Transparency in an Autocracy:
China’s “Missing Cases” in Judicial Opinion Disclosure

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Abstract

This paper conducts a large sample study of government disclosure in China using the 2014 Supreme People’s Court’s mandatory requirement for disclosure of judicial opinions. We specifically examine the court disclosure of listed firms’ litigation cases because we have a benchmark for comparison obtained from the listed firms’ own disclosure of all their litigation cases as required by China’s securities law. Our evidence shows that more than 60% of the cases are missing in the court disclosure, and the decisions to suppress the disclosure are motivated by government leaders’ political incentives. The courts are less likely to disclose judicial opinions for cases involving state-owned enterprises (SOEs) and firms from their own provinces. The disclosure bias for SOEs is stronger among firms that are top 10% in tax expenses or size in the province, or in the year prior to their provincial leader’s promotion. We also find significantly negative stock returns and decrease in external financing associated with the court disclosure, indicating the market perceives the disclosure as a signal that the government is unfavorable towards the firms.

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1. Introduction

Transparency in autocracies is a double-edged sword. On the one hand, transparency can raise the regimes’ legitimacy through building trust and enhancing economic growth. On the other hand, it can also intensify public scrutiny and destabilize the autocrats’ power (Hollyer et al., 2015). Studying how autocratic regimes make disclosure decisions to maintain the balance in transparency has significant political, social and economic implications. However, this topic is understudied due to lack of data. It is difficult to gather government disclosure information to conduct large sample studies since autocrats fear that sharing sensitive information publicly will destabilize their power. Even if they are willing to mandate a disclosure policy, finding the right benchmark for measuring its disclosure quality is a challenge because if the information, which is supposed to be disclosed, is suppressed, it will usually be unobservable to the public.¹

We attempt to overcome these challenges by examining the Chinese courts’ disclosure of judicial opinions of listed companies’ litigation cases. Since January 1, 2014, courts in China are subject to a mandatory requirement to disclose judicial opinions online. This allows us to gain access to over 40 million judicial decisions including companies’ litigation since 2008. We also obtain a comprehensive sample of the listed companies’ litigation through the firms’ own disclosure mandated by the China Securities Law and enforced by China Securities Regulatory Commission. Thus, the companies’ disclosure has provided us with a sample of benchmark cases for our analysis of the courts’ disclosure decisions. This enables us to identify the corporate litigation cases the courts suppress and why they make such decisions.

¹ In an autocratic regime, the public do sometimes get to know about the government suppressing or delaying to report sensitive information (e.g. milk powder scandal in China during the Beijing Olympics). However, it is more of an exception than a rule.
There are reasons to expect that the government has strong incentives to provide a high level of disclosure of these cases after the mandatory requirement. The Supreme People’s Court (SPC) of China initiated this disclosure requirement as a way to enhance decision quality of the judiciary through increased public scrutiny and gain legitimacy by winning public trust. The pressure from the SPC to increase local judges’ transparency is likely to outweigh their preference to avoid scrutiny of their judgment by maintaining opacity. The rest of the government is likely to support SPC’s requirement because the litigation cases are already disclosed by the firms according to the securities law, although the detailed judicial opinions are only disclosed by the courts. Also, these judicial opinions, concerning litigation of commercial firms, usually do not involve politically sensitive information that will threaten government’s power.

However, the government also has strong political incentives to suppress the disclosure of companies’ litigation cases. Although the judicial branch of the government wants to improve transparency and gain public support, it is likely to have significantly negative political implications to the executive branch of the government. This conflict between the two branches of government is particularly acute when economic performance is an important factor in deciding promotion for politicians at the local (provincial or below) levels (Li and Zhou, 2005; Piotroski and Zhang, 2014; Piotroski et al., 2015). Disclosing the judicial opinions will heighten public attention or scrutiny of the firms involved in the litigation. If these are the firms that the local governments favor, disclosure of the judgment will prevent the government from pressuring the courts to lighten the penalty or constrain its ability to grant more favors to the firms.

In China, there is no genuine separation of the judicial, executive, and legislative branches in the government. With the exception to the selection of the president (head) of each provincial court, the appointment of all the other judges in the province have to be approved, directly or
indirectly, by its party secretary. The provincial government can put pressure on local judges not to disclose the judicial opinions of the firms they favor. Therefore, putting these opposing forces together, it is unclear whether the Chinese government will disclose or suppress listed firms’ litigation cases. Also, if the political incentives to disclose outweigh those to suppress the cases, it remains an empirical question which of these political considerations will significantly influence the government’s disclosure decisions.

To address these questions, we first collect a sample of 5,370 litigation cases between 2008 to 2016, which are disclosed by the publicly listed companies as required by the Securities Law of China. We then track the judicial disclosure of the cases in the online platform using either the case serial numbers or names of the parties involved. We find that only 37% of the cases are disclosed by the courts after the mandatory requirement has become effective in 2014. This indicates that the Chinese government is suppressing the majority of the judicial disclosure even though it is required by the SPC.

Next, we provide evidence that the courts’ disclosure decisions are subject to political incentives of the executive branch in the government. We find that the suppression of judicial disclosure is stronger among SOEs and firms that are located in the same province of the courts. This is consistent with the notion that courts are more likely to protect SOEs and firms that are located within their own provinces. Public disclosure of the judicial opinions may raise people’s attention of the firms and prevent the government leaders from showing favoritism to them.

To provide more evidence that our results are driven by local leaders’ political incentives, we examine whether the court decisions are determined by the political and economic status of the firms. We posit that local governments show more favoritism to firms that contribute a large amount of tax revenues to the province or they are large in size, which provide the province
employment opportunities in addition to tax revenues. Consistent with our political story, we find that the SOE disclosure bias is stronger for firms that are ranked among the top 10% of listed firms in either total tax expenses or size in the province.

Next, we examine if the disclosure bias is associated with provincial party secretaries’ promotion incentives.² Our results show that provincial governments are more likely to suppress the court disclosure involving SOEs located in their provinces in the year prior to the promotion of their party secretaries than in other years. This result is consistent with evidence in Piotroski et al. (2015) that in the year prior to the provincial political leaders’ promotion, the listed firms within their provinces will suppress the release of negative information to the market in order to avoid risking their politicians’ chances of advancing in the government.

Finally, our evidence suggests that there are costs associated with the judicial disclosure even though the outcomes have already been disclosed in the firms’ own reporting. There is a statistically significant -0.64% 10-day cumulative abnormal returns on the day of and the days subsequent to the posting of the judicial opinions. The 10-day cumulative abnormal returns are more negative for the losing cases (-0.87%) than winning cases (-0.32%), and for defendant cases (-0.81%) than Plaintiff cases (-0.41%). When we track the cumulative abnormal returns over a 30-day period, even the winning and plaintiff cases experience significantly negative returns of -2.17% and -2.00%, respectively. In addition, we find that even after controlling firms’ financial characteristics, those that receive judicial disclosure have a significant drop in debt and equity financing than those with litigation cases that are suppressed by the courts. These results provide support that the firms that are exposed in the judicial disclosure are not favored by the government.

² We exclude the governor promotions in the analysis because it is the party secretaries that oversee the appointment of provincial judges in China.
The negative responses in both the winning and plaintiff cases especially reflect the market’s perception of the government’s adverse disposition towards the firms.

This paper contributes to the literature in several ways. First, this study provides a large sample empirical analysis of government disclosure in an autocracy. Past research has ample evidence on the disclosure of government accounting information in the U.S. (Zimmerman, 1977; Ingram and DeJong, 1987; Cheng, 1992; Cuny, 2016). There is a growing literature on the role of information and transparency in autocratic governments (Guriev and Triesman, 2015; Hollyer et al., 2015). Due to lack of data, the research is primarily theoretical or focuses on media censorship (Enikolopov et al., 2011; King et al., 2013; Stockmann, 2013; Piotroski et al., 2017; Qin et al., 2018). A number of recent studies have examined the political incentives that influence the reporting of air pollution index by Chinese government (Chen et al., 2012; Ghanem et al., 2014; Jia, 2017). However, the lack of a proper benchmark has limited the identification of the reporting manipulation in these studies. Our paper exploits a large sample of judicial disclosure, and a matching sample of company disclosure of litigation that serves as a benchmark. This design enables us to test if the local courts actually suppress the release of the judicial opinions.

Second, our findings contribute to the studies of judicial favoritism in China. Economists have long considered an impartial judiciary essential for protecting property rights and enforcing contracts, and thus crucial for economic growth (e.g., North, 1990; Djankov et al., 2003). However, judicial bias and favoritism are notoriously prevalent, especially in developing countries. China is often perceived as having a highly capricious judiciary. Firth et al. (2011) find that although litigation announcements depress the stock prices of both defendant and plaintiff firms in China, state-controlled firms have stock returns that are less negative than those of non-state-controlled firms. Lu et al. (2015) find that state firms as well as private firms with personal political ties are
more likely to win a case in first instance litigation compared to other firms. Adding to these earlier studies, our results can be explained as a special type of judicial favoritism. Firms that the courts choose not to disclose have certain advantages over their counterparts, though these advantages are hard to detect under an opaque government. The setting is particularly important because of the increasingly prominent role China plays in the global arena, and because of concerns over the sustainability of Chinese economic growth with underdeveloped formal institutions (Allen et al., 2005; Clarke et al., 2006; Zhu, 2012).

Third, we contribute to the growing interest in using mass judicial decision data to study law in China. The release of tranches of judicial documents during the past decade provokes enthusiasm for using large datasets, especially textual data, to study the law and judicial behavior in China (Liebman et al., 2017). Our findings suggest it problematic to assume that the official case database accurately reflects the court dockets. Any empirical results drawn from the online data can be subject to various types of sample selection biases. On the other hand, by documenting the biases in the online dataset, our results point to ways that may help researchers to address the selection bias in the sample. For example, researchers can employ specific sampling techniques to balance the sample composition of SOEs and non-SOEs, and home firms and non-home firms, to improve statistical inference.

Finally, this paper contributes broadly to a very large literature on the consequences of political connections. A strand of the literature shows that political connections help firms gain market advantage, which enhances firm value and performance (Fisman 2001; Goldman, Rocholl, and So 2009; Li et al. 2008; Acemoglu et al., 2016). Another strand of the literature finds that there are political costs associated with connections (Lin and Li 2008) and connected firms underperform because of distorted managerial incentives (Boubakri et al., 2008), decreased
professionalism (Fan et al., 2007), or overinvestment (Wu et al. 2012). Our paper examines how government grants favors to firms in the form of court disclosure, a hitherto unexplored area in the literature.

The remainder of the paper is organized as follows. Section 2 presents the institutional background of the paper. The sample and data are discussed in Section 3 and the empirical results are presented in Section 4. Additional tests are reported in Section 5 and we conclude the paper in Section 6.

2. Institutional Background

2.1. Judicial dependence of the Chinese court

The judiciary is one of the three branches of the government in the People's Republic of China, along with the executive and the legislative. According to the Constitution of China, the country does not adopt the “separation of power” system as in modern democratic countries. The Chinese judiciary does not enjoy independent power, but is subject to the control of the People's Congress. In practice, the judiciary in China is largely regarded as an integral part of the government. The actions of various government institutions, including the judiciary, can be aligned for the purpose of implementing state or local policies and decisions (Li, 2016).

What underlies this unity of government power is the rule of the Communist Party. The Chinese courts lack judicial independence and are under the absolute leadership of the Party. The courts are not given the authority to compel compliance with the law by institutions of equal or higher rank in the power hierarchy defined by the Party. Judges receive supervision from the Communist Party Committee within the courts, and court leaders receive supervision from the
Party Political-Legal Affairs Committee at their corresponding level outside the courts. It is worth noting that Chinese courts are increasingly able to decide most ordinary legal cases without external political intervention. But the Party continues to wield power over judicial operations, particularly on personnel issues and cases that have substantial social influence (Minzner, 2011; Li, 2016).

