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Are Investors' Corporate Site Visits Informative?

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Abstract

Corporate site visit is an important type of investors' information acquisition activities, but its usefulness is not well understood in the literature, partially due to the lack of data. Using a unique dataset of corporate site visits in China, we analyze the information content and the determinants of corporate site visits. Our main findings are as follows. First, we document a significant market reaction to corporate site visits and the market reaction is stronger for group visits, for visits conducted by mutual fund managers, for visits covering firm-specific topics, and for firms with poorer information environment. Second, we find that stock returns around site visits are positively associated with forthcoming earnings news, suggesting that corporate site visits enable investors to obtain information predictive of future earnings. Lastly, consistent with the cost and benefit of conducting site visits, investors are more likely to conduct site visits to profitable firms, firms with more business segments, firms with a higher market share, and firms located closer to economic centers. Additional tests indicate that site visits represent selective access events, not selective disclosure events. Overall, our study contributes to the literature by presenting the first systematic evidence on the information role of corporate site visits.

Keywords: Corporate site visits; selective access; selective disclosure; information acquisition

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1. Introduction

Regulation Fair Disclosure (Reg. FD) bans managers' selective disclosure of material nonpublic information (thereafter referred to as selective disclosure) with the intent to level the playing field for investors. As a result, investors have to rely on other forms of information acquisition activities. One increasingly popular form is selective access, which is allowed under Reg. FD. Selective access is defined as the opportunity for investors to meet privately with managers in individual or small group settings (Bushee et al. 2011a). However, despite its importance, there is limited evidence regarding the capital market consequences of selective access, especially corporate site visits. The lack of research in this area is primarily due to the lack of data on private information acquisition activities (Bebchuk and Weisbach 2010). In this study we use a unique dataset to examine the information role of corporate site visits, whereby site visits refer to investors visiting corporate headquarters or manufacturing facilities and meeting with mid-level managers. Specifically, we investigate whether investors' corporate site visits are informative events and if so, whether site visits convey any information about future earnings. To better understand the cost and benefit of conducting corporate site visits, we further analyze the determinants of the occurrence and the frequency of site visits.

Investors are likely to gain new, credible information about a firm's performance through site visits because they are able to view its fixed assets, to look over inventory warehouses, to observe its operating and R&D activities, and to talk to middle- or low-level employees. The obtained information is credible because it is difficult for the firm to hide or fake real corporate activities and real assets. As indicated in the 2012 All-Europe Research Survey, site visit is an

important type of information acquisition activities.[1] This indicates that the credible information obtained from site visits can trigger stock price movement when visitors and their clients trade on the information.[2] On the other hand, site visits might be corporate events for public relation or entertainment and hence do not convey any useful information to the visitors. In addition, during the site visits the visitors usually do not meet with top managers, and *if* the top managers are the only reliable source of information, visitors will not gain useful information. Thus, whether investors are able to obtain information from site visits is an empirical question.

While data on corporate site visits are not publically available in the U.S. (Soltes 2012), they are available in China. Starting from 2009, the Shenzhen Stock Exchange (SZSE) required companies to disclose every site visit in annual reports. We hand collect site visit records from annual reports of all Shenzhen-listed companies.[3] Our dataset consists of 12,326 site visits to 579 firms from 2009 to 2011. For each site visit, we collect the date, visitors' names, location, and the discussed topics. In addition, we identify the number and types of visiting institutions for each site visit, so that we can investigate whether the market reaction to corporate site visits varies with the characteristics of visitors.

Overall, we find significant market reactions around the three-day window centered on site visits. The absolute abnormal return is on average 7.30% higher, and the abnormal trading

[1] This survey shows that among the twelve types of popular information acquisition activities, investors rank corporate site visits (ranking: No.6) higher than one-on-one meetings with the management (No.7), analysts' written reports (No.8), and analysts' earnings estimates (No.12).

[2] It is important to note that not only visitors can trade on the information obtained from site visits, visitors' clients and other individuals who get to know the information obtained from site visits through the so-called "expert network" may also trade on the information obtained from site visits. However, only knowing the occurrence of site visits is unlikely to lead to trading because visitors may uncover either good news or bad news. Thus, the stock price movement in the short window around site visits reflects the information content of corporate site visits and is not driven by the occurrence of site visit events, which is not publically available until the firm files annual reports.

[3] There are two stock exchanges in China: Shanghai Stock Exchange (SHSE) and Shenzhen Stock Exchange (SZSE). The China Securities Regulatory Commission (CSRC) oversees capital market activities in China and delegates authority for disclosure regulations to the stock exchanges. While the SZSE mandates all firms to publicly disclose information related to site visits in annual reports, the SHSE does not have such requirement.

volume is 8.25% higher, than that in the normal period.[4] We then investigate whether the market reaction to site visits varies with the characteristics of visited firms and site visits. Consistent with the notion that the marginal benefit of information acquisition activities is higher for firms with poor information environment, we find that the market reaction to site visits is stronger for firms covered with fewer analyst coverage and lower mandatory disclosure quality. As for the characteristics of site visits, we find that the market reaction is stronger for site visits conducted by a larger group of visitors, for site visits conducted by mutual funds, and for site visits covering firm-specific topics, than other site visits.

Next we investigate whether the information visitors obtained from corporate site visits is related to firms' future earnings. This investigation is important in its own right and it also helps us to examine the alternative explanation that the documented market reaction is due to visitors' noise trading or their misinterpretation of the information obtained during the site visits. If visitors obtain useful information regarding earnings and convey such information through trading, we conjecture that the (signed) stock returns around site visits are associated with forthcoming earnings surprises. Calculating earnings surprises as the difference between actual earnings and the consensus analyst earnings forecast prior to the site visits, we find that the abnormal stock returns around site visits are positively correlated with future earnings surprises. The results are robust to alternative measures of earnings news based on the prior year's earnings. These results imply that investors obtain credible earnings information during site visits. This inference is also strengthened by a lack of stock price reversal in a period after site visits.[5]

The role of corporate site visits in conveying information to the capital market could result

[4] In comparison, Bushee et al. (2011b) find that the increase in absolute abnormal returns is roughly 9% of the mean value in the normal period for conference call presentation.
[5] We observe a stock price drift after the site visits through which visitors obtain bad news. This drift is likely due to the short-selling constraint in China.

from two possible information channels: selective access or selective disclosure. While the former refers to investors searching for mosaic information through observing the firm's activities, the latter refers to firms' managers providing private information to select investors. Although Reg. FD bans selective disclosure, it might occur during the in-house meetings and hence drive the documented results. To distinguish between these two information channels, we identify site visits conducted within 30 days prior to earnings announcements. If it is selective disclosure that drives the results, the results should be stronger for these site visits than for others as the demand for information and the chance for selective disclosure are the highest in this period. In contrast, selective access does not lead to this prediction. One can even argue that the information content of site visits is even lower in this period because managers are concerned with the risk of selective disclosure. Consistent with site visits being selective access events, we find no evidence of a stronger market reaction or a stronger return-earnings association for site visits occurred in the month before earnings announcements. In fact, the results indicate that the market reaction is smaller for these pre-earnings-announcements site visits than other site visits. These findings indicate that it is the information acquisition, not the selective disclosure, that drives the information role of site visits in the capital market.

Given the benefit of site visits, it is natural for one to ask why investors do not conduct site visits to all firms. To shed light on this issue, we investigate investors' decision to conduct corporate site visits. We hypothesize that the likelihood and frequency of site visits are higher when the perceived benefit is high and the cost is low. Consistent with our prediction, we find that the likelihood and the frequency of site visits are positively associated with common proxies for the demand for and the benefit of information: past earnings performance, the number of business segments, firm size, analyst coverage, and market share. On the cost side, we find that

the likelihood and the frequency of site visits are negatively associated with the distance between corporate headquarters and economic centers, a proxy for information acquisition costs. These results provide evidence consistent with the cost-benefit trade-off in the investors' decision to conduct corporate site visits.

Our study contributes to the literature in the following important ways. First, ours is the first comprehensive study that examines the information role of investors' corporate site visits. Our results indicate that corporate site visits, an important type of investors' information acquisition activities, play a critical information role in the capital market.

This study is related to several concurrent studies that examine other forms of selective access: one-on-one meetings with CEOs during investor conferences (Bushee et al. 2011a), analyst/investor days (Kirk and Markov 2012), and executives' private jet flights to money centers (Bushee et al. 2012). Our paper complements these studies by examining a unique type of selective access event: investors' corporate site visits. While Solomon and Soltes (2011) also examine site visits, their sample includes site visits to only ***one*** NYSE firm. In contrast, we use a large sample of site visits, which enables us to examine issues that Solomon and Soltes cannot study, such as the cross-sectional variation in the market reaction to site visits and the determinants of site visits. Also, based on a larger sample, our results are naturally more generalizable. Although institutional differences exist between China and the U.S. markets, China adopts the U.S. version of Reg. FD,[6] and similar to their U.S. counterparts, managers in

[6] As in the U.S., in China if an issuer discloses material nonpublic information to certain enumerated persons, the issuer has to disclose such information publically. According to Article 41 of the CSRC's Reg. FD, which was effective on January 31, 2007, "A listed company shall, holding conference calls, analysts' meetings, road shows, accepting investors' field investigation, etc., communicate with the institutions and individuals in respect of the business operations, financial status and other events, but it shall not provide any inside information." The SZSE publicly denounces companies which selectively disclose non-public material information to select institutional investors. Such penalty leads to significantly negative market reactions, reduced access to bank loans, higher loan spreads, higher likelihood of receiving qualified audit opinions, and higher audit fees (Yang and Xie 2008; Zhu and Wu 2009; Chen at al. 2011).

Chinese companies are forbidden to provide private information during corporate site visits. As such, we believe that our results are generalizable to the U.S. capital markets. Of course, our finding in the China context is important in its own right because our sample covers all listed firms on the SZSE and China is increasingly important for the world economy.

Second, our results should be of interest to the regulators. Bushee et al. (2011a) find significant increases in trade volume after managers' presentations at investor conferences, but the results hold only when the CEO is present. Their results raise a question of whether granting select investors with opportunities to meet with CEOs privately could lead to the leakage of material information (Enrich and Cimilluca 2011). Unlike private meetings with CEOs, corporate site visits usually do not include meetings with top managers. Therefore, our study complements Bushee et al. (2011a) by providing evidence on the information acquisition function of selective access activities. At the minimum, our study suggests that at least some selective access activities, such as corporate site visits, facilitate investors' information discovery.

The remainder of the paper proceeds as follows. Section 2 provides the institutional background, summarizes related studies, and outlines the research questions. Section 3 describes the sample and data. Section 4 presents the market reaction analysis of site visits and Section 5 reports the analysis of site visits conveying future earnings news. Section 6 presents analyses to dispute the possibility that site visits are selective disclosure events. Section 7 examines the determinants of investors' site visits. Section 8 concludes.

2. Institutional background and research questions

2.1 Reg. FD and the policy debate on selective access

Reg. FD prohibits executives from disclosing material nonpublic information to select market professionals or institutional investors. Reg. FD was implemented to address the public concern that managers provide material information to select investors, who can then trade on the information at the expense of less informed investors. In general, prior research finds that Reg. FD results in a richer public information environment (e.g., Heflin et al. 2003; Bailey et al. 2003) and less informative analyst reports (e.g., Irani and Karamanou 2003; Gintschel and Markov 2004; Mohanram and Sunder 2006).

