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The Short Selling System Improve the Quality of Corporate Disclosure?

-- A Perspective on the Timeliness of Annual Reports

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Abstract

With the rollout of margin trading and short-selling regulations in China's capital market around 2010, this paper applies a two-step DID framework to analyze how short-selling activities affect the quality of firms' information disclosure. The study finds that the liberalization of short-selling mechanisms leads to a significant delay in the disclosure of annual reports, particularly among non-state-owned enterprises and those with poor internal controls. Further analysis indicates that while short-selling mechanisms affect the timeliness of annual report disclosure, they simultaneously enhance the reliability of accounting information. The results suggest that the relaxation of short-selling regulations implies higher requirements for the reliability of accounting information, thereby increasing corporate prudence in information disclosure and leading to a strategic delay in the release of annual reports.

Keywords

Short-selling Regulations; Timeliness of Annual Report Disclosure; Ownership Structure; Internal Control.

1. Introduction

In 2006, the China Securities Regulatory Commission (CSRC) issued the “Pilot Measures for Securities Companies’ Margin Trading and Short Selling Business,” marking the beginning of the substantive preparatory phase for margin trading and short selling operations by Chinese securities firms. By 2010, the CSRC had announced the list of the first batch of pilot securities firms, meaning investors could profit by short-selling companies based on negative news. Current research generally holds that timely disclosures elicit a stronger market reaction and are more useful to investors [1]. However, existing literature offers little insight into how short-selling mechanisms affect the timeliness of annual report disclosures. Previous studies on disclosure timeliness have generally concluded that annual report disclosure timing in capital markets follows the pattern of “good news disclosed early, bad news disclosed late” [2, 3]. Haislip et al. and Schroeder also found that management of U.S. listed companies is willing to take risks by disclosing earnings information before auditors complete their work in order to meet capital markets’ demand for “timely” information [4, 5]. This implies that when there is no short-selling pressure, firms will cater to investors’ demands for “timeliness,” whereas when short-selling pressure exists, they are forced to shift their “pursuit” of timely accounting disclosure toward the reliability of accounting information. Therefore, this study explores how the short-selling regime affects the quality of corporate disclosure when firms face a trade-off between “timeliness” and “reliability.”

This study selects all non-financial listed companies on China’s A-share market from 2007 to 2018 as the sample and constructs a difference-in-differences model to examine the impact of

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margin trading policy implementation on the timeliness of annual report disclosures. The findings suggest that as short-selling constraints are eased, managers experience increased pressure and tend to postpone disclosures in order to improve the accuracy of financial information in annual reports. This effect is particularly evident among non-state-owned firms and those with weaker governance structures. Additional robustness checks produce consistent results, supporting the reliability of the study's conclusions.

2. Literature Review and Hypothesis Formulation

Previous literature primarily supports two main viewpoints. First is the "Supervisory Governance Hypothesis." Chambers and Penman (1984) found that good news is disclosed earlier than bad news, and noted that under expectations of effective market supervision, companies have an incentive to disclose information promptly to elicit a positive market reaction [1]. Furthermore, a company's transparency-which is determined by the interplay of external legal enforcement mechanisms and internal governance structures-is a key factor in enhancing the timeliness of information disclosure [6]. In other words, robust external oversight and internal governance mechanisms encourage management to disclose information more promptly. Second is the "Pressure Avoidance Hypothesis." Research by Kross, W., & Schroeder, D. A. found that earnings announcements released ahead of the expected date are often accompanied by good news, while delayed announcements are often accompanied by bad news [7].Furthermore, the delay in earnings announcements itself serves as a strong negative signal, as it foreshadows lower future earnings, greater volatility, and increased uncertainty regarding future performance. This leads to the conclusion that management tends to "avoid" or "delay" disclosure to temporarily alleviate pressure when faced with bad news or uncertainty [2]. Based on the above arguments, this paper proposes the following hypothesis: ceteris paribus, relaxing short-selling restrictions will improve the overall quality of annual reports (accounting information reliability) for the companies included in the sample, but will reduce the timeliness of disclosures for some companies, and this is related to the company's ownership structure and internal governance. The logical reasoning is that this paper believes improving the "reliability" of accounting information is the primary reason management delays the disclosure of annual reports. When a company's accounting information contains significant issues, management becomes increasingly cautious under pressure from capital markets. Furthermore, the environment in which a firm operates-determined by its ownership structure-and effective internal controls can constrain management's self-serving behavior and reduce intentional or unintentional errors in financial reporting, both of which are cornerstones of high-quality financial reporting.