2.2. Mandatory requirement of the disclosure of judicial opinions

In 2013, Zhou Qiang, the then newly appointed president of the SPC, took office and started a thorough reform toward judicial transparency. In a 2013 regulation, the SPC particularly required courts at all levels of the judicial hierarchy to disclose their judicial opinions starting on January 1, 2014. Exemptions are cases involving state secrets and personal privacy, juvenile crime, cases concluded by court administered mediation, and other judgments deemed inappropriate for disclosure on the Internet. To create a venue for disclosure, the new rule established a centralized website, “China Court Judgments” (http://wenshu.court.gov.cn/). Courts at all levels are required to upload their judicial opinions to this database for public consultation. In the meantime, by the end of 2013, local websites were all connected with the central site. Courts have been asked to transfer their online judgments made before 2014 to the centralized website. Some local courts had a period of overlap when they posted cases to both their own websites and the centralized website, but later they all used the centralized website as the major disclosure venue. For example, the Henan High Court website stopped updating judgments in November 2015, and started redirecting visitors to the SPC site. Zhou Qiang stressed that “people’s courts at all levels shall constantly update their concepts on judicial transparency and take it as granted to make disclosure, with

3 Zuigao Renmin Fayuan Guanyu Renmin Fayuan Zai Hulianwang Gongbu Caipan Wenshu de Guiding ([Provisions of the Supreme People's Court on the Issuance of Judgments on the Internet by the People's Courts]).
exceptions only in a very few cases; and shall make efforts in changing passive disclosure into active disclosure, internal disclosure to external disclosure, optional disclosure to full disclosure and disclosure in disguised form to substantial disclosure.” (The Supreme People’s Court of China, 2015).

The transparency reform has resulted in the accumulation of vast numbers of cases available for consultation. According to SPC, as of December 2017, the volume of published legal documents on this online database exceeded 40 million. Total visits to the website amount to 12.5 billion, including 1.8 billion visits from overseas; the average visit per day is about 16 million, with the peak day receiving 50 million browses (China Court Online, 2018). In a news report in February 2018, Xinhua News Agency, the official state-run press agency of China, acclaimed the SPC website as the largest judicial decision publicity venue in the world (Xinhua News, 2018).

According to the different SPC disclosure policies, we categorize 2008 to 2013 as the “voluntary disclosure regime”, and the years after 2014 as the “mandatory disclosure regime.”\(^4\) That being said, the public disclosure of judicial opinions is far from complete, even in the mandatory disclosure period. More than 50% of judicial decisions are left undisclosed by the local courts (Tang and Liu, 2019).\(^5\) Most importantly, there is no clear account of the selection mechanism – how the courts select their opinions, or what kind of cases the courts try to pull back from public scrutiny. Although when asked by the media what types of cases should be disclosed with respect to the new disclosure policy in 2013, a spokesman of the SPC explicitly stated that “putting judicial decisions online should cover all cases; it is not allowed (for the courts)

\(^4\) In 2007, the SPC issued the “Notice of the Supreme People's Court on Issuing the Opinions on Strengthening the Work on Judicial Openness in the People's Courts”, encouraging courts in all provinces to build their websites and disclose judicial opinions online.

\(^5\) The authors compare the number of judicial disclosure online with the number of litigation cases reported by the provincial government (provincial high courts) in their annual working reports to the Provincial People's Congress.
to selectively disclose their decisions based on types, social influence, or quality of their decisions.” (People’s Court Daily, 2013).

2.3. Disclosure decisions and political incentives

Disclosure of information seems intuitively linked to an aspiration for political participation, which in return creates an obligation for responsive government (Stiglitz 2002). As a style of governance, transparency is usually associated with democracies, and few authoritarian states show much interest in government transparency (Hollyer et al., 2011). It is reasonable to ask why China's judicial leadership has embraced the practice of making court judgments public.

The primary motivation appears to be a desire to curb wrongdoing in the local courts through the lens of public oversight. As suggested by previous studies, authoritarian leaders may use seemingly democratic institutions to strengthen their own rule. Public scrutiny and relatively free media allow a leader to provide incentives to bureaucrats and therefore to improve the quality of government (Egorov et al. 2009; King et al. 2013; Lorentzen, 2014). In this vein, the SPC attempted to rein in local courts by introducing transparency regulations so as to improve their decision quality and reduce their misconduct. In a 2015 white paper, the SPC acknowledged that the purpose of improving transparency was to “facilitate judicial fairness, prevent corruption in the judicial system and improve judicial credibility.” Also, placing legal cases online is the SPC’s response to President Xi Jinping's calls for judicial openness and increased public supervision (The Supreme People’s Court of China, 2015).

As stated earlier, the Chinese courts lack authority to compel compliance with the law by institutions of similar to or higher rank than them. This leads to frequent intervention into the court decisions by other government institutions. By increasing public scrutiny, the disclosure reform may also reduce government interference with the judiciary. A related goal of judicial transparency
was to raise the status of courts within the government, and with the public. Greater transparency may help improve trust in courts and make the judiciary a stronger actor within the government. This aim is also coherent with the SPC leaders’ political and career motivation: judicial transparency can be a prominent achievement in their office, which therefore increases their chances of promotion within the Party.

However, the SPC’s initiative to increase its transparency in judicial disclosure is particularly challenging in the local (provincial or below) courts. First, these courts receive dual leadership and supervision from higher levels of the judiciary, and from the party committee at the local levels. As a part of the judiciary, local courts follow laws enacted by the legislature, and the commands and requirements made by the SPC; in the meantime, local courts are responsive to the needs of local governments. The goals of the SPC (as a part of the central government) and the local governments are not always aligned.

China is a highly centralized country with a strong bureaucratic government. The primary goal of the SPC, as a part of the central government, is to apply the law made by the central government in a unified way all around the country. However, rules stipulated by the centralized government can be in conflict with local interests. In many circumstances, local governments have strong incentive to interfere with the application of the central law. For example, a unified contract law and the impartial enforcement of contract is crucial for a unified country-wide market economy, while local governments can be averse to contract enforcement when the enforcement undermines local interest substantially, e.g., when the enforcement of debt paid to a firm outside the province drags a famous local firm into bankruptcy. In our particular case, local governments have incentives to suppress the disclosure of the judicial opinions because doing so will raise public
attention and scrutiny of the firms. This may prevent the local governments from helping the firms
in the judgment of the case and restrict their ability to show favoritism to the firms.

Local politics has effective (though not absolute) influence over local courts. Although
local court presidents are appointed by higher level party committees, the appointment and
promotion of vice presidents, other cadres, and judges are all controlled by the local government.
Moreover, local courts rely on local governments’ support in a wide range of issues, including
funding, employee welfare and law enforcement. It is crucial for local court presidents to maintain
a good relationship with the local governments (as well as local party committees).\(^6\) Notably, it is
also hard for private parties to circumvent local protectionism. Forum shopping is rare in China
(Zhang 2002), since the Civil Procedure Law of China stipulates that a case has to be heard in the
court where the defendant is domiciled, subject to only a few statutory exceptions.

2.4. Timeline of the disclosures

We visualize a firm’s involvement in litigation in the following timeline. The date of the
initial filing of the case is the beginning date when a firm is involved in litigation; a firm can be a
plaintiff, a defendant, or a third party of a case. The disclosing date of judgment by the firm is the

\[\text{Disclosing Date for Judgement by firm}\]

\[\text{Disclosing Date for Judgement by Government}\]

\[\text{Process Time (Days):}\]

\begin{align*}
\text{Full Sample:} & \quad 380 \\
\text{Voluntary Regime:} & \quad 405 \\
\text{Mandatory Regime:} & \quad 348 \\
\text{Full Sample:} & \quad 147 \\
\text{Voluntary Regime:} & \quad 573 \\
\text{Mandatory Regime:} & \quad 110
\end{align*}

\(^6\) In a news report (Zhou and Jiang, 2013), the president of Henan high court stated that the current judicial system
facilitated local protectionism and local governments’ intervention into independent judicial decision-making. The
director of the Office for Judicial Reform of the SPC stated explicitly that, since the personnel and the budget of local
courts were controlled by local governments, it was hard for the courts to decide cases impartially, especially in cases
where local interests and national interests were in conflict.
day the firm discloses the result of its litigation in its mandatory disclosure required by the Securities Law. We do not have the data on the judgment date of the cases since firms do not necessarily disclose the exact judgment date in their announcements. But firms typically disclose the case outcomes right after the judgment, usually within seven days, as required by the Securities Law. We use the firm disclosure date of decision outcome to proxy for the judgment date, arguably the first time the market receives the information on litigation outcome. The average duration from the date of initial filing to firms’ disclosure of the case outcome is 380 days. It takes 147 days on average from firm disclosure to court disclosure – the first time a court discloses its judicial opinion of the case. The court disclosure date in our sample is from the SPC website, which started to publish cases only after 2014. This means that the website discloses many of the cases decided prior to 2014 in a retrospective manner, while it discloses the cases decided after 2014 in a much timelier manner.\(^7\) The average duration from firm disclosure to court disclosure is 573 days for cases decided before 2014 (the voluntary disclosure regime), and 110 days for cases decided afterwards (the mandatory disclosure regime).

3. Data and Sample

The key for our research design is to track how likely the litigation disclosed by listed companies will also be disclosed online by courts. We first collect the firms’ litigation information from WIND, a database focusing on the Chinese capital markets.\(^8\) The disclosure with respect to

\(^7\) In addition to transferring past cases (decided prior 2014) already disclosed in the provinces’ own websites, many provinces added disclosures of other past cases to the new SPC website after the start of the mandatory regime in 2014.

\(^8\) To verify that the disclosure by firms is complete, we reverse the order of our analysis. First, we searched the China Court Judgments database. Then, we tried to find whether there is any material litigation so defined are disclosed by courts, but not by firms. Securities regulations in China require firms to disclose material litigation, and define “material” as the amount in controversy in a case exceeding 10 million yuan, or exceeding 10% of a firm’s net asset.
firms’ involvement in litigation or arbitration started in 1998 and we are only interested in cases decided since 2008, when the Regulation of Open Government Information became effective. From 2008 to 2016, 8,130 litigation cases are recorded in the database. Since our court disclosure sample only covers up to the end of 2017, we excluded cases decided in the year of 2017, because the courts may not have been able to disclose these cases promptly and be included in our court disclosure sample. That is to say, even if we find that judicial opinions in 2017 are missing from the online judicial opinion database (“China Court Judgments”), we are not sure whether it is because the courts disclose cases selectively or the courts have not managed to put the cases online yet. (Recall that the average duration from judgment to disclosure is 110 days.)

Table 1 Panels A and B summarize the sample construction process. We do not include 979 court-administered mediation cases in our study, since courts are required not to disclose judicial decisions for cases resolved through mediation. To focus our study on commercial disputes, we exclude 60 criminal cases, 95 administrative cases, and 339 enforcement cases. We also rule out 259 cases involving firms in the finance industry because of the incomparability of financial information of these firms with that of firms operating in non-financial sector. In the remaining 6,387 cases, 932 cases have key variables missing, for example, the case level variables (such as case number, deciding court, and judgment dates and outcomes) for 568 cases, and the

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We found all material litigation published on the China Court Judgments have already been disclosed by the firms. In the meantime, all litigation that appear on China Court Judgments but are not disclosed by firms are immaterial (N = 13,017).

9 A relevant question here is whether out-of-court settlement or court administered mediation will affect our results. Expecting that a judicial opinion disclosure will impose a negative impact on stock prices and external financing, a firm may choose to settle out of court or request for a court administered mediation, in which no judicial opinion will have to be issued and disclosed to the public. But excluding these choices from our sample will only bias against finding our results. This is because judicial favoritism is mostly for SOEs and home firms; if there were a selection bias in our sample, the parties that choose to opt out of litigation should be the non-SOEs and non-home firms which expect less favorable treatment in the court disclosure. Thus, by excluding these choices, we underestimate the probability of court disclosure and bias against finding our results.
firm level variables (such as firm size and market to book ratio) for 364 cases.\textsuperscript{10} We thus exclude these cases from our analysis. We also drop 85 cases which involved just one firm to avoid outlier effect in the analysis.\textsuperscript{11} Our final sample includes 5,370 cases, which involved 965 firms.

