033	0.103	0.021	0.103	0.025	0.103	0.104	0.067	0.096	0.067	0.098	0.067
Female	-0.076	0.057	-0.075	0.057	-0.078	0.057	-0.023	0.032	-0.023	0.032	-0.025	0.032
Top10	0.019	0.054	0.014	0.056	0.018	0.054	0.059*	0.036	0.056	0.036	0.063*	0.036
Institution	-0.024	0.105	-0.021	0.106	-0.025	0.105	-0.056	0.068	-0.053	0.069	-0.056	0.068
Analyst	0.001	0.001	0.001	0.001	0.001	0.001	0.000	0.001	0.000	0.001	0.000	0.001
Big4	-0.003	0.046	-0.008	0.044	0.001	0.046	-0.005	0.030	-0.008	0.029	-0.000	0.030
Size	-0.012	0.011	-0.015	0.011	-0.013	0.011	-0.005	0.007	-0.007	0.007	-0.006	0.007
Leverage	-0.091	0.06	-0.082	0.061	-0.086	0.061	-0.090**	0.037	-0.083**	0.038	-0.086**	0.037
ROA	-0.234	0.214	-0.252	0.212	-0.223	0.215	-0.084	0.123	-0.095	0.121	-0.074	0.123
MB	-0.002	0.014	-0.002	0.014	-0.001	0.014	-0.008	0.008	-0.008	0.008	-0.007	0.008
Growth	0.001	0.012	-0.001	0.012	0.001	0.012	0.002	0.009	0.001	0.009	0.002	0.009
Loss	0.049	0.043	0.046	0.043	0.049	0.043	0.031	0.032	0.030	0.031	0.032	0.032
PE	-0.012*	0.007	-0.012*	0.007	-0.012*	0.007	-0.007	0.004	-0.007	0.004	-0.007	0.004
Constant	0.269	0.254	0.324	0.260	0.290	0.256	0.084	0.160	0.121	0.165	0.102	0.161
Industry FE	Yes		Yes		Yes		Yes		Yes		Yes	
Year FE	Yes		Yes		Yes		Yes		Yes		Yes	
Observations	19,053		19,053		19,053		19,053		19,053		19,053	

¹ DV is BHAR [0, 30] or BHAR [0, 180]: buy-and-hold-abnormal return using a 30- or 180-trading day window to measure market-adjusted returns after each insider trade.

Note: IV is the number of news reports from original newspapers about the focal firm within the [-20,+20] time window around the private meeting date.

*, **, and *** represent significance at the 5%, 1%, and 0.1% levels, respectively. Refer to Appendix B for detailed variable descriptions.