3. Research Design

3.1. Data Sources and Sample Selection

To accurately identify the net effect of the short-selling mechanism, the difference-in-differences model requires the sample period to cover both the pre- and post-policy implementation phases. Therefore, following the research design of Hou Qingchuan et al. (2016), this study sets the research period from 2007 to 2018.This period not only fully captures the policy evolution of margin trading and short selling from pilot programs to gradual expansion but also allows for an effective comparison between the pre-policy sample (2007–2009) and the post-policy sample (2010–2018), providing a solid foundation for the identification of the difference-in-differences model.

This study focuses on non-financial A-share listed companies in China, covering the years 2007 through 2018. This selection was based primarily on two considerations: First, listed companies in the financial sector differ significantly from those in non-financial sectors in terms

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of business characteristics, regulatory requirements, and financial statement structures; excluding them helps avoid interference from sectoral heterogeneity on the study's conclusions; second, as the A-share market is a core component of China's capital market, its listed company data is comprehensive and representative, capable of fully reflecting the general impact of short-selling mechanisms on corporate annual report disclosure behavior. The initial sample comprised 30,428 annual firm-level observations. To ensure data quality, the sample underwent rigorous screening: To ensure data quality, samples lacking key variables required for the analysis-such as disclosure timing of annual reports, financial metrics, and internal control information-were removed. In addition, to reduce potential bias caused by extreme observations, all continuous variables were adjusted using winsorization at the 1% and 99% levels. Ultimately, this study obtained 27,273 valid annual company observations, which form the basis of the empirical analysis.

Regarding data sources, all data used in this study were obtained from authoritative databases to ensure the reliability of the research: financial data of listed companies (such as total assets, total liabilities, net profit, etc.) were sourced from the CSMAR database; the lists of target companies for each batch of margin trading were obtained from the Wind database. During the regression analysis, to mitigate the impact of heteroscedasticity and serial correlation on statistical inference, this study applied clustering to standard errors at the firm level, thereby enhancing the validity of the significance tests for the regression results.

3.2. Empirical Model and Variable Definitions

This study establishes a regression model to examine the impact of the short-selling regime on the timeliness of corporate annual report disclosures. The specific model is set as follows:

$$ALAG_{it} = \beta_0 + \beta_1 did_{it} + X_{it} + \delta_i + \gamma_t + \varepsilon_{it} \quad (1)$$

The key outcome variable in this study is annual report timeliness (ALAG), which is measured by the number of days from the end of the prior fiscal year to the actual disclosure date. (i.e., December 31). List is a dummy variable for companies targeted by short selling; The variable is assigned a value of 1 when a firm is subject to short-selling activities, and 0 in all other cases. Post is a dummy variable for the timing of the relaxation of short-selling restrictions; it takes the value 1 after the restrictions are relaxed, and 0 otherwise. Post*List is the test variable of interest in this study, reflecting the difference between changes in short-selling target firms before and after becoming targets and changes in non-target firms during the same periods. The core explanatory variable is defined as did in a difference-in-differences (DID) model: if a firm was included in the short-selling list and the observation year is the year the firm was included in the short-selling pilot program or a subsequent year, the core explanatory variable did takes the value 1; otherwise, it is 0.Following existing research, the following variables are controlled for: firm size (Size), debt-to-asset ratio (Lev), profitability (ROE), firm age (FirmAge), top-1 ownership concentration (Top1), proportion of independent directors (Indep), management shareholding ratio (Mshr), and state-owned enterprise (SOE) status.