Next, we match all these cases to the database from the online disclosure by the courts using information such as the case number, names of the parties, court, time of judgment from WIND.\textsuperscript{12} We rely on the unique case number in the first-round of matching. When such a number is not available from the firm side, we try the second-round of matching using the names of parties. In case of multiple matches of the same names of the parties, we fine-tune the matching by referring to other information in the case, such as name of the opponents, deciding court, and time of litigation. In the end, we find 1,304 judicial opinions on the online judicial opinion database, suggesting a disclosure rate of 24.28\% ($1,304/5,370$). First-round matching generated 1,236 matched cases while the second round generated 68 cases. After the match, we record the text, decision date, disclosure date, and total page views (till October, 2017) of each judicial opinion published on the website.

Table 1 Panel C summarizes the number of cases reported by the listed firms, the number of cases disclosed by the courts, and disclosure rates by year. In the voluntary disclosure regime, the disclosure rate is 4.90\% on average, suggesting that disclosure was uncommon from 2008 to 2013. The disclosure rate in 2013 was substantially higher than previous years’, since many courts uploaded their 2013 decisions retrospectively in 2014, the year the mandatory disclosure requirement became effective. Disclosure rates in the mandatory disclosure regime are

\textsuperscript{10} All these cases happened in years prior to the listing of the firms, which preclude us from computing their market value.

\textsuperscript{11} Our results remain the same even after including these cases.

\textsuperscript{12} For any missing data in WIND, we used information disclosed in the firm’s website as a supplement.
substantially higher than that in the voluntary regime. The mean is 37.14%. Yet this number suggests that even in the mandatory disclosure regime, court disclosure is far from complete. It is important to keep this in mind when thinking about the impact of disclosure. Table 1 Panel D shows the disclosure rates in different provinces, ranging from 11.63% to 40.92% during our study period, implying great cross-region variations.

Table 2 summarizes the differences in case and firm characteristics by conditioning on whether there is a court disclosure (the differences are tested in z-test). There are a few patterns worth highlighting in the comparison. First, compared with the disclosed cases, the undisclosed cases are more associated with SOEs and home courts. We find that 40% of the disclosed cases and 49% of the undisclosed cases are from SOEs. Also, 53% of the disclosed cases and 59% of the undisclosed cases are decided by home courts. The differences are both statistically significant at the 1% level. Our main test, presented in the next section, will directly examine the courts’ disclosure decisions by conditioning on whether the case involves an SOE vs. non-SOE or is decided by the home court vs. the outside court. That is, we will examine if SOEs (home courts) are more associated with court disclosure than non-SOEs (outside courts) using a set of univariate and multivariate tests.

Second, some court and procedure characteristics are associated with disclosure. We find that the basic people’s courts decided on 38% of the disclosed cases and 35% of the undisclosed cases. Our evidence also shows that 65% of the disclosed cases and 77% of the undisclosed cases are first instance cases, suggesting first instance cases are more likely to be suppressed than appeal cases.

Third, there are significant differences in firm-level characteristics between firms involved and not involved in court disclosure. For example, there is a gap in Size between firms in disclosed
cases and undisclosed cases, with the former being significantly larger. A similar pattern can also be found with respect to Leverage, MTB, and ROA. We suspect that these differences stem from their correlation with SOE, since state-owned firms are usually larger in firm size, and are more easily accessible to bank loan. Throughout our subsequent regression analyses, we control for these case and firm characteristics.

4. Empirical Results

4.1 Univariate tests

We start with a univariate analysis by testing the difference in disclosure rate between SOE and non-SOE, and that between home court and non-home court. Table 3 Panel A summarizes the results. The numbers in the table are the proportion of cases that are disclosed by the courts, sorted into SOEs and non-SOEs, and home firms and non-home firms. The total number of cases in each category is in brackets.

Our evidence shows that the chance for SOEs and home firms to be disclosed by the courts is smaller, and the imbalances occur in both the voluntary disclosure and the mandatory disclosure regimes. In the voluntary disclosure regime, the average disclosure rate is 3.9% for SOEs, and 6.0% for non-SOEs; it is 4.0% for home courts, and 6.3% for non-home courts. The disparities in disclosure rates carry on to the mandatory disclosure regime, although in the latter the total disclosure rates are substantially higher. For SOEs and non-SOEs, the average disclosure rates are 33.5% and 40.0%, respectively; for home courts and non-home courts, the average disclosure rates are 35.3% and 39.4%. All the differences are statistically significant at least at the 5% level.

4.2 SOEs and disclosure
We extend our analysis of the patterns revealed in Table 3 Panel A, relating SOEs to court disclosure, in a logistic regression framework. Our baseline specification is:

\[
\text{Prob}(\text{Disclosure}=1)=\text{Logit}(\beta_0 + \beta_1 \cdot \text{SOE} + \gamma \cdot \text{controls} + \text{Industry Fixed Effects} + \text{Year Fixed Effects} + \varepsilon) \tag{1}
\]

where \( \text{Disclosure} \) denotes whether a court discloses the judicial opinion. \( \text{SOE} \) denotes whether the publicly listed firm involved in the case is a state-owned enterprise. \( \text{Controls} \) is a vector that includes the variables that indicate firm and case characteristics as presented in Table 2. We also include the industry fixed effects and the year fixed effects to rule out industry and year idiosyncratic features. We cluster the error term by firm and year, since a single firm may have several cases involved and appear multiple times in the regressions.

Table 3 Panel B presents the regression results. In column 1, we show the results for the full sample. The coefficient on \( \text{SOE} \) is -0.277, significant at the 1% level, suggesting that after taking account of all the control variables and industry fixed effects and year fixed effects, there is a negative association between \( \text{SOE} \) and disclosure of judicial opinions. We also calculate the percentage magnitude of this coefficient. The probability for an SOE to be disclosed is 26.06%, and it is 29.40% for a non-SOE. This means that the disparity in disclosure rate between SOEs and non-SOE is 3.34%; or, a SOE is 11.36% (3.34%/29.40%) less likely to be disclosed by courts than a non-SOE. We further sort the sample into voluntary and mandatory regimes. We find statistically significant negative correlation between \( \text{SOE} \) and \( \text{Disclosure} \) in both regimes. Column 2 shows the results for the voluntary disclosure regime sample, the coefficient on \( \text{SOE} \) changes to -0.393, with an increase in magnitude than in column 1. In the voluntary regime, the probability for an SOE to be disclosed is 0.77%, and it is 0.91% for a non-SOE. Regarding economic

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13 We obtain very similar results if we do not include any fixed effects at all. We also include industry-by-year fixed effects in a separate regression and the results are similar as well.
significance, this means that the disparity in disclosure rate between SOEs and non-SOE is 0.14%; or, an SOE is 15.38% (0.14%/0.91%) less likely to be disclosed by courts than a non-SOE in the voluntary regime. Column 3 shows the results for the mandatory disclosure regime, the coefficient is -0.274. In the mandatory regime, the probability for an SOE to be disclosed is 33.27%, and it is 35.65% for a non-SOE. In terms of economic significance, an SOE is 6.68% (2.38%/35.65%) less likely to be disclosed by courts than a non-SOE in the mandatory regime. Recall that in the voluntary regime, courts have most discretion on whether to disclose a case or not. The magnitude of the coefficient of SOE in the voluntary regime is larger than that in the mandatory regime, but the difference is statistically indistinguishable. Our evidence does not suggest that the mandatory disclosure rule has significantly reduced the disclosure disparity between SOEs and non-SOEs.

4.3 Home firms and disclosure

We use a similar logistic regression framework to test the relation between home court and court disclosure. Our baseline specification is:

\[
\text{Prob(Disclosure}=1)=\text{Logit}(\beta_0 + \beta_1 \cdot \text{Home Court} + \gamma \cdot \text{controls} + \text{Industry Fixed Effects} + \text{Year Fixed Effects} + \epsilon)
\]

Home Court denotes whether the case was tried in the province in which the relevant publicly listed firm was located. Table 3 Panel B presents the regression results. For the full sample

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14 We have also separated the SOEs into central-government vs. local-government SOEs. Our results (not tabulated) show that the disclosure bias is found among the local-government SOEs and not among the central-government SOEs, consistent with our arguments that the conflict is stronger at the local than central level of governments.

15 We repeat the regressions in columns 1 to 3 by adding a variable, Defendant, which equals one when the firm is the defendant in the case, and zero otherwise, and an interaction variable, Defendant $\times$ SOE. We find that the courts are more likely to suppress the disclosure for defendant firms in the mandatory regime but not in the voluntary regime. However, we do not find evidence that whether being a defendant or plaintiff will affect the amount of protection SOEs receive from the politicians. Similarly, we repeat the regressions by differentiating firms that have won or lost the litigation cases. Again, we find that the government is more likely to suppress the disclosure for losing firms than winning firms in the mandatory regime but not in the voluntary regime. Also, whether winning or losing does not change politicians’ propensity to suppress the court disclosure for the SOE firms.
(column 4), the coefficient of home court is -0.122, significant at the 5% level, suggesting that after taking account of all the controlling variables and industry fixed effects and year fixed effects, there is still a negative association between home court and disclosure of judicial opinions. We also calculate the percentage magnitude of this coefficient. The probability for a firm to be disclosed by its home court is 26.53%, and it is 28.12% by non-home courts. This means that a firm is 5.65% (1.59%/28.12%) less likely to be disclosed by its home court than by non-home courts.

We also sorted the sample into voluntary and mandatory regimes (columns 5 and 6). We find negative correlations between Home Court and Disclosure in both regimes. The effects are significant at the 10% level. The coefficient is -0.268 in the voluntary disclosure sample, while it is -0.116 in the mandatory disclosure sample. In terms of economic significance, in the voluntary regime, the probability for a firm to be disclosed by its home court is 0.71%, and it is 0.82% by non-home courts, suggesting that a firm is 13.41% (0.11%/0.82%) less likely to be disclosed by its home court than by non-home courts in the voluntary disclosure regime. Similarly in the mandatory regime, a firm is 3.83% (1.34%/35.01%) less likely to be disclosed by its home court than by non-home courts in the mandatory disclosure regime. The divergence in disclosure between home firms and non-home firms seems to become smaller in the mandatory period. But the difference is statistically indistinguishable.16

4.4 Disclosure and provincial leaders’ political incentives

4.4.1. The effect of the firms’ political and economic status

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16 Similar to the regressions described in the previous footnote, we try to distinguish the home court effect between defendant and plaintiff firms, and winning and losing firms. We find that neither of these indicator variables will affect the home court bias.
We first examine the disclosure bias conditional on two proxies for the firms’ political and economic status in the province—firms’ total tax expenses and size. We posit that a firm will have high political and economic status in the province if it contributes significant amount of tax revenues to the province. To test this, we use $Tax$, which is a dummy variable that equals one when it ranks among the top 10% of listed firms in total tax expenses in the province for the year, and zero otherwise. Similarly, we use firm size to proxy for such status in the province. $Top Firms$ is a dummy variable which equals one when a firm ranks top 10% among the listed firms with respect to total sales of the year in its home province, and zero otherwise. Large firms in each province have high political status because they provide employment opportunities and tax revenues to the local government, and are likely to help their province to gain reputation outside of its region. We include $Tax \times SOE$ and its interactions with $SOE$ and $Home Court$ in our logit regression model in Table 4 Panel A (Panel B).

