 Depositary Receipts (DRs) is a cross-list program. Firms can diversify their capital source and can be seen as access to international financial markets. There are many theories in the literature on cross-listed to explain the motive and the market reaction, such as: market segmentation, liquidity hypothesis ... and so on.

Cross-listing can reduce the barrier of market segmentation. Segmentation may result from direct barriers (e.g., legal constraint in ownership and taxes) or indirect barriers (e.g., liquidity). Stapleton and Subrahmanyan (1977) suggest that cross-listing can reduce market segmentation, thus increasing firm value. Foerster and Karolyi (1996) find abnormal returns are positive before the listing yet become negative once trading begins abroad. Alexander et al., (1988) empirically tests the abnormal return from the samples of 34 foreign firms cross listed in US around the event day, listing day, during 1969 to 1982. He finds no significant abnormal return. The possible reason may be announcement effect. Signaling effect has reflected the information around the announcement day instead of the listing day. Announcement may have more information content than listing date and result in impact to stock price.

Following Amihud and Mendelson (1986) liquidity hypothesis, trading in dual listing exchanges increases the liquidity of equity owing to the extension of the investor base. Cross-listing in lead exchanges will increase stockholder base, circumvent the barrier to investing in emerging market. That will increase liquidity and lower investors’ required return (Miller, 1999). Miller (1999) examines the stock’s response to the cross listing around announcement day. Controlling for institutional and geographical differences in DR programs, he find significant differences in the stock price reactions that are related to barriers to capital flows. Abnormal returns are largest for firms that list on major US exchanges such as NYSE or NASDAQ. In that study, abnormal returns may be caused by listing in different exchanges. We also examine whether this factor is an impact factor causing abnormal return for Taiwan’s cross-listing firms and adds Luxembourg and London as more exchanges to discriminate the effects.

Coming from the incentive of diversified capital source, different listing level or private placement can or cannot raise capital to public or private. Errunza and Miller (2000) propose cross-listing can diversify the capital source to alleviate the impact on the local capital market and reduce the capital cost.

Miller (1999) examines the stock’s response to the cross listing in different equity offering types, such as: public(level III), private placement, and no capital raised (level I, II) around announcement day to test the segmentation of international capital markets. We also argue that the diversification of the
capital source to alleviate the impact on the local capital market can reduce the capital cost. That is whether the DRs Level III and private placement with raising fund have higher abnormal return than DRs Level I-II without raising fund function.

The market of Taiwan’s IT industry is abroad global market instead of local market. This study classifies the factor as high-tech industries (IT industry) and traditional industries (not IT firms). Taiwan’s IT industry boomed in the mid 1990s and became the major industry in the value of output, export value and market value of the stock market. The number of the DR issuers from IT related industry largely surmounted the number of traditional industrial firms in 1999 and the gap continued to be broadened.

Therefore, that causes the motivation to examine whether different industrial type between high-tech (computer and electronics IT-related) and non-hi-tech (except IT-related) industries make the difference response to stock return.

If motives to cross-list as literature stated can increase shareholders’ wealth, announcement effect will be positive and the management probably announces to raise the share price. Some announcements are published to delay or cancel the prior cross-listing plans owing to the financial market downside and harmful to issuing price. What is the signal to investors’ attitude? Market reaction to the new issuing DRs plan announcement is recognition or see it a doubt. This announcement effect followed by the previous delay or cancel announcement has significant difference from the other announcements without prior amendment. If the amendment convinces investors and the adaptation to the financial market situation is suitable, the next announcement will be better than the others; otherwise, investors may think management manipulate the DRs issuing announcement.

The announcement of cross-listing plan by the board of directors should be prudent and should not be amended often. To cancel and later to propose a new plan again seem not normal for the market investors.

If they list abroad in the first time, they may not offer the best price owing to lack of experiences. We argue international financing experience will affect the firm value during cross-listing. ECB issuing is also the access to international financial market, but that is debt instruments not equity instruments. The issuance of ECB and/or DRs is deemed as access to international financial markets.