In Equation (1), `$ALAG_{it}$ ` denotes the timeliness of annual report disclosure for firm `$i$ ` in the year `$t$ `. The core explanatory variable `$did_{it}$ ` indicates whether firm `$i$ ` was included in the short selling pilot program in the year `$t$ `; if so, it takes the value 1, otherwise 0.Previous studies in this paper have controlled for a series of firm-level variables, including firm size (Size), debt-to-asset ratio (Lev), profitability (ROE), firm age (FirmAge), equity concentration (Top1), proportion of independent directors (Indep), management shareholding ratio (Mshr), and state-owned enterprise status (SOE). All control variables are denoted asX_{it} .Furthermore, this study controls for firm-level and time-level fixed effects, denoted asδ_i andγ_t , respectively, to eliminate potential confounding effects such as corporate culture and the macroeconomic

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policy environment. Standard errors in the regression model are calculated using firm-level clustering.ε_{ijt} represents the error term.β_1 is the core coefficient as the main parameter of interest, capturing the average impact of the short-selling pilot policy on how quickly firms release their annual reports. Detailed definitions of the primary variables are provided in Table 1.

Table 1. Variable Definitions

Variable Name	Variable Definition
ALAG	See above for details
did	See above for details
Size	Natural logarithm of total assets
Lev	Ratio of total liabilities to total assets
ROE	Ratio of net income to total equity
FirmAge	The logarithm of the firm's age plus one
Top 1	The largest shareholder's ownership percentage
Indep	Ratio of independent directors to total number of directors
Mshare	Management Shareholding Ratio
SOE	1 if a state-owned enterprise, 0 otherwise

4. Empirical Analysis

4.1. Descriptive Statistics

Table 2 presents the descriptive statistics for the main variables in this study, laying the foundation for the subsequent empirical analysis. Regarding the distribution of the dependent variable, annual report disclosure timeliness (ALAG), the mean of the sample observations is 124.983 days, and the median is 128.000 days. This indicates that the annual report disclosure timing for the listed companies in the sample is generally concentrated around April of the following year, which aligns with the regulatory requirements for annual report disclosure deadlines in China's capital market. The first percentile of ALAG is 115.000 days, and the third percentile is 143.000 days, with a difference of 28 days between them. These results suggest notable differences across listed firms in terms of how promptly annual reports are disclosed, which provides sufficient variation for examining the effect of short-selling mechanisms. Regarding the main explanatory variables, the average value of the short-selling indicator (List) is 0.311, implying that about 31.1% of the observations correspond to firms included in the margin trading and securities lending program. This proportion aligns with the gradual expansion of such practices in China's capital market; The mean of the interaction term (Post*List) is 0.167, indicating that the proportion of observations from target companies that experienced the relaxation of short-selling restrictions is reasonable, effectively supporting the identification logic of the difference-in-differences model. As for the control variables, firm size (Size) has an average value of 21.910 and a standard deviation of 1.307, indicating that the sample includes companies of relatively diverse yet balanced scales. Meanwhile, the mean leverage ratio (Leverage) is 0.443, which is generally in line with the typical debt levels observed among non-financial A-share listed firms in China; the mean and median of return on assets (ROA) are both 0.038, indicating that most firms in the sample possess stable profitability; The mean of the loss firm dummy variable (Loss) is 0.098, indicating that approximately 9.8% of the sample firms reported losses in the current year, which is consistent with the findings in existing literature regarding the loss rate of A-share listed companies. Additionally, the mean of the Big Four audit firm dummy variable (Big4) is 0.054, reflecting the relatively limited market share of the Big Four in China's listed company audit market, which

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aligns with the current state of development in the domestic audit industry; The mean value of the "Duality" dummy variable is 0.255, indicating that approximately 25.5% of the sample companies have a situation where the chairman and general manager hold dual roles, suggesting certain differences in corporate governance structures. Overall, the descriptive statistics for each variable show no obvious anomalies; outliers have been effectively controlled through truncation, and the distribution characteristics of the sample data are reasonable, ensuring the reliability of subsequent empirical tests.