Table 4 Panel A presents the results for the effect of firms’ total tax expenses. In column 1, we show the results for $Tax$ and $SOE$ in the full sample. The coefficient on $Tax$ is 0.231, but it is statistically not significantly different from zero. The coefficient on $SOE$ is -0.220, which is significant at the 5% level. More importantly, we find that the coefficients on $Tax \times SOE$ is -0.386, again significant at the 5% level. The result of this interaction term suggests that the SOE disclosure bias is significantly stronger among firms that contribute a large amount of tax to the government than those that contribute less amount of tax. We further sort the sample into voluntary and mandatory regimes (columns 2 and 3). The coefficient on $Tax \times SOE$ remains to be negative and statistically significant, at 1% for voluntary regime and 10% for mandatory regime, suggesting that this effect is present in both regimes.
We repeat the same regression by replacing SOE with *Home Court* to test if tax payments affect the home court bias. We continue to find home court bias in this specification, as indicated by the significantly negative coefficient on *Home Court* at the 5% level in the full sample, and in both voluntary and mandatory regimes. However, we do not find the coefficient on $\text{Tax} \times \text{Home Court}$ significantly negative, suggesting that the firms’ tax payments do not increase the home court bias.

Table 4 Panel B presents the same regressions by replacing *Tax* with *Top Firms*, as a proxy for firms’ political and economic status. The results of the SOE and home court bias remain qualitatively similar in these regressions. More specifically, the SOE bias is stronger among the firms in the top decile in size within the province for the full sample and the mandatory regime, but there is no size effect on the home court bias.

4.4.2. *Promotion incentives*

We now turn to the effect of politicians’ promotion incentives on the disclosure bias. We posit that politicians are sensitive to adverse information when they are considered for further political promotion. Local political leaders have stronger incentive to suppress adverse information, including information for SOEs’ and home firms’ involvement in major litigation, to obtain good reputation and increase the chance for promotion. To test this, we study the disclosure disparity preceding political promotion of politicians. Our basic hypothesis is that the incentive for suppressing adverse information should be stronger in the year when a politician is being evaluated for promotion. To capture this, *Promotion* is a dummy variable that equals one in the year prior to the promotion of the party secretary of a province in which the firm operates, and zero otherwise. Our empirical strategy is to compare disclosure disparity in the place and time where a party secretary was being considered for promotion to a higher level, with that in the other years. We
include Promotion, SOE, Home Court, Promotion × SOE, and Promotion × Home Court in our logit regression framework. We limit our study period to the mandatory regime because many of the disclosure decisions during the voluntary regime were made after 2014 in a retroactive manner, and thus were not affected by the promotion considerations before 2014.

Table 5 summarizes the results. Our results show that the coefficient on Promotion × SOE is -0.621 (column 1), statistically significant at the 1% level. We find similar results that the coefficient on Promotion × Home Court is -0.402 (column 2) with 1% level statistical significance. This suggests that both the SOE bias and the home court bias are intensified in the year preceding the promotion of the party secretary.

We also find that the coefficient on Promotion ranges from 0.404 to 0.425, significant at the 1% level, for both of the regressions (columns 1 and 2), indicating that there are political incentives for the courts to support the SPC’s initiatives by disclosing more cases in the year prior to the promotion. However, there are countervailing incentives for the courts to protect the SOEs or home court firms by suppressing the disclosure of their cases in the year prior to the promotion.

4.5. The consequences of disclosure

Now we turn to the analysis of the economic consequences of court disclosure. First, we study the impact of disclosure on stock price. If the market can see through the political incentives of the government’s decision, we predict that it will perceive the disclosure as bad news and respond to it negatively. Second, if the disclosure is a negative indication that the firm is not favored by the government, we predict that the firm will have difficulty in obtaining equity and debt financing because both channels are heavily regulated by the government.

4.5.1. The impact on stock price
To document the impact of disclosure, we first study stock market reaction subsequent to court disclosure. For comparison, we also record market reactions to the same firms subsequent to two event dates of firm disclosure: the initial court filing date of the case (disclosed by the firms), and the disclosure date of the judgment outcome (disclosed by the firms). *CAR* is the cumulative abnormal market-adjusted return in various windows ranging from 5 days to 30 days since the event date. The stock price data are from the China Security Market and Accounting Research (CSMAR) database. We are unable to record some of the exact event dates, and some firms are in trade suspension status on the event dates, for which no market price avails. Our sample sizes for stock market reaction are thus smaller than the main sample.

Table 6 presents the results. Panel A shows the *CAR* around the court disclosure date of the 1,063 judicial opinions. We find statistically significant and negative abnormal market-adjusted return in all the 5-day, 10-day, and 30-day windows. Firms sustain a -0.27% abnormal market-adjusted return in the 5-day window, -0.64% in the 10-day window, and -2.01% in the 30-day window. We also sort the firms by whether they are a plaintiff or a defendant, and whether they win or lose their cases. It can be seen that the short-term (5-day and 10-day) negative abnormal market-adjusted return is mainly driven by the defendant firms and firms that lose their cases. Yet both plaintiff and defendant firms and both winning and losing firms have negative abnormal market-adjusted returns in the 30-day window. These results suggest that court disclosure is associated with economic consequences – the market perceives court disclosure of judicial decisions as negative information to the firms.

Panel B shows the *CAR* around the two event dates of firm disclosure. We sort the cases into two group: the 1,063 cases that are later also disclosed by courts (i.e., the cases shown in Panel A), and the rest of the cases that are eventually undisclosed by courts. For the 1,063 cases that
experience three stages of disclosure, we do not find any statistically significant negative abnormal market-adjusted return in the short-term (5-day and 10-day windows) subsequent to the first two event dates: the initial court filing date and the disclosure date of the judgment outcome (both disclosed by firms). This is in sharp contrast to the results in Panel A, where we find significant negative abnormal market-adjusted return in both the 5-day and 10-day windows subsequent to court disclosure. The comparison between Panels A and B with respect to the 1,063 later-disclosed-by-courts cases implies that the market perceives court disclosure of judgment as information that is more adverse than firm disclosure of the filing of litigation and the litigation outcome.

Consistent with our main results on government disclosure bias, the results in Panel B provide further evidence that courts disclose cases selectively. Rows 2 and 4 of Panel B show that the firms that are eventually suppressed by courts indeed experience statistically significant negative abnormal market-adjusted return in both the 5-day and 10-day windows. Compared to the null-results on CAR regarding cases later disclosed by courts, the findings on these undisclosed cases suggest courts are indeed less likely to disclose cases that are of significant adverse impact to firms. To put it differently, courts select to publish cases that were of less serious market impact, and suppress cases that were of economic significance.\footnote{In follow-up (untabulated) regression analyses, we include \textit{CAR} (5-day subsequent to firm disclosure of judgment outcome) and its interaction with \textit{SOE} (and \textit{Home Court}) in our main regression models shown by Table 3. We find the interaction terms to be negative and statistically significant. The results suggest that, conditional on \textit{SOE} (or \textit{Home Court}), cases associated with greater negative abnormal return are less likely to be disclosed. The results further confirm that courts disclose judgements selectively, and the selection is driven by political motives.}

4.5.2. The impact on external financing

Next, we study the influence of court disclosure on the capability for firms to raise money in the financial market, including both debt and equity financing. We use a first difference
framework to conduct the analysis. The dependent variable, \( \Delta \text{Total Financing} \), is the change in total external financing from year \( t \) to year \( t+1 \). \( \Delta \text{Debt Financing} \) is the change in debt financing from year \( t \) to year \( t+1 \). \( \Delta \text{Equity Financing} \) is the change in equity financing from year \( t \) to year \( t+1 \).

The independent variable \( \text{Disclosure} \) equals one if the case of a firm was disclosed by the courts in year \( t \), and zero otherwise. We regress the dependent variables on \( \text{Disclosure} \), controlling for \( \text{SOE}, \text{Home Court}, \Delta \text{Size} \) (the change in firm size), \( \Delta \text{Tangible} \) (the change in tangible assets), \( \Delta \text{MB} \) (the change in market to book ratio), and \( \Delta \text{ROA} \) (the change in return on assets). The OLS model captures whether the disclosure of court decision in year \( t \) influences the financing of the firm in year \( t+1 \).

Table 7 summarizes the results. The coefficient on \( \text{Disclosure} \) in column 1 is negatively significant at the 5% level, suggesting that the firms the courts chose to disclose sustain a significant decrease in total external financing. In column 2, the coefficient on \( \text{Disclosure} \) is negatively statistically significant at the 1% level. In column 3, the coefficient is marginally significant at the 10% level. The results suggest a decrease in both the debt financing and the equity financing capacity consecutive to court disclosure, which implies deteriorating government favoritism.

**4.5.3. Why does government disclosure have adverse impacts on firms?**

It leaves the question why court disclosure is associated with negative stock market reaction, and adversely influences firms’ capability of obtaining equity and debt financing. To answer this question, we first provide further evidence that shows the market can well perceive court disclosure of judicial opinion as adverse information for firms, and then we discuss what exact message court disclosure conveys to the market.
We study media reaction subsequent to court disclosure of judicial opinions to show the players on the market perceive court disclosure as adverse information. To study media attitude, we utilize the database created by Piotroski et al. (2017), which uses textual analysis techniques to measure the tone of newspaper coverage of listed firms in China. To be more specific, the database of Piotroski et al. (2017) analyzes the articles from two commercial data archives of domestic Chinese language newspaper and magazine articles: Newswise and China Financial Newspaper Searching System. Newswise, established in 1998, archives all variety of newspaper and magazine articles, including corporate news articles published in China. The China Financial Newspaper Searching System specifically archives articles published by China’s business newspapers. The combination of these two archives provides the most comprehensive set of financial news articles available about China’s listed firms. The database of Piotroski et al. (2017) further measures the tone of a specific financial news article using a machine learning approach to implement linguistic content analysis. Each sentence in the article is classified as having a “positive,” “neutral,” or “negative” tone. It further measures the tone of each article as the number of positive sentences minus the number of negative sentences in the article, scaled by one plus the sum of the number of positive and negative sentences.

To measure media reaction to a firm, we use “abnormal market-adjusted tone”, a concept similar to abnormal market-adjusted stock return, defined as the tone aggregated from all news coverage for a specific listed firm on a given date minus the aggregated tone for all listed firms on the same date. The cumulative market-adjusted abnormal tones (CATs) allow us to record short-term and long-term media reaction to listed firms around any given event dates. Our (untabulated) results show that CAT in the 5-day, 10-day, and 30-day windows are all negative and statistically
significantly different from zero. These results complement the CAR results in Table 6 Panel A that the court disclosures are conveying new and negative information to the market.

The next question concerns what exact message court disclosure conveys to the market. Recall that, although firms have already published litigation outcome in their own announcements before courts put judicial opinions online, there are still negative stock market return and adverse media reaction associated with court disclosure – this suggests there must be some new information conveyed by court disclosure. Although speculative, we believe a most plausible explanation is that court disclosure signals a firm’s disadvantage against other firms with respect to its relationship with the government, and consequently the market reacts adversely to this signal. In other words, the court could have concealed the judicial opinion for a firm, but instead, it discloses it. The disclosure behavior of the court per se becomes a signal, indicating the deterioration in government relationship of a firm, which leads to negative market and media reactions. This explanation is consistent with the results we show earlier, that is, courts disclose judicial opinions selectively, and the selection is driven by political motivations.

There is also an alternative explanation, that is, the judicial opinions disclosed by courts provide value relevant contents in addition to firms’ disclosure. To test this conjecture, we examine if the amount of visits for each judicial opinion on SPC website is positively correlated with the stock return reaction to the judicial opinion disclosure. We posit that the amount of visits can proxy for the new information contained in the judicial opinions. We find there is no correlation between total number of visits and abnormal stock returns (the coefficient is -0.0002; the p-value is 0.9934). Second, if judicial opinions contain negative information in addition to firm disclosure, we will expect that the longer a judicial opinion is, the more likely it contains such information. In this regard, the length of judicial opinions should be negatively correlated with abnormal stock returns.
Yet we do not find such negative correlations in both univariate tests and multivariate regressions. The evidence in both of these tests suggests that the market is already well-informed of the substance of the litigation cases by the firm disclosure as required by the securities regulations. We believe these results provide supporting evidence that can help to rule out the alternative explanation.