Our samples are all of the Taiwan’s public listed firms ever cross-listing. The sample data of cross-listing DRs can be gotten from Taiwan’s summary of security statistics published by Taiwan Ministry of Finance. The related DRs’ information can be gotten from Bank of New York ADRs’ website. These securities’ trading data from home country Taiwan can be achieved in Taiwan security exchange or Taiwan economic journal’s database (TEJ). The sample period in the empirical analysis ranges from May 1992, the first DRs issued, to June 2011. The announcement date is collected from market observation post system (MOPS) provided by Taiwan Securities Exchange, the main financial newspapers in Taiwan, ex: Economic Daily News, Business Times. Which one in the same issuing is the earlier reported news of DRs issuing will be selected as the event day.

Cross-listing has been thought as a positive event traditionally in U.S./European studies because of some motives as discussion above. Most of firms are also proud that they can finance globally. Studies of multiple nations in DRs are abundant but single economy study is few, especially in Asian emerging countries. This study focuses on a single economy and deep analysis. The results are huge different from the previous studies. The announcement effect in cumulative abnormal returns is not positive but negative no matter before or after event day in Taiwan listed firms sample.

Investors do not matter whether the cross-listing exchange is located in US New York or other relatively lower liquidity countries/markets. No significant differences are shown. The reasons can be that investors do not matter as above mentioned, or the asymmetric sample distribution, few sample listing in NYSE and most of them listing in European GDRs. One of the main objectives in cross-listing is to raise new capital for firms expansion plans. However our sample investors regard this event as bad news. CARs for new capital offering announcement perform significantly worse than those for no capital raising. Probably investors do not like sample firms to expand too fast or are afraid of their...
ownership or wealth diluted by the listing. The result is also different from the previous studies of cross-listing.

Our sample industrial structure is skewed to hi-tech IT industry. Most of cross-listing are from hi-tech ITs firms. The difference of the announcement CARs shows no significant between industries. Investors care not the industries but the financing experience abroad. Announcement effect with experience in DRs or ECBs is better than without but significant only in the longer event window (-1,100). Some of the announcements are followed by some prior delays or cancels. The reasons in public media are financial market situations. Investors recognize the announcements regardless of the prior delays or cancels and the effect is significant only in the short term window.

The announcement effect of DRs issuing is harmful for shareholders’ wealth in this single sample economy of Asian emerging market. The opposite results to the previous western economies studies provide us a new thinking in what investors care.

二、研究或教學或科技研發與管理成效評估 (由計畫主持人或單位主管填寫)

Please evaluate the performance of research, teaching or science and technology R&D and management work: (To be completed by Project Investigator or Head of Department/Center)

(1) 是否達到延攬預期目標？
   Has the expected goal of recruitment been achieved?
   Yes, the project emphasizes the Taiwan industries studies and provides different evidence from the previous US/European studies.

(2) 研究或教學或科技研發與管理的方法、專業知識及進度如何？
   What are the methods, professional knowledge, and progress of the research, teaching, or R&D and management work?
   The research ability and the schedule are well organized.

(3) 受延攬人之研究或教學或科技研發與管理成果對該計畫 (或貴單位) 助益如何？
   How have the research, teaching, or R&D and management results of the employed person given benefit to the project (or your unit)?
   After adequate amendment and more robustness checks are added into the paper, the project report can be submitted to international journal. That can raise our organization research performance.

(4) 受延攬人於補助期間對貴單位或國內相關學術科技領域助益如何？
   How has the employed person, during his or her term of employment, benefited your unit or the relevant domestic academic field?
   During his term of employment, his research topic helps us attach the international finance topic. That can provide more evidence to cross-listing studies. The further discussion for why the result is different from the US/European studies can be developed as another topic.

(5) 具體工作績效或研究或教學或科技研發與管理成果：
   Please describe the specific work performance, or the results of research, teaching, or R&D and management work:
   During his term of employment, his research topic helps us attach the international finance topic. That can provide more evidence to cross-listing studies. The further discussion for why the result is different from the US/European studies can be developed as another topic.

(6) 是否續聘受聘人？ Will you continue hiring the employed person? □ 續聘 Yes □ 不續聘 No
   If the budget allows, I hope to employ the person to study more topic or deeply discuss this study more. Regretfully budget cannot continue to support my plan.

※ 此報告表篇幅以三～四頁為原則。This report form should be limited to 3-4 pages in principle.
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