Table 2. Descriptive Statistics

VarName	Obs	Mean	SD	Min	Median	Max
ALAG	27273	4.529	0.258	2.079	4.595	5.193
did	27,273	0.204	0.403	0.000	0.000	1.000
Size	27,273	21,974	1.501	10.842	21.770	30.952
Lev	27,273	0.495	1.855	-0.195	0.432	142.718
ROA	27,273	0.926	142.435	-51.947	0.037	23,509.770
Big 4	25,953	0.061	0.240	0.000	0.000	1.000
Top 1	27,273	0.347	0.152	0.003	0.326	0.894
Indep	27273	0.372	0.056	0.000	0.333	1.000
Mshare	27,273	0.120	0.197	0.000	0.001	0.994
SOE	27,273	0.392	0.488	0.000	0.000	1.000

4.2. Baseline Regression

Table 3 reports the results of the baseline regression on the impact of short-selling mechanisms on the timeliness of corporate annual report disclosures. To examine Core Hypothesis 1, this study applies a difference-in-differences framework for empirical analysis. Additional tests are conducted to confirm the stability and reliability of the results, a series of control variables-including firm characteristics, firm characteristics, and corporate governance-were progressively incorporated into the regression process. Additionally, firm-specific and year-specific fixed effects were controlled for to eliminate the interference of firm heterogeneity and macroeconomic time trends on the regression results. Column (1) reports the estimation results from a model that excludes control variables. The interaction term (PostList) shows a significantly positive coefficient at the 1% level (coefficient = 1.622, t = 2.68), preliminarily indicating that after the relaxation of short-selling regulations, the annual report disclosure time for short-sold companies is significantly longer than that for non-short-sold companies. In In Column (2), after controlling for all relevant variables, the interaction term (PostList) continues to be significantly positive at the 5% level (coefficient = 1.308, t = 2.22). This result further validates Hypothesis 1, namely that the introduction of short-selling mechanisms leads firms to significantly delay the disclosure of their annual reports. From an economic perspective, following the relaxation of short-selling restrictions, the average number of days until annual report disclosure for target firms increased by 1.308 days compared to non-target firms. This effect is statistically significant and possesses substantial economic significance. The estimated coefficients for the control variables largely align with theoretical predictions and prior research. In particular, profitability (ROA) shows a significantly negative effect at the 1% level (coefficient = -36.123, t = -10.49), indicating that companies with better profitability tend to disclose their annual reports earlier; The dummy variable for loss (Loss) is found to be statistically significant at the 1% level, with a negative coefficient (coefficient = -3.947, t = -6.89), implying that loss-making firms are more likely to delay annual report disclosure, which aligns with the classic theoretical expectation that "good news is disclosed early, while bad news is disclosed late." Firm size (Size) exhibits a significantly positive coefficient at the 5% level

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(coefficient = 0.501, t = 2.04). This may be because larger companies have higher business complexity, and their annual report preparation and audit processes are more cumbersome, leading to relatively longer disclosure times. Ownership type (SOE) shows a significantly negative effect at the 1% level (coefficient = -2.214, t = -4.19), indicating that state-owned enterprises (SOEs) report their annual reports significantly more promptly than non-state-owned enterprises. This may be related to the stronger regulatory pressure and disclosure requirements faced by SOEs. The coefficient for audits conducted by the Big Four international accounting firms is significantly negative at the 1% statistical level (coefficient = -3.840, t = -4.63), indicating that the Big Four firms' audit efficiency is higher, enabling companies to complete annual report disclosures earlier. The number of subsidiaries (Lnsubsidiary) has a significantly positive coefficient at the 1% level (coefficient = 1.412, t = 5.79), reflecting that firms with a larger number of subsidiaries face greater difficulty in preparing consolidated financial statements, resulting in a corresponding delay in annual report disclosure. Overall, the benchmark regression results robustly support the inhibitory effect of short-selling mechanisms on the timeliness of corporate annual report disclosures; that is, under short-selling pressure, firms strategically delay the disclosure of annual reports to ensure the reliability of accounting information.

