

# Value Relevance of Earnings in an Emerging Capital Market: the Case of A-shares in China

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First published: 28 June 2008

<https://doi.org/10.1111/1468-0106.00083>

Citations: 37

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## Abstract

This study investigates the value relevance of earnings in the emerging capital market of China by examining the information content of accounting earnings measured under the People's Republic of China Accounting Standards (PRC-GAAP). Based on the A-shares of listed Chinese firms during 1994–97, a significant association is observed between annual market-adjusted stock return and the change of earnings. Also documented is a significant price reaction to the annual earnings announcement in a three-day window centered around the announcement date. Overall, the empirical results suggest that earnings reported in China are value-relevant to A-share investors.

## Citing Literature



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