Figure 1 Moderating Effect of Foreign Portfolio Investment

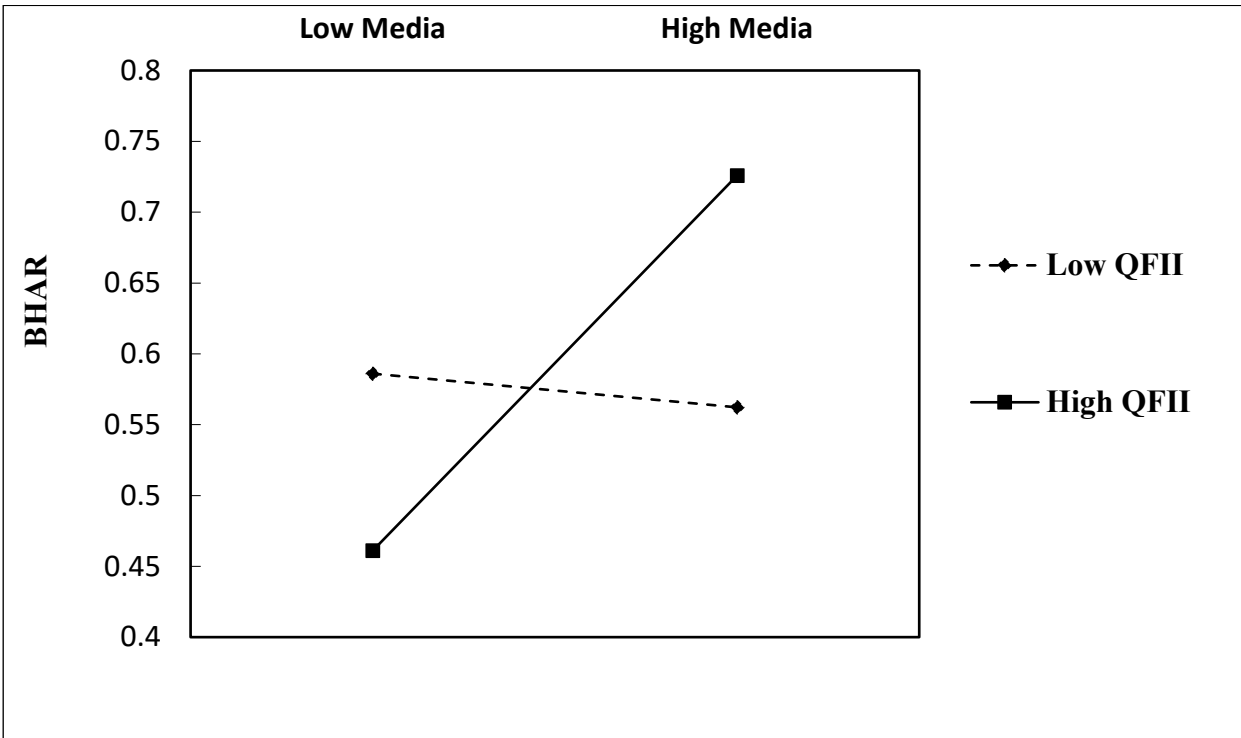
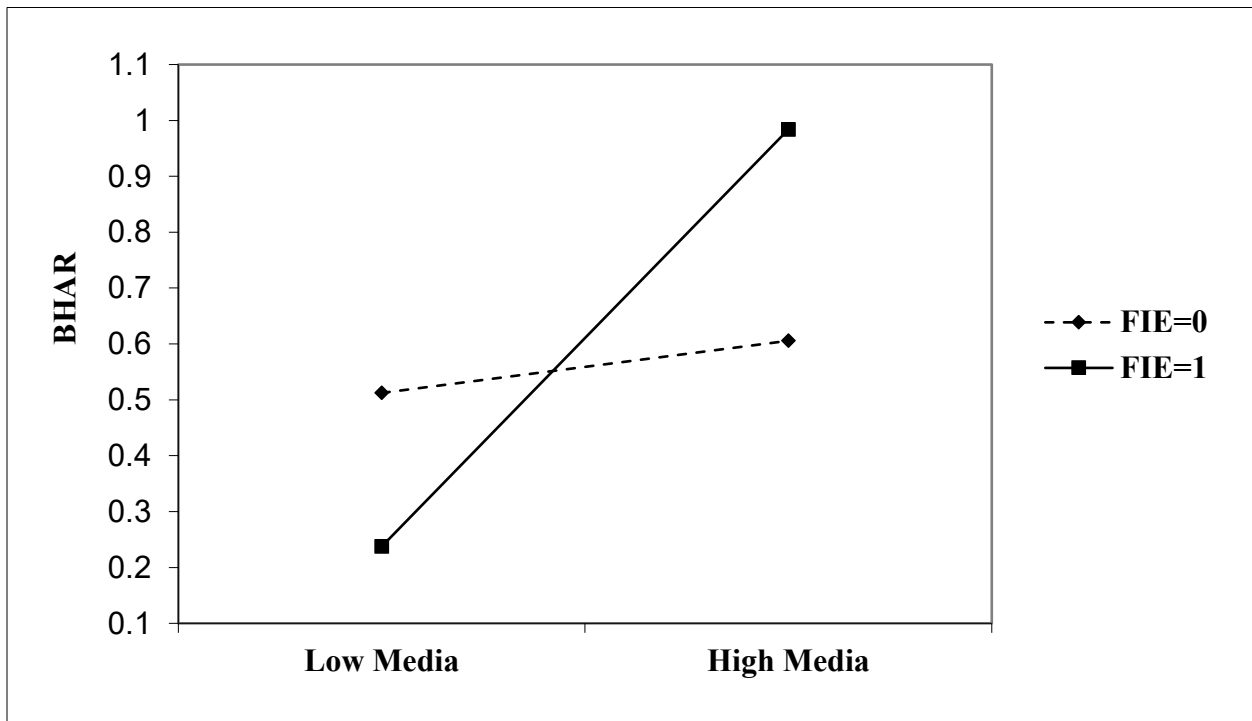