Table 3. Baseline Regression

	(1)	(2)	(3)	(4)
	ALAG	ALAG	ALAG	ALAG
did	0.0484***	0.0110*	0.0354***	0.0271***
	(0.0051)	(0.0057)	(0.0076)	(0.0076)
Size		0.0210***		0.0472***
		(0.0020)		(0.0056)
Lev		0.0015		0.0045***
		(0.0012)		(0.0011)
ROE		-0.0006*		-0.0003
		(0.0003)		(0.0003)
FirmAge		0.0484***		-0.0053
		(0.0074)		(0.0279)
Top1		-0.0478***		-0.1348***
		(0.0175)		(0.0357)
Indep		0.1002**		0.0199
		(0.0417)		(0.0459)
Mshare		0.0311**		-0.1026***
		(0.0145)		(0.0280)
SOE		-0.0442***		0.0221
		(0.0066)		(0.0171)
_cons	4.5195***	3.9228***	4.5222***	3.5423***
	(0.0029)	(0.0495)	(0.0015)	(0.1450)
N	27273	27273	27273	27273
adj. R2	0.0057	0.0266	0.2443	0.2548

Note: *, **, and *** denote that the estimated coefficients are statistically significant at the 10%, 5%, and 1% levels, respectively, while the figures reported in parentheses represent standard errors clustered at the individual level.

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4.3. Other Robustness Tests

First, the placebo test. To mitigate bias in the results caused by omitted variables, this study employs an indirect placebo test. Specifically, we generate a dummy treatment variable randomly to produce a spurious estimate β_{est}^{random} and repeat this process 1,000 times, yielding 1,000 instances of β_{est}^{random} . This variable is theoretically expected to have no effect on the dependent variable. The results of the dummy regression are shown inFigure ; both plots exhibit a normal distribution. The dashed line displayed on the right-hand side of the figure corresponds to the baseline regression estimate and is located toward the upper end of the distribution. This indicates that the estimation results in this paper are unlikely to be influenced by unobserved variables, providing stronger evidence to support the treatment effects observed in the previous analysis.