In the post-Reg. FD period, institutional investors can still talk to managers in private meetings (Brennan and Tamarowski 2000; Hong and Huang 2005), as long as there is no selective disclosure involved. The opportunity for certain investors to meet privately with managers or observe corporate operations in individual or small group settings is referred to as selective access (Bushee et al. 2011a). There are four types of selective access events (Maber et al. 2011):

(1) investor conferences, which are invitation-only, sector-oriented conferences that are oftentimes held in luxury hotels; in these conferences investors can talk to executives in one-on-one meetings or break-out sessions (Bushee et al. 2011a, Green et al. 2013);

(2) non-deal road shows, which are one-on-one meetings between corporate executives and institutional investors, usually in major money-centers (Bushee et al. 2012);

(3) corporate site visits, which refer to company tours; during site visits institutional investors visit firms' headquarters, production and distribution facilities (Abramowitz 2006; Jackson 2009; Solomon and Soltes 2011); and

(4) other face-to-face access events, including informal gatherings such as retreats (e.g.,

fishing or golfing trips) and meetings at major sporting events (e.g., box seats at a Yankees' game).

The SEC Round Table Discussion on Reg. FD (2001) indicates that in post-Reg. FD period, 27 percent of surveyed lawyers believe that most of their corporate clients have conducted one-on-one meetings with analysts. If a firm's managers directly convey to select investors some private information that can be directly traded on, such as the forthcoming EPS number, it would be an event of selective disclosure and will be in violation of Reg. FD. In contrast, in a typical selective access event, managers provide their opinions or comments on the general business operating environment, such as market demands or the development tendency of the industry, without giving a directional guidance on firms' future performance. To benefit from managers' comments, investors need to be familiar with this firm's operations, as if managers' comments just offer the missing piece of the puzzle. In other words, the information obtained from a selective access event is expected to be useful to form a trading strategy *only* when the investors are equipped with enough knowledge about this firm and this information is less valuable to those investors who did not collect information beforehand.

There is currently a debate on whether or not to allow selective access events, especially one-on-one meetings. The opponents of selective access argue that selective access sometimes veers into discussions involving potentially privileged information that benefits an elite group of investors and hence violates Reg. FD. Consistent with the concern of selective disclosure, a recent *Wall Street Journal* article describes how sensitive information of the Ensco-Pride deal is leaked during an allegedly legitimate investor meeting, causing a 1% change in the stock price in

the hours after the business luncheon at the meeting (Enrich and Cimilluca 2011).[7] The article also mentions that SEC "recently warned some banks … to be careful that such meetings do not result in the improper exchange of privileged information." On the other hand, the proponents of selective access argue that contacting salespeople or going further down in the organization is mosaic analysis and should be legitimate, because Reg. FD does not intend to reduce the quantity and quality of the information available to investors (SEC 2001). If selective access is an important information channel through which investors do their research and collect information, then the regulators should not put more obstacles to block the information acquisition efforts of financial intermediaries and professional investors. As long as the management does not disclose material nonpublic information, the SEC should allow this type of interaction between companies and investors (Bushee et al. 2012). Overall, this policy debate indicates the importance of understanding the information role of selective access and the channel through which investors obtain information during the selective access events (i.e., investors' information discovery or managers' selective disclosure of private information).

Although selective access events are allowed in the post-Reg. FD period, U.S. companies are not required to disclose information related to such events. The lack of data is the major challenge for studies of selective access in the U.S. capital market. From time to time, some investors or companies might voluntarily disclose information about the events, which is used in some studies, and using voluntarily disclosed selective access events can be subject to a self-selection issue.[8] There is no data on corporate site visits in the U.S. either. In contrast, the

[7] In a survey of investors and analysts conducted in 2011, 47% of the respondents say they intentionally or unintentionally receive "material" information in one-on-one meetings with corporate executives (RSM Global Analyst and Investor Survey 2011). Note that in one-on-one site visits, visitors do not meet with top managers.
[8] For example, studies of analyst-sponsored conference presentations (Bushee et al. 2011a, 2011b; Green et al. 2013) rely on Thomson Reuters's or Bloomberg's dataset of conference information provided by sponsors and presenting companies. Bushee et al. (2012) obtain corporate private jet data from the Wall Street Journal Jet Tracker database.

mandatory disclosure of investors' corporate site visits in China, as described in Section 3, offers us with an ideal setting to examine various important issues related to site visits. Equally important, unlike other selective access events, top managers are not involved in the site visits and the concern with selective disclosure is to a large extent alleviated.

We would like to note that the China setting is similar to the U.S. setting in that China prohibits managers from disclosing private information to select investors. Specifically, on January 30, 2007, the China Securities Regulatory Committee (CSRC) issued a disclosure regulation that explicitly prohibits the leakage of inside information in private meetings or during conference calls, road shows, investors' site visits and other events. Violation of this disclosure rule would lead to enforcement actions.[9] Similar to the U.S. setting, while selective disclosure is banned, companies are allowed to grant investors with selective access through investors' corporate site visits. Therefore, we believe that the insights from our analyses are applicable to the U.S. capital markets.

2.2 The information role of site visits

A corporate site visit is generally initiated by investors. Site visits also require the cooperation from the firm. It is important to note that a firm generally cannot deny visit requests, as long as investors file timely applications and sign an agreement to follow the firm's site visit policy, because denying site visit applications might send a negative signal to the capital market. Firms can discuss with potential visitors about the timing of corporate site visits. As a result, investors might visit the firm alone or with other investors.

Site visits are costly for investors because they need to pay the related expenses, spend time visiting the firm, and execute efforts in collecting information. Without the expected benefit of

[9] In particular, the SZSE publicly denounces the companies that selectively disclose private information during site visits. In addition, the SZSE also publicly denounces and the companies that fail to properly register with the SZSE about their site visits.

obtaining information, investors will be unlikely to undertake such costly activities. By visiting the firm, investors can get first-hand updated information about the firm's operations and manufacturing activities. The investors can combine the information obtained from the site visit with their own private information set to generate useful, tradable information.[10]

On the other hand, site visits might not provide visitors with information cues. It is possible that site visits are public relation events. In addition, Bushee et al. (2011a) find that in the setting of invitation-only investor conferences, CEOs, not CFOs or lower level managers, are the best sources of information. A site visit is usually organized by the investor relationship manager or the board secretary and it does not include a meeting with top managers.[11] Even under very rare circumstances where one or two top managers are present, these top managers have to strictly follow the disclosure regulation and cannot provide any material nonpublic information. Therefore, whether site visits provide new information is an empirical question.

2.3 Research questions

Utilizing the unique data available in China, we explore the following questions related to site visits:

1. Are site visits informative? As discussed above, on one hand, investors spend valuable resources and time on site visits. Given the rationality of the investors, there must be some benefit from such visits. On the other hand, it is unclear whether companies can provide any valuable information given the increasingly litigious environment after the Reg. FD. In Section 4, we investigate whether site visits are associated with significant

[10] It is possible that through site visits, visitors get confirmation on something they have already known about. However, this confirmation is still important because it increases the precision of the signal. The increased precision of the information can help the visitors to update their forecasts of firm performance, ultimately leading to trading.

[11] To confirm this, we examine the detailed historical records of site visits that are occasionally available from firms' websites. (A few firms started to provide historical records of some site visits in 2012.) We find that these site visits are hosted by Board Secretaries, Representatives for Securities Affairs, Heads of Investor Relations, or function managers. These individuals are not regarded as top executives in China. None of these visits involve with top executives such as the CEO, CFO, or COO.

market reaction, and if so, whether the market reaction varies with the characteristics of site visits and firms.

2. If site visits are associated with significant stock price movements, is such stock price movement due to investors' false belief of obtaining useful information or is it due to information related to the firm's operations? To answer this question, we investigate the association between the stock price movements around site visits and the upcoming earnings news.
3. If site visits provide useful information, why don't investors visit all listed firms? To shed light on this issue, we investigate the determinants of site visits by examining whether factors that capture the potential benefit and cost of site visits explain investors' decision to visit a specific firm.

3. Sample and data

Unlike in the U.S., data on site visit recently became available in China. According to the Shenzhen Stock Exchange (SZSE) Information Fair Disclosure Guidelines, effective in August 2006, firms listed on the SZSE have to report to the China Securities Regulation Committee (CSRC) two working days before site visits. After the site visit, the firm has to report the summary of the site visit to both the CSRC and the SZSE, although these reports are not available to the general public. In 2008, the SZSE implemented a new disclosure rule that mandates that all listed firms disclose every site visit in their annual reports starting from 2009. Appendix A provides an example of such disclosure. As shown in the annual report of Shenzhen MTC Co. in 2011, visitors have field tours to the firm's headquarters and the operating facilities and warehouses. Among the eight site visits in 2011, four of them were held in MTC's factories

or industrial parks.

We hand-collect the information related to site visits for the period 2009 - 2011 from the annual reports of firms listed on the SZSE. Our data include the names of visiting institutions or individuals, the event dates and locations, and the main topics of discussions during site visits. Within this three-year period, 806 unique firms, representing 67.7% of all firms listed on the SZSE, have at least one site visit.

We obtain data on stock returns, financial performance, firm characteristics and analyst forecasts from the CSMAR database. To calculate market reactions to site visits, we further require the availability of event dates and the stock return data over a period prior to the event dates.[12] In addition, we exclude firms in the financial industry and firms with missing value on variables used in the multivariate analyses. Furthermore, we delete those site visits that fall within the seven-day window around annual or quarterly earnings announcements to avoid the impact of confounding events.[13] Our final sample consists of 12, 326 site visits from 1,186 firm-years covering 579 unique firms. Panel A of Table 1 summarizes the sample selection procedure.

For the firm-years with at least one site visit, the median number of site visits per year is 7.0 and the mean is 10.41 (untabulated). As shown in Panel B of Table 1, the total number of site visits increases from 3,370 in 2009 to 4,419 in 2010, and then to 4,537 in 2011. Panel B of Table 1 also presents the distribution of the timing of these site visits over the calendar months. There is no obvious clustering, except that there are slightly more site visits in November (11.54% of all site visits), May (10.71%), and March (9.85%).

[12] As described later, we need stock return data for an extended period preceding the event date, including a period of 210 trading days to estimate the normal three-day absolute abnormal returns and an additional period of 200 trading days for the estimation of the market model used for the calculation of daily abnormal returns. This data requirement essentially excludes the site visits that are conducted within one-and-half years from the firm's IPO.
[13] Our results are similar after we further delete those site visits around other potential confounding events, such as dividend announcements and the announcements of seasoned equity offerings.

4. Market reactions around site visits

In this section, we examine market reactions around site visits, based on absolute abnormal stock returns. We first present the univariate analysis for the full sample and sub-samples partitioned based on the characteristics of site visits and firms' information environment. We then conduct multivariate analysis to ensure the robustness of the results from the univariate analysis. Lastly, we use abnormal trading volume as an alternative measure of the market reaction and investigate whether the results are similar to those based on stock returns.

4.1 Univariate analysis

4.1.1 Univariate analysis for the full sample

Following prior studies (Cready and Hurtt 2002; Bushee et al. 2011b, 2012), we measure the market reaction to site visits using the standardized absolute value of abnormal returns (*ABN_ABSAR*) in the three-day window around site visits.[14] Specifically, it is calculated as the difference between the three-day absolute abnormal return around the event and the mean value of the three-day absolute abnormal returns in the normal period, [-220, -11] (i.e., the mean over 70 three-day windows in the normal period), divided by the standard deviation of the three-day absolute abnormal returns in the normal period:[15]

[14] There are two minor differences between Cready and Hurtt's (2002) method and our approach. First, we use [-220, -11] as our normal period while Cready and Hurtt (2002) uses a shorter normal period, [-105, -6]. We move backward the normal period for 5 more days because we want to examine the market reactions for seven *three-day windows* around the site visits, [-10, +10], while Cready and Hurtt (2002) investigate seven *daily* abnormal returns around information events. Specifically, we calculate *ABN_ABSAR* for three-day intervals starting from 10 days before the actual site visit dates, and examine whether there is a significant spike in *ABN_ABSAR* during the [-1, +1] window. The inferences are similar if we use daily abnormal returns. Second, we use market-model adjusted returns while Cready and Hurtt (2002) use size-adjusted returns. As such, we need an estimation period to estimate the market model. Unlike in the U.S., there are no widely accepted size benchmark groups to calculate size-adjusted returns in the China market.