5. Additional Tests

5.1. Timeliness of government disclosure

To further test the robustness of our results, we study the disparity in timeliness of court disclosure. There are two dimensions of information regarding court disclosure – whether a case of a listed firm was disclosed by the court, and the duration of time from the judgment date to the court’s disclosure date. We posit that even if the government has decided to disclose the firm’s litigation case, it may still protect the firm by delaying its disclosure from the judgment date, avoiding to draw more public scrutiny. To test this, we use a Cox proportional hazard model that takes the following form:

\[ h_i(t; X_i) = h_0(t) \times \exp(X_i \beta) \]  

(3)

where \( h_0(t) \) is the baseline hazard of court disclosure of a case \( i \) after day \( t \), which is left unspecified and is estimated; \( X_i \) is a vector of covariates, and \( \beta \) is the vector of parameters to be estimated.

Table 8 summarizes the results and presents the coefficients of the estimated model. Column 1 shows the results for SOE in the full sample. The coefficient on SOE is -0.203, statistically significant at the 1% level. This means that judicial opinions for SOEs are less timely to be disclosed by the courts. We find generally similar patterns in both the voluntary disclosure
regime and the mandatory disclosure regime, as shown in columns 2 and 3. In the voluntary regime, the coefficient on SOE is -0.400, marginally significant at the 10% level. The coefficient on SOE in the mandatory regime is -0.191, statistically significant at the 1% level.

Columns 4 to 6 summarize the results for Home Court. However, the home courts appear not to provide further favoritism regarding the duration of disclosing the case.

5.2. The profile of the provincial high court president

The evidence provided in the study so far supports our conjecture that the courts’ decision to suppress the disclosure is positively associated with local politicians’ incentives for promotion or protecting firms that they favor. However, the courts are also subject to opposing political forces that lead to more disclosure and transparency. For the provincial high court presidents, whose promotion is less affected by provincial politicians’ influence but more subject to the decisions of the SPC, successful implementation of the litigation case disclosure is a measure of their significant performance. In achieving better performance in disclosure, the high court presidents may conflict with the provincial party secretaries or governors. Thus, we test whether high court presidents’ connection with the SPC will affect their decision to focus more on improving the quality of disclosure. To operationalize on this, we include an additional variable, SPC Experience, which equals one if the president of provincial high court used to have working experience in the SPC, and zero otherwise, as well as its interaction with the main variables, SOE and Home Court, in our main regression model (used in Table 3). We only focus on the mandatory regime for this test because many of the disclosure decisions during the voluntary regime were made after 2014 in a retroactive manner, and thus were not affected by the experience of high court presidents that were in office before 2014.
Table 9 summarizes the results. \textit{SPC Experience} and \textit{SPC Experience} × \textit{SOE} load with a coefficient of 0.928 and 0.728 (column 1), both statistically significant at the 1\% level. It suggests that the experience in SPC empowers the president of local courts to implement the disclosure requirement more effectively and fairly. From the results in column 2, we only find evidence that the experience in SPC can improve the transparency in general but cannot reduce the home court bias in government disclosure, since the interaction term, \textit{SPC Experience} × \textit{Home Court}, does not load.

6. Conclusion

This study uses the 2014 the Supreme People’s Court’s mandatory disclosure requirement of all the courts’ judicial opinions to study Chinese government’s disclosure decisions. We specifically look at the courts’ disclosure of listed firms’ litigation cases because we can find a benchmark sample of these listed firms’ own disclosure of these litigation cases required by the Securities Law of China. This latter sample serves as a benchmark to test whether the Chinese courts suppress the disclosure and whether political incentives influence their decisions.

Our evidence shows that under the mandatory disclosure regime, only less than 40\% of the listed firms litigation cases are disclosed by the courts. The courts disclosure decisions are affected by government’s political incentives. We find that the courts are more likely to suppress cases that involve SOEs and firms that come from the courts’ own provinces. In addition, our evidence shows that the SOEs receive more protection among firms that are large or contribute a large amount of tax revenues to the province, or in the year prior to their party secretaries’ promotion than in other years. Consistent with the notion that the judicial disclosure is a sign that politician is not showing favoritism to the firms, we find that the judicial disclosure is associated with a significant negative
stock price response and a subsequent drop in debt and equity financing. Our results show how government transparency is biased by politics in an authoritarian regime, and how this bias is associated with economic consequences to the market.
REFERENCES


## Appendix: Variable Definition

<table>
<thead>
<tr>
<th>Variable</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disclosure</td>
<td>It is an indicator variable for government disclosure, which equals one if the case disclosed by firm can be matched with the case on the judicial opinion disclosure platform, <em>China Court Judgments</em>, and zero otherwise.</td>
</tr>
<tr>
<td>SOE</td>
<td>It is an indicator variable which equals one if the company is ultimately controlled by the government, zero otherwise.</td>
</tr>
<tr>
<td>Home Court</td>
<td>It is an indicator variable which equals one if the company involved in the case and judgment court are located in the same province, and zero otherwise.</td>
</tr>
<tr>
<td>Basic Court</td>
<td>It is an indicator variable which equals one if judgment court is a basic people’s court, and zero otherwise.</td>
</tr>
<tr>
<td>Amount in Controversy</td>
<td>The logarithm of the amount in controversy in a case, which is stated in the judicial opinion.</td>
</tr>
<tr>
<td>First Instance</td>
<td>It equals one if the case is first instance, and zero otherwise.</td>
</tr>
<tr>
<td>Size</td>
<td>This is the firm size, which is measured as the logarithm value of total sales.</td>
</tr>
<tr>
<td>Leverage</td>
<td>This is the leverage of the company at the end of the year, which is measured as the ratio of total debt to total assets.</td>
</tr>
<tr>
<td>MB</td>
<td>This is the market-to-equity book ratio at the end of the year.</td>
</tr>
<tr>
<td>ROA</td>
<td>This is the return on assets in the year.</td>
</tr>
<tr>
<td>Tax</td>
<td>It is an indicator variable which equals one if the total tax expenses of the company are ranked within the top 10% among the listed firms in the province of the year, and zero otherwise.</td>
</tr>
<tr>
<td>Top Firms</td>
<td>It is an indicator variable which equals one if the sales of the company are ranked among the top 10% among the listed firms in the province of the year, and zero otherwise.</td>
</tr>
<tr>
<td>Promotion</td>
<td>It is an indicator which equals one during the year preceding the promotion of the party secretary of the province where the firm is located, and zero otherwise.</td>
</tr>
<tr>
<td>CAR5</td>
<td>It is the cumulative market-adjusted return in a five-day event window starting on the announcement date of the event.</td>
</tr>
<tr>
<td>CAR10</td>
<td>It is the cumulative market-adjusted return in a ten-day event window starting on the announcement date of the event.</td>
</tr>
<tr>
<td>CAR30</td>
<td>It is the cumulative market-adjusted return in a thirty-day event window starting on the announcement date of the event.</td>
</tr>
<tr>
<td>ΔTotal Financing</td>
<td>This is the change in external financing from the current year to the next year, scaled by total assets at the end of the current year.</td>
</tr>
<tr>
<td>ΔEquity Financing</td>
<td>This is the change in equity financing from the current year to the next year, which is scaled by total assets at the end of the current year.</td>
</tr>
<tr>
<td>ΔDebt Financing</td>
<td>This is the change in debt financing from the current year to the next year, which is scaled by total assets at the end of the current year.</td>
</tr>
<tr>
<td>ΔSize</td>
<td>The change in size from the current year to the next year.</td>
</tr>
<tr>
<td>ΔTangible</td>
<td>The change in tangible assets, which is measure as ratio of fixed asset to total asset, from the current year to the next year.</td>
</tr>
<tr>
<td>ΔMB</td>
<td>The change in MB from the current year to the next year.</td>
</tr>
<tr>
<td>ΔROA</td>
<td>The change in ROA from the current year to the next year.</td>
</tr>
<tr>
<td>SPC Experience</td>
<td>It is an indicator which equals one if the president of the provincial high court has work experience in the Supreme People’s Court, and zero otherwise</td>
</tr>
</tbody>
</table>
Table 1 Sample
Panel A: Sampling Process
This panel presents how our sample of litigation cases disclosed by the companies are constructed. The initial sample of litigation cases are disclosed by the companies according to the requirement of China Security Regulatory Commission. To focus our study on commercial disputes, we excluded 60 criminal cases, 95 administrative cases, and 339 enforcement cases. We also ruled out 259 cases involving firms in the finance industry because of the incomparability of financial information of these firms with that of firms operating in non-financial sectors. We do not include 979 court-administered mediation cases in our study, since courts are not required to disclose judicial decisions for cases resolved through mediation. In the remaining 6,387 cases, we were not able to find some of the key variables for 932 cases, including, for example, the case level variables such as case number, deciding court, and judgment dates and outcomes for 568 cases, and the firm level variables such as firm size and market-to-book ratio for 364 cases. We thus excluded these cases from our analysis. We also drop 85 cases which involved only one firm to avoid any possible outlier effect.

<table>
<thead>
<tr>
<th>All cases disclosed by listed companies between 2008 and 2016</th>
<th>8,130</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unsolved cases</td>
<td>(11)</td>
</tr>
<tr>
<td>Criminal cases</td>
<td>(60)</td>
</tr>
<tr>
<td>Administrative cases</td>
<td>(95)</td>
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<tr>
<td>Enforcement cases</td>
<td>(339)</td>
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<tr>
<td>Cases disclosed by financial firms</td>
<td>(259)</td>
</tr>
<tr>
<td>Cases resolved through mediation</td>
<td>(979)</td>
</tr>
<tr>
<td>Cases with missing litigation information</td>
<td>(568)</td>
</tr>
<tr>
<td>Cases with missing firm information</td>
<td>(364)</td>
</tr>
<tr>
<td>A firm with 85 cases</td>
<td>(85)</td>
</tr>
<tr>
<td><strong>Final Sample</strong></td>
<td><strong>5,370</strong></td>
</tr>
</tbody>
</table>
Table 1 (Continued)
Panel B: Government Disclosure of Litigation Cases Involving Listed Companies
This panel presents government disclosure of litigation cases involving listed companies. When a case disclosed by listed company can be matched with the same case on *China Court Judgments*, it is regarded as being disclosed by government.

<table>
<thead>
<tr>
<th></th>
<th>Number of Cases</th>
<th>As Percentage of Cases Disclosed by Listed Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Litigation cases disclosed by listed companies</td>
<td>5,370</td>
<td></td>
</tr>
<tr>
<td>Litigation cases disclosed by courts in <em>China Court Judgments</em></td>
<td>40 million+</td>
<td></td>
</tr>
<tr>
<td>Matched cases</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- matched through case serial number</td>
<td>1,236</td>
<td>23.01%</td>
</tr>
<tr>
<td>- matched through name of parties</td>
<td>68</td>
<td>1.27%</td>
</tr>
<tr>
<td>Unmatched cases</td>
<td>4,066</td>
<td>75.72%</td>
</tr>
</tbody>
</table>
Table 1 (Continued)
Panel C: Sample Distribution by Year
This panel presents the distribution of litigation cases disclosed by firms and government respectively by year. The judicial opinions are required to be disclosed online since year 2014 with several exemptions such as cases related to national secret. We divide our sample period into two sub-periods, Voluntary Disclosure Regime (2008-2013) and Mandatory Disclosure Regime (2014-2016).

<table>
<thead>
<tr>
<th>Year</th>
<th>All Cases</th>
<th>Cases Disclosed by Government</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>N</td>
<td>%</td>
</tr>
<tr>
<td>Voluntary Disclosure Regime:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>332</td>
<td>2</td>
</tr>
<tr>
<td>2009</td>
<td>407</td>
<td>7</td>
</tr>
<tr>
<td>2010</td>
<td>355</td>
<td>5</td>
</tr>
<tr>
<td>2011</td>
<td>292</td>
<td>6</td>
</tr>
<tr>
<td>2012</td>
<td>307</td>
<td>10</td>
</tr>
<tr>
<td>2013</td>
<td>449</td>
<td>75</td>
</tr>
<tr>
<td>Pooled sub-period</td>
<td>2,142</td>
<td>105</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4.90%</td>
</tr>
<tr>
<td>Mandatory Disclosure Regime:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>744</td>
<td>271</td>
</tr>
<tr>
<td>2015</td>
<td>1,077</td>
<td>449</td>
</tr>
<tr>
<td>2016</td>
<td>1,407</td>
<td>479</td>
</tr>
<tr>
<td>Pooled sub-period</td>
<td>3,228</td>
<td>1,199</td>
</tr>
<tr>
<td></td>
<td></td>
<td>37.14%</td>
</tr>
<tr>
<td>Overall</td>
<td>5,370</td>
<td>1,304</td>
</tr>
<tr>
<td></td>
<td></td>
<td>24.28%</td>
</tr>
</tbody>
</table>
Table 1 (Continued)
Panel D: Sample Distribution by Court Location
This panel presents the distribution of cases by court location.