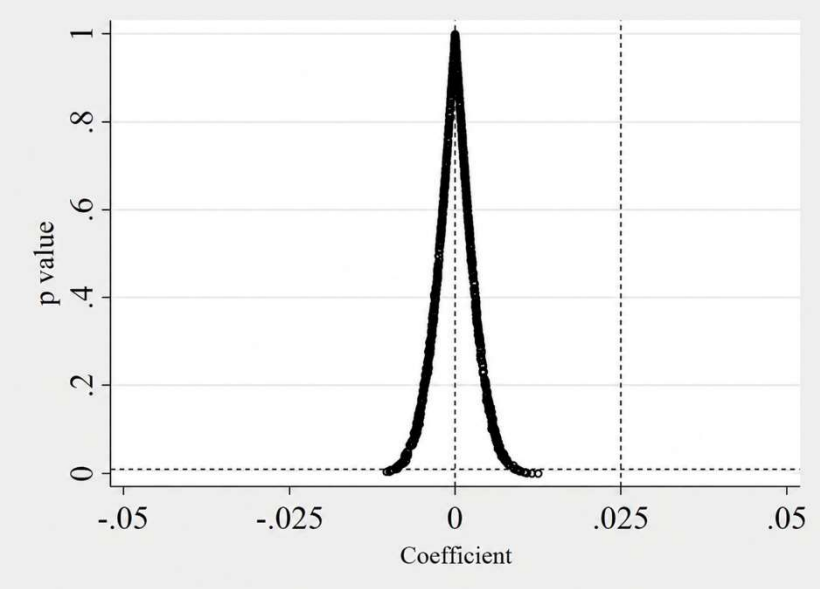


Figure 1. Placebo Test for the Treatment Group

Second, we adjust the sample period. In 2015, China's capital market experienced relatively unusual volatility; during this period, market conditions, regulatory policies, and corporate management decisions may have been subject to temporary influences. To avoid interference from data in this exceptional year on the study's conclusions, this paper conducts robustness tests by excluding the 2015 sample data. Specifically, the study adjusted the sample period to 2007–2014 and 2016–2018. After excluding all observations from 2015, regression analysis was re-conducted to verify whether the core conclusions were influenced by the market environment of that particular year. Column (2) in Table 4 presents the estimation results after modifying the sample period. The core explanatory variable, did, has a coefficient of 0.0250 and remains significantly positive at the 1% level (standard error = 0.0076). Although the coefficient is slightly lower than that of the baseline regression, it remains significantly positive and retains the same economic significance as the baseline regression. Meanwhile, the model's adjusted R^2 is 0.2624, slightly higher than that of the baseline regression, indicating that the model's explanatory power has improved after excluding data from exceptional years. This result suggests that the exceptional market conditions in 2015 does not materially affect the association between short-selling practices and the timeliness of firms'annual report disclosures. The core conclusion remains valid under different sample range settings, further validating the robustness of the research findings.

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Table 4. Multivariate fixed effects, changing sample intervals, changing clustering criteria, and matching methods

	(1) Multivariate fixed effects	(2) Changing the Sample Interval	(3) Changing Clustering Criteria	(4) PSM Matching	(5) EB Matching
	ALAG	ALAG	ALAG	ALAG	ALAG
did	0.0280***	0.0250***	0.0271***	0.0318***	0.0171**
	(0.0075)	(0.0076)	(0.0097)	(0.0108)	(0.0080)
N	27273	24,676	27,273	17,941	27273
adj. R2	0.2566	0.2624	0.2548	0.2403	0.3490

Note: *, **, and *** indicate that the coefficient estimates in the regression results are significant at the 10%, 5%, and 1% levels, respectively; the values in parentheses are the standard errors at the individual level.

5. Heterogeneity Test

5.1. Nature of Ownership

Table 5. Nature of Ownership

	(1) State-owned enterprises	(2) Non-state-owned enterprises
	ALAG	ALAG
did	0.0002	0.0469***
	(0.0103)	(0.0109)
N	10,664	16539
adj. R^2	0.3198	0.2322

Note: *, **, and *** The symbols indicate statistical significance at the 10%, 5%, and 1% levels, respectively. Standard errors, reported in parentheses, are calculated at the individual level, with both firm and time fixed effects taken into account.

Table 5 presents the results of a heterogeneous regression analysis based on ownership structure, which seeks to explore whether the effect of short-selling mechanisms on annual report timeliness differs across firms with varying ownership structures. During the regression process, the analysis incorporates firm and time fixed effects, as well as additional company-level control variables related to disclosure timing, to ensure the robustness of the empirical findings. Column (1) presents the regression results for the state-owned enterprise sample. The coefficient of the key explanatory variable DID is 0.0002 and is not significant (the t-value did not pass the statistical test), indicating that the introduction of short-selling mechanisms did not have a significant impact on the timeliness of annual report disclosure for state-owned enterprises; Column (2) reports the estimation results based on the subsample of non-state-owned firms. The coefficient on did is positive and statistically significant at the 1% level (coefficient = 0.0469, standard error = 0.0109), suggesting that the easing of short-selling constraints is associated with a noticeable effect, the time taken for annual report disclosure by non-state-owned enterprises significantly increased. The underlying logic behind this difference lies in the fact that state-owned enterprises typically face stronger administrative oversight and social scrutiny, with their information disclosure practices subject to greater institutional constraints. Additionally, they possess stronger resource acquisition capabilities and higher risk-resilience, so they do not need to delay annual report disclosure to ensure information reliability when facing short-selling pressure; In contrast, compared with other firms, non-state-owned enterprises are subject to less stringent regulatory oversight while facing stronger competitive pressures in the market environment. Furthermore, their

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standards of information disclosure and levels of internal governance may fall short of those of state-owned enterprises. Short sellers have stronger incentives to uncover negative information about them. Consequently, to avoid short-selling shocks triggered by information flaws, the management of non-state-owned enterprises is more inclined to delay annual report disclosure in order to refine financial information. The significant differences in the regression results between the two types of enterprises indicate that ownership structure is an important contextual variable influencing the effectiveness of the short-selling mechanism.