[15] As the China stock market has a high level of industry synchronicity (Gul et al. 2010; Morck et al. 2000), we conduct a sensitivity test based on sector-adjusted returns. Using the CSRC industry classification (Jian and Wong 2010), we calculate two types of sector-adjusted returns: value weighted sector-adjusted returns based on CSRC_level 1 industry classification and value weighted sector-adjusted returns based on CSRC_level 2 industry

$$ABN\_ABSAR_{i,[-1,+1]} = \frac{ABSAR_{i,[-1,+1]} - MEAN\_ABSAR_{i,s}}{STD\_ABSAR_{i,s}}$$

Where:

$ABSAR_{i,(-1,+1)}$	=	$\lvert AR_{i,(-1,+1)} \rvert$. $AR_{i,(-1,+1)}$ is the accumulated abnormal daily returns over the three-day window [-1,+1] centered on the site visit event date for firm *i*. Abnormal daily returns are the market-model adjusted returns. The market model for each stock is estimated using the trading data of the 200 trading days before the normal period, i.e., [-420, -221];[16]
$MEAN\_ABSAR_{i,s}$	=	The mean value of the three-day absolute abnormal returns over the 70 three-day windows in the normal period, which spans a total of 210 days prior to the site visit window;
$STD\_ABSAR_{i,s}$	=	The standard deviation of the three-day absolute abnormal returns in the normal period.

We use a three-day window because some activities related to site visits, such as the reception dinner and team activities, may start the day before and end the day after the official site visit date. Investors can gather information during these activities.

As shown in Table 2, the mean *ABN_ABSAR* is 0.122, significant at the 0.01 level. The standardization procedure, as explained above, can facilitate cross-sectional comparisons, but it is difficult to use it to showcase the economic magnitude (Bushee et al. 2012). Therefore, we also present the difference in the absolute abnormal returns between the event window and the mean value over the normal period, i.e., the numerator in the above formula, $ABSAR_{i,[-1,+1]}$ - $MEAN\_ABSAR_{i,s}$, as the percentage of average *ABSAR* for the normal period. As shown in Table 2, the difference represents 7.30% of the mean value over the normal period. To further evaluate the economic significance of the market reaction to site visits, in an untabulated test we calculate the market reaction for the three-day window around quarterly and annual earnings announcements. We find that the average difference in the absolute abnormal returns between

classification. Our inferences remain unchanged for both types of abnormal returns. We do not report the results for the sake of space.

[16] When the normal period is used as the estimation period, our conclusions remain unchanged.

the earnings announcement window and the normal period is around 19.16% of the mean value of the normal period. Hence the market reaction to site visits is more than one-third of that for the earnings announcements.

To shed light on whether the three-day window around the site visits is unique, Figure 1 depicts the *ABN_ABSAR* for each of the seven three-day windows around site visits in the period of [-10, +10]. The mean value increases from 0.029 for the window [-10, -8] to 0.122 for the window [-1, +1] and then decreases to 0.032 for the window [+8, +10]. Figure 1 clearly shows a spike for the three-day window around site visit. As a result, in the following analyses, we focus on the window [-1, +1].

In sum, our results suggest that investors' corporate site visits are informative events, leading to significant changes in stock prices. We next investigate how the market reactions vary with the firm's information environment and the characteristics of site visits and report the results for different subsamples in Table 2.

4.1.2 Firms' information environment

Information economics theory predicts that the effect of an information event is negatively associated with the quality of a firm's information environment (Verrecchia 2001). It thus follows that site visits are expected to trigger a stronger market reaction for firms with poor information environment due to the lack of alternative information channels and the higher marginal effect of new information. Following prior studies, we capture the quality of information environment using proxies for information dissemination, corporate reporting, and private information acquisition (Bushman et al. 2004). Based on the data availability, we use the analyst coverage (*AC*) to capture the private information acquisition activities and the public disclosure quality rated by the SZSE (*Disclosure_ratings*) to proxy for the corporate reporting

quality. First, we partition the sample into two groups based on the median analyst coverage for our sample. Because firms followed by more analysts receive more site visits, we have a larger number of site visits to the firms with higher analyst coverage than to firms with lower analyst coverage (8,927 vs. 3,399), as indicated in Table 2. The mean *ABN_ABSAR* is 0.175 for the site visits to firms with low analyst coverage while it is only 0.102 for the site visits to firms with high analyst coverage, representing an increase of 11.40% and 5.71%, respectively, from the normal period. The difference between these two groups is statistically significant at the 0.01 level (t=2.85).

Second, we partition the sample into two groups based on the ratings of public information disclosure quality assessed by the SZSE. Starting from 2001, the SZSE conducts an annual evaluation of listing firms' information disclosure quality.[17] As shown in Table 2, there are 1,393 site visits to firms rated as C or D, representing poor disclosure quality, and 10,933 site visits to firms rated as A or B, representing good disclosure quality. The mean *ABN_ABSAR* is 0.176 for the site visits to firms rated as C and D, while it is only 0.115 for the site visits to A or B rated firms, representing an increase of 12.34% and 6.67% from the normal period, respectively. The difference between these two groups is statistically significant at the 0.10 level (t=1.65).

Overall, the site visits are associated with stronger market reactions for firms with poor information environment than other site visits.

4.1.3 Characteristics of site visits

[17] Each year after the April 30th deadline for annual report filings, the SZSE performs the evaluation of information disclosure quality of Shenzhen-listed firms. There are six criteria in the disclosure quality evaluation, including credibility, precision, comprehensiveness, timeliness, compliance, and fairness of information disclosure, with clear definitions and detailed rules for each of these six criteria. The SZSE assigns each listed firm to one of four classes: A, B, C, and D. The SZSE also enumerates all the circumstances under which a firm should receive a "C" or "D" rating. The rating of each listed firm is then posted on the SZSE's official website. The SZSE initiated the information disclosure ratings in 2001, and then updated the criteria in 2008 and 2011. All major clauses remain the same throughout our sample period. For the most updated guideline on the information disclosure ratings, see: http://www.szse.cn/main/chinext/cybdt/39746715.shtml.

As for the characteristics of site visits, we first examine whether the market reaction is stronger for those site visits involved with more visitors. The advantage of visiting a firm together with others is that visitors can obtain more information from observing and participating in others' discussion with the corporate managers. We partition the sample of site visits into those involved with only one visitor (i.e., one-on-one visits) and those with multiple visitors (group visits). The effect is expected to be more pronounced for group visits. As shown in Table 2, there are 7,037 one-on-one visits and 5,289 group visits. The standardized absolute abnormal stock returns (*ABN_ABSAR*) have a mean value of 0.155 for group visits but only 0.097 for one-on-one visits, and the difference is significant at 0.05 level (t=2.53).

We next investigate the market reaction to site visits conducted by different types of visitors in order to shed light on which type of visitors are better at gathering information from site visits and incorporate such information into the market. Prior literature suggests that fund managers are usually more informed investors and they can also directly trade on the information they discover through site visits (Kosowski et al. 2007; Fama and French 2010; Solomon and Soltes 2011; Green et al. 2013). Investors who can better process information or better interpret information in conjunction with their own prior research should be able to benefit more from the corporate site visits, leading to a stronger market reaction. As such, we expect that site visits conducted by mutual fund managers are associated with stronger market reactions than other site visits (e.g., those conducted by financial analysts, consulting firms, private equity firms, banks, and journalists). Note that in China there are very few hedge funds. For this purpose, we classify site visits based on the composition of visitors. If mutual fund visitors dominate a site visit (i.e., the visitor is a mutual fund manager for one-on-one visits, or the number of mutual fund visitors is more than half of the total number of visitors for group visits), this site visit is classified as a

fund visit. As shown in Table 2, there are 4,161 fund visits. We find that the average *ABN_ABSAR* is larger for fund visits than that for non-fund visits (0.161 vs. 0.102) with the difference being significant at the 0.05 level (t=2.42).

To further examine what type of information investors obtain through site visits, we perform a content analysis of the visit agenda. We compile a list of keywords related to firm strategy, financing activities, accounting information, and sales.[18] We then code the indicator for visit agenda (*Firm_specific*) as 1 if the description of visiting activities includes any of the keywords on our list. We expect that visits with firm-specific topics being discussed are more informative than other site visits, which are usually related to the macro economic situation, the industry, and the market trend. As shown in Table 2, there are 7,440 visits with firm-specific topics being discussed. The mean *ABN_ABSAR* is 0.144 for the site visits involving firm-specific topics while it is only 0.088 for other site visits, and the difference is statistically significant at the 0.05 level (t=2.41).

In sum, we find the market reaction is stronger for group visits, for visits by mutual fund managers, and for visits involving firm-specific topics, suggesting that investors gather more information during such visits than in other visits.

4.2 Multivariate analysis of the market reaction

Table 3 presents the regression results of *ABN_ABSAR* on the proxies for firm information environment and site visit characteristics, after controlling for other potential determinants. Panel A of Appendix B presents variable definition, and Panel A of Table 3 presents descriptive statistics. We also control for industry fixed effects in the regressions. All t-statistics are

[18] Words related to firm strategy includes: strategy, development, prospect, vision, positioning; words related to financing include: seasoned offering, bond issuance, bank loan, convertible debt, private issuance, dividend; words related to accounting include; performance, gross margin, disclosure, forecast, quarterly disclosure, annual disclosure; words related to sales include: price, sales, order, new product, distribution, marketing, clientele, chain, store.

calculated based on the standard errors adjusted for firm clustering.

In Panel B of Table 3, we first report the regression results for the two measures of firm information environment, including analyst coverage (*AC*) and the rating of disclosure quality (*Disclosure_rating*). As reported in Column (1), *ABN_ABSAR* is negatively correlated with analyst coverage (t=-2.46) and the disclosure rating (*Disclosure_rating*) (t=-1.68). The control variables are generally not correlated with the market reaction to site visits, except for growth (*Growth*), one-year stock performance (*ABRET*) and the absolute stock price changes in the short period prior to site visits (*ABSAR_pre_visit*). The market reaction is smaller for firms with greater sales growth and better stock performance in the prior year, and is greater for firms experiencing a larger magnitude of stock price movement in the short window immediately prior to the site visits.

We then examine how the market reaction to site visits varies with the characteristics of site visits, including the number of visitors (*Num_visitor*),[19] fund visit indicator (*Funds_visitor*), and the indicator for visit agenda covering firm-specific topics (*Firm_specific*). As reported in Column (2), *ABN_ABSAR* is positively correlated with the number of visitors (t=1.96), the indicator for fund visits (t=1.89), and the indicator for firm-specific topics (t=2.17).

When both the information environment variables and visitor characteristics variables are included in Column (3), all inferences remain the same. Overall, the results from multivariate regressions are consistent with those from univariate analyses in that the market reaction to site visits is stronger for firms with poor information environment, for site visits conducted by a larger group of visitors or by mutual fund managers, and for those site visits with a visit agenda covering firm-specific topics.