<table>
<thead>
<tr>
<th>Province</th>
<th>All Cases N</th>
<th>Cases Disclosed by Government N</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zhejiang</td>
<td>391</td>
<td>160</td>
<td>40.92%</td>
</tr>
<tr>
<td>Ningxia</td>
<td>64</td>
<td>25</td>
<td>39.06%</td>
</tr>
<tr>
<td>Hubei</td>
<td>145</td>
<td>50</td>
<td>34.48%</td>
</tr>
<tr>
<td>Anhui</td>
<td>73</td>
<td>23</td>
<td>31.51%</td>
</tr>
<tr>
<td>Chongqing</td>
<td>110</td>
<td>33</td>
<td>30.00%</td>
</tr>
<tr>
<td>Jiangsu</td>
<td>470</td>
<td>138</td>
<td>29.36%</td>
</tr>
<tr>
<td>Beijing</td>
<td>579</td>
<td>164</td>
<td>28.32%</td>
</tr>
<tr>
<td>Heilongjiang</td>
<td>69</td>
<td>19</td>
<td>27.54%</td>
</tr>
<tr>
<td>Shanghai</td>
<td>353</td>
<td>92</td>
<td>26.06%</td>
</tr>
<tr>
<td>Shandong</td>
<td>317</td>
<td>79</td>
<td>24.92%</td>
</tr>
<tr>
<td>Hebei</td>
<td>118</td>
<td>28</td>
<td>23.73%</td>
</tr>
<tr>
<td>Shanxi</td>
<td>117</td>
<td>27</td>
<td>23.08%</td>
</tr>
<tr>
<td>Jilin</td>
<td>57</td>
<td>13</td>
<td>22.81%</td>
</tr>
<tr>
<td>Fujian</td>
<td>213</td>
<td>48</td>
<td>22.54%</td>
</tr>
<tr>
<td>Sichuan</td>
<td>281</td>
<td>63</td>
<td>22.42%</td>
</tr>
<tr>
<td>Gansu</td>
<td>51</td>
<td>11</td>
<td>21.57%</td>
</tr>
<tr>
<td>Hunan</td>
<td>130</td>
<td>28</td>
<td>21.54%</td>
</tr>
<tr>
<td>Henan</td>
<td>148</td>
<td>30</td>
<td>20.27%</td>
</tr>
<tr>
<td>Liaoning</td>
<td>193</td>
<td>37</td>
<td>19.17%</td>
</tr>
<tr>
<td>Xinjiang</td>
<td>94</td>
<td>17</td>
<td>18.09%</td>
</tr>
<tr>
<td>Guizhou</td>
<td>74</td>
<td>13</td>
<td>17.57%</td>
</tr>
<tr>
<td>Hainan</td>
<td>73</td>
<td>12</td>
<td>16.44%</td>
</tr>
<tr>
<td>Guanxi</td>
<td>140</td>
<td>23</td>
<td>16.43%</td>
</tr>
<tr>
<td>Shaanxi</td>
<td>104</td>
<td>17</td>
<td>16.35%</td>
</tr>
<tr>
<td>Guangdong</td>
<td>667</td>
<td>106</td>
<td>15.89%</td>
</tr>
<tr>
<td>Jiangxi</td>
<td>65</td>
<td>10</td>
<td>15.38%</td>
</tr>
<tr>
<td>Yunnan</td>
<td>86</td>
<td>13</td>
<td>15.12%</td>
</tr>
<tr>
<td>Tianjin</td>
<td>128</td>
<td>18</td>
<td>14.06%</td>
</tr>
<tr>
<td>Qinghai</td>
<td>17</td>
<td>2</td>
<td>11.76%</td>
</tr>
<tr>
<td>Inner Mongolia</td>
<td>43</td>
<td>5</td>
<td>11.63%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5,370</strong></td>
<td><strong>1,304</strong></td>
<td><strong>24.28%</strong></td>
</tr>
</tbody>
</table>
Table 2 Descriptive Statistics
This panel presents descriptive statistics of key variables, sorted by whether a case (and a related firm) was disclosed by government or not. The sample size, mean value, standard deviation, and t-statistics for the test of difference in means are listed below. ***, **, and * denote significance level at 1%, 5%, and 10% respectively.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Cases disclosed by government</th>
<th>Cases not disclosed by government</th>
<th>Test for Diff.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>N</td>
<td>Mean</td>
<td>Std. Dev</td>
</tr>
<tr>
<td>SOE</td>
<td>1304</td>
<td>0.40</td>
<td>0.49</td>
</tr>
<tr>
<td>Home Court</td>
<td>1304</td>
<td>0.53</td>
<td>0.50</td>
</tr>
<tr>
<td>Amount in Controversy</td>
<td>1304</td>
<td>6.24</td>
<td>2.31</td>
</tr>
<tr>
<td>Basic Court</td>
<td>1304</td>
<td>0.38</td>
<td>0.49</td>
</tr>
<tr>
<td>First Instance</td>
<td>1304</td>
<td>0.65</td>
<td>0.48</td>
</tr>
<tr>
<td>Size</td>
<td>1304</td>
<td>21.35</td>
<td>1.75</td>
</tr>
<tr>
<td>Leverage</td>
<td>1304</td>
<td>0.52</td>
<td>1.22</td>
</tr>
<tr>
<td>MB</td>
<td>1304</td>
<td>11.09</td>
<td>35.64</td>
</tr>
<tr>
<td>ROA</td>
<td>1304</td>
<td>-0.03</td>
<td>0.28</td>
</tr>
</tbody>
</table>
Table 3 Bias in Government Disclosure
Panel A: Univariate Test
This panel presents univariate test for disclosure rate with respect to state-owned enterprises (SOEs) and non-SOEs, and home courts and non-home courts. The number in each cell stands for the disclosure ratio and the number in bracket stands for total number of cases. We test the difference in disclosure ratio in z-test; the results are shown by the z-value. ***, **, and * denote significance level at 1%, 5%, and 10% respectively.

<table>
<thead>
<tr>
<th></th>
<th>SOE</th>
<th>Non-SOE</th>
<th>Z-value</th>
<th>Home court</th>
<th>Non-home court</th>
<th>Z-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Cases</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Voluntary Disclosure Regime</td>
<td>0.039</td>
<td>0.060</td>
<td>-2.25**</td>
<td>0.040</td>
<td>0.063</td>
<td>-2.46**</td>
</tr>
<tr>
<td></td>
<td>[1,106]</td>
<td>[1,036]</td>
<td></td>
<td>[1286]</td>
<td>[856]</td>
<td></td>
</tr>
<tr>
<td>Mandatory Disclosure Regime</td>
<td>0.335</td>
<td>0.400</td>
<td>-3.78***</td>
<td>0.353</td>
<td>0.394</td>
<td>-2.37**</td>
</tr>
<tr>
<td></td>
<td>[1,423]</td>
<td>[1,805]</td>
<td></td>
<td>[1,802]</td>
<td>[1,426]</td>
<td></td>
</tr>
</tbody>
</table>
**Table 3 (Continued)**

**Panel B: Multivariate Analysis**

This panel presents the results of court disclosure for cases involving 1) SOEs vs. non-SOEs and 2) home courts vs. non-home courts.

\[
\text{Prob(}Disclosure=1\text{)=Logit}(\beta_0 + \beta_1 \cdot SOE + \gamma \cdot controls + Industry \text{ Fixed Effects} \\
+ \text{Year} \text{ Fixed Effects} + \varepsilon)
\]

\[
\text{Prob(}Disclosure=1\text{)=Logit}(\beta_0 + \beta_1 \cdot Home \text{ Court} + \gamma \cdot controls + Industry \text{ Fixed Effects} \\
+ \text{Year} \text{ Fixed Effects} + \varepsilon)
\]

The dependent variable is Disclosure, which equals one if the case was disclosed by court on China Court Judgments, and zero otherwise. The independent variables: SOE, an indicator for SOEs, which equal one if the firm is ultimately controlled by the government, and zero otherwise; Home Court, an indicator for colocation of firm and judgment court, which equals one if the firm and judgment court are located in the same province, and zero otherwise; other control variables are defined in the Appendix. Logit model is applied with standard error clustered by firm and year reported in parenthesis. ***, **, and * denote significance level at 1%, 5% and 10%, respectively.

**Table 4 Bias in Government Disclosure Conditional on the Status of the Firm**

This panel presents the impact on disclosure bias conditional on the status of the firm in the province.

\[
\text{Prob(}Disclosure=1\text{)=Logit}(\beta_0 + \beta_1 \cdot SOE + \beta_2 \cdot Tax + \beta_3 \cdot SOE \times Tax \\
+ \gamma \cdot controls + Industry \text{ Fixed Effects} + \text{Year} \text{ Fixed Effects} + \varepsilon)
\]

\[
\text{Prob(}Disclosure=1\text{)=Logit}(\beta_0 + \beta_1 \cdot Home \text{ Court} + \beta_2 \cdot Tax + \beta_3 \cdot Home \text{ Court} \times Tax \\
+ \gamma \cdot controls + Industry \text{ Fixed Effects} + \text{Year} \text{ Fixed Effects} + \varepsilon)
\]

\[
\text{Prob(}Disclosure=1\text{)=Logit}(\beta_0 + \beta_1 \cdot SOE + \beta_2 \cdot Top \text{ Firms} + \beta_3 \cdot SOE \times Top \text{ Firms} \\
+ \gamma \cdot controls + Industry \text{ Fixed Effects} + \text{Year} \text{ Fixed Effects} + \varepsilon)
\]

\[
\text{Prob(}Disclosure=1\text{)=Logit}(\beta_0 + \beta_1 \cdot Home \text{ Court} + \beta_2 \cdot Top \text{ Firms} + \beta_3 \cdot Home \text{ Court} \times Top \text{ Firms} \\
+ \gamma \cdot controls + Industry \text{ Fixed Effects} + \text{Year} \text{ Fixed Effects} + \varepsilon)
\]

The dependent variable is Disclosure, which equals one if the case was disclosed by the court on China Court Judgements, and zero otherwise. The independent variables: SOE, indicator for state-owned-enterprises (SOEs), which equals one if the firm is ultimately controlled by government, and zero otherwise; Home Court, indicator for colocation of firm and judgement court, which equals one if the firm and judgement court are located in the same province, and zero otherwise; Tax equals one if the total tax expenses of the company are among the top 10% of the listed firms within the province in the year; Top Firms equals one if the sales of the company is among the top 10% of the listed firms within the province in the year; All other control variables, which are defined in appendix, are included but not reported. Logit model is applied with standard error clustered by firm and year reported in parenthesis. ***, **, and * denote significance level at 1%, 5%, and 10% respectively.