5.2. Internal Control Quality

Table 6 reports the results of heterogeneous regression based on internal control quality to test the moderating effect of internal control levels on the relationship between short-selling mechanisms and the timeliness of annual report disclosure. Following existing research methods, this study uses the median Board Index as the cutoff to divide the sample into high- and low-internal-control-quality groups. After conducting group-specific regressions, the existence of the moderating effect is determined by examining differences in coefficient significance. Column (1) reports the regression outcomes for firms with higher internal control quality. The coefficient on the key explanatory variable did is 0.0059 and is statistically insignificant (standard error = 0.0152), indicating that firms with higher internal control quality do not significantly alter their annual report disclosure timing when facing short-selling pressure; Column (2) presents the regression results for the low internal control quality group. The coefficient on did is positive and statistically significant at the 1% level (coefficient = 0.0316, standard error = 0.0090), suggesting that the delaying effect of short-selling mechanisms on annual report disclosure is stronger among firms with weaker internal control systems. This result is consistent with theoretical expectations: effective internal controls can restrain management's self-serving behavior and reduce errors and deficiencies in financial reporting, serving as a crucial internal governance mechanism for ensuring the quality of financial information. Therefore, firms with higher internal control quality inherently have greater assurance regarding the reliability of their financial reports and, when facing short-selling pressure, do not need to delay disclosure to supplement or refine information; Conversely, firms with lower internal control quality have a higher probability of issues in their financial reports and are more likely to become targets of short sellers. To mitigate the risk of being shorted, management may choose to allocate more time for financial statement audits and corrections, thereby leading to a significant delay in annual report disclosure.

Table 6. Quality of Internal Controls

	(1) High Quality	(2) Lower Quality
	ALAG	ALAG
did	0.0059	0.0316***
	(0.0152)	(0.0090)
N	4486	22527
adj. R^2	0.3731	0.2459

Note: *, **, and *** denote statistical significance at the 10%, 5%, and 1% thresholds. The numbers shown in parentheses correspond to standard errors at the individual level, with both entity and time fixed effects already accounted for.

6. Conclusion

With the gradual relaxation of short-selling constraints in China's capital market, this paper investigates how such mechanisms influence firms' disclosure decisions. The findings reveal that the risks associated with short-selling mechanisms prompt corporate management to

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prioritize the "reliability" of accounting information over "timeliness." This relationship is particularly pronounced in firms with lower internal control quality and in non-state-owned enterprises. The results remain consistent with the main conclusions even after conducting robustness tests involving changes in variables and sample composition.

Drawing on the preceding analysis, this study suggests that the implementation of the margin trading system has, to some extent, prompted management to adjust their information disclosure behavior, specifically manifested as a delay in the timing of annual report disclosures. This behavioral change has a dual effect: on the one hand, it helps improve the overall quality of accounting information, thereby enhancing the protection of investor rights; on the other hand, it may weaken the timeliness of information, potentially affecting the effectiveness of investor decision-making. Striking a balance between ensuring information quality and maintaining information timeliness is an issue that policymakers must carefully consider as they expand the margin trading system.

Currently, the capital market generally responds positively to companies that disclose their annual reports first, while those that delay disclosure are often met with the expectation that "there may be negative information." This market reaction may inadvertently lead companies to overemphasize the "speed" of information disclosure while neglecting the "reliability" of its content. Therefore, regulatory authorities should appropriately guide companies to prioritize the coordinated integration of various quality characteristics in the information disclosure process, avoiding neglect of any single dimension, thereby supporting the stable and sustainable growth of China's capital market.

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