[19] Alternatively, we use an indicator variable for group visits and find that, as in the univariate analysis, group visits are associated with a stronger market reaction.

4.3 Analysis of abnormal trading volume

In this section, we examine whether the inferences hold when we use abnormal trading volume around the event windows as an alternative measure to capture market reaction. Following Cready and Hurtt (2002), we calculate standardized abnormal trading volumes (*ABN_TURN*) as follows:[20]

$$ABN\_TURN_{i,[-1,+1]} = \frac{TURN_{i,[-1,+1]} - MEAN\_TURN_{i,s}}{STD\_TURN_{i,s}}$$

Where:

$TURN_{i,\,[-1,\,+1]}$	=	The trading volumes in shares divided by shares outstanding of firm *i* in the three-day window [-1,+1] centered on the site visit event day;
$MEAN\_TURN_{i,s}$	=	The mean value of three-day trading volumes over the normal period. The normal period is [-220, -11], as in the abnormal return measurement;
$STD\_TURN_{i,s}$	=	The standard deviation of three-day trading volumes over the normal period.

Table 4 presents the regression results from the trading volume analysis. As reported in Column (1), the two information environment variables are all significantly negatively correlated with *ABN_TURN*. The regression results in Column (2) show that both the number of visitors (*Num_visitor*) and the indicator for fund visits (*Fund_visitor*) are positively correlated with *ABN_TURN* (t=1.76 and 3.22; respectively). Column (3) shows similar findings when all the information environment variables and site visit characteristics variables are included, although we do not observe a significant correlation between the indicator of firm-specific topics (*Firm_specific*) and *ABN_TURN*. In general, the results based on trading volumes are similar to those based on stock returns in that the market reaction to site visits is stronger for firms with

[20] Bushee et al. (2011b) use the difference between three-day trading volume for the event window and the average three-day trading volume in the normal period and does not use the standardized trading volume measure. When using their measure of abnormal trading volume, we find similar results and all conclusions remain unchanged (untabulated).

poor information environment and is stronger for site visits conducted by a larger group of visitors or by fund managers.

5. Analysis of earnings information from site visits

In the previous section, we document significant market reactions to site visits. One might argue that the documented price changes in the short event window are due to investors' biased behavior or noise trading, not to the information related to firms' fundamental value. To test the validity of this alternative explanation, we examine whether the price changes around site visits are correlated with firms' future performance, or more specifically, firms' forthcoming earnings news.

We measure the stock returns around site visits by the cumulated abnormal returns (*CAR*) in the three-day event window centered on each site visit (i.e., [-1, +1]).[21] Specifically, we follow the same procedure as the one used for the return-based market reaction measure and calculate the model-adjusted daily abnormal returns. We then accumulate the daily abnormal returns over the [-1, +1] window centered on the site visit date. The descriptive statistics show that the average *CAR* is 0.005% and is not statistically different from zero, indicating that during site visits investors discover both good news and bad news.[22]

We use three alternative measures to capture the forthcoming earnings news. The first measure (*ΔROA1*) is the change in *ROA* from year t-1 to the current year t, where *ROA* is calculated as the earnings before extraordinary items divided by total assets. The second measure (*ΔROA2*) is also the change in *ROA* from year t-1 to year t, but *ROA* is calculated as the

[21] As a robustness check, we also examine alternative event windows: [-2, +2], [-3, +3], and [-4, +4]. The results are similar (not reported).

[22] This insignificant stock return to site visits is comforting in the sense that one cannot benefit from knowing that others are conducting site visits to a firm. Investors can only benefit from the information obtained from site visits, not the knowledge of the occurrence of site visits.

operating income divided by total assets. The third measure is the earnings surprise for the current year (*UE*), defined as the difference between actual EPS for the current year and analysts' consensus EPS forecast in the six months prior to site visits, divided by stock price at the beginning of the current year.[23] The mean value of *ΔROA1*, *ΔROA2,* and *UE* is 0.18%, 0.29% and -0.97%, respectively (untabulated).

In the regressions we control for firms' characteristics, including analyst coverage (*AC*), firm size (*Size*), firm age (*Age*), leverage (*LEV*), sales growth (*Growth*), risk (*Beta*), share turnover (*TURNOVER*), book to price ratio (*BM*) and previous stock performance (*ABRET*). Panel B of Appendix B presents the variable definition. We also include industry fixed effects in the regressions and all t-statistics are based on the standard errors adjusted for firm clustering.

Table 5 presents the regression results. For all of the three regression specifications, the coefficients on the earnings news measures (*ΔROA1, ΔROA2, UE)* are positive and statistically significant (t=3.47, 3.61, and 2.95, respectively). Therefore, these results indicate that the documented market reaction to site visit is not driven by investors' behavior bias; instead investors uncover valuable information related to upcoming earnings news through site visits.

A falsification test

An alternative explanation for the results reported in Table 5 is that these results reflect a mechanical relationship between stock return in any 3-day window and forthcoming earnings news. In other words, one might argue that stock returns around any three-day windows prior to earnings announcements could be positively correlated with forthcoming earnings news. To address this concern, we conduct a falsification test. Specifically, for each site visit, we randomly select a three-day window for the same firm-year over the non-event trading days ("pseudo site

[23] Results are similar when we calculate the earnings surprise (*UE*) using the most recent analyst EPS forecast prior to the site visit for the current year or when we use analysts' consensus EPS forecast in the last three months prior to the site visit.

visits") and then replicate the analysis. The regression results show that the coefficients on earnings surprises are not statistically significant (untabulated). This is not surprising because there are many other reasons why stock price moves. Therefore, the results in Table 5 are not driven by the possible mechanical relationship between the three-day window stock returns and forthcoming earnings news.

Long window analysis of cumulated abnormal returns

As an alternative analysis of whether the market reaction in the three-day windows is due to investors' misunderstanding of the information obtained from their site visits, we examine the price movement in a period after site visits. If the information investors obtained from site visits is noise, we should expect a reversal of stock prices after the short window of site visits. For this purpose, we partition the sample into two groups: site visits revealing good news and those revealing bad news (i.e., CAR[-1, +1] is positive or negative, respectively). For each group, we calculate the cumulative abnormal return over the period starting from the day before the site visits until 30 days after, i.e., CAR[-1, +31]. We then develop a measure, *FracNews*, to capture the fraction of total site visit news which is impounded into stock prices within the event window of [-1, +1], as in prior studies (Kothari et al. 2009). Specifically, *FracNews* is defined as the ratio of CAR[-1, +1] scaled by CAR[-1, +31]. If *FracNews* is smaller (larger) than 1, it indicates a post-site-visit drift (reversal).

Based on an untabulated analysis, we find that *FracNews* for the good news subsample is 1.03, and an untabulated t-test indicates that CAR[-1, +1] and CAR[-1, +31] are not significantly different from each other (t=0.55). That is, good news obtained from site visits is fully and efficiently incorporated into the stock prices in the short window around site visits. On the other hand, *FracNews* for the bad news subsample is 0.68, and an untabulated t-test indicates that

CAR[-1, +1] and CAR[-1, +31] are significantly different (t=8.00). This finding suggests a drift following bad news, likely due to the short-selling constraint in China.

In summary, we find no evidence of significant price reversal after site visits. This result further corroborates the inference that the short-window market reaction is not driven by investors' biased behavior or noise trading.

6. Site visits: Selective access or selective disclosure events?

Although site visits are typical information acquisition activities and are regarded as selective access events, the information role of site visits could result from two possible information channels: investors' information discovery or managers' selective disclosure during site visits. The visited firms usually follow the requirement of Reg. FD and ensure that no privileged information is leaked during site visits, as shown in the example presented in Appendix A. Nevertheless, in this section we conduct two sets of analyses to investigate whether site visits are selective disclosure events.

6.1 Site visits right before earnings announcement dates

If site visits are primarily selective disclosure events, they will be more useful when managers possess more private information. Specifically, if selective disclosure is the driver of the information role of site visits, managers would have more private information to disclose when it is close to earnings announcements. Investors' demand for information and thus the likelihood of selective disclosure are also the highest in that period (Ivkovic and Jegadeesh 2004). It thus follows that the market reaction to site visits right before earnings announcements is stronger and the stock returns around these site visits are more closely related to forthcoming earnings news. On the other hand, if site visits are on average selective access events, we should

not observe any difference between site visits right before earnings announcement and other site visits. One might even argue that being concerned with the potential litigation risk of selective disclosure, managers are particularly careful not to reveal any information, material or not, during site visits before earnings announcements, leading to a lower market reaction to these site visits.[24]

Table 6 presents the regression results after including the indicator of site visits prior to earnings announcements, *Pre_EA_visit*, which is one for site visits occurring in the 30 days prior to quarterly or annual earnings announcements. Around 24.13% of our site visit events occur in the month before earnings announcements. Columns (1) and (2) report the market reaction analysis. We find that *Pre_EA_visit* is significantly negatively correlated with market reactions measured as *ABN_ABSAR* (t=-2.68). *Pre_EA_visit* is also negatively, though insignificantly, correlated with market reaction measured as *ABN_TURN* (t=-0.27). Column (3) reports the analysis of earnings information conveyed through site visits. We find that the interaction item, *Pre_EA_visit* × *UE*, has an insignificant coefficient (t=0.81), implying that the stock returns around pre-earnings-announcement site visits are not more relevant to future earnings. In summary, these results suggest that site visits are selective access events, not selective disclosure events.

6.2 Deleting "trouble" firms

It is possible that some of the site visits are still contaminated by selective disclosures. Managers of some firms might be particularly prone to selective disclosure, or violation of Reg. FD. If this is the case, the results will be less likely subject to the impact of selective disclosure

[24] One might argue that top executives engage in selective disclosure in periods other than the month before earnings announcement, leading to lower market reaction in the pre-earnings announcement period under the selective disclosure story. However, this argument requires a lot of strong assumptions. If top executives are concerned with litigation risk, they will not engage in selective disclosure in the post-Reg. FD period in the first place.

after these firms are excluded from the sample. Using an ex-post method, we exclude from our sample the list of firms that are investigated by regulators for potentially violating disclosure rules. Specifically, we identify all firms being investigated by the CSRC or the SZSE as disclosed on the CSRC's and SZSE's websites. If a firm was investigated by either the CSRC or the SZSE in 2009-2011, then this firm is identified as a "trouble" firm and is excluded from our sample. Untabulated analyses indicate that all our inferences remain unchanged after excluding these "trouble" firms (around 17% of the sample firms and 8% of the sample site visits).

7. Determinants of site visits

The previous analyses indicate that investors benefit from site visits. It is natural to wonder how investors decide which firm to visit. As mentioned in our sample selection procedure, some firms do not have any site visit during the whole three-year sample period and some firms have more visits than others. In this section, we explore the determinants of the likelihood and frequency of investors' site visits. Since site visits are mainly a form of investors' active information acquisition activities, we conjecture that the likelihood and frequency of site visits reflect investors' cost-benefit analysis. We expect a higher likelihood and frequency of corporate site visits when site visits are more beneficial and/or less costly.