**Panel A: Conditional on Tax Expenses of the Company**
<table>
<thead>
<tr>
<th></th>
<th>SOE Bias</th>
<th>Voluntary Regime</th>
<th>Mandatory Regime</th>
<th>SOE Bias</th>
<th>Voluntary Regime</th>
<th>Mandatory Regime</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Full Sample</td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>Full Sample</td>
<td>(4)</td>
</tr>
<tr>
<td><strong>SOE</strong></td>
<td>-0.277***</td>
<td>-0.393***</td>
<td>-0.274**</td>
<td>-0.122**</td>
<td>-0.268*</td>
<td>-0.116*</td>
</tr>
<tr>
<td></td>
<td>(0.105)</td>
<td>(0.180)</td>
<td>(0.118)</td>
<td>(0.058)</td>
<td>(0.159)</td>
<td>(0.066)</td>
</tr>
<tr>
<td><strong>Home Court Bias</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Test of Diff.</td>
<td></td>
<td>[0.20]</td>
<td></td>
<td>[0.44]</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Amount in Controversy</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.060***</td>
<td>0.207***</td>
<td>0.046**</td>
<td>0.051***</td>
<td>0.206***</td>
<td>0.037**</td>
</tr>
<tr>
<td></td>
<td>(0.020)</td>
<td>(0.048)</td>
<td>(0.019)</td>
<td>(0.019)</td>
<td>(0.044)</td>
<td>(0.017)</td>
</tr>
<tr>
<td><strong>Basic Court</strong></td>
<td>0.455***</td>
<td>0.513***</td>
<td>0.460***</td>
<td>0.456***</td>
<td>0.486***</td>
<td>0.462***</td>
</tr>
<tr>
<td></td>
<td>(0.066)</td>
<td>(0.135)</td>
<td>(0.092)</td>
<td>(0.065)</td>
<td>(0.148)</td>
<td>(0.090)</td>
</tr>
<tr>
<td><strong>First Instance</strong></td>
<td>-1.023***</td>
<td>-0.694***</td>
<td>-1.076***</td>
<td>-1.020***</td>
<td>-0.691***</td>
<td>-1.072***</td>
</tr>
<tr>
<td></td>
<td>(0.148)</td>
<td>(0.242)</td>
<td>(0.183)</td>
<td>(0.147)</td>
<td>(0.243)</td>
<td>(0.183)</td>
</tr>
<tr>
<td><strong>Size</strong></td>
<td>0.018</td>
<td>0.057</td>
<td>0.010</td>
<td>-0.004</td>
<td>0.024</td>
<td>-0.011</td>
</tr>
<tr>
<td></td>
<td>(0.017)</td>
<td>(0.058)</td>
<td>(0.016)</td>
<td>(0.018)</td>
<td>(0.049)</td>
<td>(0.019)</td>
</tr>
<tr>
<td><strong>Leverage</strong></td>
<td>-0.075***</td>
<td>-0.075</td>
<td>-0.075**</td>
<td>-0.077***</td>
<td>-0.068</td>
<td>-0.077**</td>
</tr>
<tr>
<td></td>
<td>(0.026)</td>
<td>(0.066)</td>
<td>(0.031)</td>
<td>(0.026)</td>
<td>(0.069)</td>
<td>(0.032)</td>
</tr>
<tr>
<td><strong>MB</strong></td>
<td>-0.001</td>
<td>0.000</td>
<td>-0.001</td>
<td>-0.001</td>
<td>0.000</td>
<td>-0.001</td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td>(0.005)</td>
<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.006)</td>
<td>(0.001)</td>
</tr>
<tr>
<td><strong>ROA</strong></td>
<td>-0.191**</td>
<td>-0.152</td>
<td>-0.174*</td>
<td>-0.185**</td>
<td>-0.100</td>
<td>-0.174</td>
</tr>
<tr>
<td></td>
<td>(0.082)</td>
<td>(0.155)</td>
<td>(0.105)</td>
<td>(0.084)</td>
<td>(0.179)</td>
<td>(0.120)</td>
</tr>
<tr>
<td><strong>Constant</strong></td>
<td>-5.290***</td>
<td>-20.974***</td>
<td>-0.497</td>
<td>-4.948***</td>
<td>-21.428***</td>
<td>-0.116</td>
</tr>
<tr>
<td></td>
<td>(0.427)</td>
<td>(1.649)</td>
<td>(0.350)</td>
<td>(0.430)</td>
<td>(1.630)</td>
<td>(0.382)</td>
</tr>
<tr>
<td><strong>Industry Fixed Effects</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Year Fixed Effects</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>N</strong></td>
<td>5,370</td>
<td>2,135</td>
<td>3,228</td>
<td>5,370</td>
<td>2,135</td>
<td>3,228</td>
</tr>
<tr>
<td><strong>Pseudo R^2</strong></td>
<td>0.204</td>
<td>0.226</td>
<td>0.046</td>
<td>0.202</td>
<td>0.225</td>
<td>0.045</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>SOE Bias</th>
<th>Voluntary Regime</th>
<th>Mandatory Regime</th>
<th>SOE Bias</th>
<th>Voluntary Regime</th>
<th>Mandatory Regime</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Full Sample</td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>Full Sample</td>
<td>(4)</td>
</tr>
<tr>
<td><strong>Tax</strong></td>
<td>0.231</td>
<td>0.288</td>
<td>0.202</td>
<td>-0.144*</td>
<td>-0.359</td>
<td>-0.115</td>
</tr>
<tr>
<td></td>
<td>(0.173)</td>
<td>(0.496)</td>
<td>(0.206)</td>
<td>(0.079)</td>
<td>(0.467)</td>
<td>(0.082)</td>
</tr>
<tr>
<td><strong>SOE</strong></td>
<td>-0.220**</td>
<td>-0.265</td>
<td>-0.229*</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.111)</td>
<td>(0.187)</td>
<td>(0.128)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>SOE×Tax</strong></td>
<td>-0.386**</td>
<td>-0.571***</td>
<td>-0.329*</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.152)</td>
<td>(0.169)</td>
<td>(0.186)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Home Court</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Home Courts×Tax</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td><strong>Control Variable</strong></td>
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<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Industry Fixed Effects</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Year Fixed Effects</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>N</strong></td>
<td>5,370</td>
<td>2,135</td>
<td>3,228</td>
<td>5,370</td>
<td>2,135</td>
<td>3,228</td>
</tr>
<tr>
<td><strong>Pseudo R^2</strong></td>
<td>0.204</td>
<td>0.227</td>
<td>0.047</td>
<td>0.203</td>
<td>0.227</td>
<td>0.045</td>
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</table>
### Panel B: Conditional on Size of the Company

<table>
<thead>
<tr>
<th></th>
<th>SOE Bias</th>
<th>Home Court Bias</th>
</tr>
</thead>
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<tr>
<td></td>
<td>Full Sample</td>
<td>Voluntary Regime</td>
</tr>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
</tr>
<tr>
<td>Top Firms</td>
<td>0.148</td>
<td>-0.007</td>
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<tr>
<td></td>
<td>(0.173)</td>
<td>(0.416)</td>
</tr>
<tr>
<td>SOE</td>
<td>-0.229**</td>
<td>-0.252</td>
</tr>
<tr>
<td></td>
<td>(0.106)</td>
<td>(0.184)</td>
</tr>
<tr>
<td>SOE×Top Firms</td>
<td>-0.265**</td>
<td>-0.683</td>
</tr>
<tr>
<td></td>
<td>(0.124)</td>
<td>(0.466)</td>
</tr>
<tr>
<td>Home Court</td>
<td></td>
<td>-0.213**</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.088)</td>
</tr>
<tr>
<td>Home Court×Top Firms</td>
<td></td>
<td>0.489*</td>
</tr>
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<td></td>
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<td>(0.254)</td>
</tr>
<tr>
<td>Control Variable</td>
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<td>Yes</td>
</tr>
<tr>
<td>Industry Fixed Effects</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Year Fixed Effects</td>
<td>Yes</td>
<td>Yes</td>
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<tr>
<td>N</td>
<td>5,370</td>
<td>2,135</td>
</tr>
<tr>
<td>Pseudo R²</td>
<td>0.204</td>
<td>0.229</td>
</tr>
</tbody>
</table>
Table 5 Bias in Government Disclosure Preceding Political Promotion

This panel presents the impact on disclosure bias preceding political promotion of politicians.

\[
\text{Prob}(\text{Disclosure}=1) = \text{Logit}(\beta_0 + \beta_1 \cdot \text{SOE} + \beta_2 \cdot \text{Promotion} + \beta_3 \cdot \text{SOE} \times \text{Promotion} \\
+ \gamma \cdot \text{controls} + \text{Industry Fixed Effects} + \text{Year Fixed Effects} + \text{Province Fixed Effects} + \epsilon)
\]

\[
\text{Prob}(\text{Disclosure}=1) = \text{Logit}(\beta_0 + \beta_1 \cdot \text{Home Court} + \beta_2 \cdot \text{Promotion} + \beta_3 \cdot \text{Home Court} \times \text{Promotion} \\
+ \gamma \cdot \text{controls} + \text{Industry Fixed Effects} + \text{Year Fixed Effects} + \text{Province Fixed Effects} + \epsilon)
\]

The dependent variable is Disclosure, which equals one if the case was disclosed by the court on China Court Judgments, and zero otherwise. The independent variables: SOE, an indicator for SOEs, which equals one if the firm is ultimately controlled by the government, and zero otherwise; Home Court, an indicator for colocation of firm and judgment court, which equals one if the firm and judgment court are located in the same province, and zero otherwise; Promotion equals one during the year preceding the promotion of the party secretary of the province where the firm is located, and zero otherwise. All other control variables, which are defined in the Appendix, are included but not reported. Logit model is applied with standard error clustered by firm and year reported in parenthesis. ***, **, and * denote significance level at 1%, 5%, and 10% respectively.

<table>
<thead>
<tr>
<th></th>
<th>SOE Bias</th>
<th>Home Court Bias</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mandatory Regime</td>
<td>Mandatory Regime</td>
</tr>
<tr>
<td>(1)</td>
<td>(2)</td>
<td></td>
</tr>
<tr>
<td>\textit{Promotion}</td>
<td>0.425***</td>
<td>0.404***</td>
</tr>
<tr>
<td></td>
<td>(0.082)</td>
<td>(0.037)</td>
</tr>
<tr>
<td>\textit{SOE}</td>
<td>-0.141</td>
<td>-0.035</td>
</tr>
<tr>
<td></td>
<td>(0.168)</td>
<td>(0.122)</td>
</tr>
<tr>
<td>\textit{SOE} \times \textit{Promotion}</td>
<td>-0.621***</td>
<td>-0.402***</td>
</tr>
<tr>
<td></td>
<td>(0.213)</td>
<td>(0.103)</td>
</tr>
<tr>
<td>\textit{Home Court}</td>
<td></td>
<td></td>
</tr>
<tr>
<td>\textit{Home Court} \times \textit{Promotion}</td>
<td></td>
<td></td>
</tr>
<tr>
<td>\textit{Control Variables}</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Industry Fixed Effects</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Year Fixed Effects</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Province Fixed Effects</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>N</td>
<td>3,228</td>
<td>3,228</td>
</tr>
<tr>
<td>Pseudo R2</td>
<td>0.077</td>
<td>0.074</td>
</tr>
</tbody>
</table>
Table 6 Market Reaction to the Disclosure of Litigation Cases
This table presents the market reaction to the litigation cases at various stages of the litigation process: disclosing date when the case was disclosed on the China Court Judgments, and the initial court filing date and disclosing date for the judgment outcome, both of which are disclosed by the firm. CAR is the cumulative abnormal market-adjusted return in various windows ranging from 5 to 30 days since the event date. The sample size varies depending on the availability of event date for the cases.
We also test whether the market reactions are different from zero in t-tests; the results are shown by the t-statistics. ***, **, and * denote significance level at 1%, 5%, and 10% respectively.