Figure 2 Moderating Effect of Foreign Direct Investment



Appendix A: Example of a Private In-house Meeting Report

Security Code: 002397

Corporate Name: Mendale Hometextile Co. LTD

The Record of Hunan Mendale Hometextile Co. LTD

Code 2020-001

Type of investor relations activity	<input checked="" type="checkbox"/> In-house investor meeting <input type="checkbox"/> Analyst meeting <input type="checkbox"/> Media interview <input type="checkbox"/> Performance announcement meeting <input type="checkbox"/> Public news meeting <input type="checkbox"/> Road show <input type="checkbox"/> Site visit <input type="checkbox"/> Other (conference call)		
Meeting participants	Lei Yu (Changjiang Securities), Mi Hanjie (Guangfa Securities), Shu Dongni (National Business Daily), Liang Xi (Haitong Securities), Sun Weiwei (Guangda Securities), Song Wenhui (China International Capital Corporation Limited)		
Date of record	May 12-13, 2020	Location	Corporate Office
Management attended	General Manager Li Jing; Board Secretary Li Jun; Security Affairs Representative Wu Wenwen		
Content of the meeting	<p>Q1: Is the company cooperating with Wei Ya (China's top live streamer) to introduce new products or new brands? Will the company consider introducing a brand under the name of Wei Ya? Answer: The company will introduce new products but not new brands.</p> <p>Q2: Can Wei Ya sell competitors' products while cooperating with Mendale Hometextile? If not, is it a significant loss for Wei Ya? How can Mendale Hometextile retain Wei Ya? Answer: The contract with Wei Ya does not have such an exclusivity clause.</p> <p>Q3: Besides selling products through live streaming, is Wei Ya also involved in product design and quality control? How are profits shared between Mendale Hometextile and Wei Ya? Answer: It contains confidential information. The company would not reply to this question.</p> <p>Q4: The company signed a contract with Taobao's (online shopping platform) top live streamer, Lie Er Bao Bei, and is now cooperating with Wei Ya. Does that mean the company's primary online selling platform is Taobao? The company had cooperated with Kuaishou (video-sharing app). Will there be any layout plan with Douyin (Chinese version of TikTok) in the future? What are the strategies to select the selling platforms? Answer: Currently, Taobao is the company's primary platform. But we are open to working with other platforms.</p> <p>Q5: What is the performance of the company in April? Answer: As the impact of pandemic on sales is reducing, the performance in April has improved significantly.</p> <p>Q6: How is the development of the company's online sales during the pandemic? Will there be a significant increase in online sales relative to total sales? Answer: During the pandemic, all in-person stores are closed. The company has to use online channels to promote sales. Thus, our online sales account for a significant portion of total sales.</p> <p>Q7: Will the cooperation with Wei Ya affect the performance of the company? Answer: It won't significantly affect the company's production and operation.</p> <p>Q8: What is the percentage of the online sales relative to total sales in 2019? Answer: In 2019, the company's online sales account for approximately 15% of its total sales.</p>		
Attachment	No		

Translated by the authors.

Appendix B: Variable Definition

Variables	Description	Data Source
BHAR	Unrealized capital gains after purchases and losses avoided by selling shares. Buy-and-hold abnormal returns for 90 trading days after each insider trade by using the overall SZSE composite index as the benchmark. The included insider trades occur within the [-20, +20] time window around private in-house meeting dates.	Wind Data Service (WDS)
Media	The number of news reports about a focal firm from original newspapers within the [-20, +20] time window around private in-house meeting dates.	CNRDS
FIE	A dummy variable that takes a value of 1 if the actual controlling owner is a foreign enterprise, and 0 otherwise. Foreign enterprises including firms operating in Hong Kong, Macao, Taiwan, and abroad.	CSMAR
QFII	The percentage of shares held by the qualified foreign institutional investor.	CSMAR
Presence	A dummy variable that takes a value of 1 if the CEO or Chairman attends the private in-house meeting, and 0 otherwise.	SZSE disclosure documents
Participant	The number of investors and analysts who attend the private in-house meeting.	SZSE disclosure documents
Meeting	The number of private in-house meetings hosted by the firm in one year.	SZSE disclosure documents
Length	Log of the number of characters in the published private in-house meeting summary reports.	SZSE disclosure documents
Answer	Log of the number of characters in the published total answers to questions during the private in-house meeting.	SZSE disclosure documents
Dual	A dummy variable that takes a value of 1 if the CEO and Chairman are the same person, and 0 otherwise.	CSMAR
BoardSize	The total number of board of directors.	CSMAR
Independence	The percentage of independent board members on the board of directors.	CSMAR
Female	The percentage of female board members on the board of directors.	CSMAR
Top10	The percentage of shares held by the 10 largest shareholders.	CSMAR
Institution	The institutional investors' share holdings as a percentage.	CSMAR
Analyst	The number of analysts who follow the firm.	CSMAR
Big4	A dummy variable that takes a value of 1 if the financial statements are audited by the Big Four auditors, and 0 otherwise.	CSMAR
Size	Log of total assets.	CSMAR
Leverage	Long-term debt divided by total assets.	CSMAR
ROA	Net income divided by total assets.	CSMAR
MB	The market value of equity divided by the book value of equity.	CSMAR
Growth	(Current year's revenue – last year's revenue) / last year's revenue.	CSMAR
Loss	A dummy variable that takes a value of 1 if the firm generates a loss, and 0 otherwise.	CSMAR
PE	Price per share divided by earnings per share.	CSMAR

CNRDS: Chinese Research Data Services database; CSMAR: China Stock Market and Accounting Research; SZSE: Shen Zhen Stock Exchange.