7.1 Determinants of corporate site visits

We use the following variables to capture the potential benefit of site visits. First, complex firms' information is more difficult to be interpreted by investors (Tasker 1998; Bushee et al. 2003). When the information complexity increases, firms face the challenge of effectively conveying these information cues to investors and investors face the challenge of effectively interpreting these information cues. Therefore, we conjecture that corporate site visits are more

important when the information complexity is higher.[25] We capture information complexity using the logged number of business segments (*SEG*) and we expect that firms with more segments are more likely to have investors' site visits. Second, site visits enable investors to gain insights not only about a firm and its operations, but also about its competitors in the same industry and the overall industry. As a result, we expect that investors are more likely to visit the leading firms in the industry. We use the market share (*MSHARE*) and size (*Size*) to gauge a specific firm's relative importance in its industry. Third, we expect that the information acquired in the site visit is more beneficial to visitors if the firm is attractive to most investors in the market. Prior studies suggest that investors lose interests in firms with poor performance. For example, McNichols and O'Brien (1997) find that financial analysts tend to drop their coverage on firms with poor performance. In addition, analyst coverage reflects a firm's attractiveness to investors. As such, we use an indicator for profitable firms (*Profit*) and analyst coverage (*AC*) to capture a firm's attractiveness to investors. We expected a higher likelihood of corporate site visits for profitable firms and for the firms with high analyst coverage.

On the cost side, we expect that the further the geographic distance between institutional investors and firm headquarters, the more time-consuming and the more expensive these site visits are. Thus, we expect a lower level of likelihood and frequency of site visits for remote firms. We calculate firm's distance to investors (*Distance*) as the (logged) mean distance between firm headquarters and the three economic centers in China (i.e., Beijing, Shanghai, and Shenzhen). The variable, *Distance*, is expected to be negatively correlated with the likelihood and frequency of site visits.[26]

[25] Our conjecture is consistent with the finding in Elliott et al. (2012) that restatements announced via video have a stronger effect on investors' judgment and decision making than restatements announced via text.

[26] It is possible that the geographic distance is correlated with the level of economy development. To alleviate this concern, in an untabulated additional analysis we control for the economy development levels by including the

Following prior studies (Bushee et al. 2012; Soltes 2012; Soloman and Soltes 2011), we control for other firm characteristics related to the likelihood of selective access events: firm age (*Age*), stock performance (*BHAR*), Book-to-market ratio (*BM*), and firm risk (*LEV*). Considering that China economy has strong government intervention, investors might gain insights into government regulations or policy changes by visiting state-owned enterprises. We use the indicator of state-owned enterprises (*SOE*) to capture the possible investor preference for state-owned companies.[27] All variable are defined in Panel C of Appendix B.

7.2 Empirical results

The sample for the determinant analysis consists of all firms listed on the SZSE during 2009-2011. Panel A of Table 7 presents the descriptive statistics on the variables used in the determinant analysis. Among the 1,963 firm-years with required data for the determinant model, 58.3% of them have at least one corporate site visit as shown by the mean of the indicator variable, *D_visit*, which equals 1 if a firm receives at least one site visit in year *t* and 0 otherwise. The frequency of site visits has a mean (median) of 6.32 (2.00).

Panel B of Table 7 presents the results for regressions that examine the determinants of the likelihood (*D_visit*) of investors' corporate site visits in Column (1). Consistent with our expectation, we find that investors are more likely to visit firms with a higher level of expected benefits. Specifically, we find a higher likelihood of site visits for firms with more business segments, firms with a higher market share, larger firms, and firms with higher analyst coverage, and a higher likelihood for profitable firms.[28] The results are also consistent with investors being

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provincial development index and an indicator for firms headquartered in rural areas in the regressions. The additional control variables are not significantly correlated with the likelihood or the frequency of site visits.

[27] Bushee et al. (2003) argues that firms with higher level of intangibility (RD/Sales) are more likely to engage in selective disclosure in the form of closed conference calls. In an untabulated analysis, we find that *RD/Sales* is not significantly correlated with the likelihood or the frequency of site visits.

[28] Recall that the market reaction to site visits is weaker for firms with higher analyst coverage (Table 3). This result is not inconsistent with the finding in Table 7 that investors are more likely to visit firms with higher analyst

unwilling to visit companies with a higher cost of visits; the coefficient on *Distance* variable is significantly negative. Note that the effects of these variables are also economically significant. The marginal effect of these variables ranges from 5.95% to 19.68%.

Column (2) of Panel B reports regressions using the frequency of site visits (*Freq_visit*). *Freq_visit* is a continuous variable which is the natural logarithm of one plus the total number of site visits for a firm in year *t*. The inferences are the same.

In terms of control variables, we find a higher likelihood and frequency of site visits for older firms, for firms with a larger book-to-market ratio, and for visits to state-owned-enterprises.

Overall, these results indicate that investors' corporate site visit decision reflects the trade-off between the costs and benefits of site visits.

8. Conclusion

Corporate site visits offer investors a unique window into a firm's operations and are important information acquisition activities. Using a unique dataset of site visits from China, we find that site visits are associated with economically significant market reactions. We further document that the market reactions is stronger for firms with poorer information environment, for site visits conducted by a larger group of visitors, for visits by fund managers, and for site visits covering firm-specific topics.

The market reaction to site visits is not due to noises or behavior bias. We find that the abnormal stock returns around site visits are positively correlated with firms' forthcoming earnings news. This positive correlation indicates that investors acquire new information about forthcoming earnings news through their site visits.

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coverage. Specifically, the results in Table 7 suggest a greater *aggregate* benefit of visiting firms with higher analyst coverage. Given that these firms attract a lot more site visits, the *individual* site visits might not be able to trigger a larger market reaction than the site visits to firms covered by fewer analysts.

In addition, we find that site visits conducted prior to earnings announcements are not associated with stronger market reactions and that the stock returns around these site visits do not have a stronger correlation with forthcoming earnings news than site visits conducted in other periods. These findings indicate that site visits are not selective disclosure events, which would predict that site visits convey more information when managers possess more private information in the pre-announcement periods. Also the results are similar after we exclude firms that are more likely to have disclosure related issues.

Lastly we explore the determinants of site visits. We find that the likelihood and frequency of investors' site visits are greater for firms with more business segments, for firms with a higher market share, for larger firms, and for firms with positive earnings in the prior year, and for firms with higher analyst coverage. In addition, the likelihood and frequency of investors' site visits are negatively associated with the cost to conduct site visits, proxied for by firm's geographic distance from the economic centers. These results suggest that investors' cost-benefit trade-offs play a key determinant role in their decisions of conducting site visits.

Overall, our paper contributes to the literature by presenting the first systematic, large-sample, analysis of the information content and the determinants of site visits, an important form of selective access events. Future research can extend this study by examining other important issues, such as the exact mechanism of price discovery – how the information obtained by visitors is incorporated into the market.

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APPENDIX A
A site visit example: Extract of the 2011 annual report of Shenzhen MTC Co., Ltd.

Details of site visits are as follows during the reporting period:

Time	Place	Visitor	Content of discussion and materials provided
11 May 2011	Headquarters, Fuyong Factory	China Shipbuilding Financial Company, HuaTai United Securities	Recent production and operation of the Company, product management and process management, the perspectives of LED.
4 Jul. 2011	Grand Hyatt, Shenzhen	China Asset Management, Hongyuan Securities, Shanghai Zexi Investment Management, Harfor Fund Management	Brief introduction of the company, its products and product lines, its business model, its core competitive advantage, its LED business development strategy, its investment philosophy, and its future development strategy.
18 Aug. 2011	Headquarters	E Fund Management	Brief introduction of the company, its products and product lines, its business model, its core competitive advantage, its LED business development strategy. General trends of OEM in LCD TV business, the perspectives of the export business in the latter half of this year.
31 Aug. 2011	Headquarters, Fuyong Factory, Shajing Factory	Zhongshan Securities, Rongtong Fund Management	Brief introduction of the company, its core competitive advantage, and its future development strategy. The sales of LED, General trends of OEM in LCD TV business, the major competitive advantages of the Company compared to its competitors in Taiwan, perspectives of the export business in the latter half of this year.
13 Sep. 2011	Headquarters	CITIC Securities	The general situation of the export business of high definition digital receiver and LCD TV, the general situation of overseas market, the present development status of LED and LED packaging, the future development strategy of the Company.
1 Dec. 2011	Headquarters	Zhongshan Securities, Hangzhou Yinhe Management	The production and operation of the first three quarters of the Company. The business model and the supply chain management of the Company, the general trends in the industry.
8 Dec. 2011	Fuyong Factory, Shajing Factory, Zhaochi Industrial Park	Shanghai Securities News, Securities Times, Securities Daily, China Securities Journal, Lion Fund Management, Goldstate Securities, GF Securities, Shenzhen Wansheng Investment Management	Brief introduction of the company, its products and product lines, its business model, its core competitive advantage, its sales in the first three quarters, its LED business development status, its investment philosophy, and the development plan and the size of Zhao Chi Industrial Park.
28 Dec. 2011	Fuyong Factory, Shajing Factory, Zhaochi Industrial Park	China Securities Journal, Guosen Securities, China Merchants Securities, Huaxi Securities, Hwabao Securities, Great Wall Securities	Brief introduction of the company, its products and product lines, its business model, its core competitive advantage, its sales in the first three quarters, its LED business development status, its investment philosophy, and the development plan and the size of Zhao Chi Industrial Park.

In the reporting period, the Company respectively received site visits from investors and analysts for eight times. During these site visits, the Company has strictly followed the regulations of Guidelines of Fair Information Disclosure for Companies Listed on the Small and Medium-Sized Enterprise Board of the Shenzhen Stock

Exchange, Guidelines of the Shenzhen Stock Exchange for Standardized Operation of Companies Listed on the Small and Medium-Sized Enterprise Board, as well as the internal guidelines of information disclosure and investor relationship management of the Company. The Company fairly treats each investor during the site visit process. Investors have to register with the Company before their site visits; investors are strongly suggested to avoid those dates that coincide with other significant information disclosure time windows when scheduling site visits. Before site visits, all visitors are required to sign an agreement to follow the Company's site visit policy, and during the site visits, visitors are accompanied by more than two staff members of the Company, who shall record the conversation and report it to the Shenzhen Stock Exchange.

APPENDIX B
Variable definitions

Panel A: Variable definitions for the market reaction analysis

Dependent Variables

ABN_ABSAR	=	The difference between the absolute 3-day model-adjusted cumulate abnormal return in event period and the mean of absolute 3-day model-adjusted cumulate abnormal return in estimation period, divided by the standard deviation of the mean absolute 3-day model-adjusted cumulate abnormal return.
ABN_TURN	=	The abnormal share turnover as the 3-day volume divided by shares outstanding, less the average 3-day turnover in the estimation period, divided by the standard deviation of the mean share turnover in the estimation period.

Information Environment Variables

AC	=	Analyst coverage, measured as the natural logarithm of one plus the total number of analysts issuing earnings forecasts in the most recent calendar quarter prior to the site visit date.
Disclosure_rating	=	The rating of information disclosure quality assigned by the Shenzhen Stock Exchange to Shenzhen listed companies. Evaluation ratings are 4 when companies are rated A, 3 when they are rated B, 2 when they are rated C, and 1 when they are rated D.
Pre_EA_visits	=	An indicator variable of marking the site visits that occur within a one month period before quarterly and annual earnings announcement dates. Coded as 1 if an earnings announcement (quarterly or annual) is disclosed over day +1 to day +30 after the site visit.

Visit Characteristics Variables

Num_visitor	=	Natural logarithm of the number of visitors of a site visit.
Fund_visitor	=	An indicator variable of fund visits. Coded as 1 if the number of funds accounts for more than 50% of the total number of visitors to a site visit, 0 otherwise.
Firm_specific	=	An indicator variable of content analysis of site visit agenda. Coded as 1 if firm specific strategy, finance, accounting, or sales related topics are discussed over the site visits, 0 otherwise.