Panel A: Disclosure Date of Judicial Opinion by Government

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>CAR5(%)</th>
<th>t-statistics</th>
<th>CAR10(%)</th>
<th>t-statistics</th>
<th>CAR30(%)</th>
<th>t-statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Cases</td>
<td>1,063</td>
<td>-0.27</td>
<td>-1.75*</td>
<td>-0.64</td>
<td>-2.89***</td>
<td>-2.01</td>
<td>-6.15***</td>
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<tr>
<td>Plaintiff</td>
<td>444</td>
<td>-0.01</td>
<td>-0.03</td>
<td>-0.41</td>
<td>-1.23</td>
<td>-2.00</td>
<td>-4.03***</td>
</tr>
<tr>
<td>Defendant</td>
<td>619</td>
<td>-0.46</td>
<td>-2.28**</td>
<td>-0.81</td>
<td>-2.72***</td>
<td>-2.02</td>
<td>-4.64***</td>
</tr>
<tr>
<td>Winning</td>
<td>451</td>
<td>-0.00</td>
<td>-0.01</td>
<td>-0.32</td>
<td>-0.95</td>
<td>-2.17</td>
<td>-4.49***</td>
</tr>
<tr>
<td>Losing</td>
<td>612</td>
<td>-0.47</td>
<td>-2.28**</td>
<td>-0.87</td>
<td>-2.99***</td>
<td>-1.89</td>
<td>-4.28***</td>
</tr>
</tbody>
</table>

Panel B: Comparison: Firm Disclosure Dates

<table>
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<tr>
<th></th>
<th>N</th>
<th>CAR5 (%)</th>
<th>t-statistics</th>
<th>CAR10 (%)</th>
<th>t-statistics</th>
<th>CAR30 (%)</th>
<th>t-statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial Court Filing Date</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cases Later Disclosed by Courts</td>
<td>1,063</td>
<td>0.1</td>
<td>0.46</td>
<td>-0.25</td>
<td>-0.92</td>
<td>-1.07</td>
<td>-2.78***</td>
</tr>
<tr>
<td>Cases Undisclosed by Courts</td>
<td>996</td>
<td>-0.48</td>
<td>-3.09***</td>
<td>-0.4</td>
<td>-1.88*</td>
<td>-0.88</td>
<td>-2.69***</td>
</tr>
<tr>
<td>Disclosure Date of Judgment Outcome</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cases Later Disclosed by Courts</td>
<td>1,063</td>
<td>0</td>
<td>-0.04</td>
<td>-0.08</td>
<td>-0.37</td>
<td>-0.65</td>
<td>-1.72*</td>
</tr>
<tr>
<td>Cases Undisclosed by Courts</td>
<td>3,878</td>
<td>-0.2</td>
<td>-2.58***</td>
<td>-0.27</td>
<td>-2.58***</td>
<td>-0.51</td>
<td>-2.79***</td>
</tr>
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</table>
Table 7 Impact of Government Disclosure on External Financing
This table presents the impact of government disclosure of the firms’ litigation cases on their subsequent external financing.

$$\Delta \text{Total Financing} = \beta_0 + \beta_1 \cdot \text{Disclosure} + \beta_2 \cdot \text{SOE} + \beta_3 \cdot \text{Home Court}$$

$$+ \gamma \cdot \Delta \text{controls} + \text{Industry Fixed Effects} + \text{Year Fixed Effects} + \varepsilon$$

$$\Delta \text{Debt Financing} = \beta_0 + \beta_1 \cdot \text{Disclosure} + \beta_2 \cdot \text{SOE} + \beta_3 \cdot \text{Home Court}$$

$$+ \gamma \cdot \Delta \text{controls} + \text{Industry Fixed Effects} + \text{Year Fixed Effects} + \varepsilon$$

$$\Delta \text{Equity Financing} = \beta_0 + \beta_1 \cdot \text{Disclosure} + \beta_2 \cdot \text{SOE} + \beta_3 \cdot \text{Home Court}$$

$$+ \gamma \cdot \Delta \text{controls} + \text{Industry Fixed Effects} + \text{Year Fixed Effects} + \varepsilon$$

$\Delta \text{Total Financing}$ is the change in total external financing from the current year to the next year. $\Delta \text{Debt Financing}$ is the change in debt financing from the current year to the next year. $\Delta \text{Equity Financing}$ equals one if the case was disclosed by government in year $t$ and zero otherwise. All other variables are defined in the Appendix. OLS model is applied with standard error clustered by firm and year reported in parenthesis. ***, **, and * denote significance level at 1%, 5%, and 10% respectively.

<table>
<thead>
<tr>
<th></th>
<th>$\Delta \text{Total Financing}$ (1)</th>
<th>$\Delta \text{Debt Financing}$ (2)</th>
<th>$\Delta \text{Equity Financing}$ (3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disclosure</td>
<td>-0.111**</td>
<td>-0.075***</td>
<td>-0.110*</td>
</tr>
<tr>
<td></td>
<td>(0.056)</td>
<td>(0.020)</td>
<td>(0.057)</td>
</tr>
<tr>
<td>SOE</td>
<td>-0.005</td>
<td>0.065</td>
<td>-0.001</td>
</tr>
<tr>
<td></td>
<td>(0.057)</td>
<td>(0.078)</td>
<td>(0.060)</td>
</tr>
<tr>
<td>Home Court</td>
<td>-0.238</td>
<td>0.048</td>
<td>-0.236</td>
</tr>
<tr>
<td></td>
<td>(0.183)</td>
<td>(0.072)</td>
<td>(0.185)</td>
</tr>
<tr>
<td>$\Delta \text{Size}$</td>
<td>-0.206</td>
<td>0.276</td>
<td>-0.219</td>
</tr>
<tr>
<td></td>
<td>(0.326)</td>
<td>(0.185)</td>
<td>(0.336)</td>
</tr>
<tr>
<td>$\Delta \text{Tangible}$</td>
<td>-4.677</td>
<td>-2.006</td>
<td>-4.643</td>
</tr>
<tr>
<td></td>
<td>(4.294)</td>
<td>(1.245)</td>
<td>(4.309)</td>
</tr>
<tr>
<td>$\Delta \text{MB}$</td>
<td>-0.017</td>
<td>-0.012</td>
<td>-0.016</td>
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<tr>
<td></td>
<td>(0.023)</td>
<td>(0.008)</td>
<td>(0.023)</td>
</tr>
<tr>
<td>$\Delta \text{ROA}$</td>
<td>2.855</td>
<td>-0.460**</td>
<td>2.873</td>
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<tr>
<td></td>
<td>(2.490)</td>
<td>(0.219)</td>
<td>(2.508)</td>
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<td>Constant</td>
<td>0.403**</td>
<td>0.032</td>
<td>0.397**</td>
</tr>
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<td></td>
<td>(0.184)</td>
<td>(0.116)</td>
<td>(0.191)</td>
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<tr>
<td>Industry Fixed Effects</td>
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<td>Yes</td>
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<tr>
<td>Year Fixed Effects</td>
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<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>N</td>
<td>3,163</td>
<td>3,163</td>
<td>3,163</td>
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<tr>
<td>Adjusted $R^2$</td>
<td>0.058</td>
<td>0.021</td>
<td>0.057</td>
</tr>
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</table>
Table 8 Bias in Timeliness of Government Disclosure

This table presents the bias in timeliness of government disclosure.

\[ h_i(t; X_i) = h_0(t) \times \exp(X_i\beta) \]

The dependent variable of the hazard model is the probability of government disclosure at time \( t \) given that a judicial opinion has not been disclosed by government earlier, where \( t \) is the duration (number of days) between judicial decision date and government disclosure date. The independent variables: \( SOE \), an indicator for SOEs, which equals one if the firm is ultimately controlled by government, and zero otherwise; \( Home Court \), an indicator for colocation of firm and judgment court, which equals one if the firm and judgment court are located in the same province, and zero otherwise. All variables are defined in the Appendix. Cox Proportional Hazard model is applied with standard error reported in parenthesis. The coefficients of the estimated model are presented.

***, **, and * denote significance level at 1%, 5%, and 10% respectively.

<table>
<thead>
<tr>
<th></th>
<th>SOE Bias</th>
<th>Home Court Bias</th>
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<td></td>
<td>Full Sample</td>
<td>Voluntary Regime</td>
</tr>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
</tr>
<tr>
<td>( SOE )</td>
<td>-0.203***</td>
<td>-0.400*</td>
</tr>
<tr>
<td></td>
<td>(0.067)</td>
<td>(0.229)</td>
</tr>
<tr>
<td>( Home Court )</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount in Controversy</td>
<td>0.040***</td>
<td>0.186***</td>
</tr>
<tr>
<td></td>
<td>(0.013)</td>
<td>(0.053)</td>
</tr>
<tr>
<td>Basic Court</td>
<td>0.367***</td>
<td>0.409</td>
</tr>
<tr>
<td></td>
<td>(0.074)</td>
<td>(0.270)</td>
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<td>First Instance</td>
<td>-0.845***</td>
<td>-0.682***</td>
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<td>Size</td>
<td>0.011</td>
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<td></td>
<td>(0.019)</td>
<td>(0.066)</td>
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<td>Leverage</td>
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<td>-0.078</td>
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<td></td>
<td>(0.027)</td>
<td>(0.054)</td>
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<tr>
<td>MB</td>
<td>-0.000</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td>(0.004)</td>
</tr>
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<td>-0.153</td>
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<td>(0.291)</td>
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<td>Yes</td>
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<tr>
<td>Year Fixed Effects</td>
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<td>Yes</td>
</tr>
<tr>
<td>N</td>
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<td>2,142</td>
</tr>
<tr>
<td>Pseudo R(^2)</td>
<td>0.063</td>
<td>0.142</td>
</tr>
</tbody>
</table>

50
Table 9 Impact on Government Disclosure of Provincial High Court President
This table presents the impact of the work experience in Supreme People’s Court of the provincial high court presidents on the bias in government disclosure.

\[
\text{Prob} (\text{Disclosure} = 1) = \text{Logit}(\beta_0 + \beta_1 \cdot \text{SOE} + \beta_2 \cdot \text{SPC Experience} + \beta_3 \cdot \text{SOE} \times \text{SPC Experience} + \gamma \cdot \text{controls} + \text{Industry Fixed Effects} + \text{Year Fixed Effects} + \text{Province Fixed Effects} + \varepsilon)
\]

\[
\text{Prob} (\text{Disclosure} = 1) = \text{Logit}(\beta_0 + \beta_1 \cdot \text{Home Court} + \beta_2 \cdot \text{SPC Experience} + \beta_3 \cdot \text{Home Court} \times \text{SPC Experience} + \gamma \cdot \text{controls} + \text{Industry Fixed Effects} + \text{Year Fixed Effects} + \text{Province Fixed Effects} + \varepsilon)
\]

The dependent variable is Disclosure, which equals one if the case was disclosed by the court on China Court Judgments, and zero otherwise. The independent variables: SOE, an indicator for SOEs, which equals one if the firm is ultimately controlled by government, and zero otherwise; Home Court, an indicator for colocation of firm and judgment court, which equals one if the firm and judgment court are located in the same province, and zero otherwise; SPC Experience, an indicator which equals one if the president of the provincial high court has work experience in the Supreme People’s Court, and zero otherwise. All other control variables, which are defined in appendix, are included but not reported. Logit model is applied with standard error clustered by firm and year reported in parenthesis. ***, **, and * denote significance level at 1%, 5%, and 10% respectively.

<table>
<thead>
<tr>
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<th>SOE Bias (1)</th>
<th>Home Court Bias (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SPC Experience</td>
<td>0.928***</td>
<td>1.393***</td>
</tr>
<tr>
<td></td>
<td>(0.093)</td>
<td>(0.183)</td>
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<tr>
<td>SOE</td>
<td>-0.331**</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.135)</td>
<td></td>
</tr>
<tr>
<td>SOE×SPC Experience</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>(0.249)</td>
<td></td>
</tr>
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<td>-0.067</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.135)</td>
</tr>
<tr>
<td>Home Court×SPC Experience</td>
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<td>-0.201</td>
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<td></td>
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<td>(0.328)</td>
</tr>
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<td>Control Variable</td>
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<td>Industry Fixed Effects</td>
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<td>Yes</td>
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<td>Year Fixed Effects</td>
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<td>Yes</td>
</tr>
<tr>
<td>Province Fixed Effects</td>
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<td>Yes</td>
</tr>
<tr>
<td>N</td>
<td>3,228</td>
<td>3,228</td>
</tr>
<tr>
<td>Pseudo R²</td>
<td>0.081</td>
<td>0.078</td>
</tr>
</tbody>
</table>