Control Variables

Size	=	Residual value of market value of equity of firm i in year t-1. We extract the residuals from a model of firm size on analyst following, standard deviation of stock return, book-to-market ratio, market share, institutional ownership.
Growth	=	Sales growth at FYE prior to the site visit. Calculated as the ratio of total sales of prior year divided by total sales of year t-2.
ABRET	=	The buy and hold market adjusted returns over the year prior to the site visit until 30 days before the site visit.
ABSAR_pre_visit	=	The absolute value of buy and hold market adjusted returns over one month prior to the site visit until 11 days before the site visit.
TURNOVER	=	The average monthly share turnover, computed as volume divided by shares outstanding, for the year prior to the site visit until 30 days before the site visit.
BM	=	The book-to-market ratio at the fiscal year end prior to the site visit.
ΔNI	=	The change in net income, deflated by total assets at the end of year t-2.
LEV	=	The leverage ratio at FYE prior to the site visit, which is defined as the ratio of total debt divided by total assets.
Beta	=	Stock beta (systematic risk), calculated over the period of day -420 to day -221 prior to the site visit.
Age	=	Firm age, measured as the natural logarithm of one plus the number of years the company has been listed.

APPENDIX B (Cont'd)

Panel B: Variable definitions for the informativeness analysis

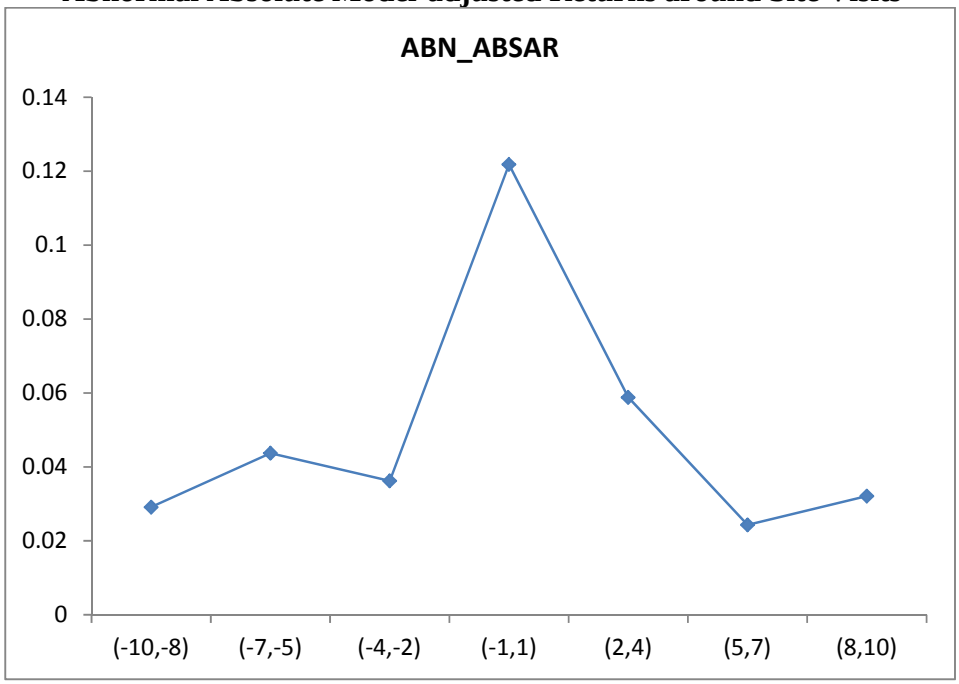
Dependent Variables		
CAR	=	The cumulated model-adjusted abnormal returns in the three-day event window centered on site visits (i.e., [-1, +1])
Earnings News Variables		
ΔROA1	=	The change of ROA, in which ROA equals to earnings before extraordinary items divided by total assets.
ΔROA2	=	The change of ROA, in which ROA equals to operating income divided by total assets.
UE	=	Unexpected earnings, measured as the difference between actual earnings per share minus the consensus forecast of earnings per share based on the analyst forecasts in the last 6 months prior to site visits, divided by stock price at the beginning of the year.
Information Environment Variables		
AC	=	Natural logarithm of one plus the total number of analysts issuing earnings forecasts in the most recent calendar quarter prior to the site visit date.
Control Variables		
Size	=	Residual value of market value of equity of firm i in year t-1. We extract the residuals from a model of firm size on analyst following, standard deviation of stock return, book-to-market ratio, market share, institutional ownership.
Growth	=	Sales growth at FYE prior to the site visit, calculated as the ratio of total sales of prior year divided by total sales of year t-2.
ABRET	=	The buy and hold market adjusted returns over the year prior to the site visit until 30 days before the site visit.
ABSAR_pre_visit	=	The absolute value of buy and hold market adjusted returns over one month prior to the site visit until 11 days before the site visit.
TURNOVER	=	The average monthly share turnover, computed as volume divided by shares outstanding, for the year prior to the site visit until 30 days before the site visit.
BM	=	The book-to-market ratio at FYE prior to the site visit.
LEV	=	The leverage ratio at FYE prior to the site visit, which is defined as the ratio of total debt divided by total assets.
Beta	=	Stock beta (systematic risk), calculated over the period of day -420 to day -221 prior to the site visit.
Age	=	Firm age, measured as the natural logarithm of one plus the number of years the company has been listed.

APPENDIX B (Cont'd)

Panel C: Variable definitions for determinant model

Dependent Variables		
$D\_visit_{i,t}$	=	An indicator variable of site visit, coded as 1 if firm *i* receives at least one site visit in year *t* and 0 otherwise.
$Freq\_visit_{i,t}$	=	Natural logarithm of one plus the total number of site visits for firm *i* in year *t*.
Variables capturing the benefit of site visits		
$SEG_{i,t-1}$	=	Natural logarithm of total number of business segments of firm i in year t-1.
$MSHARE_{i,t-1}$	=	Sales of firm i divided by the sum of sales of all listed firms that belong to the same first 2-digit CSRC industrial code in year t-1.
$Size_{i,t-1}$	=	Residual value of of market value of equity of firm i in year t-1. We extract the residuals from a model of firm size on analyst following, standard deviation of stock return, book-to-market ratio, market share, institutional ownership.
$Profit_{i,t-1}$	=	An indicator variable for profitable firms. It is coded as 1 if firm *i* has an operating gain in year t-1.
$AC_{i,t-1}$	=	Natural logarithm of one plus the total number of analysts that cover firm i in year t-1.
Variables capturing the cost of site visits		
$Distance_i$	=	Natural logarithm of one plus the mean distance (in the units of 100km) between firm i's headquarters and the three economic centers in China. These three economic centers are Beijing, Shanghai, and Shenzhen, which are identified based on the total number of analysts registered within each city.
Control Variables		
$Age_{i,t-1}$	=	Firm age at year t-1, measured as the natural logarithm of one plus the number of years since firm i obtained listing status.
$BHAR_{i,t-1}$	=	The buy and hold market adjusted returns of firm i in year t-1.
$BM_{i,t-1}$	=	The book-to-market ratio of firm i at the end of year t-1.
$LEV_{i,t-1}$	=	The leverage ratio of firm i in year t-1, which is defined as the ratio of total debt divided by total assets.
$SOE_{i,t-1}$	=	An indicator variable of firms' ownership type in year t-1. It is coded as 1 if firm i is state-owned and 0 otherwise.

FIGURE 1
Abnormal Absolute Model-adjusted Returns around Site Visits



This figure depicts the trend of *ABN_ABSAR* during the period of [-10, +10] around the corporate site visits. The mean *ABN_ABSAR* for each three-day window is presented. *ABN_ABSAR* is calculated as the difference between the absolute three-day accumulated abnormal return around the event and the mean value of absolute three-day accumulated abnormal returns in the normal period, [-220, -11].

TABLE 1
Sample selection and distribution of site visits

This table reports the sample selection and the sample distribution. Panel A presents the sample selection for our sample of 12,326 site visit events and 1,190 firm-years from Shenzhen-listed firms in the period 2009-2011. Panel B reports the distribution of site visits by calendar year and calendar month.

Panel A: Sample selection

	# events of site visits	# firms	# firm-years
All site visits	16,616	806	1,595
After deleting site visits without specific event dates	16,576	791	1,556
After deleting site visits without data for the estimation of abnormal stock returns and those site visits to firms in the financial industries	12,718	615	1,235
After deleting site visits with missing control variables in the multivariate regressions of market reaction and those site visits coinciding with earnings announcements	12,326	579	1,186

Panel B: Sample distribution by calendar year and month

	Total		2009		2010		2011	
Month	# of visits	% of total visits	# of visits	% of total visits	# of visits	% of total visits	# of visits	% of total visits
1	736	5.97%	96	2.85%	363	8.21%	277	6.11%
2	673	5.46%	304	9.02%	148	3.35%	221	4.87%
3	1,214	9.85%	311	9.23%	535	12.11%	368	8.11%
4	992	8.05%	261	7.74%	400	9.05%	331	7.30%
5	1,320	10.71%	330	9.79%	421	9.53%	569	12.54%
6	1,025	8.32%	268	7.95%	319	7.22%	438	9.65%
7	978	7.93%	303	8.99%	351	7.94%	324	7.14%
8	977	7.93%	271	8.04%	317	7.17%	389	8.57%
9	1,181	9.58%	287	8.52%	415	9.39%	479	10.56%
10	672	5.45%	222	6.59%	256	5.79%	194	4.28%
11	1,422	11.54%	406	12.05%	496	11.22%	520	11.46%
12	1,136	9.22%	311	9.23%	398	9.01%	427	9.41%
Total	12,326	100.00%	3,370	27.34%	4,419	35.85%	4,537	36.81%

TABLE 2
Univariate analysis of the information content of investors' site visits

This table reports the standardized absolute abnormal returns (*ABN_ABSAR*) in the 3-day event windows around site visits, as well as proportional and annualized raw difference in absolute abnormal returns (*ABSAR*) between the event window and the normal period.

Panel A reports the full sample univariate results, which includes 12,326site visit events from 579 Shenzhen-listed firms in the period 2009-2011. Panel B reports the univariate analysis of sub-samples based on several sample partition criteria, including the number of analysts following for the firm being visited (AC), the disclosure ratings assigned by the Shenzhen Stock Exchange (Disclosure rating), the number of visitors on each site visit day (Number of visitors), the type of visitors (Visitor type), the specific topics being discussed during site visits (Visit agenda). *,**,*** denote significance levels at the 10 percent, 5 percent, and 1 percent levels, respectively, based on two-sided tests.

Partition criteria	Samples	*Obs.*	$ABN\_ABSAR_{i,(-1,1)}$		Difference in absolute abnormal returns (*ABSAR*) between the event window and the normal period
			Mean	T-value	[as % of normal period *ABSAR*]
Full Sample		12,326	0.122***	10.68	7.30%
Analyst coverage	Low coverage	3,399	0.175***	7.96	11.40%
	High coverage	8,927	0.102***	7.62	5.71%
	Low – High		0.073***	2.85	
Disclosure rating	Rating = C or D	1,393	0.176***	5.13	12.34%
	Rating = A or B	10,933	0.115***	9.51	6.67%
	C or D – A or B		0.061*	1.65	
Number of visitors	Group	5,289	0.155***	8.83	9.93%
	One-on-one	7,037	0.097***	6.46	5.35%
	Group – One-on-one		0.058**	2.53	
Visitor type	Funds	4,161	0.161***	8.02	10.49%
	Non-Funds	8,165	0.102***	7.36	5.69%
	Funds – Non-Funds		0.059**	2.42	
Visit agenda	Firm-specific	7,440	0.144***	9.55	8.70%
	Others	4,886	0.088***	5.08	4.93%
	Firm-specific – Others		0.056**	2.41	

TABLE 3
Regression of the market reaction to site visits on visit characteristics and information environment variables

This table presents the regression result of the market reaction to site visits on information environment variables, visit characteristics, and control variables.

Panel A presents the descriptive statistics of all variables. Please see Panel A of Appendix B for variable definition.

Panel B presents the regression result of the market reaction to site visits on visit characteristics based on the following regression model:

$$ABN\_ABSAR_{i,t} = \alpha + \beta_1 Num\_visitor_{i,t} + \beta_2 Fund\_visitor_{i,t} + \beta_3 Firm\_specific_{i,t} + \beta_4 Disclosure\_rating_{i,t} + \beta_5 AC_{i,t-1} + \gamma_1 Size_{i,t-1} + \gamma_2 Growth_{i,t-1} + \gamma_3 ABRET_{i,t-1} + \gamma_4 ABRET\_pre\_visit_{i,t-1} + \gamma_5 TURNOVER_{i,t-1} + \gamma_6 BM_{i,t-1} + \gamma_7 \Delta NI_{i,t-1} + \gamma_8 Lev_{i,t-1} + \gamma_9 beta_{i,t-1} + \gamma_{10} Age_{i,t} + \varepsilon_{i,t}$$

The dependent variable is standardized absolute abnormal returns (*ABN_ABSAR*). The full sample consists of 12,326 site visit events with data on required variables in the period 2009-2011. The t-values in parentheses are based on standard errors adjusted for firm clustering. T-statistics are in parentheses. ***, **, * indicate that the coefficient is at the 0.01, 0.05, and 0.10 levels, respectively, based on two-tailed statistical tests.

TABLE 3 (Cont'd)

Panel A: Descriptive statistics

	N	Mean	Std	P25	Median	P75
ABN_ABSAR	12,326	0.1220	1.2677	-0.7107	-0.2259	0.5414
AC	12,326	1.7702	0.8890	1.0986	1.7918	2.4849
Disclosure_rating	12,326	3.0920	0.6340	3.0000	3.0000	3.0000
Num_visitor	12,326	0.4365	0.1962	0.3010	0.3010	0.4771
Fund_visitor	12,326	0.3376	0.4729	0.0000	0.0000	1.0000
Visit_agenda	12,326	0.6036	0.4892	0.0000	1.0000	1.0000
Size	12,326	22.6178	1.0203	21.8830	22.5138	23.3219
Growth	12,326	1.2389	0.4118	1.0156	1.1760	1.3752
ABRET	12,326	0.1407	0.4631	-0.1639	0.0400	0.3419
ABRET_pre_visit	12,326	0.0806	0.0704	0.0280	0.0618	0.1128
TURNOVER	12,326	0.3106	0.1991	0.1553	0.2662	0.4216
BM	12,326	0.3619	0.2757	0.1713	0.2662	0.4636
ΔNI	12,326	0.0158	0.0528	-0.0072	0.0099	0.0337
Lev	12,326	0.4972	0.1917	0.3573	0.5143	0.6452
Beta	12,326	1.0316	0.1782	0.9376	1.0523	1.1483
Age	12,326	2.3026	0.5954	2.0794	2.5649	2.7081
ABN_TURN	12,326	0.1605	1.3678	-0.7968	-0.2197	0.7170

TABLE 3 (Cont'd)

Panel B: Information Environment and site visit characteristics

	Column (1)	Column (2)	Column (3)
AC	-0.0495**		-0.0525***
	(-2.46)		(-2.60)
Disclosure_rating	-0.0967*		-0.1048*
	(-1.68)		(-1.84)
Num_visitor		0.1197**	0.1209**
		(1.96)	(1.98)
Fund_visitor		0.0481*	0.0507**
		(1.89)	(2.00)
Firm_specific		0.0573**	0.0624**
		(2.17)	(2.38)
Size	-0.0162	-0.0538***	-0.0173
	(-0.87)	(-3.50)	(-0.93)
Growth	-0.1007***	-0.1039***	-0.0979***
	(-3.07)	(-3.08)	(-2.94)
ABRET	-0.0886***	-0.0946***	-0.0900***
	(-2.92)	(-3.14)	(-3.01)
ABSAR_pre_visit	0.4985***	0.4736***	0.4755***
	(2.92)	(2.79)	(2.78)
TURNOVER	-0.0898	-0.0684	-0.0903
	(-1.04)	(-0.78)	(-1.05)
BM	0.0456	0.0152	0.0451
	(0.77)	(0.26)	(0.77)
ΔNI	-0.0084	0.0402	-0.0094
	(-0.03)	(0.14)	(-0.03)
Lev	0.0158	0.0297	0.0353
	(0.19)	(0.36)	(0.43)
Beta	-0.1138	-0.0788	-0.1084
	(-1.35)	(-0.93)	(-1.29)
Age	0.0026	0.0167	0.0012
	(0.11)	(0.70)	(0.05)
Industry Fixed Effects	Yes	Yes	Yes
Observations	12,326	12,326	12,326
Adj. R^2	0.005	0.006	0.007

TABLE 4
Analysis of abnormal trading volume around site visits

This table reports the analysis of standardized abnormal share turnover (*ABN_TURN*) in the 3-day event windows around site visits based on the following model:

$$\begin{aligned} ABN\_TURN_{i,t} = {} & \alpha + \beta_1 Num\_visitor_{i,t} + \beta_2 Fund\_visitor_{i,t} + \beta_3 Firm\_specific_{i,t} + \beta_4 Disclosure\_rating_{i,t} \\ & + \beta_5 Preceding\_visits_{i,t} + \beta_6 AC_{i,t-1} + \gamma_1 Size_{i,t-1} + \gamma_2 Growth_{i,t-1} + \gamma_3 ABRET_{i,t-1} \\ & + \gamma_4 ABRET\_pre\_visit_{i,t-1} + \gamma_5 TURNOVER_{i,t-1} + \gamma_6 BM_{i,t-1} + \gamma_7 \Delta NI_{i,t-1} + \gamma_8 Lev_{i,t-1} \\ & + \gamma_9 beta_{i,t-1} + \gamma_{10} Age_{i,t} + \varepsilon_{i,t} \end{aligned}$$

The full sample includes 12,326 site visit events with data on required variables from Shenzhen-listed firms in the period 2009-2011. The t-values in parentheses are based on standard errors adjusted for firm clustering. ***, **, * indicate that the coefficient is at the 0.01, 0.05, and 0.10 levels, respectively, based on two-tailed statistical tests.

TABLE 4 (Cont'd)

	Column (1)	Column (2)	Column (3)
AC	-0.0912***		-0.0947***
	(-3.06)		(-3.17)
Disclosure_rating	-0.2293**		-0.2239*
	(-2.01)		(-1.94)
Num_visitor		0.1283*	0.1303*
		(1.76)	(1.79)
Fund_visitor		0.0905***	0.0951***
		(3.22)	(3.38)
Firm_specific		-0.0246	-0.0141
		(-0.57)	(-0.33)
Size	-0.1956***	-0.2602***	-0.1924***
	(-5.10)	(-8.01)	(-4.98)
Growth	-0.1497**	-0.1643**	-0.1522**
	(-2.29)	(-2.50)	(-2.32)
ABRET	-0.1365***	-0.1499***	-0.1413***
	(-2.81)	(-3.05)	(-2.90)
ABSAR_pre_visit	2.1607***	2.1307***	2.1334***
	(8.89)	(8.81)	(8.77)
TURNOVER	-1.2690***	-1.2321***	-1.2729***
	(-8.69)	(-8.25)	(-8.69)
BM	0.3913***	0.3352***	0.3932***
	(3.49)	(3.15)	(3.51)
ΔNI	-0.7328	-0.6237	-0.7177
	(-1.35)	(-1.19)	(-1.33)
Lev	0.0364	0.0347	0.0436
	(0.25)	(0.23)	(0.29)
Beta	0.3115**	0.3631***	0.3082**
	(2.24)	(2.61)	(2.22)
Age	0.1466***	0.1768***	0.1470***
	(2.99)	(3.59)	(2.96)
Industry Fixed Effects	Yes	Yes	Yes
Observations	12,326	12,326	12,326
Adj. R^2	0.088	0.086	0.089

TABLE 5
Site visits and forthcoming earnings news

This table presents the regression result of abnormal returns (*AR*) on forthcoming earnings news:

$$CAR_{i,t} = \alpha + \beta_1 EarningsNews_{i,t} + \beta_2 AC_{i,t-1} + \gamma_1 Size_{i,t-1} + \gamma_2 Growth_{i,t-1} + \gamma_3 ABRET_{i,t-1} + \gamma_4 ABRET\_pre\_visit_{i,t-1} + \gamma_5 TURNOVER_{i,t-1} + \gamma_6 BM_{i,t-1} + \gamma_7 \Delta NI_{i,t-1} + \gamma_8 Lev_{i,t-1} + \gamma_9 beta_{i,t-1} + \gamma_{10} Age_{i,t} + \varepsilon_{i,t}$$

CAR is calculated as cumulated abnormal returns in the three-day event window centered on site visits (i.e., [-1, +1]). Columns (1), (2), and (3) reports the regression results when the forthcoming earnings news is proxied by the change in the earnings before extraordinary items divided by total assets (*ΔROA1*), the change in the operating income divided by total assets (*ΔROA2*), and the difference between actual earnings before extraordinary items in current year and analysts' consensus forecast in the 6 months prior to site visits, divided by total market value at the end of last year (*UE*), respectively. The full sample consists of 10,532 site visit events with data on required variables from Shenzhen-listed firms in the period 2009-2011. The t-values in parentheses are based on standard errors adjusted for firm clustering. ***, **, * indicate that the coefficient is at the 0.01, 0.05, and 0.10 levels, respectively, based on two-tailed statistical tests. Please see Panel B of Appendix B for variable definition.

	Column (1)	Column (2)	Column (3)
ΔROA1	0.0607***		
	(3.47)		
ΔROA2		0.0543***	
		(3.61)	
UE			0.0319***
			(2.95)
AC	0.0024***	0.0024***	0.0022***
	(3.19)	(3.14)	(2.89)
Size	-0.0025***	-0.0025***	-0.0025***
	(-3.94)	(-3.98)	(-3.96)
Growth	-0.0052***	-0.0050***	-0.0059***
	(-4.11)	(-3.87)	(-4.63)
ABRET	0.0011	0.0009	0.0015
	(0.88)	(0.77)	(1.20)
ABSAR_pre_visit	-0.0049	-0.0050	-0.0043
	(-0.70)	(-0.70)	(-0.60)
TURNOVER	0.0014	0.0015	0.0015
	(0.44)	(0.45)	(0.47)
BM	0.0056***	0.0055***	0.0070***
	(3.15)	(3.07)	(3.52)
Lev	-0.0019	-0.0017	-0.0005
	(-0.64)	(-0.58)	(-0.17)
Beta	0.0007	0.0004	0.0010
	(0.22)	(0.11)	(0.32)
Age	0.0018*	0.0018*	0.0017*
	(1.86)	(1.85)	(1.73)
Industry Fixed Effect	Yes	Yes	Yes
Observations	10,532	10,532	10,532
Adj. R^2	0.011	0.011	0.010

TABLE 6
Site visits occurring before earnings announcements

This table presents the regression results of market reaction (*ABN_ABSAR* and *ABN_TURN*) and cumulated abnormal returns (C*AR*) after including an indicator variable for site visits that occur in the 30 days prior to earnings announcement (*Pre_EA_visit)*.

Columns (1) reports the regression results of return based market reaction (*ABN_ABSAR*). *ABN_ABSAR* is calculated as the difference between the absolute 3-day model-adjusted cumulate abnormal return in event period and the mean of absolute 3-day model-adjusted cumulate abnormal return in estimation period, divided by the standard deviation of the mean absolute 3-day model-adjusted cumulate abnormal return.

$$\begin{aligned} ABN\_ABSAR_{i,t} = \ & \alpha + \beta_1 Pre\_EA\_Visit_{i,t} + \beta_2 Num\_visitor_{i,t} + \beta_3 Fund\_visitor_{i,t} + \beta_4 Firm\_specific_{i,t} \\ & + \beta_5 Disclosure\_rating_{i,t} + \beta_6 Preceding\_visits_{i,t} + \beta_7 \Delta NI_{i,t-1} + \beta_8 AC_{i,t-1} + \gamma_1 Size_{i,t-1} \\ & + \gamma_2 Growth_{i,t-1} + \gamma_3 ABRET_{i,t-1} + \gamma_4 ABRET\_pre\_visit_{i,t-1} + \gamma_5 TURNOVER_{i,t-1} + \gamma_6 BM_{i,t-1} \\ & + \gamma_7 \Delta NI_{i,t-1} + \gamma_8 Lev_{i,t-1} + \gamma_9 beta_{i,t-1} + \gamma_{10} Age_{i,t} + \varepsilon_{i,t} \end{aligned}$$

Columns (2) reports the regression results of volume based market reaction (*ABN_TURN*). *ABN_TURN* is calculated as the abnormal share turnover as the 3-day volume divided by shares outstanding, less the average 3-day turnover in the estimation period, divided by the standard deviation of the mean share turnover in the estimation period.

$$\begin{aligned} ABN\_TURN_{i,t} = \ & \alpha + \beta_1 Pre\_EA\_Visit_{i,t} + \beta_2 Num\_visitor_{i,t} + \beta_3 Fund\_visitor_{i,t} + \beta_4 Firm\_specific_{i,t} \\ & + \beta_5 Disclosure\_rating_{i,t} + \beta_6 Preceding\_visits_{i,t} + \beta_7 \Delta NI_{i,t-1} + \beta_8 AC_{i,t-1} + \gamma_1 Size_{i,t-1} \\ & + \gamma_2 Growth_{i,t-1} + \gamma_3 ABRET_{i,t-1} + \gamma_4 ABRET\_pre\_visit_{i,t-1} + \gamma_5 TURNOVER_{i,t-1} + \gamma_6 BM_{i,t-1} \\ & + \gamma_7 \Delta NI_{i,t-1} + \gamma_8 Lev_{i,t-1} + \gamma_9 beta_{i,t-1} + \gamma_{10} Age_{i,t} + \varepsilon_{i,t} \end{aligned}$$

Columns (3) reports the regression results of signed market returns (*CAR*) on the indicator for size visits occurring in the 30 days prior to earnings announcement dates (*Pre_EA_visit)*, forthcoming earnings news (*UE)*, and the interaction term of *UE*×*Pre_EA_visit*. *AR* is calculated as abnormal returns in the three-day event window centered on site visits (i.e., [-1, +1]).

$$\begin{aligned} CAR_{i,t} = \ & \alpha + \beta_1 Pre\_EA\_Visit_{i,t} + \beta_2 UE_{i,t} + \beta_3 Pre\_EA\_Visits_{i,t} * UE_{i,t} + \beta_4 AC_{i,t-1} + \gamma_1 Size_{i,t-1} \\ & + \gamma_2 Growth_{i,t-1} + \gamma_3 ABRET_{i,t-1} + \gamma_4 ABRET\_pre\_visit_{i,t-1} + \gamma_5 TURNOVER_{i,t-1} + \gamma_6 BM_{i,t-1} \\ & + \gamma_7 Lev_{i,t-1} + \gamma_8 beta_{i,t-1} + \gamma_9 Age_{i,t} + \varepsilon_{i,t} \end{aligned}$$

The full sample consists of 12,357 site visit events from Shenzhen-listed firms in the period 2009-2011, and the sample size in each column varies with the data availability of the test variables. The t-values in parentheses are based on standard errors adjusted for firm clustering. ***, **, * indicate that the coefficient is at the 0.01, 0.05, and 0.10 levels, respectively, based on two-tailed statistical tests. Please see Panel A and Panel B of Appendix B for variable measurement.

TABLE 6 (Cont'd)

	Column (1) *ABN_ABSAR*	Column (2) *ABN_TURN*	Column (3) *CAR*
Pre_EA_visit	-0.0822***	-0.0104	-0.0019*
	(-2.68)	(-0.27)	(-1.74)
UE			0.0258**
			(2.10)
Pre_EA_visit×UE			0.0145
			(0.81)
Num_visitor	0.1252**	0.1539**	
	(2.05)	(2.26)	
Fund_visitor	0.0518**	0.0583**	
	(2.06)	(2.19)	
Firm_specific	0.0599**	-0.0098	
	(2.29)	(-0.24)	
Disclosure_Ratings	-0.1157**	-0.1920*	
	(-2.06)	(-1.83)	
ΔNI	-0.1553	-0.5190	
	(-0.55)	(-1.14)	
AC	-0.0384*	-0.1409***	0.0024***
	(-1.91)	(-4.70)	(3.10)
Size	-0.0567***	-0.0875**	-0.0030***
	(-2.67)	(-2.33)	(-4.16)
Growth	-0.0792**	-0.0316	-0.0045***
	(-2.17)	(-0.48)	(-3.63)
ABRET	-0.0845***	-0.2110***	0.0011
	(-2.86)	(-3.87)	(0.98)
ABSAR_pre_visit	0.4924***	1.7739***	-0.0064
	(2.92)	(7.18)	(-0.88)
TURNOVER	-0.1948**	-1.2638***	-0.0020
	(-2.28)	(-8.47)	(-0.61)
BM	0.1906***	-0.0049	0.0089***
	(2.80)	(-0.05)	(3.85)
Lev	0.0364	0.0149	-0.0009
	(0.43)	(0.11)	(-0.32)
Beta	-0.1160	0.3374**	0.0012
	(-1.42)	(2.51)	(0.39)
Age	0.0169	0.0865**	0.0017*
	(0.69)	(1.99)	(1.73)
Industry Fixed Effect	Yes	Yes	Yes
Observations	12,326	12,326	10,532
Adj. R^2	0.011	0.130	0.015

TABLE 7
Determinants of site visits -
Regression of the likelihood and the frequency of site visits on potential determinants

Panel A of this table presents descriptive statistics for all firm-level variables included in the regression, in the order in which they appear. Note that *Freq_visit* is the raw amount in Panel A and is the natural logarithm of the raw amount in Panel B. Please see Panel C of Appendix B for variable definition.

Panel B of this table presents the regression results of the likelihood and the frequency of site visits on potential determinants:

$$D\_Visit_{i,t} = \alpha + \beta_1 SEG_{i,t-1} + \beta_2 MSHARE_{i,t-1} + \beta_3 Size_{i,t-1} + \beta_4 Profit_{i,t-1} + \beta_5 AC_{i,t-1} + \beta_6 Distance_i + \gamma_1 Age_{i,t} + \gamma_2 BHAR_{i,t-1} + \gamma_3 BM_{i,t-1} + \gamma_4 Lev_{i,t-1} + \gamma_5 SOE_{i,t-1} + \varepsilon_{i,t}$$

$$Freq\_visit_{i,t} = \alpha + \beta_1 SEG_{i,t-1} + \beta_2 MSHARE_{i,t-1} + \beta_3 Size_{i,t-1} + \beta_4 Profit_{i,t-1} + \beta_5 AC_{i,t-1} + \beta_6 Distance_i + \gamma_1 Age_{i,t} + \gamma_2 BHAR_{i,t-1} + \gamma_3 BM_{i,t-1} + \gamma_4 Lev_{i,t-1} + \gamma_5 SOE_{i,t-1} + \varepsilon_{i,t}$$

The sample includes 1,963 firm-years from Shenzhen-listed firms in the period 2009-2011. Column (1) reports the logit regression of the likelihood of site visits on potential determinants, with Z-statistics reported in the parentheses. The marginal effect is calculated as the change in the probability of firm *i* having site visits in year *j*, when there is a change of one standard deviation in the continuous explanatory variable (or a change from 0 to 1 for the indicator variables), with other explanatory variables taking the value of the sample means. Column (2) reports the OLS regression of the frequency of site visits on potential determinants, with t-statistics reported in the parentheses. R^2 is the Pseudo R^2 in Column (1) and Adjusted R^2 in Column (2). ***, **, * indicate that the coefficient is at the 0.01, 0.05, and 0.10 levels, respectively, based on two-tailed statistical tests.

Panel A: Descriptive statistics

	N	Mean	Std	P25	Median	P75
$D\_visit_{i,t}$	1,963	0.583	0.493	0.000	1.000	1.000
$Freq\_visit_{i,t}$ *(raw)*	1,963	6.324	9.769	0.000	2.000	9.000
$SEG_{i,t-1}$	1,963	1.098	0.426	0.693	1.099	1.386
$MSHARE_{i,t-1}$	1,963	0.008	0.025	0.001	0.002	0.007
$Size_{i,t-1}$	1,963	0.008	0.658	-0.467	-0.032	0.436
$Profit_{i,t-1}$	1,963	0.908	0.289	1.000	1.000	1.000
$AC_{i,t-1}$	1,963	1.881	2.186	0.000	1.000	3.000
$Distance_i$	1,963	1,358	489	1,068	1,247	1,440
$Age_{i,t-1}$	1,963	8.266	5.477	2.667	9.667	12.833
$BHAR_{i,t-1}$	1,963	0.185	0.556	-0.125	0.046	0.353
$BM_{i,t-1}$	1,963	0.323	0.225	0.171	0.260	0.411
$Lev_{i,t-1}$	1,963	0.460	0.212	0.304	0.464	0.618
$SOE_{i,t-1}$	1,963	0.501	0.500	0.000	1.000	1.000

TABLE 7 (Cont'd)

Panel B: Regression analysis

	Column (1) Indicator Variable		Column (2) Continuous Variable
	$D\_visit_{i,t}$	Marginal Effects	$Freq\_visit_{i,t}$
Variables capturing the benefit of site visits (predicted sign: +)			
$SEG_{i,t-1}$	0.3832**	0.0907	0.1766**
	(2.25)		(2.21)
$MSHARE_{i,t-1}$	0.2515***	0.0595	0.1111***
	(4.74)		(4.65)
$Size_{i,t-1}$	0.5608***	0.1327	0.4479***
	(5.18)		(9.36)
$Profit_{i,t-1}$	0.8318***	0.1968	0.3602***
	(4.26)		(4.60)
$AC_{i,t-1}$	0.4106***	0.0971	0.4332***
	(4.10)		(9.66)
Variables capturing the cost of site visits (predicted sign: −)			
$Distance_i$	-0.6266**	-0.1482	-0.3050**
	(-2.18)		(-2.23)
Control variables			
$Age_{i,t-1}$	0.1479***	0.035	0.0551***
	(8.99)		(6.98)
$BHAR_{i,t-1}$	0.0444	0.0105	0.0680
	(0.46)		(1.46)
$BM_{i,t-1}$	0.4126	0.0976	0.3559***
	(1.42)		(2.83)
$Lev_{i,t-1}$	0.2772	0.0656	0.3013*
	(0.71)		(1.65)
$SOE_{i,t-1}$	0.2882*	0.0682	0.1335*
	(1.79)		(1.72)
Industry Fixed Effect	Yes		Yes
Observations	1,963		1,963
Pseudo or Adj. R^2	0.192		0.277